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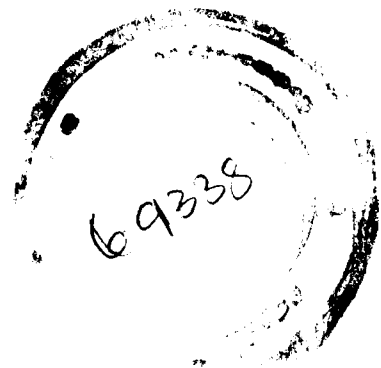
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The evil of 'quid and quo'

making many promises to the public on behalf of the central government. It has been said that the government will hereafter work with greater dedication and increased efficiency in framing policies or executing programmes for improving the economic and social conditions of the people and, in particular, vulnerable or under-privileged sections of the community. There is a great deal of talk of employment-oriented development, while emphasis is being laid on social welfare and social justice. The Prime Minister and her colleagues are also pledging themselves to a new quality of planning which would encourage national self-reliance while discounting foreign aid. On another plane, assurances are being held out about the administration developing a new outlook or changing its ways of functioning so that bureaucratic inertia, negativism or obstructionism is eliminated from the implementation of the government's decisions or the discharge of the government's responsibilities for speeding up economic development.

There is, however, one promise which leaders in the ruling party or government have not made, one assurance which they have not held out. This is that they will endeavour to give the people a government cleaner than what the nation has been putting up with for several years now. There has been no undertaking on the part of the Prime Minister or other ministers in the central government to make an attempt to reduce the scale of corruption in politics or administration. The only assumption on which this silence can be justified is that this problem of corruption has not become a serious issue of good government. It is, however, widely recognised that there is or can be no place in our political syllogism or such a comforting premise. The politicians know only too well that the people now well enough that corruption has become the main fuel both for our politics and administration. The Election Commission has made no secret of its conclusion that the election practices of political parties or their candidates are chronically riddled with corrupt practices. There are several judgments of high courts or the Supreme Court in which references have been made to the poor state of morality among political parties or individuals as shown by their gross or consistent violation of election rules or regulations against corrupt practices. Recently, the government-appointed Direct Taxes Enquiry Committee had spoken in the most casual terms of black money being paid to and received by or on behalf of political parties. In addition, there is talk going on at all levels of the society of fund-collectors for political parties coaxing or coercing large cash payments from businessmen, often employing for the purpose the power or authority of their positions or offices in government. Significantly enough allegations of this kind have been seldom rebutted or even challenged.

Given the state of affairs at the political level, it is not surprising that the integrity and purity of the administration has also come to be widely suspected or arraigned. Once a minister's conduct ceases to be above board, he naturally becomes helpless or ineffective in dealing with corrupt practices in his ministry. Dishonest officials consequently become less and less inhibited in demanding or accepting bribes. Thus there often develop situations in which the bribed politician is unable to deliver the goods because files cannot be made to move unless the officials in their turn are also taken care of. In such a vicious context, clean government becomes an impossible idea and this is what is happening in our country at present.

It must be conceded, of course, that corruption in government is not a new development. But in the dimensions in which it now exists, it is certainly a phenomenon without precedent in the history of administration in our country. It is generally agreed that the root of this evil is to be found in the under-the-counter collection of cash payments from businessmen by politicians in office. It is also realised that the legal ban placed on open donations by public limited companies to political parties has had a great deal to do with the aggravation of this evil trade in black money. The Wanchoo Committee on Direct Taxes has suggested that the evil could be reduced if donations to political parties by public companies are made legal and given the benefit of tax exemption. Mr Palkhivala has also been advocating the removal of the legal ban on public limited companies making donations to political parties and has suggested that a law should be passed simultaneously making it compulsory for all political parties to make a public declaration periodically of all the donations they have received from various sources. There has also been a more far-reaching proposal that the state should finance with the tax-payers' money the legitimate election expenses of recognised political parties, thereby eliminating the role of black money as well as the need for political parties being beholden to individual or corporate donors. Whether the Prime Minister, her advisers and her colleagues are prepared to devote

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some serious attention to this problem is not known, but it is clear enough that unless this basic evil of political corruption is dealt with, that other evil of corruption at the level of administration cannot be combated either.

Meanwhile could the community do anything at all even if the government or the political parties were to remain indifferent? The business community, at any rate, does bear a large responsibility for setting things right. This is for the simple reason that it is the most important 'other party' to corruption among politicians or officials. There was no doubt a time when businessmen could and did collect money openly and honourably for the benefit of political parties the economic policies or programmes of which they believed to be to the advantage of private enterprise and the good of the country. Today the climate for that kind of healthy and quite wholesome co-operation between political parties and the business community does not exist. On the contrary, financial support for politicians has become a black transaction in which undue personal favours are sought by businessmen and granted by the politicians in office or, equally often, politicians holding office have recourse to the tactics of blackmail to extract cash out of vulnerable businessmen. This being the pattern of political corruption, it follows that businessmen individually or the business community collectively ought to and can play an effective part in stopping this rot of corruption, in government or administration. This would no doubt mean for many businessmen a question of taking risks of a kind different from business risks but more often it would simply be a matter of their resolving, in the interest of the institution of private enterprise as well as in the national interest, not to seek undue advantages or favours from ministers or officials.

What is particularly unseemly in the anatomy of corruption in government or administration is the payment of money by businessmen to political parties or politicians as the *quid* for the *quo* of licences or quotas. There are certain business leaders who have lately taken up lecturing their fellow businessmen on the larger social ethics they must practise if private enterprise is to survive. It would certainly be useful if these prophets or preachers would also consider exhorting businessmen to turn their back on the monstrous institution of *quid pro quo* which has done so much to corrupt the administration, the government, politics and public life itself and imperil the democratic way of life.

This column has not

been planned as a regular weekly feature. It will appear whenever a fit subject presents itself. I have a suspicion that this will happen fairly frequently. As the caption warns, this column may extend charity to none: nor does it expect charity from any. It is and will be written, however, without malice towards the individuals whose views on issues of interest or whose sins of commission or omission in respect of their public responsibilities may be criticized or otherwise commented upon.

WITHOUT CHARITY

I am rather sorry

that my inaugural target happens to be the Minister for Tourism and Civil Aviation. Dr Karan Singh has qualities of head and heart which are deservedly and widely admired and respected. It is, however, not Dr Karan Singh, the individual, that I am concerned with here. I am writing about him only as Dr Karan Singh, the Minister for Tourism and Civil Aviation, especially Civil Aviation. I may be calling an axe a bloody shovel, but the plain fact is that Dr Karan Singh has been a dismal failure as Minister for Civil Aviation. The job has proved to be just too tough for this very soft man.

Nero was accused of

fiddling while Rome was burning. Dr Karan Singh, of course, is no Nero, but he is certainly interested in music. On March 31, a Friday, Dr Karan Singh was enjoying a music concert by Smt. M.S. Subbalakshmi from about 11 a.m. to 1 p.m. She was giving this performance for the delegates to the International Sanskrit Conference. In addition to being a lover of music, Dr Karan Singh is also a lover of Sanskrit.

There is of course,

nothing very wrong in a minister taking time off, even during the working hours of government, to pursue his interest in culture, literature, and the Fine Arts. Ministers, surely, do not have to sit glued to their chairs in their ministries or their seats in Parliament to show that they are not wasting taxpayers' money.

Nevertheless I feel

that I have just reason to pick up a quarrel with the Minister for Civil Aviation. For several weeks now the Indian Airlines schedules have

been in shambles. This may not have made a difference to the President or the Prime Minister both of whom have the IAF at their beck and call. It is also possible that other VIPs in government have not been seriously incommoded. They, after all, are in a position to throw their official weight about — and it has been remarked that one of the few IAF flights which managed to take off on time in the recent past was also the one which had the privilege of having the union Finance Minister listed among its passengers.

Lesser travellers,

however, have had to suffer varying degrees of discomfort or inconvenience so much so the weak of will or flesh among them have often been reduced to nervous wrecks. My charge against Dr Karan Singh is that he seems to be showing less interest in calling Indian Airlines to order than in Sanskrit conferences or music concerts. Seeing that he has not yet been moved to the Ministry of Education (including Cultural Affairs), this kind of behaviour on his part suggests dereliction of duty, gross or otherwise. The minister and the Indian Airlines management have charged the engineering staff with

staging an undeclared go-slow. The engineers on the other hand have claimed that they are simply working to rules. Additionally they have complained of lack of or ready access to spare parts, and this, they argue, is causing delays in maintenance operations being carried in accordance with the requirements of the safety of aircraft in flight. The public has a right to know where the truth lies and it should therefore have been one of the immediate acts of the minister to ask a competent expert or a small group of experts to go into the merits of the controversy and inform the public of the real state of affairs. If there is in fact a go-slow, the airline engineers could and should have been called to account. If, on the contrary, the management is in default with regard to spares or any other aspect of maintenance operations, the executives who are responsible for the lapse or lapses should have been brought to book. As it is, this hurling of charges and counter-charges, without any attempt being made by the minister to clear the air through a prompt and proper investigation of the truth, has only made it easy for irresponsible disputants on either side to carry on a battle of wills or war of nerves at the expense of air travellers who are the primary sufferers.

Incidentally, the

phrase "working to rules" seems to have been exploited once too often. If these rules would allow any section of airline operatives to knock down airline schedules, the sooner these rules are changed the better. The real problem, however, is that nobody is speaking the truth. It is clear that there is a wage dispute between the engineers and the airlines. To the extent that the demands of the former have substance, the management and the ministry have had enough time to make a 'take it or leave it' offer which is objectively reasonable and then proceed to deal sternly with the recalcitrants in case the offer is rejected. The trouble is that neither the Indian Airlines management nor the Civil Aviation ministry has yet been able to develop practices of tidy and firm administration. No wonder their record — and particularly the record of the present Minister for Civil Aviation — have been pock-marked by far too many surrenders

Mr Mishra's favourite child

IN his presidential address at the annual general meeting of the Indian Jute Mills Association held in Calcutta on March 30 1972, Mr S.L. Mehta referred to the keen and continuous interest that Mr L.N. Mishra, the Minister of Foreign Trade, was taking in the problems of the jute industry. "No wonder," he said, "if the industry claims the privilege of being your favourite child". But Mr Mehta's address showed how the industry has been receiving inadequate attention not only from the Ministry of Foreign Trade but also from other ministries. For example, Mr Mehta complained that the industry's efforts to maximise production by working extra hours including Sundays and by installing additional machinery and equipment were "greatly hampered by the inordinate delay which occurred in the necessary permission being accorded by government".

The delay in getting payments for the jute goods supplied to the government has resulted in blocking mills' working capital, thereby putting "a serious constraint on their working". Mr Mehta also remarked that the continuance of the export duties would

to aggressive trade unionism or simply unprincipled agitations.

Meanwhile air-

travellers are being repeatedly hit — and hit doubly every time. While the fares keep going up, the right to travel comfortably if possible — or peacefully at the very least — is becoming increasingly difficult to assert. The victims of Indian Airlines have in fact been reduced to such a helpless condition that the airline is even able to enforce and collect cancellation charges in spite of its being in no position to guarantee that its flights will take off according to schedule. A classic example of this a "pull devil pull baker" situation, which is being put up with only because the majority of air-travellers — perhaps the vast majority — has its fares paid by the government, directly or indirectly. There is here some poetic justice which both the aesthete and the moralist in Dr Karan Singh should be able to savour and relish.

TOUCHSTONE

ultimately prove detrimental to industry's export efforts.

The jute industry's export performance in 1971 can be considered as satisfactory only in a limited sense. Mr Mehta said that hessian exports increased from about 283,000 tonnes in 1970 to 309,000 tonnes, in 1971, carpet backing from 138,000 tonnes to 251,000 tonnes, and sacking from 79,000 tonnes to 1,15,000 tonnes, an increase of about 33 per cent. But Mr Mehta pointed out that the industry's improved performance in 1971 was much short of that of the sixties. For example, the industry's annual exports during 1963 to 1967 averaged about 850,000 tonnes which was 16.1 per cent more than what was exported last year. The better exports of last year were mainly due to the cessation of supplies from Pakistan.

Mr Mishra pointed out that the current prices were too high and that foreign countries were buying our jute goods mainly due to the "compulsion of circumstances". He added that jute could compete effectively only if its prices declined. But the industry's efforts were greatly handicapped by the frequent cuts in power supply, inadequacy of bank credit, high shipping freight and lack of co-operation from labour.

The power plants in West Bengal suffer from serious deficiencies arising from defective maintenance and strained management-labour relations. The plants of the State Electricity Board, the Durgapur Projects Ltd, and the DVC have been unable to produce according to capacity because of mechanical defects and lack of co-operation from labour. Though Mr Siddhartha Shanker Ray's ministry is now trying to improve the situation, it seems that it will take several weeks or months before industries in West Bengal can be assured of uninterrupted supply of power. It is doubtful if the jute industry's plea to exempt it from power shedding will be heeded by the state government. Frequent power shedding has also been affecting industrial relations in the jute industry. Mr Mehta complained that in spite of successive increases in wages and dearness allowance, there has been no improvement in production due to intense inter-union rivalries leading to various acts of indiscipline.

Mr Mehta highlighted the threat to the jute industry from synthetics. He said that the share of synthetics in the tufted carpet production in the

USA increased from 12.9 per cent in the first quarter of 1968 to 36 per cent in the third quarter of 1971 in the field of primary backing and from 8.8 per cent to 24.4 per cent in secondary backing. This resulted in an erosion in the share of jute primary backing from 83.5 per cent to 61.1 per cent and in jute secondary backing from 79.2 per cent to 66.9 per cent in this period. In 1971 the share of man-made fibre further increased from 32 per cent to 34.8 per cent in primary backing. In view of this increasing challenge from synthetics, both the government of India and the jute industry should intensify their efforts to improve the latter's competitive capacity. In this context, research activity assumes considerable importance.

Mr Mishra expressed satisfaction at the fact that the Indian Jute Industries Research Association had done useful work in the areas of jute spinning and fibre upgrading. But he regretted that quite a few mills had still not joined the Research Association and, more unfortunately, its subscription had run into large arrears, which showed "a lack of interest on the part of the members in the vital sector of research and development." While the minister is right in emphasising the role of research, he does not seem fair in attributing indifference on the part of mills. When the mills have not been able to operate profitably and even working capital has been hard to get, how can they be expected to show enthusiasm for research?

Mr Mishra exhorted the jute industry to devote proper attention to market studies. He said, "We should revitalise export marketing through proper planning and promotion and if necessary, market surveys and market orientation tours should be undertaken in the principal markets by experts in the industry and the government with a view to evolving suitable strategy for minimising loss in markets and deterring some new investment for production or use of synthetic substitutes". This is sound advice. But can Mr Mishra assure the industry of the adequate availability of foreign exchange to undertake market surveys? The industry had complained some time back that because of the niggardly allocations from the Market Development Fund, its efforts to intensify publicity in the USA for its non-traditional products like carpet backing and decorative fabrics had been

severely handicapped.

Referring to raw jute, Mr Mehta expressed satisfaction at the fact that as in the past, the industry was able to maintain the fibre price at Rs 42 per maund, basis Assam Bottoms. Mr Mishra pointed out that during the current season, the prices of raw jute in the mofussil markets dipped below the support level during the peak marketing period but he admitted that this was due largely to the floods and disruption in rail movement. Both Mr Mishra and Mr Mehta agreed on the need to provide the grower with a remunerative price. The Minister said that the government was considering fixing the minimum price of raw jute statutorily and strengthening the Jute Corporation. But these measures themselves would not benefit the cultivators unless they were also assured of the regular supply of

inputs and conditions are created for profitable working of the industry.

Now that West Bengal has a popular ministry and the centre is also keen to revive the state's economy, the jute industry should be able to look forward to better times. Mr Siddhartha Shankar Ray should impress on the centre, especially on the ministries of Finance and Foreign Trade, to deal with the jute industry with more realism and seriousness. At the same time the state government should do its best to help the industry particularly in such matters as supply of power and maintenance of discipline by labour. The IJMA also would do well to use the good offices of the state government in tackling some of its major problems. New Delhi perhaps may be in a better mood to listen to the voice of the jute industry when it is backed by the state government.

Our new trade partner

THE INDO-BANGLADESH trade agreement has been hailed in Parliament and outside as a sensible and realistic document. Mr L. N. Mishra, the Minister for Foreign Trade, has described the treaty as "historic" and as "a manifestation of our common will to discover and utilise the complementarities which exist between our two economies". To what extent the treaty will help to promote the welfare of the people in both countries, to whom it has been dedicated, will depend on how effectively it is implemented.

In West Bengal particularly, hopes have been raised that the treaty will substantially contribute to more employment, more supplies and lower prices of many essential commodities and will also give a stimulus to the rapid development of its agriculture and industry. To the people of Bangladesh the treaty is expected to augment the supplies of commodities which are required for the reconstruction of the economy and to create more jobs and better living standards. If these hopes are to be fulfilled, Delhi and Dacca should see to it that the terms of the treaty are carried out without an excessive emphasis on ideology.

The revival of the border trade is expected to provide immediate and substantial benefit to the people in both countries. The agreement provides that the facilities of border trade will be

available only to persons living in areas other than municipal areas within sixteen kilometres of the land customs frontiers and holding special permits. Those who hold such permits can carry across the border in each sector only the goods and quantities specified in the agreement and they may cross the border only once a day in each direction on any two specified days of a week only through the authorised routes. The movement of such goods will be free from customs duty and other formalities. Each person can carry in cash a sum not exceeding Rs 100 when crossing the border.

The quantities of goods to be permitted in this free trade are not the same across the entire border. The goods generally include such items as vegetables, chillies, fruits, milk products, firewood, fish, eggs, etc. These provisions in the agreement will help to provide employment to large numbers of people. But how far will they prevent smuggling? The border between India and Bangladesh runs into 1350 miles and some of the areas in the states of West Bengal, Assam, Tripura, Meghalaya and Mizoram are heavily populated. It remains to be seen to what extent the authorities on either side will be able to maintain eternal and effective vigilance and prevent unauthorised trading.

The agreement provides for a Rs 50-crore two-way trade in goods which are of special interest to the two countries. This trade is to be conducted on a balanced basis. The main goods to be bought by India are fish (Rs 9 crores),

raw jute (Rs 7.5 crores), newsprint (Rs 3 crores) and furnace oil and naphtha (Rs 1.5 crores). The exports from India will consist chiefly of tobacco (Rs 10 crores), cement (Rs 4.5 crores), coal (Rs 4 crores), cotton yarn (Rs 1.5 crores) and machinery, and spare parts for jute industry (Rs 50 lakhs). Transactions in this category will be made in rupees, similar to the arrangements in force with the countries of east Europe with the exception that the settlement of the balance, if any, will be in pounds. The agreement also provides for trade under free foreign exchange of goods not specifically mentioned.

Indian industries should be able to maintain their production at a high level if supplies to Bangladesh are to be assured without creating shortages at home and without affecting our exports to the other countries. In West Bengal particularly efforts must be made to enable industries to make better use of their capacity. The coal industry continues to be severely handicapped by the shortage of wagons. Production of coal in the country declined from 80 million tonnes in 1969-70 to 75.99 million tonnes in 1970-71 and 72.16 million tonnes in 1971-72 (estimated). In the Bengal and Bihar coal-fields, the output declined from 55.67 million tonnes to 52.21 million tonnes and 47.13 million tonnes, (estimated) respectively, in the last three years. This fall in production was caused almost wholly by the chronic shortage of wagons. This problem therefore needs prompt attention if we are to produce enough coal for our industries, for Bangladesh, and for other export.

The flow of fish from Bangladesh is expected to augment supplies and bring down prices in West Bengal. In the past, West Bengal used to import from East Pakistan about 6000 maunds of fish daily, estimated to cost over Rs 21 crores per year. It is not known to what extent Bangladesh will be able to meet the fish requirements of West Bengal. But it is important to ensure that because of the availability of fish from Bangladesh, West Bengal does not slacken its efforts to develop its own fish industry. Production of fish in West Bengal is estimated to have declined from 241,000 tonnes in 1969 to 235,000 tonnes in 1970 though the expenditure on the fishery schemes was much higher in the latter year.

Similarly, the prospects of supplies of raw jute from across the border should not create complacency in West Bengal and other jute-growing areas. In West Bengal the production of raw

jute has widely fluctuated in the recent years. It was 2.4 million bales in 1970-71 compared to 3.0 million bales in 1969-70, 1.1 million bales in 1968-69 and 2.5 million bales in 1966-67. West Bengal should intensify its efforts to produce more jute—and better jute. Though Bangladesh may be able to supply our requirements, she has also to export her jute to many countries of the world to augment her earnings of foreign exchange.

The trade agreement seems to rely too much on the state agencies for its implementation. So far as India is concerned, will the STC or any other official organisation that may be specially set up, be able to implement the agreement efficiently? The STC in the past has not been able to handle satisfactorily its responsibilities especially in regard to the procurement of raw materials whose imports have been canalised. Mere appointment of more staff to the STC or other official agencies will not be of much help so long as the procedures for state trading continue to be dilatory and complicated. In Bangladesh also, one wonders to what extent the state machinery has the necessary experience and expertise for the efficient handling of trade not only with India but with many other countries with which Dacca will conclude agreements in the near future.

Mr L.N. Mishra has said that if Dacca wishes to encourage the private trade in certain fields, the government of India will respect its wishes. But it appears unlikely that Dacca will allow the private trade any significant role in view of Sheikh Mujibur Rahman's anxiety to build up a socialist image of his country. Dacca seems to look up to Delhi for inspiration (and perhaps instruction as well) in policy matters. It looks therefore that state agencies will continue to dominate Indo-Bangladesh trade.

An unfortunate consequence of excessive reliance on state trading is to blunt private initiative in India in promoting trade and economic co-operation with Bangladesh. Take the jute industry, for example. Although it is more than four months now since Bangladesh was born, no dialogue seems to have taken place between the jute industries of the two countries to explore the scope for joint action. It is true that the jute industry of Bangladesh has yet to recover itself fully from the effects of the war. But what seems surprising is that not even a beginning has been made in this direction. Mr S.L. Mehta's presidential address at the annual meeting of the Indian Jute Mills Association held on March 30, gave no indication whatsoever as to whether there was any proposal for the jute industries of both the countries to initiate talks for a common policy in certain matters. Perhaps the Indian jute industry does not want to take any initiative in this regard unless Udyog Bhavan gives the green signal. Meanwhile, synthetics continue to make rapid headway in the USA and elsewhere, posing a threat to the jute industry both in India and Bangladesh.

The governments of India and Bangladesh have also agreed to make mutually beneficial arrangements for the use of their waterways, railways and roadways to facilitate movement of goods. Further, Nepal has been given access to Bangladesh via Radhikapur. There is thus considerable scope for India and Bangladesh to co-operate with each other in many fields. How far they will succeed in their efforts will depend mainly on to what extent Delhi is able to impart buoyancy to the economy and how soon Dacca is able to strengthen its machinery of government, re-build the infrastructure, and stimulate the growth of its economy.

Eastern Economist 25 Years Ago

APRIL 18, 1947

In view of the unexpected controversy over the Coinage Amendment Bill, the following details regarding the suitability of nickel for coinage purposes will be found interesting. The use of nickel has been traced by the Mond Nickel Co. Ltd. (who brought out a sumptuous volume on this subject in 1936), to Circa 235 B.C. — the first recorded use being in the reign of the Bactrian King Euthydemus II. The metal used was, however, only an alloy, the nickel content of which was only 20%. The first recorded use of pure nickel for coinage (this incidentally is the metal which

was mentioned in the statement of Objects and Reasons of the Indian Bill) was in 1881, when Switzerland experimented with the metal and found the results so satisfactory that the coin (of the same size and quality) was continued uninterruptedly. We have of course the English example also to guide us, as usual. But from a narrowly technical point of view the suitability of nickel has been established beyond dispute and this is the only consideration which is relevant. It is the only common metal which is magnetic and the fears about counterfeiting are baseless.



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Chavan and the Wanchoo report

Sagittarius

POINTS OF VIEW

THE RECOMMENDATIONS of the Wanchoo Committee report on Direct Taxes, particularly those relating to taxation of corporate incomes, have not received the desired publicity or been critically examined. This is perhaps due to the fact that the full report has not been generally available or the reaction of operators and investors in the stock markets has not been unfavourable. It is wrong to arrive at definite conclusions about the usefulness or otherwise of the recommendations of the Wanchoo Committee after taking into account the rather inexplorable favourable reaction to the central budget proposals recently announced by the union Finance Minister, Mr Y.B. Chavan. The cheerful trend noticeable in stock markets in the past fortnight is due more to a feeling of relief over the absence of higher taxation on personal incomes and on corporate incomes generally.

It had been expected without any valid reasons that there would be a very big gap in the central budget in the revised estimates for the current year and the overall deficit for 1972-73 also would be such as to compel fresh taxation of at least Rs 250 crores. On account of the massive effort made in the past ten months to mobilise resources through fresh taxation and borrowing on an unprecedented scale, the deficit in respect of the revenue and capital accounts has been only Rs 385 crores and the actual deficit may be much less than this figure.

irresistible temptation

Mr Chavan could not have therefore thought of fresh punitive taxation though he could not resist the temptation of raising additional revenues through higher direct and indirect taxes of Rs 191 crores in a full year. When making this effort he has taken the opportunity to give effect to some recommendations which are advantageous from the point of view of the Exchequer. Even last year there was a whittling down of the concession given to industrial units in the priority sector. The deduction out of assessable

profits for payment of tax was reduced from 8 per cent to 5 per cent. Some industries like petrochemical and aluminium were excluded also from the priority list while some others were not eligible for a higher development rebate. In the latest budget the distinction between industries in the priority list and outside has been completely abolished and public limited companies whose shares are listed in the stock exchanges will have to pay a uniform rate of 55 per cent by way of taxation. The surcharge has also been increased to 5 per cent from 2½ per cent.

The changes in corporate taxation and the new levies relating to casual incomes from lotteries, winnings from races or other modes are in pursuance of the recommendations of the Committee on Direct Taxes but it has been overlooked that the burden of taxation on corporate incomes has been raised to the rather expropriatory level of 57.75 per cent inclusive of the surcharge and with the prospect of discontinuance of the development rebate the net burden will increase even more acutely after May 1974. Also it is not known in what manner the Finance Minister will decide to implement the remaining recommendations.

helpful proposals

Some proposals, if given effect to, will no doubt be helpful in mitigating the tax burden. But the whole philosophy of corporate taxation and ownership is undergoing a significant change and the government in its anxiety to protect its revenues has not been quite alive to the inflationary impact of high corporate taxation and also its disincentive effect on the promotion of savings and investment in the industrial sector. The committee has recommended the abolition of all distinction between publicly owned, closely held and private limited companies and recommended a uniform tax rate of 55 per cent.

It has also suggested exemption of that portion of profits distributed as

dividend up to 8 per cent in the case of small companies and a lower rate of tax on the dividend amount up to 8 per cent. There is also to be contribution to a Reconstruction and Stabilisation Reserve Fund the objectives of which seems to be only to create a pool of resources which are not immediately required by the contributors concerned to no great advantage. The proposal to abolish surtax will surely be welcomed if the government decides to do so. But one wonders what will happen if Mr Chavan eventually decided to impose a levy on the capital of industrial units in the crude and rigorous form recommended by the committee.

proper course

While it can be expected that the surcharge of five per cent will be abolished after some time it is too much to expect that the government will be agreeable to a uniform rate of taxation of 55 per cent for all companies. The proper course should have been to fix a rate of 50 per cent for companies whose shares are listed in the stock exchanges and of 55 per cent for other companies. The concessional rate of 30 per cent on distributed profits up to 8 per cent of disposable profits will be really an incentive if the government want faster development of industries. But there is no justification for excluding capital created out of the issue of bonus shares for computing the dividend amount eligible for concessional tax treatment.

The committee perhaps felt that the compulsion to distribute profits and raise capital later by issuing right equity shares will prevent tax avoidance now taking place by shareholders in the upper income brackets through the capitalisation of reserves. Since this will create needless difficulties it may be decided to include also bonus shares for computing the dividend amount and allow it to be taxed on a concessional basis.

There is, however, no justification at all for thinking in terms of a regular

levy on capital simply because there may be a decision in regard to the abolition of surtax. The latter tax is penalising efficiency and encouraging an unnecessary increase in working expenses because of higher profitability and fear of heavy incidence of taxation. There is perhaps objection to progression in corporate taxation but it would be far less inequitable to have one or two slab rates for taxing incomes which are in excess of 25 per cent of capital employed than a levy on capital which has been attempted in a different form and given up because of its anomalous incidence. The latest proposal is truly frightening because a levy of one per cent has been proposed on owned and borrowed funds, long-term and short-term.

The incidence of this levy will vary between old and new units in the same industry and between different industries. Also the incidence will be more keenly felt on earnings of industrial units which arise out of controlled prices and distribution. The committee

has observed that this levy has been proposed with a view to discouraging flabby development of industries and bring about a more judicious use of scarce capital resources. While there has certainly been excessive capitalisation in some directions because of the availability of development rebate and a bloating of working capital requirements due to the maintenance of high inventories, it can not be suggested by any stretch of imagination that it will be possible to effect a reduction in aggregate capital requirements by more than 10 per cent.

It has been conveniently overlooked that there can be an increase in the total of capital employed due to the higher cost of new machinery and rising prices for raw materials and components. It has also not been recognised that, notwithstanding the exemption of entirely new industrial undertakings from this levy for a period of 5 years, there will be needless disability arising out of differences in capitalisation simply because different units were promoted at

POINTS OF VIEW

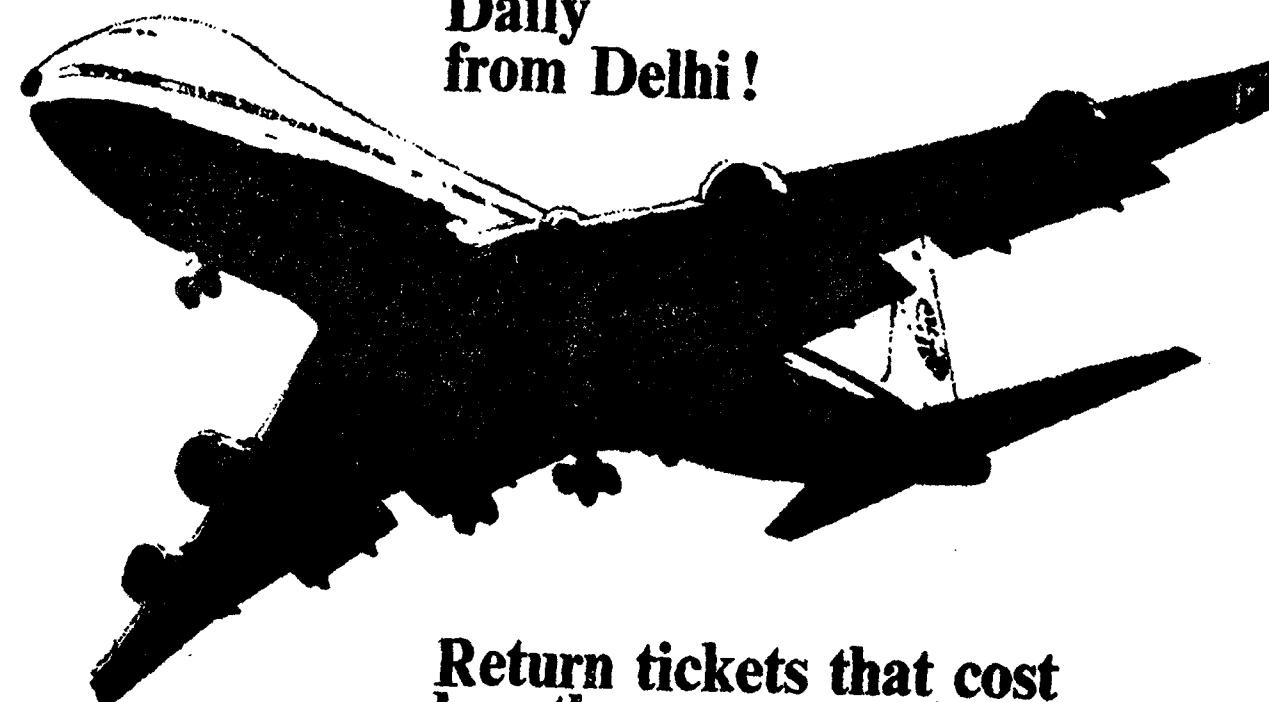
different points of time. Above all the tax will bear heavily on industries which are highly capital-intensive in character and also on those which have to maintain a fairly large stock of raw materials and components. The seasonal industries also will be needlessly penalised.

Even if the suggestions made by Mr M.P. Chitale for reducing the rate of levy and excluding short-term credit in order to ensure that there is no net increase in the aggregate tax burden were implemented, the levy on capital will still be objectionable. There is no need to be unduly worried about the introduction of novel schemes. The ideal course would be to fix slightly different rates of tax for industrial units whose shares are listed in the stock exchanges and others which are closely held.

The incentive to distribute profits may be offered while the development rebate should be reintroduced in a different form. It may be made available

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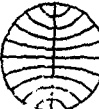
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on a more selective basis. But there is no justification for the funny accusation that industrial units have been avoiding taxes by continuing to incur capital expenditure and taking advantage of the development rebate. It is overlooked that industrial units can expand only when it is profitable and there will be no desire to create new capacity if fresh investments is not worthwhile, even with the availability of development rebate, as is now happening in the cement and paper industries.

Unless the system of corporate tax-

ation is intelligently conceived and investment in industrial sector is reasonably attractive the desired progress cannot be made. Even if the proposals of the Wanchoo Committee are implemented on a package basis, there is bound to be an increase in the aggregate burden by more than 15 per cent and much more when the development rebate is discontinued. If it is the intention to discourage an undue build-up of reserves there can be a lower tax on distributed profits even up to 50 per cent of disposable incomes while there

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should be a good variant of the development rebate as in Britain and the advantage may become available to selected industries and to industries in selected places in a way without obliging the corporate assessee concerned to wait for the emergence of taxable profits as is now the case. It is only to be hoped that a pragmatic approach will be adopted when the Income Tax Amendment Bill is introduced in Parliament later in the year and a new incentive also is devised to replace the development rebate.

Productivity for progress

S. P. Chopra

THE CONCEPT of productivity has been popularised by the National Productivity Council (NPC) of India for nearly 14 years though it is hard to draw out a balance sheet of its achievements as well as failures. By and large, its activities have been centred in industry which provides sufficient evidence of advancement in this regard. Improved productivity is not the result of harder work by the working force alone. It is also a function of the optimum utilisation of capital and of the facilities available through science and technology. It is in this context that the two-day national seminar on productivity organised by the NPC in the Capital in the last week of March this year assumed importance. It provided an opportunity to the NPC to confer with leaders of the trade unions as well as business and industry so as to sort out the problems which have so far hampered the attainment of increased productivity in some sectors of the economy.

Mr Moinul Haque Chowdhury, the union Minister of Industrial Development who inaugurated the seminar, laid emphasis on the intensification of the productivity drive both at the macro and micro levels so as to utilise the available resources in the most profitable manner. Said the Minister: "We have to harness for our national growth the tremendous pro-

gress made the world over in the fields of science and technology. Technological progress is perhaps the most decisive stimulator in increasing productivity and, in turn, determining the rate of capital formation and economic progress. Development of independent technology from the very scratch in different sectors of the national economy is difficult and expensive". This is indeed a sensible approach to the problem of productivity and a number of papers presented and the contributions made by participants in the seminar endorsed this thesis of the union Minister of Industrial Development.

discordant note

Mr H.V. Narayana Murthy, President Salem Productivity Council, however, struck a discordant note when he put forward the view that automation should be resorted to rather slowly in this country. In his view until the population got stabilised and unemployment was substantially reduced, labour saving devices had little relevance in this country. He suggested that increase in the productivity of manual labour by utilisation of better organisation and the use of indigenous implements should be the aim. It may be stated here that the whole question of automation and the use of computers and other facilities in big organisations both in the public and the private sector is current-

ly being examined by a committee which has still to submit its report to the government even though it was appointed more than a year ago.

It is, however, undeniable that it is this basic conflict which has hampered the use of equipment for promoting increased productivity in many of our organisations. It is necessary that the government should give the country a very clear and unambiguous directive in this regard as the above-mentioned committee cannot be expected to produce a unanimous report in view of the variety of points of view represented on it.

The President, Mr V.V. Giri, and the Prime Minister, Mrs Indira Gandhi, have recently urged the workers as well as the industrialists to put a moratorium on strikes and lock-outs. It is expected that both the workers and the management will respond to the call of the leaders. But for a long time the workers have been demanding that they would like to have a good share of the productivity gains made by them. The share of labour in increased productivity needs to be defined in a clear-out manner and ways and means need to be determined whereby it would be easy to allocate the fruits of increasing productivity due to the hard work put in by labour. The NPC has circulated the draft of "Guidelines and Illustrative

Models on sharing the Gains of Productivity" which shows that despite various efforts made by the industry, the government and the NPC, it has not been possible to evolve an overall formula for sharing the gains of productivity.

Even if such a formula were evolved, "it would be difficult to make such a formula universally applicable in practical work situations." The nine points listed in the "Draft Guidelines" are however rather vague and urge sharing in gains of productivity through a national approach which is "flexible, equitable and simple to understand". Having failed to arrive at a workable formula, the NPC has thought it advisable to take shelter behind such generalised statements as "sharing the gains of productivity should be regarded a philosophy of industrial relations rather than a statistical technique of distributing the gain."

It is now clear that this is a question which will need to be settled by labour and industry through mutual negotiation in a spirit of give and take. While the major contestants in this tussle are the workers and the managements, any agreement between the two should ensure that the interests of the consumer as well as the society are not ignored.

research suffers

The organisations which have not been working well, are all under great pressure for increased wages and fringe benefits which might result in reducing the expenditure on research and development, marketing and other essential functions needed for increased growth. In this connection, it is worthwhile quoting the opinion of Mr S.M. Patil, Chairman and Managing Director of Hindustan Machine Tools Ltd — a public sector undertaking. Mr Patil said in his paper entitled 'New Directions and Dimensions for Productivity Movement' that "organisations which are not making sufficient profits are under intense pressure to cut expenditure on research and development, marketing and other essential functions without which the continued viability of the organisations would be impossible."

On the other hand, organisations

making good profits are also under heavy pressure to part with more and more of such surpluses on the plea that extra profits were earned by the efforts of workmen. In the ultimate analysis, such pressures would retard or stall economic growth and promote inflationary trends. Reinvestment of surpluses is vital for economic growth. It is because of this factor that Mr Patil put forward the view that "the cry for larger and larger compensations to industrial workers would not be in keeping with the socio-economic ideals of the Government."

multiplicity of unions

One of the elements which has hampered harmonious relationship between the managements and the workers is the multiplicity of unions in almost every establishment. Mr K.K. Birla opined that in a majority of industrial undertakings in our country, the principle of "one unit, one union" is yet to be given a fair trial. The central difficulty is that the trade unions do not act in a manner as would bring benefits to the working force. Many a time the decisions are taken not on merit but with a political objective. Therefore, Mr Birla concluded that unless it was realised both by the management and the workers that their interests were identical, there was no hope of success of the productivity movement in this country. While the trade unions in this country have been very active in organised clamour for increased wages, additional amenities etc. on behalf of the working force they have done little in educating the workers in regard to their responsibilities.

Powerful arguments were put forward by Mr K.K. Birla to rebut the statement in the working paper II circulated by the NPC that "plant capacities are not fully utilised with a view to restricting output for securing higher prices and profit margins". Mr Birla emphasised that under-utilisation of capacity had resulted in the case of many industries because of political idiosyncrasies which place artificial restraint on diversification and increased output. He went on to dilate upon the restrictions put on certain business houses which hindered in the attainment of economies of scale which in turn meant negation of the whole productivity movement in this country. While it is well-known

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that production in many industries has lagged behind because of the paucity of raw materials, bottlenecks in infrastructure facilities, labour troubles on trivial matters, shortage of working capital, difficulties in obtaining balancing equipment, spare parts etc, it would be unjust to blame the industry for under-utilisation of capacity. Unless the government takes a sympathetic and helpful attitude, it would not be possible for the units to fully utilise their capacities so as to enhance their production as well as productivity.

As stated earlier, the concept of productivity in our country has by and large remained restricted to industry and it was indeed refreshing to find Mr R. Niazmand, Managing Director, Industrial Development and Renovation Organisation of Iran draw the attention of the participants to the diet and food habits of workers which have a direct bearing on productivity. He cited the example of certain villages in Iran where laziness and lack of energy had characterised the population. The investigators found that their intake of iodine through water and food was next to nothing with the result that many of them were afflicted with goiter. The addition of iodine to the spring waters feeding these villages showed a marked degree of reduction in absentees to work and school and increased proficiency in learning among children. Thus he emphasised that it was necessary that the productivity science endeavoured to diligently examine food habits vs. productivity.

vast differences

In our country vast differences in productivity have been witnessed in the same kind of industrial units situated in different regions. Statistical analysis has shown that inter-regional differences emerged partly due to vague differences and partly because of the intensity of capital utilised and the strength of trade unions. The trade union movement in our country has assumed certain unhealthy trends which, if unchecked, could act as a blow to the productivity movement. If seminars of the type held in the capital help in putting the relationship between capital and labour on a healthy footing, they serve a useful purpose. But there are indications that such symposia remain as forums for letting off steam and no more.

Embarrassment of riches

R. V. Murthy

IT IS perhaps characteristic of all developing economies, particularly primary producers such as India, that they seem to face problems both when a given agricultural crop turns out to be good and also when it is bad. Presently the plentiful harvests of wheat and cotton are posing difficulties to the powers-that-be in India. As the economic law of supply and demand is inexorable, price of any commodity reacts to changes in volume of supply and demand in respect of that commodity. Quite often, a well-intended official intervention to prevent a fall in prices, whether by way of supporting the market by open market purchases or by way of credit relaxations, misfires because the action taken is invariably too inadequate or too late.

incomplete decision

Take, for example, the latest decision of the government of India informing the cotton mill industry and trade that, with immediate effect, the stock limits of Indian cotton allowed to be held by the mills, including the special limits allowed to exporting mills, have been increased by one month's average consumption. This decision is not only inadequate but incomplete. The press note dated March 23, 1972 issued by the Textile Commissioner, Bombay, for instance, made no reference to the relaxation of credit controls. It was relaxation of credit controls, only after the Millowners' Association, Bombay, (MOA) and the Indian Cotton Mills' Federation (ICMF) made representations to the government that "the regulations both as regards stocks as well as bank credit in respect of cotton (which had been imposed to deal with the situation arising out of acute shortage) needed to be changed (in view of the comfortable supply position) so as to enable further purchases of cotton and thereby stabilise the cotton prices" apparently that the authorities seemed to wake up.

It required Mr Babubai Chinai to raise a call attention debate in the Rajya Sabha on "the steep crash in cotton prices in various markets owing to lack of credit" for Mr A.C. George,

Deputy Minister for Foreign Trade, just to state that, to follow up the Textile Commissioner's notification, the government was examining (not decided, be it noted) the liberalisation of credit restrictions. (He also disclosed that the Textile Commissioner was due to meet the Reserve Bank officials on Friday, March 24, 1972. What transpired at this meeting is still not known, but, in view of the comfortable money conditions, the Reserve Bank could not have been averse to the suggestion. However, on an urgent issue such as this (vide Mr Chinai's warning to the government that "if action was not taken to stem the fall in prices, a very serious situation would arise"), it is not clear why the only admittedly effective decision, viz. to relax the margin against cotton stocks, should be delayed any further. On a matter such as this, the authorities would do well to take the concerned interests into confidence and act immediately.

restoring confidence

After all, the problem is not such as to warrant so much hush-hush deliberations and the consequent avoidable delay. What is needed immediately is to impart stability to cotton prices to restore confidence among cotton growers in the country, if only because, at this stage, the country cannot simply afford to allow any setback to the steady, albeit slow, increase in raw cotton output that has been taking place or to slacken the attempt at raising the cotton production potential already planned. (The cotton production potential in Maharashtra alone is expected to be stepped up from 10 lakh bales in the current year to 16.50 lakh bales by the end of 1972-73, according to the budget speech of Mr M.D. Chaudhuri, Finance Minister of the state).

Several remedial measures have been suggested, both in Parliament and by spokesmen of the cotton mill industry. Included among these are the suggestions made in the Rajya Sabha—Mr Chinai's suggestion that the Cotton Corporation should maintain its buffer

stocks, Dr Mathew Kurien's suggestion for setting up a permanent machinery to assess the production of cotton from time to time and take measures to boost production, Mr Sardesai's proposal for a remunerative fair price and monopoly purchase, and another proposal (by several members) for a minimum reasonable price for cotton. Of course Mr George dealt with some of these suggestions and, what he said is of considerable interest, particularly in the context of the decision of the government of Maharashtra to resort to monopoly procurement of cotton as from April 1, 1972.

While the union deputy Minister for Foreign Trade informed the Rajya Sabha that the government was examining the question of monopoly purchase of cotton by the Cotton Corporation, he also made a pointed reference to the huge investment involved and the need, therefore, to take a policy decision, that is, presumably to go slow. He asked the members to estimate what the investment would be if a mere 40,000 bales involved an investment of five crores of rupees. (The latest estimate of the total Indian cotton crop is 60 lakh bales which would entail an outlay of Rs 750 crores!).

brave words

Perhaps some of the brave ones may say: "What of that? Has not Maharashtra given the lead?" Those responsible for handling the finances of the country, however, may have a different view, to judge from the time being taken by the Reserve Bank even to relax the margin restrictions on cotton purchases. As regards a remunerative price or a minimum reasonable price for cotton, Mr George was even more non-committal. He merely said that the government would take a decision on this question when the report of the Agricultural Prices Commission was received. To say that this is only to gain time is not exactly to be cynical, because, as past experience has shown, the government decision is not based so much on the recommendations

of the APC as of the chief ministers of the concerned states.

Be that as it may, let us take stock of the present position. The textile mills, and or for that matter, the cotton trade, are not averse to purchasing more cotton. In fact, they have already purchased cotton to the fullest extent permitted under the stock and credit control regulations currently applicable to cotton. And these regulations, one must bear in mind, are woefully out of date. These, it will be recalled, were imposed to deal with a situation that arose out of acute shortage, and it is high time they were changed to meet an exactly opposite situation—a comfortable supply position. Hence the pressing plea of the Indian Cotton Mills' Federation and the Millowners' Association, Bombay,

to the government of India completely to suspend all restrictions on stocks of cotton to be kept by mills and to restore bank credits and margins to the levels that obtained in the crop year 1969-70.

The ICMF has also urged that the penal rate of interest on advances against cotton and *kapas* be done away with. (The MOA has asked for a reduction of the rate of interest from 12 per cent to the rate charged as in the case of finished goods). It has further pleaded (on behalf of the cotton trade) that the trade too should be allowed to operate under the normal margins and credit levels that obtained in 1969-70. In other words, as the MOA has urged, the heavy margins now required to be maintained by the traders against their cotton stocks

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require to be reduced. Not until and unless these measures are taken, and taken promptly, will the crisis in cotton be resolved.

It is no exaggeration to say, as the ICMF has, indeed, said, that 'there are serious apprehensions that, unless all possible steps (and these have been outlined above) are taken for a quick passage of cotton from the farms to the mills, a good portion of this year's cotton crop may not even be ginned by the beginning of the monsoon and will have to lie with the farmers in the form of *kapas*. It is needless to labour the point that this would cause deep distress to cotton growers and that, in turn, might mean a definite discouragement to them further to raise their cotton output. Surely that is not at all a pleasing prospect.

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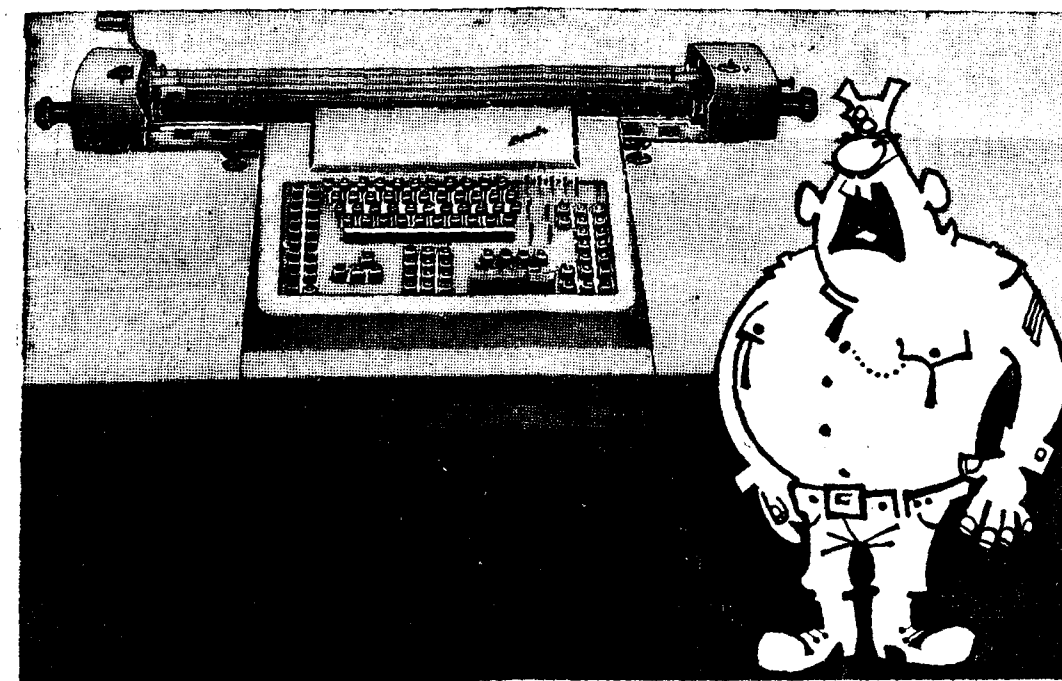
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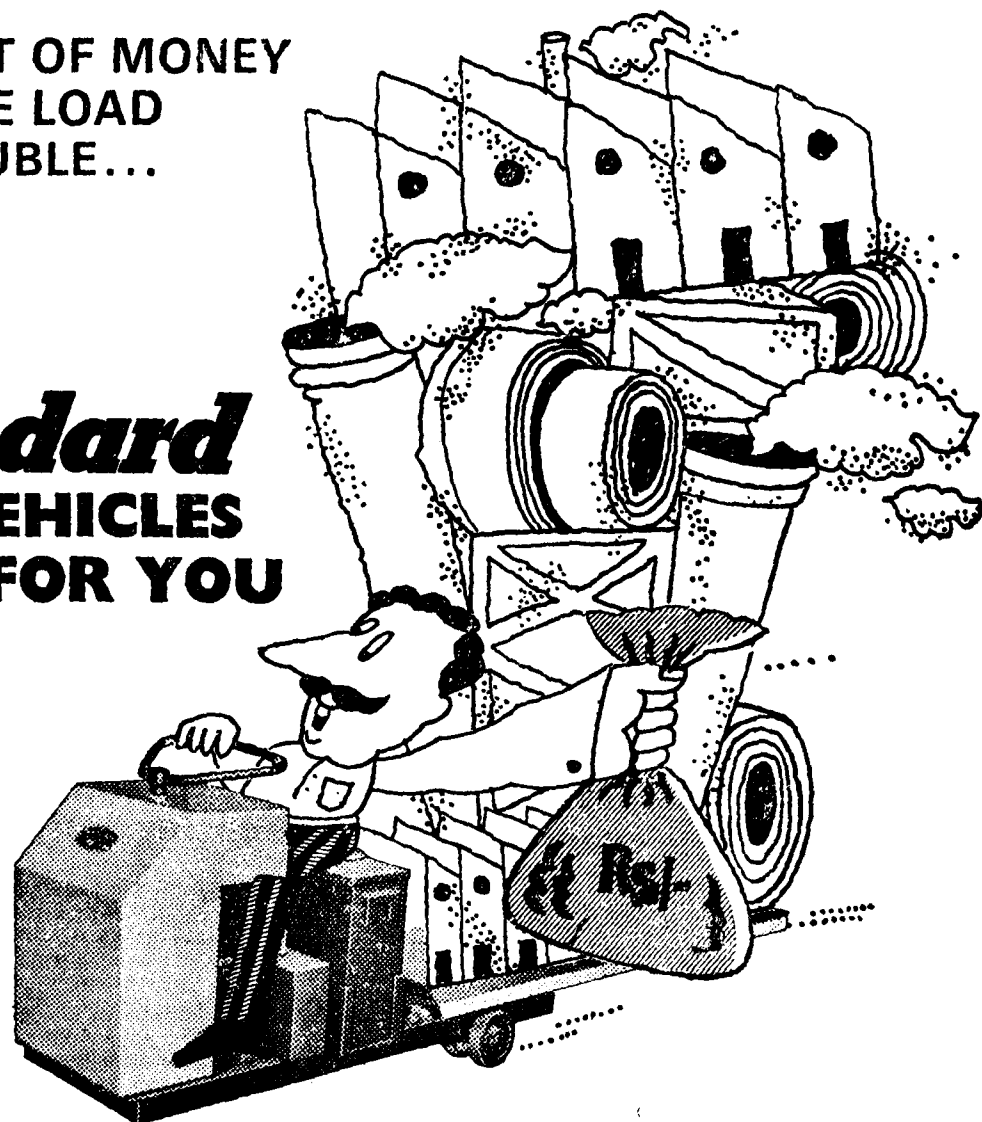
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FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi, Saturday

SINCE WE reported last, the most important discussion that has taken place in the Lok Sabha has been the one on the mid-term appraisal of the fourth Plan. The union Minister for Planning, Science and Technology, Mr C. Subramaniam, seized the opportunity of this discussion to spell out the planning strategy of the government for the next few years. He indicated that the government intended to go in for restraints on conspicuous consumption, stand by its decision to lower land ceilings, check the uptrend in prices by stepping up production of items of mass consumption as well as by regulating their distribution, and bring about structural changes in administration and industrial relations. This strategy, Mr Subramaniam emphasised, flowed from the government's commitment to eradicate poverty in the country, usher in socialism and make the economy self-reliant. Fortunately, the socio-political climate in the country, he felt, was now much more favourable for undertaking the above task than had been the case hitherto.

resources mobilisation

Mr Subramaniam stated that the experience of the past two decades of planning had shown that a mere increase in the gross national product was not enough; the country had to make frontal attack on poverty. Poverty, he, however, opined, could not be removed unless more jobs were created and the basic necessities of life were ensured, if not to all, at least to most of the people. With a view to achieving these two ends, the development outlays, he stressed, had to be stepped up as also the production of those items which the masses needed the most. This called for greater resources mobilisation. The contemplated curbs on the consumption by higher income groups were designed to promote savings and investment.

Agriculture, Mr Subramaniam explained, would have to be accorded

again a pre-eminent position in the programmes of the fifth five-year Plan. This was imperative as nearly 70 per cent of the population lived in villages and was primarily dependent on agriculture. With a view to promoting agriculture, land reforms would have to be given a high priority. The ceiling on the holding of land would have to be brought down as the application of science and technology to farming had raised the productivity of land.

consumer good's production

Talking about industry, while Mr Subramaniam conceded that the performance of the public sector enterprises had to be improved a good deal, greater emphasis would have to be placed in future on the production of essential consumer goods. A very pertinent point that he made in this connection was that the present structure of industrial relations had to be radically changed to ensure industrial peace. He wanted the influence of political parties on trade unions to decrease. The co-operation of political parties in re-fashioning industrial relations was solicited by him.

The Minister of State for Planning, Mr Mohan Dharia, who also intervened in the debate on the mid-term appraisal of the fourth Plan, stressed the need for having a multi-level planning system with the district as the unit. He revealed that the Planning Commission had held discussions with the state chief ministers in this regard. It had been suggested that the states instead of having only a planning department, should have full-fledged planning bodies, consisting of the chief ministers, other ministers and economists. This would introduce decentralised planning.

The other important point that Mr Mohan Dharia made was that the lacuna in the present planning process of the Planning Commission not having the authority to monitor the progress and implementation of the Plan in the

states had to be filled in expeditiously. He indicated that talks would be held soon with the chief ministers of states in this respect.

During the debate, while most of the members desired decentralisation of the planning process, Dr V.K.R.V. Rao scathingly criticised the low rate of savings and investment. He pertinently pointed out that whereas the material targets set by the Planning Commission had not been achieved, the outlays on various development programmes had exceeded the planned estimates. He wanted the government to abandon the concept of per capita income and replace it by the concept of separate income rates for the different sections of society. Widespread concern was expressed over the deteriorating employment position and continuous rise in prices. Some members wanted the pace of industrial development to be accelerated. Several others urged for the devising of an effective machinery to implement Plan programmes at the state and district levels. Pleas were made for paying greater attention to the development of backward areas and for meeting the needs of the scheduled castes and tribes. Initiating this debate, Mr Subramaniam indicated that a beginning would be made this year for a massive and long-term effort for integrating the various river systems in the country from the Ganges to the Cauvery.

relations with Pakistan

In her reply to the Lok Sabha debate on President's inaugural address to the two Houses of Parliament, which had to be postponed for some time due to the presentation of the union budget for the next year and the general debate on that, the Prime Minister, Mrs Indira Gandhi, reiterated her offer of direct talks with Pakistan and disclosed that the government of India was in direct touch with the Pakistan government in this regard. Her government, Mrs Gandhi added, had consistently

wanted normalisation of relations with Pakistan and would continue its efforts towards this. The Prime Minister further stated: "We do not wish to humiliate anyone. We would like to discuss matters in a spirit of friendship and co-operation". She desired that Pakistan should turn her back on the era of confrontation with India. The two countries, she emphasised, should now live in peace and friendship. The Prime Minister denied that she was under any pressure from the Soviet Union in regard to talks with Pakistan. She assailed the Jana Sangh for resuming its "Soviet baiting." Mrs Gandhi also repudiated the insinuation that the unilateral cease-fire declaration by the government of India in December on the western front was done under pressure from the Soviet Union.

The Prime Minister took the opposition parties to task for their allegation that the recent state assembly elections had been rigged. She said she did not want to hit those who were down, but stated that the charge that elections were rigged was nothing but "fantastic nonsense". Mrs Gandhi expressed the view that much of the success of the Congress party in the state assembly elections was because of the mistakes of the opposition parties. She also did not think that the Congress had exploited the Bangla Desh issue for election purposes. The Congress party, she pointed out, had won the Lok Sabha election even last year when the Bangla Desh issue had not arisen.

heavy odds

Mrs Gandhi did not relish the criticism that the government had failed to check rise in prices. She conceded that prices had risen to some extent, but pointed out that the government should be given some credit for containing the prices spiral despite the heavy odds which it had to face last year—the massive influx of refugees from Bangladesh, the conflict with Pakistan into which the country had been forced, etc.

The Prime Minister agreed that the problem of unemployment had to be tackled expeditiously. She conceded that the last year's crash employment programme had not made much headway, but assured the House that this programme had of late gained momentum. She stressed that the employment programme had to yield results within three or four years if the political and economic stability of the country had to be maintained. A significant

point which Mrs Gandhi made in regard to employment was that those who were already employed in the organised sector should desist from raising demands that might cut into the resources for creating more jobs in the country. She underlined the need for a moratorium on strikes and lockouts.

Mrs Gandhi's speech reflected the air of confidence exuded in the President's address.

employment for engineers

Intervening in a discussion in the Rajya Sabha on a calling attention notice on the strike by petroleum and engineering student of the Indian School of Mines, Dhanbad, the Minister for State for Planning revealed that the government was formulating schemes to ensure full employment to the engineering and technical personnel within two years.

The Minister for Labour and Employment, Mr R.K. Khadilkar, pointed out during question hour in the Upper House that the interim report recently submitted by the Committee on Unemployment was being examined by a working group of the Planning Commission with a view to implementing its various recommendations for solving rural unemployment. No correct estimate of unemployment in the country, he said, was available, but the number of job-seekers on the live register of employment exchanges had shown an increase of 25.3 per cent during 1971, as against 18.8 per cent in 1970. According to an assessment made of the crash programme for employment in the rural areas, the estimated employment generated, he said, was about 344.09 lakh mandays.

The harassment and intimidation of Indian students in Detroit (United States) caused a good deal of concern in Parliament this week. This harassment and intimidation, it was alleged by several members, was a deliberate act on the part of the US and was in line with the anti-Indian attitude of the Nixon administration over the Bangladesh issue. The Deputy Minister for External Affairs, Mr Surendra Pal Singh, tried to assuage the feelings of members by stating that the government had already got an interim report from the Indian Consul who had visited Detroit and talked to students and the American immigration authorities. The government would think of the next

step when it received the full report from Washington.

The Public Accounts Committee has suggested that the evaluation of the work done by the University Grants Commission should be entrusted to an expert body appointed by the government instead of the Commission itself. In its 27th report presented to the Lok Sabha last week, the committee said such a body might comprise eminent educationists and reputed retired vice-chancellors. The report referred to an earlier note by the Ministry of Education and Youth Services which said the UGC had decided to set up a small group of science, arts and social science experts to study and evaluate the achievements of the Commission. It would be more appropriate, the report said, if the evaluation work was done by a government-appointed committee.

The Rajya Sabha has adopted a number of bills during the past two weeks. The more important among these are: (i) the Industrial Disputes (Second Amendment) Bill; (ii) Aircraft (Amendment) Bill; (iii) Prevention of Food Adulteration (Extension to Kohima and Mekong Districts) Bill; (iv) Newspapers (Price Control) Bill; (v) Hire-purchase Bill; and (vi) Maternity Benefits (Amendment) Bill. The Lok Sabha has adopted the Administrator-General (Amendment) Bill; the Indian Copper (Taking-over of Management) Bill and the Contingency Fund of India (Management) Bill.

hopes belied

The hopes of the Congress party to secure an absolute majority in the Rajya Sabha have been belied. In the biennial elections to this House held last week, it could win, despite its massive victories at the state assembly polls, only 49 of the 72 seats which fell vacant on April 2. The strength of the ruling party in the Rajya Sabha (118) now falls short of the absolute majority by four. The total strength of the House is 243 members. The 72 seats filled by the last week's elections were shared by the various parties as follows: Congress 49; Congress(O) 3; Jana Sangh 2; Swatantra party 1; CPI 3; Socialist party 1; DMK 5; BKD 1; Muslim League 1; Republican party 1; Utkal Congress 1; Manipur People's party 1; APHLC 1; Independents 2.

Europe's problem regions

Josselyn
Hennessy

London

Failure of National Policies

AS NATIONAL regional policies to deal with problem regions have been in force only since the 1950s in most countries (in the UK since the 1930s) it would not in any case be possible to point to many wide-ranging successes. But even allowing for the long gestation of the bigger new projects in development regions, it remains depressing that there is as yet no example of a reversal of the trend in any major problem region from progressive im-

Community-wide level to create appropriate small-scale and medium-scale industries in the Community's backward farming areas to provide jobs for farmers leaving the land. An allocation of funds amounting to \$100 million per year over the next five years is called for to get the project moving.

Other proposals by the Commission include: (a) the placing of limits on new official aids to new investment in congested fully-developed central areas; (b) the creation of a standing committee for regional development, composed of experts from the Com-

poorer regions should benefit from it to some extent, since a disincentive to locate in central areas in some cases implies an indirect incentive to locate in poorer regions.

Though the Council appeared to regard the Commission's other proposals favourably at its October, 1971, meeting, it had sufficient reservations to hold back from making any decisions until after further discussions—and there the matter rests at the time of writing.

A reshaped and enlarged European Social Fund became operative in January. Like its predecessor, it will use its resources mainly in the problem regions to alleviate unemployment and redundancy by retraining and redeployment. It is notable that the new fund

This is the second and final article of Europe's Problem Regions. The first article had appeared in our issue dated March 31, 1972

will play an active role in retraining workers threatened with redundancy before their existing jobs disappear. In 1972, it is estimated that \$50 million will be available for these purposes, increasing to \$250 to \$300 million annually by 1975.

II

Vast Scale of the Problem

As the Community still vacillates about implementing a supranational regional policy, it is important to look at some of the findings of a new study by the Commission's Directorate General for Regional Policy. Estimating the number of jobs that will need to be created in the problem regions over the period up to 1980, the Commission arrives at a total of 3.54 million, broken down by country and main type of problem region as shown in Table I (p. 764).

The cost of creating these new jobs will be enormous. The investment per new job will vary widely according to the type of industry but the Commission takes an optimistically low 25,000 unit of account (equal to the gold equivalent of \$1) per new job as a typical figure for the sort of labour intensive

poverishment to overall economic growth.

Clearly, a sweeping reappraisal of the whole issue is essential. And since in the new Community of Ten, the policy-makers may all too soon find themselves grappling with "problem countries" rather than "problem regions", any re-assessment would best be made at Community level.

Already the EEC Commission and the Council of Ministers have come out in favour of a co-ordinated regional policy. Albert Borschette, the Commission Member with special responsibility for regional policy and for competition policy, has repeatedly affirmed that the EEC, as well as member states, should be more active in regional problems of common interest.

As a limited, but nevertheless important, move forward, the Commission proposes the first regional policy at

mission and member governments; (c) the setting up of an interest rebate fund, initially of \$50 million per year, to subsidise, by up to three per cent points; loans from the European Investment Bank for projects in development regions; and (d) the allocation of \$50 million per year from the Agricultural Fund in order to offer premia of \$1,500 per new job created for ex-agricultural workers to firms setting up operations in development regions.

In the event the Council's first step towards a common regional policy was to curb national outbidding for new investment in central areas. From January 1, 1972, the Six have undertaken, for one experimental year, to limit aids to these areas to 20 per cent of the total investment cost of each project. The Six are also to rearrange their regional aid systems so that all the incentives offered are clearly assessable. Though it is ironic that the first full scale Community regional policy decision had to be negative, the

enterprises likely to be concerned. Applying this figure to the job vacancies specified in Table I yields a total requisite private investment of no less than a yearly average of 8,850 million u.a. per annum for the period 1971-80. This figure compares with total new private investment of 46,440,000 million u.a. in the Six in 1969, implying that around 20 per cent of total new private investment will need to go to new job creation in the underdeveloped regions each year — an ambitious target.

TABLE I

Job Vacancies Required in Problem Regions upto 1980

	Back-ward rural regions	Declining industrial areas	Total ('000)
W. Germany	—	—	464
France	550	150	700
Italy	2,000	100	2,100
Netherlands	60	80	140
Belgium	10	120	130
Luxembourg	—	—	6
Total	—	—	3,540

get. Table II brings together the data on a country-by-country basis; the 61.8 per cent of total new private investment in Italy implied as having to go to the poorer regions each year is as remarkable as it is unreasonable.

The Commission assumes that all this private capital spending in the problem regions will receive substantial official support (from national governments and from the Community). The Commission estimates that public aid for private sector investment will total 15,150 million u.a., with the greater part (10,500 million u.a.) going to Italy — the other national totals being: France 2,860 million u.a., West Germany 1,160 million, Netherlands 350 million, Belgium 325 million and Luxembourg 15 million (in each case for 1971-80).

Public investment (other than the above) in infrastructure is estimated at a surprisingly — and worryingly — low

60,500 million u.a. for the ten years (6,050 million per year).

The most striking feature of the study is that, if accepted at face value, it demonstrates that the problem cannot be dealt with by national governments acting alone. Only a Community wide approach is likely to be able to raise the large sums involved. The suggested programme also implies a substantial redistribution of resources from one country to another. The study is a dramatic and effective piece of advocacy for a thorough going Community regional policy. Its case would be even stronger if modified to include the four expected new members of the Community.

EFTA has at no time made any pretensions to implementing a common regional policy and, indeed, its constitution does not allow it. The issue has by no means been entirely neglected, however, though EFTA's work on regional development has been confined to the exchange of views and information between policy-makers from members countries.

The three main studies carried out by the Economic Development Committee, all of a high standard, bring together much valuable material. The study of growth centre policy published in July, 1968, and the examination of the character and use of industrial estates published in March, 1970, both influenced subsequent policy ideas in member countries. The committee's latest report on industrial mobility is also likely to influence much future thinking. But beyond this, EFTA has made no moves on regional policy and its associated problems.

Businessmen Sceptical

But however much national governments and supranational organisations may do to attract employment into the problem regions, in the final analysis what matters is how business reacts to the inducements offered.

At first sight the lists of incentives, concessions and other advantages available to industry locating new plant in development regions are impressive (see *Eastern Economist*, March 31, 1972). But clearly the number of firms availing themselves of these regional policy measures is almost invariably much smaller than the target number. The fact is that location decisions are made according to a set of hard economic and allied criteria,

only a relatively small proportion of which can be favourably influenced by incentives of the kind generally available. Indeed, a typical firm locating a typical type of operation in a typical development region will usually find that, in effect, a number of the incentives offered are mutually exclusive — for example, a company that rents a ready built government factory at a subsidised rent will obviously not qualify for a building grant.

Other incentives may in practice be worth less than a first sight suggests. Sometimes tax systems may take grants into account when assessing depreciation allowances. Tax holidays may be worth little in the crucial early years after starting operations, when taxable

TABLE II
New Private Investment in Problem Regions

(Million Units of Account at 1969 prices)

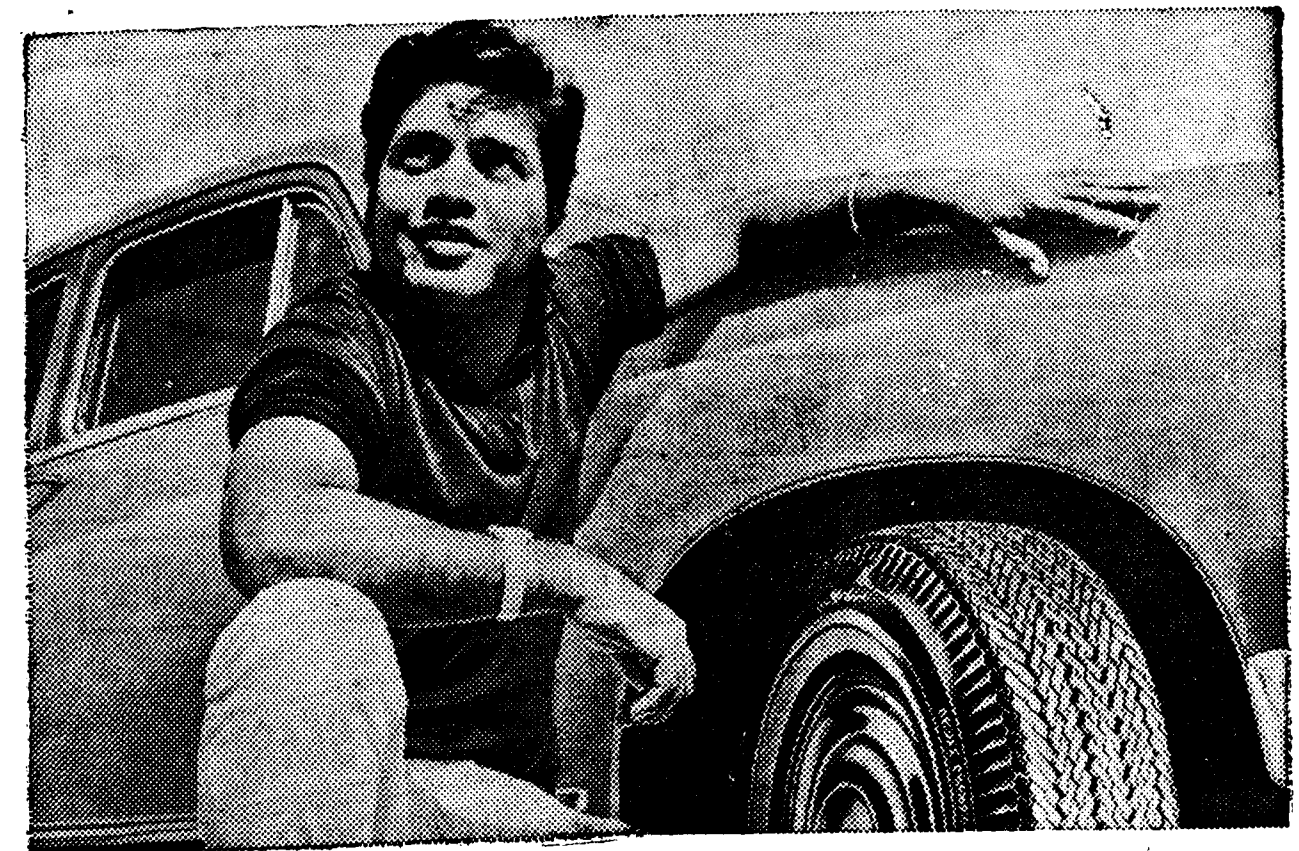
	Requirement for problem regions		Total* for whole country
	1971-80 total	Annual average	1969
W. Germany	11,608	1,161	15,836
France	17,500	1,750	16,224
Italy	52,500	5,250	8,490
Netherlands	3,500	350	2,570
Belgium	3,250	325	2,024
Luxembourg	150	15	300
Total	88,508	8,851	46,444

*Gross fixed capital formation less amortisation.

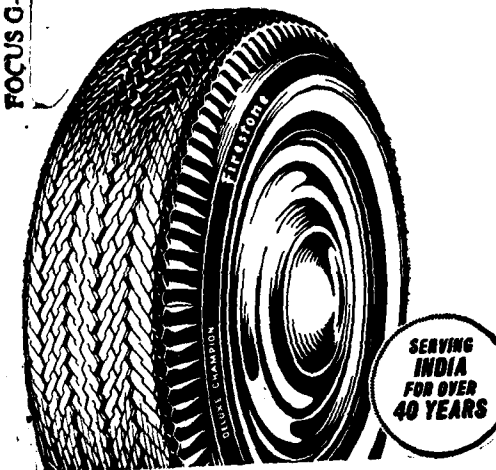
profits are likely to be low. In the labour intensive industries most attracted by the pool of workers in development regions, capital costs as a proportion of total costs are likely to be relatively small, and a 20 per cent official investment grant might well mean a marginal two per cent reduction in total production costs. Obviously, the precise worth of the available incentives depends on the nature and size of the individual operation, but it is apparent from the

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above that regional development incentives will rarely in themselves be decisive in determining plant location.

In assessing the net cost of these incentives to national governments, and thus the net benefits to recipients, remember that in so far as official guarantees are not involved, loans are repaid, rents on government factories are later increased to market levels, etc., and the gross level of official outlays is reduced. And, of course, jobs created mean higher government tax: receipts and lower outpayments on unemployment benefits, etc.

It emerges that although regional policies have reached high levels of sophistication in some countries, they have as yet had relatively little impact on

what is after all a massive regional problem (or series of problems) in western Europe. Nevertheless, it is important to emphasise that progress is being made.

Part of the problem is that efforts to develop a body of systemised applied regional economies have to date been made in national contexts only. Co-ordination of efforts at supranational level would make for economy and provide the wider European setting within which regional development policies will eventually be conducted — this work could best be carried out under the aegis of the proposed Community standing committee for regional development.

But while the EEC Commission produces yet more proposals, the Council hesitates and national governments

press ahead on an *ad hoc* basis, and valuable assets in the problem regions stand idle or under-utilised. The tasks ahead are clear: 3.5 million new jobs need to be created in the Six alone by 1980; \$88,500 million of new private investment needs to be steered into the same area over the next ten years. The size of the solution will have to be geared to the size of the problem.

Sources and acknowledgements: This is the second and concluding summary of an exclusive fourteen page report in the latest issue of *European Trends*, published quarterly to subscribers only, by the Economist Intelligence Unit, 27 St James's Place, London, S.W.1., but the EIU is responsible neither for the emphasis of my summary nor for my interspersed comments, based on a variety of sources.

E. B. Brook
Vienna.

The poor get poorer

It is becoming clearer that, as west Europe's Common Market moves towards the logical outcomes of its policies life for the so-called independent small man and for the less skilled workers — the really poor of the middle and working classes — will become steadily more impossible. The most recent beam of light to be thrown on this melancholy fact was provided by the meetings of the Agricultural Ministers in Brussels who, after about 100 hours disagreement and bargaining in this most sensitive area of the Market's politics agreed on a new round of increases in the prices guaranteed to their farmers.

The purpose of the agreed price increases for cereals, milk and cattle is twofold—to make farming in west Europe more efficient by concentrating its activities and to align its production more closely to public requirements. The result of this and the inevitable future permitted price increases will be to make the better-off farmers richer, the poorer farmers either poorer or driven to other employment or suicide and a steadily rising cost of living for everyone else.

No one pretends that the Market's Common Agricultural Policy (conveniently known as CAP) will, for a long time, gain from its £1000 million annual bill more than marginal improvements or that it will do much to avoid the constantly recurring surpluses of pro-

ducts which have to be dumped on the world markets. Nor will it do anything much to improve the average European farmers' income from its present level of about one-third below the average industrial workers' income.

Those who know west Europe best from summer holiday tours, when the fields are turning golden and the sun shines on ripening fruit orchards, probably gain the impression of rural well-being and content: if they travelled a little later, in autumn, they would see French farmers angrily throwing away their tomato crop in protest against the insignificant price offered for it by the wholesale market. Unlike Britain, which, until it enters the Market, runs a policy of price support for farmers and cheap food for consumers, west Europe gives its small farmers — about 70 per cent of the total — little help.

How brutal is the effect of this may have been gathered from the reference earlier to suicide. This was no fanciful turn of phrase. The monetary poverty of the small French family farmer is crucial. Last year some three per cent of all French farmers — about 300,000 families — finally gave up the farming struggle and left beloved land to find work in industry. In France, the suicide rate is higher among farmers than in any other population group. Of French farmers between the ages of 36 and 45 one in nine dies a despairing suicide. He works some nine hours a day seven

days a week to earn, if he is lucky, about £550 a year or to earn nothing or actually spend more than he earns if the weather is bad or the market more glutted than usual. Many French and Italian small farming families never take a holiday — they can't afford it.

The high prices for cereals and milk (Common Market prices are about two-thirds above world prices for cereals and one-third higher for milk) are not sufficient to help the smaller farmers get a decent living; at best, they help him to hold on, inadvisedly, a little longer. For the bigger farmers, they are highly advantageous. The minority of farmers who own 300 acres or more can make an excellent living. The more intelligent of them are using their profits to turn from the relatively unprofitable grain and market foods production to animal production to gain the benefit of high prices for milk and meat. They will help to hold down cereal prices to make animal production even more profitable.

The future for farming in Europe lies everywhere in switching from small units to large. This does not imply anything so colossal as the state farms and collectives of eastern Europe since the average west European farm is small indeed and often in many pieces. Those who read of Poland's farm reforms, which began 14 years ago, regrouping small scattered farms into one unit, a process which was finally carried out

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in Britain 150 years ago by the Enclosure Act, may not realize that in parts of Holland this reform is only now being put in hand. Near Gouda, the home of famous cheeses, the Dutch government is carrying out a "reallocation" scheme which shares out anew the strips of land, some five miles apart, which farmers own, in order to concentrate them for more economic production.

The future for west European farming lies no more with the individual farming family but is beginning to turn, far profitable working on a sufficient capital basis, to the farming limited company. Holland and France will lead the way through sheer necessity and because they are more economically aware in agriculture. West Germany, many of whose small farmers do their farming as a part-time job, and domestically highly conservative Italy will follow later.

If the growing well-being of west Europe's Common Market area as a whole is causing some painful changes in living patterns to the small farmers it is beginning to take their better paid jobs in a foreign land away from many of south Europe's and north Africa's

emigrant workers. The German euphemism of "guest worker" has, as so often in these areas, thrown a pleasant cover over some rough facts. The welcome to these "guest workers" varies with the necessity for extra labour to help the host meet his marketing opportunities and earn handsome profits. The millions of dinars, lira, pesetas and drachmae sent home by south European mechanics and labourers to support their families and benefit national balances of payment have been a trivial reflection of the hundreds of millions of francs and marks their employers have been able to bank.

Now that trade recession is casting a sizeable shadow and now that unemployment is growing in the Market area the welcome to aliens is cooling rapidly. Their nastier habits have suddenly become more noticeable — the Dutch complain of Turks buying old houses and sleeping six to a room: in Austria, which still needs relatively cheap foreign labour, this Turkish habit has not yet attracted much attention.

There is yet no crisis: the "dirty jobs" are still fully available, particularly in more fastidious Britain, France and Germany. But France has informed em-

ployers that an effort must be made to fill a job with a Frenchman before a foreigner is hired. The Dutch government is preparing legislation to limit the entry of foreigners who seek to earn a living in Holland and Germany maintains a tight control over worker permits and foreign worker recruitment. In the last six months the number of foreign workers in Germany has been reduced by over five per cent. Switzerland, where about 30 per cent of the total labour force is foreign, is beginning to cut back.

When the Common Market enlarges next year the immigrant workers who have settled in Britain from India, Pakistan, the Caribbean area and from former British areas in Africa will find they are not able to migrate to the European mainland to work. They — and citizens from Commonwealth countries such as Australia and Canada — will face exclusion as not having "a permanent and irrevocable right to live in the United Kingdom". They will all need work permits and these, if unemployment still rises in west Europe, will be hard to obtain and will be revokable at the will of the Market government concerned.

Far too many people

in our country, I am afraid, have been afflicted with a mental condition which I may perhaps describe as "Bhutto-on-the-brain." It must be said to the credit of the Prime Minister that she has been valiantly resisting the efforts which are being made in some quarters, with great energy and determination, to infect her with this malady. Editorial writers in certain newspapers are particularly to be blamed. They seem to have concluded that Mr Bhutto is the best Indian we have in Islamabad and that our government, therefore, should not lose the opportunity of talking things over with him and reaching a peace settlement. Mr Bhutto himself seems to have a more accurate idea of where he stands in relation to India or India in relation to him. He is reported to have remarked some time ago that he owed his present job to the Prime Minister of India. He could also add now that if he continues to be the President of Pakistan it can also be only because of a helping hand from New Delhi. It is clear that Mr Bhutto needs India more than India or even Pakistan needs him.

The question that we may therefore ask ourselves is how important or relevant Mr Bhutto really is to our country. I have a feeling that the presidency of Mr Bhutto will turn out to be a nine-day wonder. The man is clearly too much of a demagogue to be able to lead his battered country through its present crisis to political stability or a democratic future. He is a wind-bag and a straw man by turns and is not only without principles or convictions but is also a stranger to the mental process of coherent thinking. His credibility is already less than nothing among other politicians or public figures in his country and this being so, it is extremely unlikely that he can hold together even the truncated state of Pakistan once other political leaders in that country, nearly all of whom are also his political opponents, have been able to collect their thoughts and think in a systematic way about the future of their

people. In these circumstances, I wonder whether Mr Bhutto has indeed anything worthwhile to offer to us at a negotiating table. The man's main concern seems to be to pull off one or more diplomatic face-savers and thereby enable himself to buy more time at Islamabad. That he apparently believes that he will be able to strike a useful deal with India without simultaneously coming to terms with Bangladesh only emphasises the shallowness of his political personality. It is quite possible that Mr Bhutto is not the best president that even Pakistan in its present plight can have. The mere fact that he is President should not therefore bamboozle us into believing that this country is obliged to do business with him; for as I had mentioned earlier, the question we must raise about Mr Bhutto is how long he can manage to be President. We may not have to wait long for an answer.

Mr Richard Nixon's

name must be the most hated name in all Vietnam, north or south. That it makes no music either in the ears of the people of Bangladesh may of course be readily assumed. If, with the 560 million or so of Indians (including, emphatically, Mr Frank Moraes), the US President is far from being most popular world personality at the moment, this, again, is entirely natural. What, I find rather difficult to make out is why tricky Dick Nixon, as he has come to be known in many lands including his own, should stand as low as he apparently does in the esteem of people in western Europe. In Amsterdam, for instance, he was recently voted to be the worst of all the sons of Adam down the ages. The poor man fared only slightly better across the Channel. Visitors to Madame Tussaud's Wax Works in London were asked to name the public figures whom they hated or feared most. Nixon got the third place in the list, yielding rank only to Hitler who topped the roll and Mao who stood second. The US President, incidentally, had scored comfortably over Jack the Ripper and Dracula.

Although quite a few

of my colleagues in the press have not been slow in giving three cheers to the current slogan about national self-reliance, some editors still seem to have a weakness for buying columns from foreign newspapers. *The Hindu* must serve up Art Buchwald hot from the pages of *Washington Post*, while *The Times of India* would attempt to draw even by doling out helpings of Russell Baker by arrangement with *The New York Times*. Even the Prime Minister's house journal, *National Herald*, must replenish its resources by reproducing material published in *The Guardian*. Years back, when Drew Pearson's "Washington Merry-go-round" was going through one of its periodic phases of extra-notoriety, the then Managing Editor of *The Hindustan Times* bought that syndicated column for his paper. The experiment did not prove a success, for Drew Pearson normally wrote about matters which were of little interest to the Indian public.

When Drew Pearson's heir and successor, Mr Jack Anderson, hit the headlines in the world's press some time ago and kept hitting them by making disclosures about the seamy side of current White House politics or policy-making, I naturally began to wonder which newspaper in this country would be seeking reproduction rights. *The Statesman* seems to have made a deal for publishing selected instalments of the Anderson column. Now that there is not much goodwill in this country for President Nixon or his administration, a large part of *The Statesman's* readership may take a lively interest in the spectacle of White House dirty linen being washed in this column. But this need not prevent some of us from asking whether *The Statesman* would not be using its resources more relevantly if it were to direct its attention to what may be going on behind the scenes in New Delhi than to what Mr Anderson says is going on in the murky corners of Washington politics. There is a saying in Tamil about people wanting to wipe the bottoms of others before or even instead of cleaning their own. It seems to me that it must matter more to our people to learn about corruption in their own government or administration than in the politics or public life of some other country. It follows that our newspapers have an obligation to try to do an Anderson themselves if they could, but then it seems to be a question with 'hem equally of "I would if I could" and "I could if I would".

V B

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.

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TRADE WINDS

Cotton Prices

THE DEPUTY Foreign Trade Minister, Mr A.C. George stated in the Rajya Sabha regarding the "reported steep crash in prices in various markets in the country and that cotton production during the current year has been very encouraging. Against the estimated production of only 5.3 million bales of the last year, the present estimates of the current year are around 6 million bales. The last year (1970-71) was an abnormal year for cotton, both in respect of production as well as price behaviour. The acute shortage of domestic cotton led to rise in prices to unprecedented levels. This affected the production in the textile industry, both for exports as well as internal purposes. Annual production of cloth and yarn was the lowest in 20 years. Since the current year's crop is higher than last year's production by about 700,000 bales, the prices have been moving downwards. The government is watching the situation closely, he said, some steps calculated to stabilise level of prices of cotton have already been taken. The programme for import of foreign cotton has been reviewed and the quantum of targetted imports has been curtailed by about 250,000 bales. The stock limits earlier imposed on mills have been uniformly increased by one month in respect of all the mills in the country. The Cotton Corporation of India has moved in the market in various states, opened a large number of purchase centres. The corporation had purchased to date more than 46,000 bales and was continuing its purchases in large volume.

The government has fur-

ther under consideration measures such as securing suitable relaxations in credit restrictions and extending the period of delivery in respect of non-transferable specific delivery contracts.

Kolar Gold Mines

Bharat Gold Mines, a public sector company, took over the Kolar Gold Mines on April 1. The new company, registered under the Companies Act 1956 as 'Bharat Gold Mines Private Ltd.' will be vested with all the assets and liabilities of Kolar Gold Mining Undertaking with effect from this date.

The entire gold production would continue to be made over to the union government by the company at the international parity price, as is being done at present. The company would take steps to increase the production of gold and reduce operating cost. With more flexibility of operations, than hitherto enjoyed by the Kolar Gold Mining Undertaking, the company will strengthen and widen its exploratory activities with a view to discovering new and promising reserves both within the present leasehold areas and outside. The quantum of assistance to the company from the government during the year 1972-73 would be Rs 4.25 crores and for 1973-74, Rs four crores. The company is expected to work well within the limits of assistance from government.

Cochin Shipyard

The Prime Minister, Mrs Indira Gandhi, will lay the foundation stone of the Cochin Shipyard on April 29. The Shipyard project is estimated to cost Rs 45.4

crores and is scheduled to be ready by the end of 1975. However, the keel of the first ship is likely to be laid in 1974 as soon as the essential facilities like building-docks and hull shops are ready.

Savings Scheme

The Prime Minister inaugurated on April 1, a new scheme of savings which is being introduced in 122 selected cities of India. Known as the Area Savings Leaders Authorised Agency Scheme, it is designed to provide an opportunity to educated women to go from house to house and from shop to shop to persuade people to save and collect their monthly savings. This will help them not only to add to their family incomes but also enlarge their social contacts and do a national service. The objectives of the scheme are: to educate housewives in family budgeting; to promote the habit of thrift among house-holds and self-employed people; to canvass for and secure from small savers investments in post office cumulative time deposit accounts and recurring deposit accounts; and to raise resources for development and defence. Besides women, social organisations are eligible to become agents under the scheme.

Izmir Fair

This country will participate in the International Fair to be held at Izmir (Turkey) from August 20 to September 20, 1972. The Ministry of Foreign Trade is organising India's participation in this Fair. This Fair has a special attraction, as Turkey negotiates a large percentage of her business and makes purchases during this period.

The Turkish government offers a considerable amount of Fair quota, both for traditional and non-traditional items, to all participating countries. This year the Fair quota allotted to India has been increased by about 56 per cent over the last year's quota. Another attraction of this Fair is that the participants are not required to contribute any space charges for the area allotted to them for display of their exhibits.

Shipping Targets

Shipping tonnage of this country will be about 2.9 million GRT by the end of fourth Plan. In addition, 1.72 million GRT will be either on firm order or would have been acquired. Thus, after scrapping the overaged ships the plan target of four million GRT is expected to be fully achieved. On March 1, 1972 the operative tonnage was 2.51 million GRT and 1.44 million GRT was on firm order.

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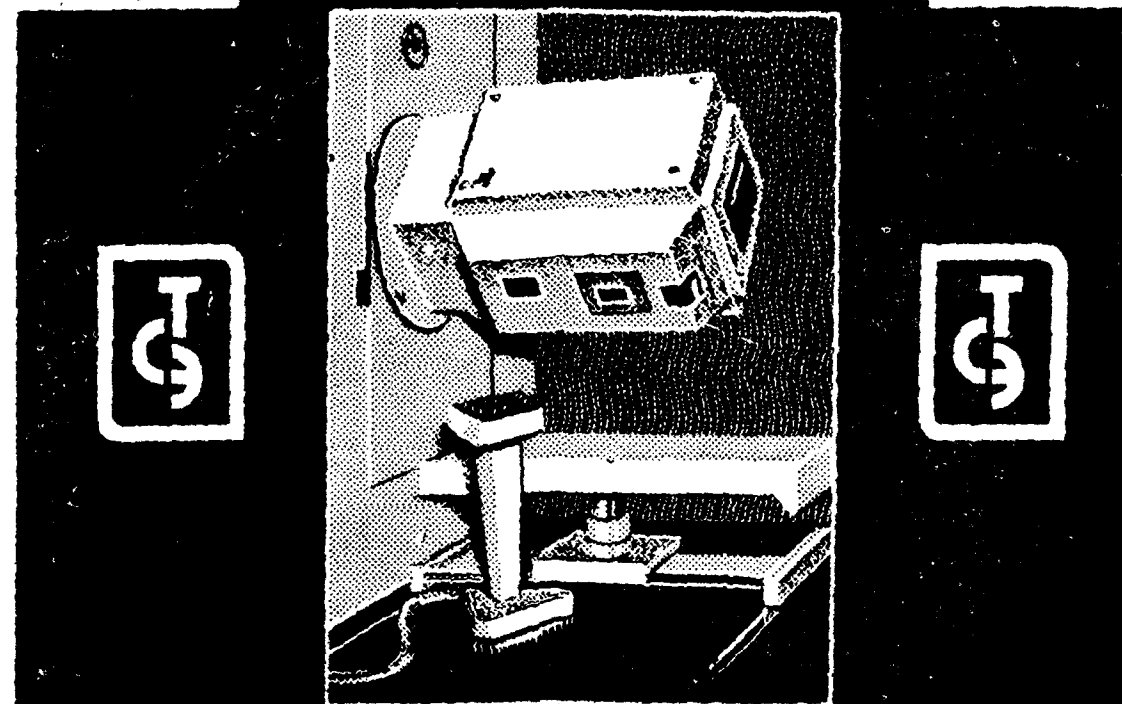
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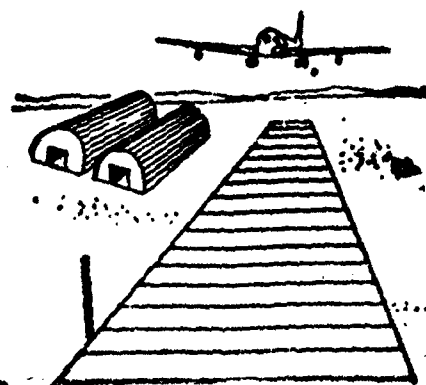
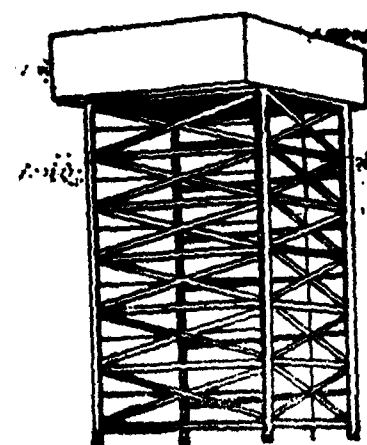
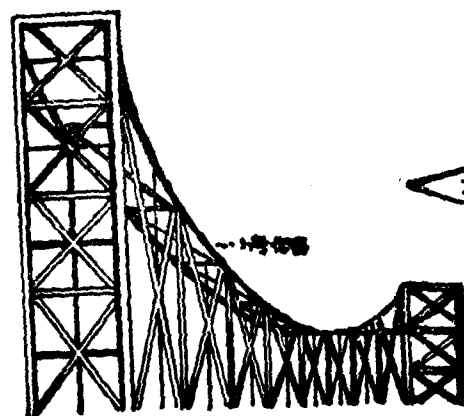
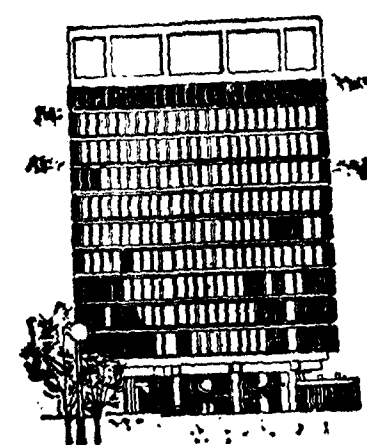
EASTERN ECONOMIST

APRIL 14, 1972

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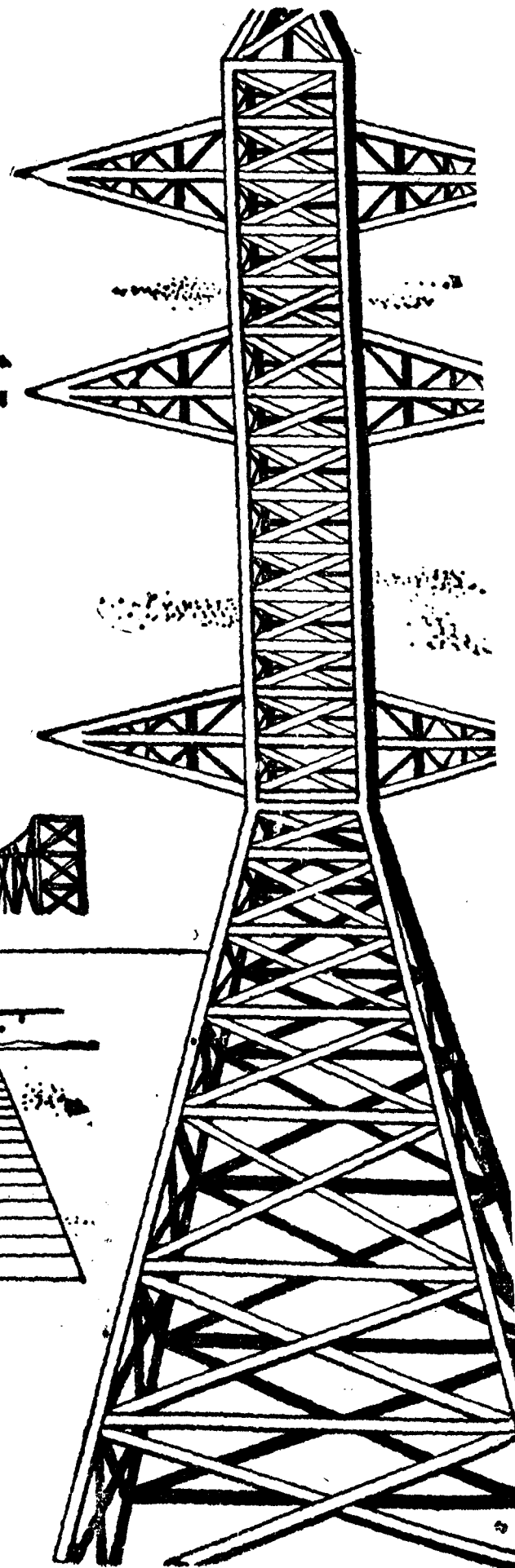
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making a total of 3.95 million GRT. It is estimated that overaged ships aggregating to 224,000 GRT will be scrapped during the remaining period of the Plan. Thus only 273,000 GRT has yet to be acquired or ordered to reach the fourth Plan target. It is hoped to place orders for the remaining tonnage of 273,000 GRT during the remaining two years of the Plan.

Loan for Irrigation

The union government has sanctioned special loans amounting to Rs four crores to 17 states for investigation of Irrigation, flood control and power projects during the current financial year. The loans are treated as non-Plan and are repayable in 15 annual equal instalments. The state-wise break-

up of loan assistance is: Andhra Pradesh Rs 25 lakhs, Assam Rs 5 lakhs, Bihar Rs 40 lakhs, Gujarat Rs 28 lakhs, Haryana Rs 12 lakhs, Jammu and Kashmir Rs 5 lakhs, Kerala Rs 12 lakhs, Madhya Pradesh Rs 40 lakhs, Maharashtra Rs 27 lakhs, Mysore Rs 25 lakhs, Orissa Rs 20 lakhs, Rajasthan Rs 25 lakhs, Tamil Nadu Rs 42 lakhs, Uttar Pradesh Rs 30 lakhs, West Bengal Rs 19 lakhs, Himachal Pradesh Rs 30 lakhs and, Punjab Rs 15 lakhs.

Airports Authority

The ownership of the four international airports at Delhi, Bombay, Calcutta and Madras, have been vested on April 1 in the International Airports Authority of India, constituted to manage these airports. The

assets of the four international airports which the Authority has taken over are worth about Rs 30 crores. These comprise mainly of terminal buildings, land making up the airports, runways, taxiways, aprons and hangers. The total revenue of these airports during the year 1970-71 was about Rs 520 lakhs. It was mainly derived from landing and housing fees from the international air carriers and airport fees. Bombay had earned the maximum revenue with about Rs 220 lakhs, followed by Delhi with Rs 161 lakhs. Calcutta had earned Rs 105 lakhs while Madras had earned approximately Rs 32 lakhs. The International Airports Authority constituted by a legislation for this purpose will be an autonomous statutory authority. It will own and manage the four

international airports which were previously under the Department of Civil Aviation. The Tata Committee report on International Airports in 1969 had recommended setting up of an autonomous body for the management of the international airports.

Plastics Exhibition

An exhibition entitled 'Plastic Today and Tomorrow' was inaugurated by Mr C. Subramaniam, Union Minister for Planning, Science and Technology recently in Delhi. The purpose of the exhibition was to highlight the technical needs of the plastic industry and to educate and attract new entrepreneurs to this field. The idea was also to promote the use of plastics for civilian, defence and industrial purposes.

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COMPANY AFFAIRS

Hindalco

THE HINDUSTAN Aluminium Corporation Limited has proposed to maintain the dividend at Rs 1.25 per share for the year 1971. The company's sales were grossed Rs 37.28 crores and its gross profit was around Rs 8.22 crores. After providing Rs 3.79 crores for depreciation, Rs 9.50 lakhs for development rebate reserve and Rs 3.91 lakhs for contingencies reserve, the net profit is Rs 4.30 crores. Mr D.P. Mandelia pointed out that there was a substantial reduction in the selling prices and increased cost of raw materials with high cost of power. He stated that the profit would have reduced if the reduced selling prices had been applicable for the whole year. In spite of production being impaired to the extent of 25 per cent by a power cut during the months of January/June 1971, the company has been able to maintain production of primary metal almost at the level of last year, about 78,000 tonnes. But for the power cut, the company's production would have crossed 80,000 tonnes. The working during the first three months of the current year is almost the same as last year. The first phase of the company's expansion is already under way. It expects to commission the new smelter by the middle of this year and expects to increase its production capacity by 30,000 tonnes by the end of the year. The suspension of US aid has not deterred the company from advancing towards its goal. The company's application for expansion of fabricating capacity from 37,000 tonnes per annum is pending with the government. The company's application for an industrial licence for the production of caustic soda with a capacity of 100 tonnes

is also with the government. The company hopes to achieve its expansion to 100,000 tonnes capacity by the end of 1972 and to 120,000 tonnes by the end of 1973, when it will be the largest producer of aluminium in the country.

Century

The board of directors of the Century Spg. & Mfg. Co. Ltd met in Bombay recently and decided to review the application made to the Controller of Capital Issues some two years ago for the issue of one bonus share for every equity share held by capitalising Rs 3.55 crores from general reserve. The original application could not be favourably considered by the CCI in view of the government's policy not to allow more than two bonus issues in a period of five years. This time limit is, however, now over, and hence the board's recommendation.

Dunlop

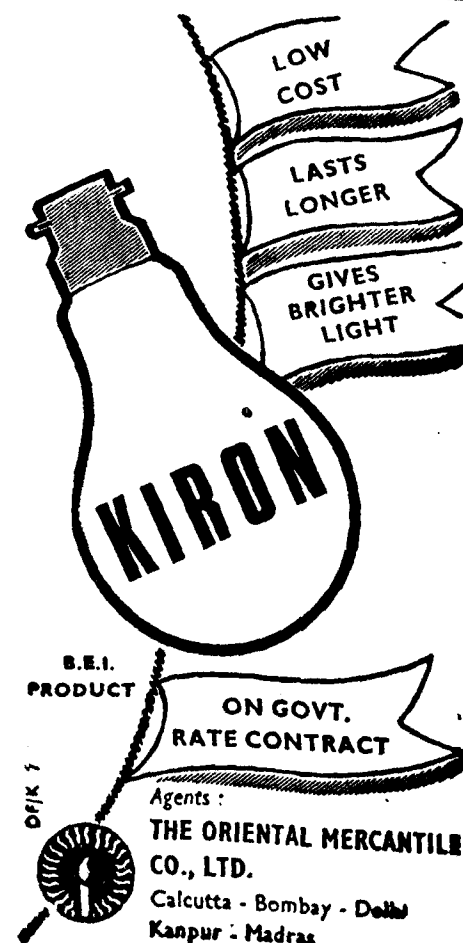
The Directors of Dunlop India Limited have recommended a final dividend on the ordinary shares at the rate of Rs 1.25 per share, subject to tax, for the year ended December 31, 1971. Together with the interim dividend of 75 paise per share already paid, this makes a total ordinary dividend of Rs two per share for the year, the same as for 1970. Total preference and ordinary dividends paid and proposed absorb Rs 2.05 crores leaving retained profits of Rs 1.12 crores for transfer to general reserve. The total income for the year at Rs 98.90 crores exceeded that of the previous year (88.41 crores) by 12 per cent. This in part reflects the implementation of the automotive tyre and tube expansion at the Ambattur factory. Balance from trading, however,

has declined by 6.5 per cent compared to last year. The lower margins earned in 1971 were due to higher raw material prices, substantial increases in personnel costs and, the effects of power shortages and high absenteeism. With better power supplies and the improved law and order situation in the second half of the year, output at the Sahaganj factory increased and this, combined with the additional production from the Ambattur is responsible for the improved results in the period July-December, 1971.

Sylvania and Laxman

The Chairman of Sylvania & Laxman Limited, Mr Laxman S. Agarwal addressed the shareholders recently at the annual general meeting and informed them about increased turnover

of the company from Rs 2.62 crores to Rs 2.92 crores. The directors declared a dividend of 7½ per cent for the year ending September 30, 1971 against six per cent of the previous year. The company is making rapid progress for implementing a diversified expansion programme of lamp making viz. automobile lamps, GLS lamps, high wattage lamps, telephone switch board lamps, mercury vapour lamps etc. The company has agreed to give know-how to three other companies who are setting up factories at Chandigarh, Gwalior and Hyderabad for manufacture of GLS lamps. The company has also received letters of intent for the manufacture of industrial gases and for increasing glass shells production from 15 million to 30 million annually. It has also set up a research and development section in order to become more self-reliant.



Plan for 1972-73

The total Plan outlay of the centre, states and union territories for 1972-73 will be Rs 3,973.42 crores. This is about 25 per cent of the fourth Plan outlay in the public sector and represents a step-up of 25.8 per cent over the outlay of Rs 3158 crores for the year 1971-72.

The sectoral distribution of the outlay for 1972-73 is as follows (Rs crores): centre 2144.20; centrally-sponsored 162.97; union territories 64.50; and states 1601.75.

This information is contained in the document on the annual Plan for 1972-73 which was presented to both the Houses of Parliament on April 4, 1972 by Mr C. Subramaniam, Minister for Planning, Science and Technology.

Departing from the earlier practice of presenting the annual Plan towards the end of the financial year the annual Plan for 1972-73 has been released "as early as possible after the presentation of the union budget". This is intended to facilitate discussion in Parliament and to increase the operational utility of the document. Detailed provisions for Plan schemes included in the central budget are furnished in the budget document entitled "Plan—Budget Link". The annual plan document provides a brief outline of the Plan as a whole with special chapters devoted to the approach and reorientation, financing of the Plan and to the major schemes which have been included in the Plan to promote greater social justice as part of reorientation.

The significant increases to the Plan outlay in 1972-73 have been combined with

specific attention to correcting the shortfalls noticed in the Mid-term Appraisal and for promoting the main emphasis at the present juncture, namely, self-reliance and social justice. Special programmes have been included to achieve increased output from existing capacity in steel and fertilisers as also for expansion and new projects. The modernisation of export-oriented traditional industries like jute and cotton textiles will get special attention.

In formulating the annual Plan for 1972-73, the needs of the emerging situation have been kept in view. Special attention has been given to correcting the shortfalls and deficiencies brought to light in the Mid-term Appraisal of the Plan. A second major objective is a significantly enlarged provision for schemes promoting social justice.

High priority has been accorded in the annual Plan to firm commitments, spill-over expenditures from the previous years, completion of works in an advanced stage of construction, expeditious construction of other works on hand and fuller utilisation of capacities already created.

The outlay for 1972-73 for central schemes is higher by about Rs 585 crores as compared to the corresponding outlay for 1971-72. Last year an outlay of about Rs 105 crores was provided for certain non-Plan schemes, namely crash scheme for rural employment, schemes for drought-prone areas, schemes for educated unemployed, etc. These are now included in the Plan. In the case of centrally sponsored schemes, the outlay for 1972-73 is up by about Rs 21.5

crores as compared to the corresponding outlay for 1971-72. The outlay for union territories is higher by about Rs 11 crores on a comparable basis (i. e. including the outlay for Manipur and Tripura within union territories in 1972-73). In the case of the states, the outlay is higher by about Rs 198 crores (excluding outlay for Manipur and Tripura shown under states in 1972-73).

The distribution of Plan outlay by major heads of development is as follows (Rs crores): Agriculture and allied programmes 782.36; Irrigation and flood control 260.31; Power 602.26; Village & small industries 62.64; Industry and minerals 730.75; Transport & communications 728.36; Education 194.51; Scientific research 42.41; Health 87.26; Family planning 63.15; Water supply and sanitation 101.18; Housing, urban and regional development 61.93; Welfare of backward classes 42.14; Social welfare 153.84; Labour welfare and craftsmen training 8.03; Other programmes 52.29.

In the annual Plan, a large overall provision of Rs 125 crores has been made for special welfare schemes relating to the educated unemployed, expansion of elementary education, slum improvement in the major cities, rural water supply and rural home sites. This provision is in addition to a total provision of Rs 90 crores for rural employment etc.

The rationale of these schemes is directed to satisfying the basic minimum needs of the people. Assistance will be provided based on need and in a

manner that will correct regional imbalances. The schemes have been so designed as to secure adequate co-ordination so that the maximum impact can be had for a given level of expenditure. The assistance to be provided to states will be in the form of a 100 per cent grant. The additional resources will supplement outlays provided in the state Plans for similar purposes and will not be permitted to substitute for them. Depending on their needs and absorptive capacity, all the states will benefit from one or more of the new schemes. Wherever possible the state governments will also be expected to supplement these provisions with resources found from their own budget or from institutional sources so that there could be a multiplier effect.

The main emphasis in the complex of schemes relating to rural employment and development will be to get the maximum impact out of them by effective co-ordination. The special employment schemes will result not only in providing employment to the educated unemployed but will also promote the design of integrated rural surveys, the staffing of elementary schools, investigations for rural water supply and the setting up of self-employed entrepreneurs in rural areas. The scheme for elementary education, apart from providing employment to teachers will increase enrolment in the backward states with special emphasis on the schooling of girls and backward classes. It will also provide rural employment in the building of class rooms. The nutrition programmes will primarily benefit children in the tribal areas and in the urban slums. The slum improvement scheme will benefit the poorer sections of the urban population. It will supplement funds being provided for by the Housing

and Urban Development Corporation. The provision for rural water supply is a significant increase to the outlays the states are now providing for this purpose and will benefit the states where the needs are most in terms of villages which suffer chronic scarcity or health hazards such as cholera and guinea-worm infestation.

The individual provisions for the various schemes indicated in the Annual Plan are tentative. Reappropriation based on needs and performance capabilities will be possible either within the same scheme or within the overall provision. The reorientation of the Annual Plan for 1972-73, apart from making a qualitative change in the current Plan, will thus provide a sound basis of experience for making a much bigger effort for greater social justice in the fifth Plan.

With a view to initiating advance action in respect of projects and programmes to be taken up during the fifth Plan, it has been ensured that state governments and central ministries provide necessary resources for carrying out investigations and studies so that there are an adequate number of well-prepared projects available for the preparation of the fifth Plan.

In the agriculture sector apart from the ongoing agricultural programmes, certain schemes which are designed to overcome the main deficiencies and shortfalls that have been identified in the Mid-term Appraisal of the Fourth Plan will be taken up during 1972-73. In the field of agricultural research and education, special attention will be given to the development of agriculture in humid and high rainfall areas, temperate hilly zones etc. by taking up co-ordinated schemes for research on water management in these areas and for research on use of saline water in

agriculture. The research on post-harvest technology and allied matters will be intensified. For the development of dry areas, research on an integrated package of technology will be intensified. New programmes have also been included in the annual Plan for strengthening research on cotton and jute.

Special efforts will be made to boost the production of important commercial crops such as cotton, jute and oilseeds where production has fallen short of the Plan targets.

Priority has been given to the completion of the continuing schemes which are in an advanced stage of construction. Adequate provisions have also been made in respect of inter-state and multi-purpose projects. A number of new major and medium irrigation schemes will be launched. In addition, outlays will be provided for investigation of irrigation and power projects. In part these outlays will result in preparatory action for the fifth Plan; they will also create additional employment for engineers and technicians.

The total outlay provided in the Annual Plan for 1972-73 is Rs 793.39 crores. The bulk of the outlay is intended for basic industries like steel, fertilizers, petroleum, mineral development and non-ferrous metals. The steel projects account for about 30 per cent of the outlay envisaged for 1972-73. In non-ferrous metals, substantial additional provision has been made for the aluminium and copper projects as compared with the previous year. Increased provision has been made for oil exploration and the Haldia refinery; it is also envisaged that the construction of new refineries at Bongai-gaon and in the north-west region will be taken up during 1972-73. Another major

direction in which progress in implementation is expected is the construction of the naphtha cracker and associated facilities in the Gujarat petrochemical complex. In fertilisers, substantial additional provision has been made to proceed speedily with the expansions and new projects.

Particular attention will be given to fuller utilisation of existing capacity. Necessary provisions have been made for balancing or additional equipment that need to be set up and for technological improvements for achieving higher levels of output. As a result, better performance in industries like steel and fertilisers is envisaged in 1972-73.

The need for expanding activities in the production of consumer goods which are in short supply has also been taken into account. In particular, provision has been made for speeding up the scooter project, for the expansion of the production of drugs and speeding up the implementation of projects for the manufacture of cement and paper.

It is proposed to give particular attention to the industrial development of backward areas. Subsidy will be provided on the lines already announced to projects to be set up in the selected backward districts in different states. Apart from concessional finance, the Industrial Development Bank, in collaboration with other institutions and the state governments, will also carry out studies on the industrial potential of the backward districts.

Provision has also been made for new projects to be taken up by way of advance action for the fifth Plan, as for example, for the new steel plants to be put up at Hospet, Visakhapatnam and Salem. Particular emphasis has been placed on speeding up sur-

veys relating to natural resources in the mineral sector, as an essential prerequisite to the identification of project in the metallurgical, petroleum and allied sectors. In addition provision has also been made for investigations and preparation of feasibility studies for projects, to be got ready in time for consideration for the fifth Plan.

The installed generating capacity in the country at the beginning of 1971-72 was 16.5 MKW which is expected to increase to 17 MKW at the end of 1971-72. In 1972-73, 1.5 MKW are expected to be added which will step up the aggregate installed capacity in the country at the end of the financial year to about 18.5 MKW. The total sale of energy is expected to increase from about 54,000 million units in 1971-72 to about 59,000 million units in 1972-73.

The construction of transmission and distribution lines will be given priority. The progress of the transmission programme has suffered largely due to inadequate supply of steel for the fabrication of the towers. This position is expected to improve with the arrangements which have been made for the procurement of steel from abroad.

The rural electrification programme in the states has received increasing importance over the years. It is anticipated that about 3 lakhs additional pumpsets will be energised in 1972-73, bringing the total number of pumps in the country to about 22 to 23 lakhs as against 11 lakhs at the commencement of the fourth Plan.

Special efforts are proposed to be made during 1972-73 for accelerating the developments in the other sectors as well, including those in the transport, scientific research and social services sectors.

Import Policy: 1972-73

THE MAIN features of the 1972-73 import policy are:—

1. The role of the public sector agencies in imports has been further expanded.

2. A Steel bank will be set up by Hindustan Steel Limited to organise bulk imports of steel for sale to manufacturers.

3. The IRMAC set up by the State Trading Corporation for organising bulk imports of raw materials for sale to manufacturers, will further expand its activities.

4. The policy of need-based replenishment for licensing of raw materials imports will continue to be followed for meeting the requirements of priority industries.

5. Selected industries in the priority sector will be allowed additional imports of raw materials against a special allocation of foreign exchange set apart for the purpose.

6. Additional imports of raw materials will also be allowed to industrial units in the priority sector if they earn net foreign exchange by exporting their products or if their increased output results in a direct saving on present imports.

7. The concept pertaining to 'Export Houses' has been further enlarged.

Small-scale industries

8. Small-scale industries in the priority sector will be enabled to obtain their import requirements based on the assessment of their capacity.

9. Special facilities will be available for setting up small-scale industries in the

country by Indian nationals returning from abroad.

10. Special facilities will continue to be given for setting up small-scale industries in backward areas. Qualified engineers and ex-service personnel will also continue to have added opportunities to establish new industries.

Facilities for re-opening of closed units

11. Special assistance will continue to be given to the engineering industries for restarting production, particularly in the case of those in West Bengal which had to close down in the past for want of raw materials.

Facilities for educational and research institutions

12. More facilities have been provided for import of instruments, apparatus and appliances and books by educational research and technical institutions, research and analytical laboratories and universities.

Established importers

13. Quotas for established importers have been further reduced in respect of several items.

Canalisation of imports

56 additional items have been added to the list of imports canalised through public sector agencies. With the addition of these items, the list of canalised imports will now cover 168 items. On this basis, the public sector agencies will handle imports of about Rs 100 crores more in value during 1972-73 at the present level of imports.

Imports by STC/MMTC of raw materials licensable to

actual users and registered exporters

(i) State Trading Corporation will also be organising bulk imports of certain raw materials for sale to actual users and registered exporters. The Industrial Raw Materials Assistance Centre (IRMAC) set up by the State Trading Corporation will further expand its activities for supplying raw materials 'off-the-shelf'.

(ii) A "Steel Bank" will be set up by the Hindustan Steel Limited to organise bulk imports of steel for meeting the requirements of actual users.

(iii) Registered Exporters will continue to be allowed to transfer their import replenishment licences in favour of the STC/MMTC.

Pricing

Sale prices in respect of goods imported by the canalising agencies will continue to be determined by these agencies subject to the overall control of the Ministry of Foreign Trade. Preferential treatment will be accorded to exporting units in the matter of sale prices.

State Trading Corporation and Minerals and Metals Trading Corporation will further expand their developmental role to strengthen the export effort by providing assistance in finance, marketing and general services to exporters.

The scheme for the grant of facilities to Export Houses has been further enlarged.

Import facilities

(i) The exports of items covered by one additional produce group, namely, 'tobacco products' will also

be taken into account in determining the eligibility for an 'Export House', and for determining the value of the initial import licence to be given to an Export House.

(ii) Indirect exports made by Export Houses will also be taken into account for determining eligibility and for calculating the value of initial/supplementary initial import licences to be given to Export Houses, provided such indirect exports are not more than the value of exports made by the Export House in respect of products manufactured in the small-scale sector.

(iii) Export Houses having definite plans of increasing their exports of new products will be allowed the facilities of imports of raw materials over a wider range to meet the demands of their supporting manufacturers.

(iv) Eligible Export Houses will continue to have the existing import facilities to arrange for bulk imports on behalf of actual users, and also of operating the licences issued to actual users without obtaining letters of authority from the licensing office.

(i) In the case of registered exporters, the import content of the exported products will continue to be replenished from the most preferred sources of supply.

(ii) The policy for allowing nominations under the import policy for registered exporters has been streamlined, so that nominations are made in favour of manufacturers who hold Actual User licences relating to the end-products on the basis of which they are nominated. This policy will result in the nominations being made in favour of those manufacturers who require them for augmenting their production.

Facilities to exporters

(i) Industrial units in the priority sector exporting 10

per cent or more of their production will be eligible to preferred sources of supply and facilities for expansion of export production. Units which export 25 per cent or more of their production will receive substantially greater preference.

(ii) Units in the non-priority sector having similar export performance will be treated as priority units, given the same preference in regard to the sources of supply and for expansion of production, and receive all the facilities normally given to priority units.

(iii) In the case of selected priority industries, licences for raw materials and components for value higher than past consumption will, on merits, be issued if the industrial unit concerned earns net foreign exchange by exports of its products and the additional export earning is at least 50 per cent higher than the value for which additional raw materials may be allowed for import.

Compulsory exports for certain priority industries

A few industries have been selected from the priority list for their export potential. Units in these industries, failing to export 5 per cent of their production, will be liable to a cut in their import licences, apart from losing the facilities of preferred sources of supply and expansion of production capacity.

Need-based policy for priority industries

(i) The import requirements of 59 priority industries will be met as before, subject to availability of foreign exchange.

(ii) In the case of selected priority industries of special importance, both in large and small-scale sectors, import licences for raw materials and compo-

nents will be granted, on merits, for higher values against an additional foreign exchange allocation provided for the purpose.

(iii) In the case of priority industries, licences for raw materials and components for a value higher than past consumption will, on merits, be issued if the industrial unit concerned can prove that the increased output will directly save on present imports and the saving in foreign exchange is at least 50 per cent higher than the value for which additional raw materials may be allowed for import.

Special assistance to small scale industries

The requirements of small scale units set up in the priority sector for imported raw materials and components will be considered having regard to the assessment made by a team representing the Development Commissioner (small-scale industries) and the State Director of Industries, and after approval by a Special Committee set up under the Chief Controller of Imports and Exports.

Encouragement of industrial units in backward areas

(i) Preferential treatment will be accorded in the matter of import of machinery and raw materials to small-scale units proposed to be set up in backward areas.

(ii) Indian nationals returning from abroad and intending to set up small-scale industries in India will be allowed to import machinery, without indigenous clearance, of a value not exceeding Rs 5 lakhs and permissible raw materials upto Rs 1 lakh, purchased out of their funds abroad.

Special facilities to qualified engineers/ex-service personnel

Preferential treatment

will be accorded in the matter of import of machinery and raw materials to small scale units set up by qualified engineers and ex-service personnel.

Special facilities to closed engineering units

Units engaged in the engineering industry, particularly those located by West Bengal, which have closed down for want of raw materials, will be given special facilities to enable them to re-start their manufacturing activities. Advance allocation of imported raw materials will be made to such units to enable them to re-start their manufacturing activity.

Facilities for development and research activities

Import licences for raw materials and spare parts will be granted to the special research units recognised by the Department of Industrial Development.

Import of steel for export oriented production

Actual users requiring import of steel for export oriented production will be given priority and preference in the matter of allocation of foreign exchange and allotment through the canalising agency to enable them to execute export orders in time.

Import of spare parts against release orders

A facility has been provided to Actual Users to obtain import licences for permissible spare parts against release orders issued to them in respect of canalised items, upto 10 per cent of the value of the release order by a corresponding reduction to that extent in the value of the release order.

Conversion of licences into release order and vice versa

An actual user will have

the facility of converting an import licence for non-canalised items into a release order for canalised items and vice versa subject to certain conditions, to enable them to adjust their requirements of raw materials according to their programme of production.

Import of scientific instruments, apparatus and appliances

Technical and research institutions and government research and analytical laboratories will be allowed to import without licence scientific instruments, apparatus and appliances etc., of a value upto Rs 2,000 at any one time. If these institutions so desire, they can also avail of an alternative facility of importing these items, in one lot, once in the course of a year, without obtaining an import licence, if the value thereof does not exceed Rs 8,250.

Import of technical books

Educational, medical and research institutions and universities will be allowed to import without licence technical books upto Rs 10,000 in value in a year.

The import of certain essential raw materials required by industry, will continue to be on OGL.

More items banned for import

In view of the growing volume and quality of indigenous production, 160 items have been taken off the permissible list. These include certain types of ball bearings, taper roller bearings, machine tools, machinery and accessories, instruments, dyes and dyes intermediates and chemicals.

Items restricted for import

87 items which were hitherto allowed to Actual Users without restriction, will now be permitted only

on a restricted basis. These include certain types of ball bearings, drugs and medicines, chemicals, and dyes intermediates.

Established importers' quota reduced

In respect of 29 items, the quotas for established importers have been reduced. These include spare parts of various equipment, drugs and medicines, motor vehicle parts, garage tools and instruments.

Procedural simplifications

(i) The procedure for import of machinery by manufacturers against their export entitlements has been

rationalised by eliminating certain stages.

(ii) The procedure for the grant of replacement licences for machinery and spare parts against original defective imports has been simplified by dispensing with indigenous clearance.

(iii) The procedure for the grant of import licences for raw materials and components to new/proposed units in the small-scale sectors has been streamlined so that the unit may not suffer on account of administrative delays.

(iv) The procedures for granting import licences for prototypes upto Rs 12,000

in value has been simplified by delegating powers to regional licensing offices.

(v) The procedure for the grant of import licences for raw materials and components to certain industries has been streamlined by indicating industry-wise packet of raw materials and components permitted for imports.

(vi) Special case studies are being carried out to identify causes of delays in licensing and suitable remedial measures will be taken to cut down all avoidable delays.

Administrative changes

(i) The Iron and Steel

Control licensing offices at Bombay, Madras and Calcutta have been merged with the respective regional licensing offices.

(ii) The name of the office of the Assistant Iron and Steel Controller, Faridabad has been changed to that of Deputy Chief Controller of Imports and Exports (Iron and Steel), Faridabad.

(iii) Applications from small-scale units situated in Uttar Pradesh for import of iron and steel items will be dealt with by the Deputy Chief Controller of Imports and Exports, Kanpur.

Differential rates of interest

On March 25, the union Finance Minister, Mr Y. B. Chavan, made a statement in Parliament which outlined the policy of differential interest rates for bringing about changes in economic institutions in this country. The nationalised banks are expected to locate parties who deserve the differential rates of interest on borrowings among scheduled tribes, scheduled castes, processors of forest products, cottage and rural industries, students going abroad for higher studies, physically handicapped persons etc. The text of Mr Chavan's statement follows:-

Hon'ble Members will recall that in my budget speech I made a mention of the policy of differential interest rates as one of the steps recently taken to bring about basic changes in our

economic institutions and policies to supplement the central budget for furtherance of our social and economic objectives. I thought I should take an early opportunity to place before the House the essentials of the policy.

As the House is aware, the idea originated in the meeting I had with the chief executives of the public sector banks and senior officials of the Reserve Bank in July, 1970. I made the suggestion then that lower interest rates should be charged to carefully selected low-income groups, who deserve financial assistance for productive endeavours and higher interest rates to more affluent borrowers. In pursuance of this, a committee was appointed by the Reserve Bank to determine the criteria for identifying borrowers with-

in each sector in selected income groups who can be granted the benefit of lower interest rates without affecting the profitability of the banking institutions. The committee submitted the report in May, 1971, and it was made available to Members of Parliament. The subject also came up for discussion on more than one occasion in Parliament. The report has also attracted wide notice in newspapers and journals. I have taken careful note of the opinions expressed in Parliament and outside in giving shape to the contours of the policy.

The report of the committee was not unanimous. The majority report and the note of dissent have fundamental differences between them. The basic approach of the majority report is that the criterion for charging lower rate of

interest should be the size of the loan taken by a party and not the party's own financial position or economic status. They have in view a range between 8½ per cent to 10 per cent per annum on those borrowals which come within the cover of the of the guarantee schemes now in operation. On the question of charging higher rates to the more affluent borrowers, the majority take the view that the present normal rates are high enough and asking the banks to charge higher than normal rates to selected categories of the affluent people would be to invite legal complications and create distortions in the economy.

The dissenting note on the other hand does not agree that the size of the loan should be the principal determinant of eligibility for the benefit of an interest differential or that the selection of small borrowers should be linked with the existing credit guarantee schemes. It has stressed that differential lending rates including, in some instances, loans at even zero interest are an established feature of international lending and

it should be possible for banks to charge different rates of interest to different income groups, beginning with a very nominal rate of interest for the most needy and going up to 20 per cent for prosperous traders.

While it is difficult to reconcile the two points of view, I have no doubt about the basic soundness of the idea which led to the formation of the committee. I am aware that a wide ranging differential in interest rates is likely to pose practical policy and operational problems for the banking system, but in a country where a large segment of population is abjectly poor, social needs and expectations cannot be ignored and the public sector banking system will need to reorient its functioning in a way which makes it an effective instrument of service to the community. Interest rate mechanism should subserve our objective of social justice in the matter of distribution of credit but at the same time I am no less conscious that the banks should continue to retain their character as viable institutions.

I propose to make a start with the scheme of differential interest rate in favour of borrowers who answer to all of the following descriptions:

- (1) have really no tangible security of any worth to offer on their own;
- (2) cannot produce a security/guarantee of a well-to-do party;
- (3) are prepared to work hard;
- (4) can be helped to rise above their present economic levels in a productive endeavour with assistance from banks, the productive endeavour being such as would become economically viable within a period of, say 3 years;
- (5) do not incur liability to two sources of finance

at the same time.

The following are among the sectors within which the banks should be able to locate parties who deserve the differential rate:

(1) Scheduled Tribes, Scheduled Castes and others engaged, on a very modest scale, in agriculture.

(2) People who themselves collect, or do elementary processing of, forest products and people who themselves collect fodder in difficult areas and sell them to farmers or traders.

(3) People physically engaged on a modest scale in the fields of cottage and rural industries and vocations in urban areas. Illustrative examples are: cutting cloth and sewing garments, making reasonably cheap eatables, home delivery service of articles and commodities of daily use, running way-side tea stalls, plying of self-owned manual rickshaws and cycle-rickshaws, repairing of shoes/sandals mainly by hand, basket-making by hand etc.

(4) Indigent Students going in for higher education who do not get scholarships/maintenance grants from governmental or educational authorities.

(5) Physically handicapped persons pursuing a gainful occupation where some durable equipment and/or continuous supply of raw material is useful.

(6) Orphanages and Women Homes where saleable goods are made and for which no adequate and dependable source of finance, e.g., endowments or regular charities, exist.

The differential interest rate under the scheme is for the present to be uniformly fixed at 4 per cent i.e., 2 per cent below the current Bank Rate. The question of charging higher rates from the affluent borrowers is beset with operational difficulties. I am having the matter further

examined so that a rational structure of higher interest rates is devised.

The banks may give both working capital and term loan according to the facts of the situation. In addition to a differential rate, some initial moratorium in repayment may also be considered. Availability of tangible security will not be a pre-condition for the grant of a loan; when a surplus starts emerging and the borrower can, without real difficulty, offer some security, a margin of 15 or 20 per cent can be looked for. While loans to individuals are not barred, the banks may at the beginning look for groups in particular areas as groups lend themselves to easier handling. Each loan is to be covered by the existing credit guarantee schemes. The guarantee fee will be met by the banks and not charged to the borrowers.

For lending at the differential rate, each bank should select at least one branch in every 8 or 10 and in making such selection it should ensure that backward pockets in rural and semi-urban and urban areas of the country are well represented. The banks will have to maintain continuous touch with the borrowers to whom the benefit of the differential is extended and arrange for necessary guidance and help in a number of ways, i.e., provision of raw materials and processing and marketing etc. facilities. It is not visualised that bank offices, entirely on their own, will always be able to make these arrangements. When the banks themselves cannot make such arrangements they will have to link their operations with those of other recognised bodies, governmental and non-governmental, which function in that area.

The scheme which I have outlined above would operate for the present in districts which are not covered by SFDA/MFAL

scheme. In SFDA and MFAL districts, the central and state governments have accepted substantial financial responsibility over schemes intended to raise people through productive endeavours from below subsistence level or bare subsistence level to a higher level. The banks assisting borrowers in these districts through the differential rate of interest should get suitable financial reimbursement from the government concerned. Details will be worked out in consultation with the concerned ministries and the state governments.

The Scheme will for the present be confined to the public sector commercial banks. I have given careful consideration to the question as to whether the co-operative banking system should not also operate the differential interest rate scheme. It is not quite clear whether the co-operatives would be able to recoup consequential losses by charging higher interest rates from larger farmers. The extent of differential rates and the manner in which the co-operative institutions should be compensated for the loss involved are to be considered in detail by the government in consultation with the Reserve Bank of India.

I expect that each of the public sector banks will in the first year lend at the concessional rate at a minimum of 1 per cent of its aggregate lending of the previous year. This will come to about Rs 20 crores. This is a modest beginning, but I am confident that as we go along, the banks will use their ingenuity, imagination and resources to make the differential interest rate policy one of the important instruments for reducing disparities in income and wealth and for encouraging talent and enterprise that go waste for lack of support.

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Pie in the sky

HARD ON the heels of reports in the press that the management of Indian Airlines is about to settle its dispute with its maintenance engineers, who have been adopting go-slow tactics for several weeks now, comes the news that the Air Corporation Employees Union, representing various categories of technical and non-technical employees, have given notice of a strike which may start on May 5, unless certain demands made by this union have been met in the meanwhile. The management of Indian Airlines and the Ministry of Civil Aviation have been displaying extraordinary patience in dealing with or rather putting up with periodical resort to pressure tactics on the part of its employees, from pilots down. There has been and there is nothing to be admired in this patience since, on every occasion, the management and the ministry have been irresponsibly surrendering the corporation's interest as well as the public interest while buying shortlived respites for the airlines. In the course of this process of systematic blackmail by one party and almost automatic submission by the other, Indian Airlines has come to be saddled with a structure of establishment costs which is not only grossly out of alignment with most of the categories of wages, salaries, or incomes in the country but is also thoroughly inconsistent with the earning capacity or potential of the airlines or indeed its basic economics.

It is possible that a false belief in the community at large that airline costs are the concern merely of the small, affluent section of the people who can afford air travel has perhaps been mainly responsible for permitting the government to indulge for some years now in a weak-kneed policy towards staff demands on this nationalised airlines. Actually, however, the public generally and the taxpayers in particular do have a direct and definite interest in the economics of air transport. Apart from the fact that a good deal of air travel is on government or private corporate account and is therefore paid for, in the last resort, by taxpayers or share-holders of public limited companies, the losses which Indian Airlines incur constitute a clear burden on public revenues, while the profitability of the airlines is a matter of legitimate concern to the body of citizens on whose behalf the state has invested capital in this business. It is, therefore, unacceptable as well as unfortunate that the government should continue to be free to buy peace from the employees of Indian Airlines at a steadily rising cost to the public or the public finances. Parliament, clearly has a responsibility in this matter, since it is through this institution, above all, that the discipline of public vigilance and public criticism can be brought to bear on the Ministry of Civil Aviation or the government as a whole. Some days ago an attempt was made in the Lok Sabha to discuss the disruption of the operation of the airlines by the go-slow tactics of the maintenance engineers, but there has been no evidence that this debate has been useful in stimulating the willingness or strengthening the ability of the Minister of Civil Aviation to present a front of legitimate firmness towards the agitating engineers and thereby defend the reasonable interests of the corporation or the public. On the contrary, the strike notice served by the Air Corporation Employees' Union is a fair indication that the management is about to settle its difficulties with the Maintenance Engineers' Association on terms which may place a premium on staff demands when backed by the willingness and ability of the trade unions concerned to defy successfully the normal machinery or procedures for settling trade disputes.

Finally, it is in the public interest to point out here that neither the management of Indian Airlines nor the Ministry of Civil Aviation has a good or clean record in protecting the interests of the corporation, the government, or the public while settling wage or other disputes with employees of the airlines. It is possible that the management itself is not so constituted as to enable it to discharge its responsibility properly in this field. For instance, recently, when the pilots demanded, among other things, a house rent allowance on the ground that the senior executives of the corporation were enjoying this emolument, the management saw nothing odd in asking some of these very executives to negotiate and settle with their pilots. Predictably the management's representatives ended up by accepting the pilots' claim to a house rent allowance. They could hardly have done otherwise, or even wanted to. Subsequently, the negotiations with the maintenance engineers have been reported to be proceeding along lines which do not seem to be taking into account the basic fact that Indian Airlines incurred substantial losses in 1970-71 and again in 1971-72. As things are, its estimate of a possible profit in 1972-73 is just so much pie in the sky. Would it be unfair, then, to suggest that the present is not serving the Corporation, the government or the Minister for Civil Aviation is not serving the country well? Perhaps Dr Karan Singh may be able to give a better account of himself in some other portfolio which calls for talents rather different from those which are needed in a minister dealing with the staff problems of Indian Airlines.

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Money for planners

THE RESOURCES budget for the 1971-72 and 1972-73 annual plans recently presented to Parliament indicate that the central and state governments are now in a position to formulate their schemes boldly without worrying about the availability of funds. This may appear somewhat surprising when state governments had only in the past year resorted to heavy overdrafts from the central banking institution so much so that, during the week-ended March 31 this year, these overdrafts were over Rs 516 crores. The central government however would seem to be bothered about an abundance of resources and on present indications it looks as if there would be virtually no deficit financing on its account in 1972-73 even after raising Plan outlay in a massive way and providing also for sizable assistance to Bangladesh and a higher level of defence expenditure. The state governments too will receive a larger share of its tax revenues besides special accommodation for overcoming gaps in non-Plan expenditure in the case of some states, these gaps arising out of special factors.

Even in respect of the unauthorised overdrafts of the state governments it had been originally intended that the adjustments with the Reserve Bank should be completed before the end of 1971-72. It is however learnt that the central government subsequently changed its original plans for fear of presenting to Parliament a large overall gap in the revised estimates for 1971-72 and giving also an impression to the outside public that there had been resort to uncontrolled deficit financing and the centre was mainly culpable. Thanks however to the big tax effort in the past year and sizable foreign assistance for meeting refugee expenditure, the revised estimates anticipate only an overall deficit of Rs 385 crores. If there is a shortfall in Plan expenditure the actual deficit may be very much less. There are also some adjustments yet to be completed as a huge sum of over Rs 408 crores is being carried unadjusted in the returns of the Reserve Bank and the final position will become clear only when the state overdrafts are liquidated to the maximum extent possible in the last week of June and the centre also makes full use of committed aid for rehabilitating refugees and reduces its net assistance to Bangladesh on this account,

which has been assumed at Rs 82 crores even in 1971-72.

Whatever be the final shape of the resources budget of the central and state governments for 1971-72, and this is unlikely to be seriously distorted, the fact that the country is in a position to embark on a massive annual plan in 1972-73 and even think of exceeding the target of Rs 15,898 crores as indicated in the mid-term reappraisal is indeed a fitting tribute to its capabilities. Mr C. Subramaniam was naturally proud that he was in a position to plan for development expenditure of Rs 3,973 crores, Rs 2,371 crores on central account and Rs 1,602 crores on state account and he could rightly assert that the strains and stresses of the past year had not seriously embarrassed the progress of planning. The latest estimates compare with Rs 1,770 crores on central account and Rs 1,388 crores on states' account in 1971-72 making a total of Rs 3,158 crores. What exactly will be the actual outlay is not known but there may be a shortfall in outlay in the central sector and even with an exceeding of their targets by the states, the total outlay may not be more than Rs 3,000 crores.

It will thus be seen that the net increase in Plan expenditure in the current year may be even Rs 1,000 crores as compared to 1971-72 and the central and state governments have a challenging task to be discharged. The question is whether the allocations can be fully utilised and the assumptions regarding the availability of financial resources have been made on a realistic basis. It should be said that there would be no serious inadequacy of resources as the assumptions can go wrong, if at all, only in the case of the states. Against this, the availability of resources from the centre has been underestimated and the overall pool may not be different from the estimates though the contributions to this pool may be slightly different, with the centre's share being larger than the estimates as usual and the states again failing to achieve their targets.

Out of the total outlay of Rs 3,973 crores, there will be deficit financing of only Rs 175 crores against a revised estimate of Rs 385 crores for 1971-72 and net foreign assistance including PL 480 funds of only Rs 380 crores against Rs 447 crores in 1971-72. The higher level of expenditure is therefore being sustained with larger domestic resources. The

smaller proportion of foreign exchange expenditure and also a smaller quantum under this head underlines the determination of the central government to proceed with its schemes by utilising indigenous physical resources and also current foreign exchange earnings, obtained through a stepping up of exports and displacement of imports. Even in regard to the mobilisation of domestic resources the increase in outlay has been facilitated to a great extent by additional resource mobilisation through new taxes which are expected to fetch Rs 1,235 crores in 1972-73 against only Rs 725 crores in 1971-72 on the basis of the budget estimates.

This picture has of course subsequently changed because there were fresh taxes in November and December last year and there were also larger borrowings by the centre. But the increase in revenues through new taxes can still be over Rs 450 crores while net borrowing by the central and state governments can easily be in excess to the estimate of Rs 384 crores for 1972-73. The modest target for borrowing is perhaps due to the need for the Food Corporation to get credit of Rs 95 crores in order to maintain buffer stocks, as observed by the union Finance Minister, Mr Y.B. Chavan. Judging however by the growth in deposits in recent months net borrowing by the centre can easily be Rs 300 crores while the receipts through small savings may be higher by Rs 20 crores as compared to the budget estimates. With the likelihood of buoyancy in revenues due to a higher level of industrial production and vigorous collection of taxes, the overall deficit of Rs 175 crores may not materialise at all.

There will thus be no bottleneck on account of the lack of financial resources. Only it remains to be seen whether the centre will be able to step up expenditure on its account by Rs 601 crores when the states will be obliged to raise their outlay by Rs 214 crores. As the shortfall in Plan outlay in 1971-72 will be mainly on account of the centre, in actual practice it will have to increase its expenditure by over 45 per cent, which is indeed an impossible job. There is however confidence that the new rate of expenditure can be achieved as quicker progress has been recorded in recent months in the implementation of industrial projects particularly. Even if the government machinery can be geared to meet the needs of the new

situation fresh bottlenecks may arise in the form of shortages of physical resources. The success of the new efforts can be assured only if the anticipated increase in the output of steel by one million tonnes materialised and it was also possible to augment supplies of fertilisers from indigenous sources by 4.5 lakh tonnes of nitrogen. There will also have to be a larger output of heavy electrical equipment, petroleum products and agricultural raw materials.

Fortunately, a bumper cotton crop has made it possible to reduce appreciably the outlay on imports while it may not also be necessary to spend heavily on imports of edible oils in order to meet any deficit. It should certainly be possible to raise the output of fertilisers to over 1.4 million tonnes of nitrogen as considerable new capacity has been brought into being and the new units alone can account for an output of three lakh tonnes of nitrogen. If the existing units can raise their output by two lakh tonnes of nitrogen by operating more efficiently, the target of additional production of 4.5 lakh tonnes can be easily exceeded.

The same confident view cannot however be taken about the availability of an additional one million tonnes of steel from internal sources as everything de-

Status quo on wheat prices

THANKS TO the high-yielding varieties of seeds and the fixation of remunerative procurement prices for wheat, the output of this cereal in this country has continued to rise for the last four years. According to the latest estimates, the total production of wheat in the agricultural year 1971-72 (ending on June 30) is expected to be about 26 million tonnes registering an increase of nearly 2.5 million tonnes over the level attained in the preceding year. The production target of 24 million tonnes fixed in the fourth five-year Plan for 1973-74 has thus been surpassed.

In view of this continuous increase in the production of wheat, the supply position has eased to a considerable extent with the result that the demand for this cereal at current prices is significantly below the total availability. The almost simultaneous ban on the import of PL 480 wheat has in fact made no difference to the supply position. Consequently the stocks of wheat in this country, which were at a considerably high level in 1971, are likely to rise still

depends on the performance of the three units of Hindustan Steel. The two private sector units may acquit themselves more creditably if there are no bottlenecks in the movement of iron ore and other raw materials and there is also no shortage of coking coal. If the situation did not improve to the anticipated extent, there would probably have to be larger imports of steel and the government should not hesitate to utilise its foreign exchange reserves for permitting imports of raw materials and components in short supply in order to ensure continuity of implementation of Plan schemes.

For the first time in several years the planners are therefore free from the worry of inadequacy of financial resources and thanks to the fairly satisfactory level of foreign exchange reserves, about Rs 100 crores can be easily utilised if unexpected shortages arise in some directions. But a high level of Plan expenditure can be achieved only if there is a growth in industrial production by at least 10 per cent against the pitifully low rate of 3 per cent in 1971-72 and the government departments also spend wisely their allocations. What is done in the current year will determine the rate of progress in the coming years.

further this year. It may be stated that in 1971 the total quantity of wheat procured was of the order of 5.1 million tonnes. The volume of release through the public distribution system was lower at 4.5 million tonnes. This year, with a rise of 2.5 million tonnes in the production of wheat as stated above, its procurement is expected to increase by a further 1.5 million tonnes. The procurement of every additional million tonnes of wheat by the state purchasing agencies implies the locking up of about Rs 87 crores. Whereas last year more than Rs 400 crores of bank finance was locked up in wheat stocks, it is estimated that as much as Rs 550 crores would be needed to provide support to the surpluses flowing to the markets.

Besides this financial strain, the public distribution system involved a heavy loss of Rs 24 per quintal due to expenditure on procurement, distribution and carrying stocks. Hitherto some of the burden could be shared with cheaper imported wheat but that cushion is no longer available this year because of the stoppage of imports of PL 480 wheat. If procurement prices remain unchanged and about five million tonnes of wheat is distributed, the loss

to the exchequer would be of the order of Rs 120 crores. With the additional 1.5 million tonnes likely to be added to the wheat stocks this year, and likely increase in distribution to 5.5 million tonnes, the total subsidy might rise to Rs 132 crores this year. In view of these facts, the Agricultural Prices Commission (APC), in its report on price policy for Rabi foodgrains for the 1972-73 season, has suggested that the procurement price (which in fact is the support price) for wheat should be reduced from Rs 76 to Rs 72 per quintal for Mexican and common white indigenous varieties of wheat. In the case of the indigenous red varieties the recommended price for 1972-73 is Rs 66 per quintal as against Rs 71 to Rs 74 as fixed by the state governments last year.

There is considerable logic and sense in the recommendation of the APC for a reduction in the support prices of wheat. The wholesale issue price of wheat has increased by more than 100 per cent between 1964 and 1971. Whereas in 1964 the issue price of white imported wheat was Rs 37.51 per quintal, it has been as high as Rs 78 per quintal for three years i.e. from 1969 to 1971. The APC has come to the view that this recommended fall of about four rupees per quintal in the support purchases of wheat will not in any way hurt the volume of production in the coming years. In fact, the margin of profitability of this crop will remain comfortable even after the proposed reduction in support purchases.

The chief ministers of states, who met in the capital on April 13, recommended, as a body that no reduction in the procurement prices of wheat should be made this year, although voices of dissent were raised by the chief ministers of such states as Mysore, Orissa, West Bengal and Jammu and Kashmir. The central government has agreed to abide by the opinion of the majority of the states and its decision to maintain the *status quo* in regard to the procurement and issue prices for wheat during 1972-73 was announced in the Lok Sabha on April 17.

The APC based its recommendation for reduced procurement prices on cost data from the wheat-producing states; its case was strong but it suffered from some snags. First, the government had delayed inordinately its decision in this regard with the result that in some states such as Gujarat and Maharashtra where the current wheat crop has already been harvested, some purchases have been made by the official agencies at the prices prevailing last

year. The volume of purchases so made might be small but the wheat-producing states can legitimately cite that as a case of discrimination. Second, the wheat-producing states made the legitimate point that the procurement prices should be announced before the sowing of the Rabi crop. Third, some confusion prevails in regard to the cost of production of wheat. The APC, for reason best known to it, has not released the cost data on which it has based its recommendation. It is, however, reliably learnt that there is wide difference in the cost of wheat production between Punjab and the western districts of Uttar Pradesh, the latter having shown significantly lower costs than the former. Similarly no break-down is available in regard to the procurement charges fixed at Rs 11.02 per quintal, storage, movement and distribution charges at Rs 6.94 per quintal and carrying charges of buffer stocks at Rs 7.94 per quintal. The chief ministers opined that there was some room for reduction in these overhead costs and an effort should be made to bring

about economies in such expenditure. Because detailed break-down of these data have not been made available either by the APC or the Food Corporation of India or the states, it is hard to draw any conclusion. However, if there is any room for manoeuvrability, every effort should be made to locate, define and exploit it.

According to the latest directive of the government of India, a special committee will go into the cost data and submit a report within two months. The Agricultural Prices Commission, in turn, will examine it and submit its recommendations well in advance of the sowing of the Rabi crop. If it is found that the cost is not as high as is claimed by the wheat-producing states and that there is justification for some reduction in procurement prices so as to provide relief to the public exchequer as well as the consumer, the central government should not hesitate to come to its own decision and stick to it, the farm lobby notwithstanding.

exercised and one which formed the subject-matter of several discussions between the IBA and business interests, at a recent meeting at the Indian Merchants' Chamber, Bombay.

Outstation collections constitute a major area of public contact for the banks and, as the IBA plan released by Dr Hazari on the occasion of the silver jubilee notes, the quality and efficiency of banking services are in fact tested by the public by their experience of collections. That there has been considerable dissatisfaction about difficulties and delays in this regard is evident from the number of complaints that one hears from all sections of the public, in particular trade and industry. It is not the customers alone that suffer by this; banks and their staff also have to expend a lot of time both in dealing with complaint arising from outstation collections of cheques and bills and in straightening them out, which not only means additional costs but loss of public goodwill as well. Taking note of this, it may be noted here that the Banking Commission has made a pointed reference to this function of bankers and has recommended that, in order to avoid inconvenience to customers and as a measure of self-discipline, banks should either credit collection proceeds to their customers' accounts, or return the dishonoured instruments to them within a specified period.

The IBA also felt concerned about this and it is only after holding extensive discussions with representatives of banks and making a detailed analysis of all factors and areas responsible for delays in collections that it has now come out with a plan for ensuring speedy and efficient realisation of outstation collections. What is notable about the IBA plan is that it can be implemented by banks within their existing collection and staffing systems without making any basic changes in them. All that it suggests are certain immediate measures to cut down delays. Implied, therefore, is the fact that this is but an immediate remedy for a difficult situation, as also the indication that the IBA expects eventually to find a more enduring long-term solution involving systems, staffing pattern, productivity, etc. The IBA is indeed gearing itself for this and other tasks, to judge from the wholesale reorganisation of the Association with a view to functioning as an advisory service organisation, which is as it should be in the altered context of the Indian banking system today.

In the course of his address, Dr

Hazari no doubt took credit for the quantitative performance of the banking system but, at the same time, he conceded that a lot of new activities of banks had been taken up without much of an organisational support and sometimes "with more enthusiasm than preparation." Hence his emphasis on much greater attention than in the past "to build up banking on a sustained basis of modern systems and modern ways of organisation with greater attention to manpower planning and training." He also made a pointed reference to what he described as the "dark area" in banking, i.e. the utilisation of fairly well-paid manpower. In other words, he seemed to subscribe to the generally held public view that, though bank staff is better paid than other white-collared workers, it has not responded fully by giving of its best to bank customers. Although he did not say so in so many words, he was presumably referring to bank strikes on one count or other. "There is hardly an occasion," he said, "on which all banks are fully at work; hardly a day passes with all banks participating in all the clearings all over the country." This surely is a matter which will have to receive considerable attention, as he said, if only to give much greater importance to the demand of the public for good service than anything else.

The Reserve Bank Deputy Governor also alluded to the fact that the banking system was somewhat over-extended, because the pace of lending had outstripped the growth of resources. This, he went on to say, had since been corrected and so he expected it would be possible for the banking system to bring about a rationale consistent with national objective and profitable employment of resources. How this is going to be brought about is worth watching. For this is certainly no easy task. In the first place, as Dr Hazari himself noted, the priority sector financing is, and must be, really priority sector financing and, what is more, he felt certain that the pace of such lending could be stepped up further. Secondly, there are various other demands, such as food procurement and foodgrains storage (he might have added storage of other commodities also, such as sugar, fertiliser, cotton and what not) upon the banking system which are irresistible. Here, again, Dr Hazari felt very large amounts of bank funds would continue to be tied up this way. (About nine per cent of total public sector banks' credit is now deployed in food procurement. Besides, he recognised other demands arising from the fact

that the economy is poised not only for a recovery but a leap forward. And yet the Deputy Governor seemed more optimistic than ever before that the growth of credit would bring about a better balanced credit portfolio in the banking system. Evidently this "better balanced credit portfolio" applies only to credit to priority sector, for he did not seem much concerned, nor say anything about the credit needs of non-priority sectors or how these should be taken care of.

As for credit to the priority sector itself, it is noteworthy, Dr Hazari had some sensible points to make. Thus, while he agreed that aspirations should be high and that a lot more still needed to be done, he cautioned banks that even for this purpose resorting to the Reserve Bank must be regarded as only by way of a facility and not a resource and, for that reason, only temporary and not all along the year. Secondly, he made it clear that, so long as deficit financing of the government remained substantial, there was no alternative for the Reserve Bank of India but to follow a cautious monetary policy. As such the Reserve Bank must continue to advise banks to operate within the resources mobilised by them, those already mobilised and those to be mobilised in future.

That all is not that well with the internal working of the banks was clear from some of the exhortations made to bankers by Dr Hazari. For instance, he said there has to be some kind of quick attention to faster reconciliation of inter-branch accounts. Then, he wanted a constant review of the returns called for from the branches so as to cut down the number of returns. Thirdly, he stressed the need for co-ordination between bankers, State Bank of India, Reserve Bank and central go-

vernment (why not also state governments and other credit institutions?). But he took care to warn that co-ordination could not be made a convenient umbrella under which many things could be made to take shelter. And, while on this point, he made it clear — and this is the crux of his address — that "bankers are responsible for the money entrusted to them and whatever they might do of information and experience of anything else, the responsibility of money entrusted to them is of bankers and this is something which cannot be shared".

Another point, for clarifying which many bank customers would feel grateful to Dr Hazari, was that "as far as individual accounts are concerned, banks are responsible for the accounts of their individual clients." But, after saying that "the banker alone can be held responsible for individual accounts", he also added: "Furthermore, bankers are responsible to the duly constituted authorities inside and outside the bank." One other point of Dr Hazari, a point that required making and also one that requires to be more widely publicised than through an address to a closed-door meeting of bankers, was that "there cannot be any question of distribution of money on a *per capita* basis. Money has to be given for viable proposals for which the bankers have to take responsibility". This means that, even while conforming to the priority sector criteria and after all consultations, the banker has to take the ultimate responsibility both for deciding whether a given proposal is viable or not and for making the loan he finally decides to give. No banker worth his salt would shirk this responsibility, but he must have complete protection against political pressure to be able to discharge it to his satisfaction.

Dark areas in banking

THAT THE banking system in this country even after the nationalisation of 14 commercial banks needs to be reorganised so as to bring better life to its people is axiomatic, but, thanks to the Banking Commissioner's observation to this effect, this view has since received the stamp of authority. This, however, is not to say that, since nationalisation, banks have made no effort at all in this direction: only they have had no time to make the requisite effort, being preoccupied with adjusting themselves to their new and extended role. During the past few years they have been striving to achieve new goals, as Mr B.N. Adarkar, Chairman of the Indian Banks' Association (IBA), told the twenty-fifth annual general meeting of Association. To quote his own words, "since nationalisation, banks have been trying to extend their services to the poor and the underprivileged and to widen the range of their activities to productive endeavours everywhere." This process has not been easy, as witness the falling off in quality in bank service, which may be said to be more than proportionate to the sharp rise in the performance of our banks in quantitative terms. Is it any surprise, therefore, that this aspect of the matter has begun to attract the attention of all

bankers lately? The speeches of both the IBA chairman and Dr R.K. Hazari, Deputy Governor, Reserve Bank of India, chief guest at the IBA annual general meeting, fully bear out this concern.

After outlining what banks have done and endeavoured to do—increasing the number of bank offices, making innovations in lending and enlarging the range of banking services generally, as also equipping themselves with the requisite staff and simultaneously undertaking training programmes for this staff — Mr Adarkar pointed to a glaring lacuna, viz. absence of guidance in making lending innovations, so necessary at a time of transition such as this, "a transition from lending for ready-made viable schemes backed by talented entrepreneurs having a credit and business standing or proven integrity to preparing small people to launch pioneering schemes on a smaller scale by developing economic, technical and financial infrastructure and by placing a trust in their capacity and integrity". Realising the difficulties of mastering these new techniques and applying them, the IBA rightly hit upon the idea of disseminating information on successful attempts towards lending innovations and thereby expediting the process. The first such essay is a plan prepared by it for more efficient outstation collections, a matter on which customers of banks have been greatly

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Towards increased canalisation

THE IMPORT policy for 1972-73 has a number of depressing features, the most disconcerting being the pride of place given to the state trading agencies in regard to imports. No less than 56 new items have been added to the list of canalised commodities which will raise the imports of public sector by nearly Rs 100 crores this year. In overall terms, the share of the public sector in total imports is expected to rise from 70 to 75 per cent which is of course in keeping with the package of promises which the ruling party made in its election campaigns. In fact, the government is committed to the take-over of the entire import trade irrespective of its impact on the productive machinery and the prospects for enhanced exports.

The objection of the business community to canalisation of imports has been not on ideological basis but purely for pragmatic reasons. The chief fault with the public sector agencies is that, besides the monopoly position enjoyed by them, they are incompetent in more ways than one and this has an unfavourable effect on the working operations of the manufacturing and trading units which are mostly in the private sector. Failure to arrange timely imports, placing orders for wrong types of goods and charging high prices for basic raw materials are some of the evils which have haunted the operations of these agencies and which have very often hurt the working results of the industries dependent upon them. The statement for 1971-72 of Mr Prakash Tandon, Chairman of the State Trading Corporation, lists a number of accounting ratios to demonstrate its superior working results but has little to say about the above-mentioned complaints of its clients. Mr Tandon has refrained from discussing the basic questions i.e. pricing of imported goods, timeliness of imports and disturbance in the supply line because of the faulty or inadequate understanding of its officials in regard to the products needed by the consuming industries.

The suspension of US aid has been causing some anxiety to this country. This is evident from the frequency with which the word "self-reliance" is being used in official (and unofficial) pro-

nouncements. The import policy also extols this sentiment for "self-reliance" by adding as many as 160 items to the banned list, taking the total to 330. The imports of 87 items have been slashed; last year no less than 67 items had come under the axe. It is an easy exercise to ban or curtail the imports of commodities but this should not be undertaken absent-mindedly. The Ministry of Foreign Trade is well-known for this, the most recent incident being its decision to change in the middle of the year the procedure for recording exports in 1970-71 which gave a statistical boost of more than Rs 100 crores and provided some psychological satisfaction to the ministry. It could pat itself on the back for increase in exports which in fact had not taken place.

The ban on the imports of a large number of items coupled with sizeable reduction in the volume of imports of many others is likely to create shortages if simultaneous efforts are not made to increase the production of these items in the country. Shortages inevitably lead to rise in prices which in turn cause inflationary pressure. Consequently, export items are affected in the sense that they are priced out in highly competitive markets. Instead of gloating over its policy of curtailment in imports, the Ministry of Foreign Trade owes it to the people to see that unnecessary hardship is not caused due to a rise in prices and the volume of exports is not reduced because of the domestic prices having been put out of tune with international prices.

The policy in regard to priority industries has been couched in language which indicates as if the government has taken a liberal attitude but the use of the phrase "subject to availability of foreign exchange" tends to dampen the spirit in view of the uncertainties involved.

While it has assured that the import requirement of 59 priority industries would be met as before, in the case of "selected priority industries" a further concession has been promised in that import licences for raw materials and components would be granted, on merits, for increased values. What is more, in cases where increased output would directly save on present imports and the saving in foreign exchange would be at least 50 per cent higher than the value for which additional raw material imports would be allowed, an assurance

has been held out for imports of increased values. The small-sector has been given an assurance for liberal treatment in this regard.

The central point however remains how the government is likely to face the situation if the US attitude to aid to this country does not change. Granted that this country has a comfortable position in regard to reserves but once their level is reduced to meet current needs, the economy would be exposed to severe risks for facing unforeseen contingencies. The obvious solution lies in increased exports which do not seem to be doing as well as the pronouncements of the Ministry of Foreign Trade tend to show. It is however hoped that the incentives provided to exporters might result in some rise in exports. The eligibility for preferred sources of supply and facilities for expansion in export production have been indicated for industrial units in the priority sector exporting 10 per cent or more of their output. Even non-priority industries with similar export performance will be treated on a par with priority industries.

The constitution of a "Steel Bank" by Hindustan Steel Ltd for organising bulk imports of steel for sale to manufacturers is no doubt a welcome step. To the same category belongs the setting up of the IRMAC — a subsidiary of the STC — which is expected to undertake bulk imports of raw materials. How far both these undertakings will be able to buy goods at economic prices and hand them over to actual users without undue overhead charges remains to be seen. Past experience in this regard has not been a happy one as both the STC and the MMTC are known to have charged heavy overheads on certain items though the overall profitability of the state trading organisations may not work out to be exorbitant in view of losses incurred elsewhere. A suggestion has been made by some associations that a bank should also be set up for non-ferrous metals so as to feed the indigenous units but unless adequate experience has been gained by the public sector undertakings in the purchase and distribution of these metals, no hurried step need be taken in this regard. The extension of facilities to export houses, the small-scale industries in backward areas and the closed units (for restarting production) has been assured in the new import policy but it is feared that the gap between promise and performance may be very wide.

Let's get on with it

Robert S. McNamara

Brief and Candid

THIS is the first opportunity I have had since becoming President of the World Bank to attend a session of the United Nations Conference on Trade and Development, and I am very pleased to be here.

What I have to say will be brief and candid.

My view is this:

The state of development in most of the developing world today is unacceptable — and growing more so.

It is unacceptable, not because there hasn't been progress in the past 20 years — and particularly in the decade of the sixties — but because development programmes have been directed largely at gross economic goals, and have failed to insure that all nations, and all groups within nations, have shared equitably in the economic advance.

As the second Development Decade unfolds, the mistakes of the past have begun to be perceived, but neither the developing nor the developed nations have moved to deal with them effectively. Finally, if the state of development today is unacceptable — and it is — we must not waste time looking for villains in the piece, or even worse, waste energy in fruitless confrontation between rich nations and poor nations. Rather, the entire international development community — all of us — must promptly move forward with practical measures which are conceptually sound, financially feasible, and which can command the requisite public support. I hope to suggest some of these today.

I have said that I believe the state of development in most of the developing world today is unacceptable.

It is unacceptable, but not because there has not been progress. There has been. The total economic growth,

Address delivered by the President of the World Bank on April 14, at the United Nations Conference on Trade and Development held in Santiago, Chile.

measured in GNP terms, for the developing countries during the first Development Decade was impressive. For some of these countries it was the most successful decade — measured in these gross economic terms — in their history.

But such economic measurements, useful as they are, can be seriously inadequate.

II Inadequate, Unacceptable

What is inadequate about them is that they do not, in themselves, tell us much about what is happening to the individual lives of great masses of people in the developing countries.

But the improvement of the individual lives of the great masses of people is, in the end, what development is all about.

What are we to say of a world in which hundreds of millions of people are not only poor in statistical terms, but are faced with day-to-day deprivations that degrade human dignity to levels which no statistics can adequately describe?

A developing world in which children under age five account for only 20 per cent of the population, but for more than 60 per cent of the deaths.

A developing world in which two-thirds of the children who have escaped death will live on, restricted in their growth by malnutrition — a malnutrition that can stunt both bodies and minds alike.

A developing world in which there are 100 million more adult illiterates than there were 20 years ago.

A developing world, in short, in which death and disease are rampant,

education and employment scarce, squalor and stagnation common, and opportunity and the realisation of personal potential drastically limited.

This is the world of today for the two billion human beings who live in the more than 95 developing countries which are members of the World Bank. The personal catastrophe that affects the individual lives of hundreds of millions of these individuals is such that we can no longer take much satisfaction in the simple statistical achievement of the overall GNP growth goal of five per cent by the close of the first Development Decade.

To begin with, that average figure conceals the fact that the growth rate was very uneven among the developing countries; and that income grew the least where it was needed the most — in the poorest countries, with the largest aggregate population.

Based on a study of the individual countries, the picture that emerges demonstrates just how uneven that growth has been.

The major oil-exporting countries, with less than four per cent of the population, enjoyed a GNP growth rate not of five per cent, but of 8.4 per cent.

The developing countries with a per capita GNP exceeding \$500, with nine per cent of the population, had a growth rate of 6.2 per cent.

The countries with a per capita GNP between \$200 and \$500, with 20 per cent of the population, had a growth rate of 5.4 per cent.

And the poorest countries — those with a per capita GNP of less than \$200 — with an overwhelming 67 per cent of the population, had a growth rate of only 3.9 per cent.

So the first obvious conclusion is that by lumping all developing countries together, and measuring progress by an average GNP growth rate for the entire

group, we obscure the significant differences between these countries.

What is more, we obscure the even larger differences in their per capita income growth.

In the poorest countries, with 67 per cent of the population, per capita income during the first Development Decade grew at only 1.5 per cent annually.

In the two middle categories of countries, per capita income grew far faster than that — 2.4 per cent and 4.2 per cent respectively.

In the oil-exporting countries, it grew more than three times as fast: 5.2 per cent.

But what is most misleading of all is to assume that once we have calculated the GNP growth rate of a particular developing country, and then expressed it in per capita terms, we have arrived at a sound picture of the level of economic development in the country.

We have not.

For rates of growth of GNP, and of GNP per capita, tell us nothing about how income is actually distributed within a country.

III

Maldistribution of Income

Such evidence as is available suggests that even the developing countries which have registered significant gains in GNP growth rates are plagued with severely skewed income distribution patterns.

In the last decade Brazil's GNP per capita, in real terms, grew by 2.5 per cent per year, and yet the share of the national income received by the poorest 40 per cent of the population declined from 10 per cent in 1960 to eight per cent in 1970, whereas the share of the richest five per cent grew from 29 per cent to 38 per cent during the same period. In GNP terms, the country did well. The very rich did very well. But throughout the decade the poorest 40 per cent of the population benefited only marginally.

In Mexico the picture is similar. Over roughly the past 20 years, the average income per capita grew, in

real terms, at three per cent per year. The richest 10 per cent of the population received about half the total national income at the beginning of the period and an even larger share at the end of the period (49 per cent in 1950 and 51 per cent in 1969). But the share of the poorest 40 per cent of the people was only 14 per cent in 1950, and declined to 11 per cent in 1969. The share of the poorest 20 per cent during the same period sank from six to four per cent.

India's position

In India, there has been progress in overall GNP growth during the past decade. But, today, some 40 per cent of the entire population — 200 million people — live beneath a poverty line: a line defined as the point at which serious malnutrition begins. And the evidence is that the poorest 10 per cent of the nation — 50 million people — have not only not shared in the progress of the decade, but may even have grown poorer.

These examples are not atypical. A recent study of income distribution patterns in more than 40 developing countries estimates that at the beginning of the first Development Decade the average share in the national income of the richest 20 per cent of the people was 56 per cent — but the share of the poorest 60 per cent of the people was only 26 per cent. Although comparable data for the beginning of the second Development Decade are as yet too sketchy to draw detailed conclusions, preliminary indications are that this severely distorted income distribution is not only continuing, but in many countries may be growing worse. The poor are sharing only to a very limited extent in the benefits of growth.

Why is this the case?

The reasons, of course, are complex. We still have far more questions than answers, but I believe that certain points are clear.

To begin with, economic growth is a necessary condition of development in any poor country — but it is far from being a sufficient condition.

Without a climate of growth, the domestic savings and export earnings crucial for internal investment simply

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cannot be mobilised. That is obvious enough.

What is less obvious is that economic growth in a poor country, in its early stages, is likely to penalise the poorest segment of the society relative to the more affluent sectors unless specific action is taken to prevent such an effect.

This is particularly true of those subsistence agrarian economies in which economic growth began with a narrow but intense exploitation of rich natural resources. The historical experience of these situations is that unless the government takes steps to broaden the base of development by rapid reinvestment of the export revenues from such resources, the income share of the poorest 60 per cent of the population declines, and the income share of the richest five per cent increases.

Even the small middle-income group in such societies — the approximately 20 per cent of the population whose average share of the national income clusters near the median point — even this incipient middle class receives a declining share of the national income when growth is sudden and too confined to enclave types of activity.

Poor become poorer

As development in a poor country broadens its base, the middle-income group begins to benefit. This group prospers, largely as a function of its education and employment opportunities. But the 30 to 40 per cent of the total population, who range from the poor to the very poor, continue to receive a disproportionately small and frequently declining share of national income. Typically, it is these poorest 40 per cent who are most vulnerable to the economic hardships associated with high birth rates, poor educational opportunities, mounting inflation, the difficulty of obtaining credit for family farming or small-scale local enterprises, and the migration from a stagnant countryside to a jobless urban slum.

What this amounts to in most developing countries is a desperate and seemingly self-perpetuating situation.

What can be done about it?

What must be done about it is to reduce the crushing disparities of opportunity.

To begin with, there must be more equitable and comprehensive tax mea-

sures; land reform laws; tenancy security policies; and, above all, concrete programmes to increase the productivity of small farmers. And not just programme and measures languishing in legislative debate and delay, or lost in legal complexities so hedged about with exceptions that they end by being more rhetoric than reality. What is required are feasible fiscal, agrarian, and educational reform measures that can be fully and fairly enforced. What is needed most of all is a determination to move against the inequities of income distribution.

There is no need to point out that this is politically difficult. Without question it is. But when the distribution of land, income, and opportunity becomes distorted to the point of desperation, what political leaders must often weigh is the risk of unpopular but necessary social reform — against the risk of social rebellion.

"Too little too late" is history's most universal epitaph for political regimes which have lost their mandate to the demands of landless, jobless, disenfranchised and desperate men.

new thinking needed

What I am suggesting is that we should stop thinking of massive poverty in a developing country as simply a symptom of underdevelopment — and begin, rather, to think of it as a condition that must be attacked within the framework of the nation's overall development programme.

If developing countries themselves do not adopt the policies to deal with this problem, there is little that international institutions and other external sources of aid can do to help the poorest 40 per cent of their peoples — those 40 per cent who suffer the greatest deprivations, and who are in the most desperate need.

But if the developing countries do adopt policies to insure that the benefits of growth will be more equitably distributed among their own peoples, then these countries both need and deserve the assistance necessary to insure that a reasonable rate of overall growth can be achieved. That is why the second Development Decade's goal of six per cent growth in GNP per year was established. It is in my view a necessary and an attainable target. But it cannot be

met unless external assistance, in the form of both aid and trade, is made available in amounts larger than those which now appear likely.

IV

Need for Assistance

The developed countries in adopting the strategy for the second Development Decade, and in support of the growth target, stated that the level of external aid to be provided in the form of official development assistance should reach .7 per cent of their GNPs by 1975.

Where do we stand today in that effort?

A number of the developed countries have made significant progress towards the objective, as the table below indicates. However, on the basis of present indications, only two (Norway and

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Sweden) will reach or exceed the targets. Six more (Australia, Belgium, Canada, Denmark, France, and the Netherlands, will come close. Four other will substantially increase their percentage but still fall well below the target (Austria, Japan, Switzerland, and the United Kingdom). And the contribution from the United States which accounts for roughly half of the total GNP of such countries, continues to decline. It has already fallen from above .5 per cent of GNP in the early years of the last decade to .31 per cent in 1970. It is likely to fall further to around .24 per cent by 1975.

I feel obliged, therefore, to conclude that the total flows of ODA for the first half of the decade are likely to average out at approximately .35 per cent of GNP, only half of the second Development Decade target.

This is a most unwelcome conclusion. But we must face facts. Not only is there no evidence that ODA as a per-

Projected Flow of Official Development Assistance Measured as a per cent of Gross National Product*

	1970	1971	1972	1973	1974	1975
Australia	.59	.58	.59	.59	.59	.60
Austria	.13	.16	.17	.19	.22	.25
Belgium	.48	.51	.54	.58	.62	.66
Canada	.43	.45	.48	.51	.55	.59
Denmark	.38	.43	.48	.53	.58	.64
France	.65	.65	.65	.65	.65	.65
Germany	.32	.31	.32	.33	.33	.34
Italy	.16	.16	.16	.16	.16	.16
Japan	.23	.24	.29	.31	.33	.35
Netherlands	.63	.64	.64	.64	.65	.68
Norway	.33	.36	.47	.56	.66	.72
Portugal	.45	.41	.45	.45	.45	.45
Sweden	.37	.49	.52	.60	.74	.88
Switzerland	.14	.16	.22	.26	.30	.32
United Kingdom	.37	.38	.38	.38	.41	.43
United States	.31	.31	.30	.28	.26	.24
Total DAC :	.34	.35	.35	.35	.35	.35

*Countries included are members of OECD Development Assistance Committee, accounting for more than 95 per cent of total Official Development Assistance. Projections are based on World Bank estimates of growth of GNP, on information on budget appropriations for aid, and on aid policy statements made by governments. Because of the relatively long period of time required to change legislatively authorised levels of aid, and then to translate legislative authorisations first into commitments and later into disbursements, it is possible to project today, with reasonable accuracy, ODA flows (which by definition represent disbursements) for 1975.

centage of GNP will rise above one-half of the target rate by 1975, but unless there are prompt and marked changes in attitude, it is difficult to foresee any great improvement in the second half of the decade.

Was the .7 per cent target too ambitious? Are the difficulties within the domestic economies of the developed countries such that it is unrealistic to assume they can afford this degree of assistance to international development?

Certainly not.

I have pointed out the severe maldistribution of income and wealth which exists within the developing countries, and I have stressed that these nations must act to shape future economic growth in such a way as to redress that imbalance. But an analogous situation exists in the distribution of the world's wealth and income—there is severe maldistribution between the rich nations and the poor nations—and given that fact, one must face up to analogous conclusions.

During the first Development Decade, the total GNP of the world increased by \$1,100 billion. That is an increase in income almost beyond comprehension.

maldistribution of income

But how was that growth in income distributed throughout the world?

Eighty per cent of the increase went to countries where per capita incomes already average over \$1000—and they contain only one-quarter of the world's population.

Only six per cent of the increase went to countries where per capita incomes average \$200 or less—but they contain 60 per cent of the world's people.

Today the average per capita income in the developed countries is approximately \$2400. The comparable figure for the developing countries is \$180. By 1980, after the 25 per cent of the world's people who live in the developed countries once again receive 80 per cent of the total increase in the world's income, their per capita income will have risen by some \$1200. The comparable increase in the per capita income of the 75 per cent of the world's peo-

ple who live in the developing countries—even if the second Development Decade growth objective is achieved—will be less than \$100.

The collective GNP of the developed countries in 1970 totalled roughly \$2000 billion. In constant prices, it is projected to grow to at least \$3000 billion by 1980.

What this means is that in order to raise the current ODA flows of .35 per cent to the targeted .7 per cent, the developed countries would need to devote only about 1.5 per cent of the amount by which they themselves will grow richer during the decade.

The remaining 98.5 per cent of their incremental income will provide them with sufficient funds to meet their domestic priorities.

weak of will

Granted these facts, are we to say seriously that these wealthy countries cannot reach the ODA target of .7 per cent of their combined GNPs?

It is manifestly not a case of their being unable to afford it.

Nor, in my view, are the reasons for the serious shortfall in ODA the lack of generosity of the peoples of the developed world, or their indifference to justice.

It is much more a matter of ignorance: a failure to comprehend the inhuman conditions which characterise the lives of hundreds of millions of people in the developing countries; a failure to grasp how severe the maldistribution of income actually is between rich nations and poor nations; and a failure to understand how modest are the amounts of the wealthy nations' incremental income which, if made available to the developing countries, would make so great a difference in their ability to meet minimal growth objectives.

It is said that in wealthy countries the case for foreign assistance has no constituency. I do not believe that is true. What I do believe is that the constituency in most of the countries must be better informed, better mobilised, and better motivated. In the end, that is a matter of leadership.

But if that constituency in important parts of the developed world remains

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at its present level of concern—and governments continue to reflect this—then one is compelled to conclude that the flow of ODA will remain at its present wholly inadequate level throughout the decade.

In view of the degree of poverty that oppresses the human spirit in so much of the world, that would be tragic. Let me, for a moment, analyse what in fact that failure would mean.

The ODA deficit will penalise the poorest countries the most. It is unlikely that they will be able to reach the growth target. Their need for ODA is the greatest, and if it stagnates at its present level, they will feel the effects the most severely.

But for even those developing countries which are somewhat better off, a deficiency in ODA will force them to seek external finance from less desirable sources—particularly sources demanding high rates of interest or early repayment. The danger of over-reliance on such sources is well known: it adds significantly to short and medium-term debt burdens by mortgaging larger proportions of export earnings, and, in the event of an unexpected decline in those earnings, it can cause severe strains on the whole of the economy.

V

The Debt Problem

The truth is: if ODA flows level off at substantially less than the target for the decade, mounting debt problems for the developing world are inevitable.

Achievement of the six per cent GNP growth objective would require an increase in the volume of imports by over seven per cent a year. This increase would, in the main, have to be financed by a rapid growth in export earnings, as I will note in a moment. But even if these earnings increase at a rate greater than imports, the trade deficit, which would have to be financed by grants and external borrowings, would grow by approximately 7.5 per cent a year in current prices. In these circumstances, in the face of an ODA deficit, the developing countries would either have to reduce their rates of growth, or increase their debts above reasonable levels. Both are likely.

Since the mid-1950's, publicly guaranteed debt has been growing at about

14 per cent a year. At the end of 1971 it stood at over \$60 billion and annual debt service exceeded five billion dollars. Servicing of debt since the mid-1950's has been growing at the same average annual rate of about 14 per cent. This is about twice the rate at which the export earnings, from which the debt must be serviced, have been growing. Such a relationship cannot continue indefinitely.

With the prospect of a leveling off of ODA at far less than the targeted amount, and its partial replacement with financial assistance on harder terms, debt service ratios will inevitably rise. Debt financing has a continuing role in development. But it has its outer limits of prudence and these must be recognised by debtors and creditors alike.

VI

Expansion of Trade

If they are to offset shortfalls in ODA, and keep debt burdens within manageable proportions, it is clear that the developing countries' most imperative need is greatly to expand their export earnings.

How can this be done? Can it be done at all?

It can. But only by difficult economic adjustments, broad policy changes, and astute political leadership in the rich and poor countries alike.

The general outline of the problem is clear enough. From an export point of view, there are three broad categories of developing countries:

Those countries which export fuel. Fuel exports account for a third of all export earnings in the developing world, and are growing at an average rate of 10 per cent a year. But three-quarters of these substantial earnings go to only six countries, containing less than three per cent of the world's population.

Those countries, many of them with very low income, which remain highly dependent on exports of agricultural products.

Those countries, many of them in the middle-income group, which have

the possibility of increasing their earnings through exports of manufactures.

The relative inelasticity of demand for agricultural raw materials means that the growth of exports of primary commodities, excluding fuel and minerals, is not likely to exceed three or four per cent a year. However, even for countries dependent on the exports of such products, the developed countries can provide assistance.

They can negotiate stabilisation agreements—on the international coffee agreement model—for cocoa and other commodities. Such agreements might provide for multilateral financial assistance.

And the wealthier nations could well afford to leave more of their markets open to agricultural imports from developing countries. Agricultural protectionism, particularly in the climate of inflationary food prices in wealthy nations, makes neither domestic nor international sense. The sugar beet growers of the temperate countries, for example, have other ways of earning their living; the sugarcane growers of the Caribbean, Mauritius, and Fiji do not—and the same could be said for many other commodities.

growth target

For countries with greater capabilities for the export of manufactures—countries whose populations total over one billion—we have estimated that achievement of the six per cent growth target will require an increase in their export earnings, in current prices, of nearly 10 per cent a year. This, in turn, necessitates an annual increase of their manufactured exports of 15 per cent a year.

Can this rate of growth be achieved?

It is in the manufactured-products sector that world demand grows fastest, and the record of the developing countries in this sector during the sixties was impressive. Their manufactured exports did in fact grow at the rate of about 15 per cent a year.

What is needed in the seventies is that the momentum be maintained. The natural comparative advantage for developing countries lies clearly in those

manufactured products which have a high labour input, or which utilise abundant domestic materials. These include items such as textiles, garments, footwear, vegetable oils, processed foodstuffs, plywood, furniture, glassware, plastic and wooden products, and electronic and engineering sub-assemblies.

But though demand exists for these manufactures in the developed countries, the developing nations have in some cases clung too long to inward-looking, import-substitution policies—policies which may have been appropriate at earlier stages of their industrial growth, but which now unnecessarily hobble export promotion efforts.

specific actions

There are a number of specific actions which governments in these situations can take. They can reduce the heavy protectionist tariffs on necessary inputs; supply local credit on more reasonable terms for small, labour-intensive, export-oriented enterprises; and adopt and maintain realistic exchange rates.

But if the developing countries must realign their industrial policies to move from reliance on import substitution to greater efforts at export promotion, the developed countries must make just as great a shift from excessive protectionism to more equitable and less restricted import policies.

It is, for example, wholly illogical, after 20 years of development assistance to poorer countries, for the wealthy nations to negate that effort by maintaining higher tariffs on the manufactured goods these poorer countries export than on manufactures from their affluent counterparts. But that is precisely what the wealthy countries are doing. The levels of tariffs on imports of manufactured goods from rich and poor trading partners respectively average out in the United States to seven and 12 per cent, in the United Kingdom to nine and 14 per cent, and in the European Community to seven and nine per cent.

But it is not only the level of tariffs that is discriminatory against the developing countries. It is their structure. For tariffs rise with the degree of fabrication. In the United States, there is no customs duty on hides and skins, but tariffs on leather are five per cent, and on shoes 10 per cent. Similarly,

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in the European Community, cocoa beans from non-associated countries carry a three per cent duty, while processed cocoa products must bear an 18 per cent tariff. This manifestly means that processing — even simple processing — can by such tariffs be priced out of the developing country's most appropriate markets.

Even more repressive of the developing countries' export opportunities is whole series of restrictive non-tariff barriers which rich countries have erected over the years. These take the form of quotas, subsidies, and various preferential purchasing arrangements.

One of the most important elements in the strategy of the second Development Decade is that the wealthier countries should grant preferential treatment to the manufactured exports of the developing countries. Japan, the Nordic countries, and the European Community have adopted this proposal, with various limitations, and other developed countries are considering it.

essential requirement

It is essential that this plan be carried out in full, but much more is required. The proposed preference agreement would increase the developing countries' exports of manufactures by only about \$ one billion a year. And if these countries are to maintain the necessary momentum of a 15 per cent growth in manufactured exports, their annual volume—which rose from less than \$ two billion in 1960 to \$ seven billion in 1970—will have to quadruple to \$28 billion by 1980.

That is clearly going to be an enormous task. But one must not dismiss its feasibility, and certainly not on the grounds that it would impose an intolerable import burden on the wealthy countries. Should the \$28 billion in exports from developing countries be achieved, it would amount to only about seven per cent of the expected manufactured imports of the affluent countries, and would represent less than one per cent of their GNP.

The volume of trade in manufactured goods among the developed countries themselves is massive, and mutually beneficial. The rich nations accept huge quantities of manufactures from one another. There is no logical reason to suppose that it would not be equally beneficial — indeed, in terms of true

comparative advantage, even more beneficial — for these highly industrialized nations to open a greater share of their expanding market for manufactured goods to the developing nations.

The rich nations' absorptive capacity for such goods is immense, and by accepting the more labour-intensive manufactured items from the developing countries, they can turn their attention to where their own true comparative advantage lies: to the production of more sophisticated items, and those employing capital-intensive technology.

It is precisely these goods that the developing countries will increasingly require, and a vast potential market exists among them for such imports provided they can secure, in return, an adequate share of the market for their own manufactured goods.

But even those who accept the probability of long-term gains to the developed countries from opening their markets to the imports from the developing nations may point to the short-term pains of adjustment. Much of the rising tide of protectionism springs from the fears of those whose jobs and investments will be displaced.

It is a political fact of life that the developed countries must adopt realistic adjustment policies to cushion the impact of import competition by retraining, relocation, and refinancing. Few have done so to date. Until they do, labour and management opposition to trade liberalisation will be great — and justly so.

In sum, what we should all be seeking in development trade policies—both agricultural and industrial — is closer approximation to the principle of true comparative advantage. The basis for it exists in both the developed and the developing countries, but both must be prepared to modify inward-looking policies in order to achieve it. Only in an environment of more liberal international trade can the efforts of international and national aid agencies to improve the conditions of life in the developing world be fully effective.

VII

The World Bank

It is in this context that I would like to add a word about the World Bank.

Some four years ago, we set out in

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the Bank on a Five-year Programme. Our overall objective was that the Bank Group should lend roughly twice as much in the five years ending June 30, 1973, as it had in the previous five-year period; or to put it another way, that in the Five-year Programme period it should lend a total that would approach the entire amount lent in the first 23 years of the Bank's operations.

Taking into account the operating programme for the current fiscal year, and the prospects for the following and final year of the Five-year Programme, it now appears probable, assuming ratification of the Third Replenishment of IDA, that the total of new investments in the five-year period will in fact surpass the initial objective of \$11.6 billion, and the total cost of Bank-supported projects should exceed \$30 billion.

Our goals also included trebling lending in the field of education, and quadrupling it in the agricultural sector. These goals, too, are being met.

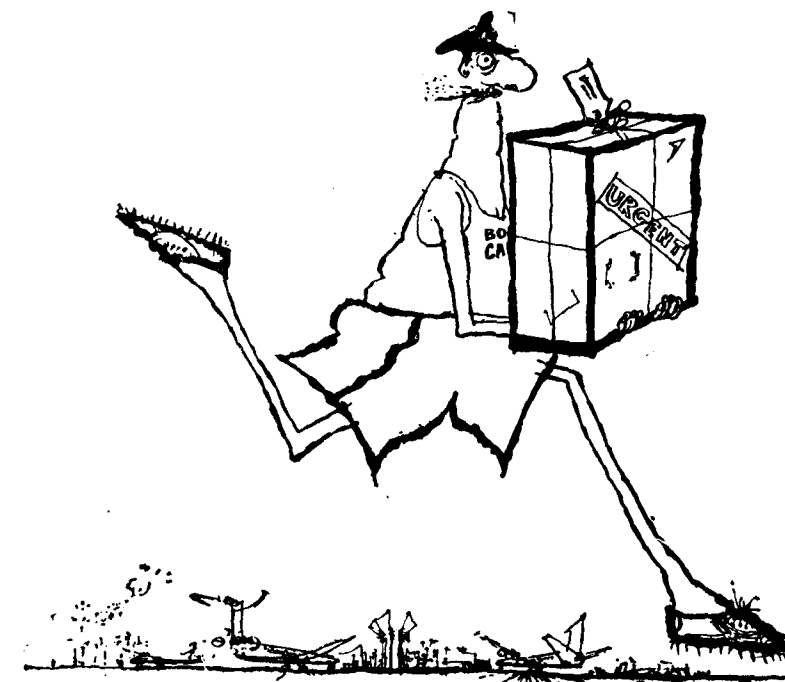
another objective

Still another objective we have pursued is to give greater emphasis to assisting the very poorest among our member countries — countries with per capita incomes of \$100 or less. Our estimate is that during the five-year period from 1969 to 1973 we will have assisted the poorest countries with a total of 215 separate projects. The comparable figure for the first 23 years of the Bank's activities — from 1946 to 1968—was 158.

Now that we are approaching the end of our Five-year Programme, we are giving concerted attention within the Bank to what we can most usefully do to assist our developing member countries in a second Five-year Programme from FY 1974 to 1978. These will be crucial years for the success of the second Development Decade, and we intend to play as productive a role as possible.

It is already clear that there will be a pressing need for an expansion of IBRD lending, and for a substantial increase in IDA assistance during the Fourth Replenishment Period. We are confident that the necessary increases in IDA assistance, and in other forms of ODA as well, can be achieved. These achievements would be facilitated if plans were made to link the financing

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EASTERN ECONOMIST

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of such aid, either directly or indirectly, to future issues of Special Drawing Rights.

I want to conclude by summarising the chief points I have put before you today:

There is an urgent need to relate the goals of national growth to realistic targets of more equitable income distribution. A climate of economic growth is necessary for the advancement of the developing peoples, but it does not in itself assure equitable participation in the fruits of that growth.

Unless this is done by the developing countries themselves, no amount of external assistance, whether in the form of aid or trade, will do much to improve the welfare of the lower 40 per cent of their populations which are living in conditions of the most abject poverty.

The six per cent growth goal established for the second Development Decade cannot be met without substantial flows of Official Development

Assistance. But current and projected flows of ODA—at less than half their stated target—are wholly inadequate. Unless ODA expands, the poorest countries will simply be unable to reach their objectives, and many of the others will face increasingly serious problems of debt.

Even with ODA flows at the targeted level of .7 per cent of GNP, achievement of the second Development Decade's growth goal would require substantial trade assistance to the developing countries by the wealthy nations. Action must be taken to help stabilise and expand the agricultural exports of those developing nations which are dependent on them. And for those countries with the potential for exports of manufactured goods, discriminatory barriers to markets must be removed and preferences made available.

Just as we must conclude that it is the responsibility of the political leaders of the developing nations to recognise the inequities that exist within their nations and to move to correct

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them, so we must likewise conclude that the wealthy nations of the world—possessing 25 per cent of its people, but 80 per cent of its wealth—should move now to provide the additional assistance, in the form of aid and trade, which the developing nations need to meet minimum national goals. That additional assistance can be financed by diverting but a tiny percentage of the incremental income which will accrue to the developed countries during the 1970's.

Our clear duty for the remainder of this decade is to face up to mass poverty for what it really is, determine its dimensions, locate it whereabouts, set a limit beneath which we will not accept its continuance, and make our first priority a threshold of human dignity and decency which is achievable within a generation.

That, ladies and gentlemen, is how I—for one—view the development task.

What we need most to do is to get on with it.

Enough to go round

Sagittarius

THE CURRENT busy season has ended for all practical purposes and the scheduled commercial banks did not have difficulty at any stage in meeting the requirements of industry and trade in spite of some complications arising out of a new pattern of trade being developed by us with Bangladesh and the compulsion to buy large quantities of raw cotton by official agencies for bolstering drooping prices. Even with a higher level of economic activity the increase in advances between October 29, 1971, and April 7, 1972 came down to the very low level of Rs 80.55 crores from Rs 207.45 crores. The comfortable position of the banking system will be evident from the fact that it has not been necessary for it to depend to any great extent on outside support. The borrow-

ings of the scheduled commercial banks have recorded a net decrease in a twelve month period ending April 7, 1972, by about Rs 190 crores.

The growth in advances would of course have been more pronounced but for the sharp decline in sugar production and the consequent absence of the usual seasonal increase in stocks. The Food Corporation of India also has not been obliged to effect procurement purchases out of kharif crop on the anticipated scale and some sales also have had to be effected out of stocks in order to bring down wheat prices in the open market as these were tending to rise awkwardly for some time. The supply of large quantities of foodgrains to Bangladesh could not, however, have

been responsible for a contraction of credit extended by the banking system as the central government would have been anxious to get some advantage for its budgetary position by utilising notionally stocks which had been paid for by it out of its own resources or which had been created out of concessional food imports.

There could not have been any large element of wheat imported under the PL 480 agreement as releases should have been effected for meeting commitments to the statutorily rationed areas and for sale through fair price shop in order to keep down the cost of subsidy as low as possible. But the volume of completely owned stock should have been about two million tonnes as pro-

curement credit at the end of January this year was around Rs 415 crores. The exact quantity supplied to Bangladesh so far is not known. Assuming however, that it would have been around six lakh tonnes, the government can still meet the needs of Bangladesh for three or four months without being obliged to draw on stocks which had been acquired to a great extent with the help of credit from banks.

There has of course been an offsetting effect in the shape of bumper cotton and oilseed crops. With an estimated increase in the yield of the 1971-72 cotton crop by even 12 lakh bales, the co-operative societies in Maharashtra and Gujarat have been busy for some time past effecting purchases for preventing distress sales by cotton growers. The Cotton Corporation of India also has been busy absorbing surpluses though it has not made much headway so far.

The developments in the money market in the first five months of the 1971-72 busy season have thus been rather tame. With a contraction in sugar stocks alone over a year by about 800,000 tonnes resulting in a release of funds for over Rs 80 crores the effect of a further expansion of procurement credit during the same period has been largely neutralised. As there has also been a big increase in deposits in a little over five months ending April 1972 by Rs 170 crores, the amounts borrowed from the central banking institutions could be easily returned even after increasing investments in approved securities.

borrowings wiped out

It is quite likely that by the end of April borrowings would have been virtually wiped out even though it had been expected earlier by the monetary authorities that banks might have to make a conscious effort to prune credit for keeping down borrowings.

For the first time in recent years there is thus the prospect of the banking system being completely free of any liability to the Reserve Bank against short-term refinance facilities at the end of a busy season. This is indeed a happy development and the monetary authorities should be feeling relieved over this situation in which it is possible to meet all needs with owned resources of banks and avoid an accentuation of inflationary pressures at a time when the overdrafts of the state governments

with the Reserve Bank has risen to the staggering total of Rs 666 crores on April 7, 1972.

It is likely, however, that there will be some new developments in May-July which may result in effect in an extension of the busy season in a different form. During this period there may have to be purchases of raw cotton by all agencies which could be responsible for a net increase in stocks by even 400,000 bales calling for an immobilisation of funds to the extent of Rs 80 crores. At the same time there may have to be heavy procurement purchases of wheat by the Food Corporation and other agencies. This is not an unusual feature as in the second quarter of every year since 1969-70 it has been necessary to expand credit for this purpose on a large scale.

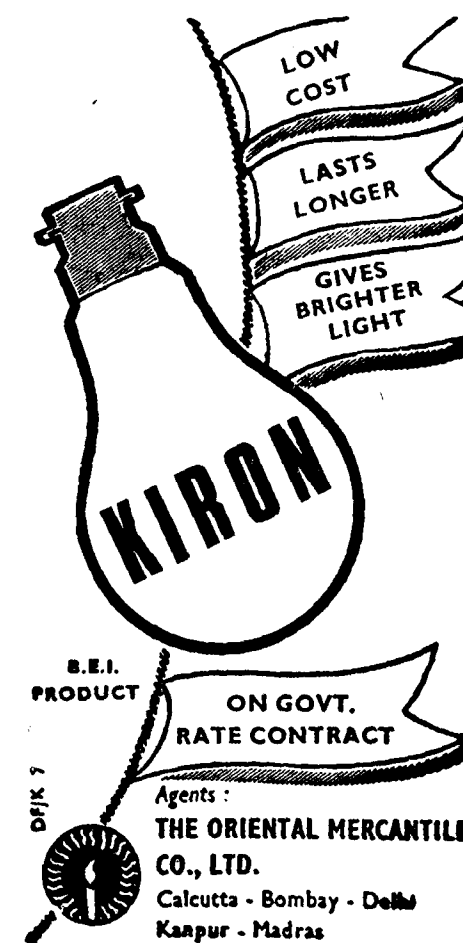
record crop

On the present occasion, however, these purchases may have to be effected in larger quantities if the estimates of a record crop prove to be correct. It had been hoped that there would be important decisions relating to the lifting of statutory rationing in the few areas where it still remains in force. Also there should have been logically some understanding about the quantity that would have to be procured at the stipulated prices and the net additions to buffer stocks that would have to come about only in pursuance of support operations, the prices for wheat being fixed at lower levels for this purpose. In view of the successful opposition from the main producing states to a reduction in procurement prices and the compulsion to procure whatever surpluses that are offered by Punjab, Haryana and Uttar Pradesh in a short period there will have to be an increase in advances which may amount to even Rs 250 crores if there are heavy marketable surpluses. Thus between raw cotton and wheat alone credit may have to be expanded for Rs 330 crores.

Against this expansion there will of course be a reduction in sugar stocks by from 600,000 to 700,000 tonnes. If it can be assumed therefore that the increase in stocks of cotton may be offset by a reduction in sugar stocks and a drop in advances in other directions, the expansion of credit for procurement purposes may prevent an accumulation of resources with the banking system after the end of the official busy season. There is, however,

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usually a more pronounced growth in deposits with the commencement of the slack season and excepting for the bulges in credit that may be experienced with a bunching of purchases and imports of cotton and an intensification of procurement of foodgrains, it should be possible to avoid heavy borrowing from the central banking institutions. The scheduled commercial banks, however, may have to and like to, take advantage of refinance facilities available on a concessional basis against advances for priority purposes in order to meet statutory liquidity obligations. There may therefore, technically be an increase in borrowings from the existing low levels and banks may not be having that embarrassment of surplus resources which it was thought it would have at one stage. The borrowing programme of the central and state governments can, however, be completed satisfactorily and the targets even exceeded as there would be an assertion of slack season trends after July.



FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi, Saturday

THE Lok Sabha debate on the next year's central budget entered its second phase this week when this House took up for deliberations ministry-wise demands for grants. The highlight of the proceedings of the Upper House was the discussion on the mid-term appraisal of the fourth Plan.

The demands for grants of three ministries — the Ministry of Irrigation and Power, the Ministry of Education, Social Welfare and Culture and the Ministry of Science and Technology — were adopted this week.

Although several members, both belonging to the treasury benches and the opposition, felt that the government had failed to accord high priority to irrigation and power in the development plans of the country, the criticism was by no means carping as could be expected in view of the clamour for more and more water to irrigate the agricultural fields and the growing shortages of power in various regions. The members generally remained content with asking for augmenting the power and irrigation facilities in their areas. Only some called for a national policy in these two vital sectors.

rural electrification

The tardy pace of rural electrification was adversely commented upon by some members. The recurrent floods in some parts of the country were a source of anxiety for several others, particularly those from Bihar. The inter-state differences over the development of water resources also figured prominently in the debate. Pertinent reference in this connection was made to the Narmada project which has been inordinately delayed because of lack of agreement on it between Gujarat, Madhya Pradesh, Maharashtra and Rajasthan states. It was suggested that the dispute over this project should be expeditiously resolved through the intervention of the central government—if need be, through the intervention of the Prime Minister herself.

The Minister for Irrigation and Power, Dr K.L. Rao, in his reply to

this debate, urged the members to have a national outlook in the matter of development of irrigation and power resources. He indicated that work on the linking of the Ganges with the Cauvery would be taken up soon. A UN team, he revealed, had already examined this scheme; its report was expected within a couple of months. Dr Rao significantly assured the House that the creation of the natural water grid would not deprive any area of its existing water resources; only surplus waters that caused floods would be allowed to flow into the areas which needed water.

new approach

In the field of power, Dr Rao indicated a new approach to the drawing up of the future development plans. The centre, he said, would henceforth like to have greater control over the generation and transmission of power. The role of the state governments would be restricted to the distribution of power in their areas.

Dr Rao felt confident that the government would be able to double power production in the country — from 20 million KWs to 40 million KWs per annum — by the end of the fifth Plan. By then, an additional 20 million acres of land would be brought under irrigation. He admitted that inter-state disputes like the one over the Narmada project had delayed the execution of several schemes, but hoped that the situation would improve soon. From Dr Rao's observations, it appeared that the government would concentrate more on completing the schemes and projects already in hand before embarking upon new jobs. A judicious policy indeed!

The debate on the demands for grants of the Ministry of Education, Social Welfare and Culture, however, was a very acrimonious affair. The government was taken to task for the falling educational standards, the slow progress in the imparting of primary education, the continued neglect of regional languages, and for not evolving an education system suited to the changed circumstances after the indepen-

dence of the country. It was argued that even though education was a state subject, the centre could not escape the blame for the failures on this front. Two or three members even suggested that education may be made centre's responsibility.

Some members called for an increase in the Plan outlays on education, particularly for technical education. It was pleaded that education should be made job-oriented. The institution of public schools came in for a good deal of criticism at the hands of the leftist members. A Congress member urged that the textbooks brought out by the National Council for Educational Research and Training should be adopted by all the states at least in science and mathematics. A Jana Sangh member desired that an institution should be set up in Delhi for the study of classics of Hinduism, Buddhism and Jainism. The cause of teachers was championed by several members who called for an improvement in their lot. The present examination system, it was urged by several members, ought to be changed.

lot of depressed

Some members pointed out that the lot of scheduled castes and tribes had not improved much during the past 25 years. Concerted efforts, therefore, needed to be made in this regard.

The Minister for Education, Mr S. Nurul Hasan, in his reply, dwelt at some length upon the limitations of the central government in the sphere of education — it being a state subject. But he refrained from expressing any opinion on whether education should be made centre's responsibility. He, of course, indicated that in consultation with the University Grants Commission, the central government was trying to evolve a new system of education. It was envisaged to set up a chain of model schools in different parts of the country which would impart education as well as become centres of youth activity and community life. Beyond this, he did not spell out the changes in the educa-

tional system which were contemplated.

Mr Hasan revealed that the government would soon bring before the House a bill to amend the charter of the Aligarh Muslim University. He, however, assured the Muslim League member, Mr Sulaiman Sait, that the proposed legislation would not seek to change the present minority character of this university. Referring to the lot of scheduled castes and tribes, Mr Hasan said that some fresh thinking would have to be done in the government in this regard.

The main highlight of the debate on the demands for grants of the Ministry of Science and Technology was the hope held out by the Minister for Planning, Science and Technology, Mr C. Subramaniam, that all graduate engineers and post-graduate scientists who did not have any gainful employment at present, would be given jobs within the next two years. This observation came from the Minister in reply to the scathing criticism voiced by several members about the growing unemployment of engineers in the country.

crash programme

Mr Subramaniam revealed that the National Committee on Science and Technology was working out a crash programme for providing employment to engineers and scientists. In drawing up this programme, care would be taken that the scientific effort was directed towards meeting the essential minimum needs of the people by the end of the fifth Plan. Another guideline for the NCST was that all research and development effort would have to be towards the achievement of self-reliance, which meant lessening dependence on foreign technology and the promotion of indigenous skills and know-how. The technology which had already been imported in the country would have to be improved by the Indian scientists. Only technology which was absolutely essential for the nation's development and which could not be evolved within the country would be allowed to be im-

ported from abroad in future.

Another important announcement which Mr Subramaniam made was that not a single worthwhile research project would be allowed to suffer for want of funds. He defended the government's decision to join the Ministry of Science and Technology with the Planning Commission which he was heading. The planners, he said, benefited from this arrangement. The programmes of science and technology, he added, could also be fully integrated with the development schemes through this arrangement.

Mr Subramaniam rejected the charge of some members that the government had delayed decision on the Sarkar Committee report on the Council of Scientific and Industrial Research. Decisions on all the recommendations of this committee regarding the structure and functioning of the CSIR, he assured, had been taken and implemented.

acrimonious debate

The Rajya Sabha debate on the mid-term appraisal of the fourth Plan was a much more acrimonious affair than the Lok Sabha deliberations on this issue last week. The sharpest attack on government's economic policies in this debate came from the Young Turk, Mr Chandra Shekhar. He took the government to task for not trying to curb monopoly and concentration of economic power and for wasting a lot of money on such things as the small car project. "In every sphere of social welfare", Mr Chandra Shekhar asserted, "we have lagged behind our targets".

Another notable speech was made by Mr T.A. Pai, former Chairman of the Life Insurance Corporation, who has been recently elected as a member of the Upper House. He stressed the need for raising production and thought that the attitude of the people in administration would have to be changed drastically if the problems of the country had to be solved. Mr Pai further suggested that we should switch over from the concept of gross national product to the idea of

gross national welfare. He emphasised the importance of housing as well as the development of dry farming.

The Jana Sangh spokesman, Dr Bhai Mahavir, felt that the mid-term appraisal was a disappointing and perplexing document because "it shows that we are in the soup but does not show the way of getting out of the soup". He emphasised the need for changing the basic strategy of planning. Greater stress, he opined, should be put on minor irrigation projects and fostering of small industries. Dr Mahavir also called for the containment of the non-developmental expenditure of the government and mobilisation of resources for development from the agricultural sector.

A good deal of concern was also voiced by members over the deteriorating unemployment situation and rise in prices. The need for accelerating the development of backward areas was stressed by many.

Winding up the debate, Mr C. Subramaniam assured the House that the government would make whatever structural changes were necessary in any sphere to achieve the fourth Plan targets. If it meant pulling down some structures, they would be pulled down. The Minister for Planning, Science and Technology reiterated government's resolve to eradicate poverty, reduce unemployment, remove economic disparities and inculcate further self-reliance. He urged members to suggest ways and means to achieve these ends. The situation in the country, he pointed out, was explosive. "If we don't move fast, we would be thrown out," he cautioned. Most of the other observations of Mr Subramaniam were on the lines of his address to the Lower House last week.

In a discussion in the Lok Sabha on the report of the Agricultural Prices Commission on rabi grains, most of the participants expressed themselves against reduction in procurement prices lest the "green revolution" should suffer a setback. They pointed out that agricultural costs were going up.

Nixonomics

Will Nixon Listen to Galbraith?

A CHALLENGING article, published in the latest issue of the National Westminster Bank's Quarterly Review (41 Lothbury, London E.C. 2.), by Professor O.J. Firestone of the University of Ottawa, gives a Canadian view of the economics of President Nixon.

In the course of his 17 page discussion, Professor Firestone argues that market forces alone cannot be relied

mand brought about by increased taxes and tight money does not alter the influence of large firms and unions on wages and prices, and these keep on rising. In this half of the economy, the market has been countered. Moreover, despite government intervention, private power reigns supreme and private planning sets the tone for the economy as a whole. As Galbraith says:

"With the rise of the big corporation and the strong union there was no longer any certainty that fiscal and monetary restraint, acting on aggregate

Josselyn Hennessy

London.

been re-adapted from that which is relevant to a market system to that which is relevant to an informal planning system centring on the large corporation — one that involves a good deal of management of the consumer, extends to the state and involves also the modern union. It is another and in some ways final step in the evolution of the advanced industrial sector of the modern economy from a market to a planning system."

Thus, Nixonomics recognises five facts that are stronger than political expediency:

(1) The USA cannot continue to bear as great a share of the international burden as it has during the last twenty-five years. Other well-to-do nations must play their part. (2) The USA must bring its economic relations with other countries into better balance, which means that the USA needs trade and monetary concessions as much as other less powerful economies. (3) The USA, without necessarily abandoning outward-looking orientation, must give greater priority to domestic requirements such as fighting inflation, raising levels of employment and increasing productivity. (4) The USA must demonstrate greater staying power in pursuing a steadfast course at home and abroad; this means tougher dealing with (a) domestic pressure groups and (b) concession-seeking foreign nations. (5) The USA needs increasingly to counteract private power exercised by large corporations and big unions over wages and prices. Whether this will mean permanent wage and price controls in key economic sectors, or in some other form, time will tell.

phase II policies

Following the 90-day wage-price-rent freeze, the US Administration embarked on Phase II of anti-inflationary policies, establishing a pay board with representatives of business, labour and the general public, to frame regulations setting up limits for increases in wages and salaries in conformity with the national objective of combating inflation. Companies with 5,000 employees or more must obtain prior approval of wage and salary increases; companies employing between 1,000 and 5,000 must report pay changes; the

rest need not report but are subject to spot checks.

A non-representative Price Commission has been set up to keep increases in prices and rents within bounds. Companies with sales of over \$100 million must obtain prior approval of price adjustments and report quarterly prices, costs and profits. The arrangements for companies with less than \$100 million in sales are more flexible, and reporting requirements for small businesses are minimum.

The Cost of Living Council continues as an umbrella policy organisation. For example, the council set a national target of price increases for 1972 at between two and three per cent.

The Internal Revenue Service has the task of surveying compliance with the Board and the Commission's regulations. Contravention, a criminal offence incurs fines of up to \$5,000, civil penalties of \$2,500, and restitution proceedings.

Several new committees seek to secure voluntary restraint of interest rates, dividends, and health costs, and offer advice on how to achieve greater stabilisation in matters concerning state and local government employees. The Construction Industries Stabilisation Committee was continued with its liaison with the Pay Board. Proposals were submitted to Congress for revision of the Economic Stabilisation Act of 1970, including strengthening of its constitutional base, authority for the President to control interest rates and dividends, expanded enforcement provisions, the establishment of a Temporary Emergency Court of Appeals, and an extension of the Act of 30 April 1973.

surtax raised

Meanwhile the Senate approved amendments to the Administration's tax bill which authorised the President to raise the surtax on all commodity imports by product or country to 15 per cent from 10 per cent imposed on August 15, and to establish quotas in the event of another balance-of-payments emergency. It included the Domestic International Sales Corporation proposal and empowered the President to reimpose an excise tax on foreign cars from countries discriminating against US cars. However, following the agreement on currency realignments in the Group of Ten, the 10 per cent surcharge on imports and the

"Buy American" aspects of the investment tax credit have been withdrawn, but the world has had warning of how readily the Senate and Congress accept protectionist measures.

II

A New-Look Incomes Policy?

In essence, the 90-day freeze and the Phase II programme is a new attempt at an incomes policy. Will it work? Professor Firestone answers: Over the short term — yes; over the long term — no. Some short-term improvements in the domestic economic situation, in part the result of the new economic policy, have occurred.

The real question is: Can an incomes policy be maintained over the longer term and can it control some of the basic economic problems facing the USA?

During the past twenty-five years, European countries have experimented with incomes policies — all the way from guidelines to complete wage-price freezes. Some policies failed; some achieved partial results; some were moderately successful, as was the wage-price freeze in the UK during the second half of 1966.

The USA tried wage-price guidelines in 1962, 1963 and 1964. Since then, US Administrations have tried to cope with concurrent problems, inflation either actual or threatened, rising unemployment, variations in the gap between actual and potential GNP, a deteriorating balance of payments and increasing pressures on the dollar.

Canada set up a Prices and Incomes Commission in June, 1969, to examine the causes of price pressures and to try to reach accord on price-wage restraints with business, the professions, and unions. The Commission was able to keep down price increases in some areas during 1970 but failed to obtain the co-operation of unions needed to achieve wage restraint. The Chairman of the Prices and Incomes Commission, John H. Young, said:

"... Unless increases in costs came under restraint as well, any effect of the price restraint programmes was likely to be limited. We were not able to obtain any effective support for wage and salary restraint from the unions and in the end we had to resort to a unilaterally suggested upper limit of six per cent. ... With the

termination of the price restraint programme at the end of 1970, the Commission stopped assessing price and income increases against specific criteria, although we have continued to issue fact-finding studies".

Two American economists, L. Ulman and R.J. Flanagan, who examined European experience with incomes policies including those of Britain, France, West Germany, Italy, Netherlands, Sweden and Denmark, concluded that there were two requirements for a successful incomes policy, which none of the countries could meet for the longer term: (1) co-operation from the unions and other sectors; and (2) toughness with those who exceeded the guidelines.

When income policies emphasized supply by restraining rising wages and other costs, workers went on strike, disrupting their economies. When incomes policies replied essentially on controlling prices, profits were squeezed, hitting enterprise and contributing to economic retrenchment. However, the main criticism of the two authors is that incomes policies in Europe and in North America were stop-go policies without long-term continuity and planning.

J.K. Galbraith expects that, before long, the President's advisers will start sprinkling his speeches with hints that controls are way-stations on the road back to the free market. Admitting the inadequacy of a control system, Galbraith argues that the USA faces a choice between imperfect control and the wholly uncontrolled wage and price spiral of recent years.

United States' problems

Canadian and western European experience suggests three reasons why the US government's incomes policies may not be as effective over the longer term as it hopes.

First, the Phase II measures are aimed at a transition from the temporary freeze to the "restoration of free market without inflation". They are to be removed as soon as "it is economically feasible to do so". While the controls are in force, the economy is being pressed into an inflexible structure, decided bureaucratically and not by market forces which respond to the demands of producers and consumers. As soon as firm controls are removed or watered down, the cost and price pressures that have been building up will start a new

WINDOW ON THE WORLD

on to achieve balanced and satisfactory economic growth *without* inflation — a point which J.K. Galbraith has been stressing for years and which most politicians and economists have rejected. But Nixonomics implies the validity of Galbraithian reasoning.

Galbraith says that about half of US private production comes from some 2,000 large companies and another half from some 12,000,000 farmers, small merchants, small manufacturers, independent enterprises, professionals and service enterprises. In this half the market still works and it is this half that feels most the impact of anti-inflationary action.

The big corporations together with the big unions set the wage-price pattern. Most of the time they resist government efforts by fiscal and monetary policies to reduce inflation. Unions keep asking for higher wages as unemployment rises. The big corporations pass on increased costs in higher prices, even in a recession. Reduction in de-

demand, would reduce prices or even keep them from increasing. The large corporations now set their prices. And unions now had the power to seek the wage increases and associated gains that it is the business of unions to obtain. And as unions became a commonplace of life, corporations no longer found it possible or wise to resist wage increases. ... The reduction in aggregate demand by which Keynesian policy expresses itself, unless applied with extreme severity, no longer affected the ability of the strong union to get wage increases or the strong corporation to pass them on in its price."

Galbraith asserts that, for the first time in US peacetime history, Nixonomics acknowledges the market's failure and puts forward a programme of public planning to counteract private planning. He says:

"The action of President Nixon is the culminating step in a long, though still only dimly perceived, process by which practical economic policy has

round of inflation—exactly the stop-go that has proved ineffective over the longer term in Europe. Neither are Canadians ready to accept Galbraith's proposals of continuing selective controls.

Secondly, business leaders and a large sector of the general public and members of both political parties support price and wage restraints, but the unions doubt its equitableness and effectiveness. Union leaders have agreed to serve on the Tripartite Pay Board: How long will they co-operate? Sooner or later a confrontation is likely to occur. The unions may find that they cannot support the Administration's objective of keeping wage increases in line with productivity increases, with differentiation between industries (i.e., wage increases above productivity growth in some industries and below in others, with the average approximating to national productivity increases). When this happens, the US incomes policy is likely to break down, as President Nixon recognised when he said: "The experience in other countries, which have tried wage-price restraints has been that, without the support and co-operation of organised labour, such programmes inevitably break down".

Thirdly, one of the major objectives of the anti-inflationary measures is to increase the competitiveness of US industry at home and abroad, and to increase employment. While there are some indications that over the short term the steps taken do induce growth, there is a possibility that wage and price restraints, if not fully supported by all sectors, will in fact be deflationary or anti-growth. This is particularly probable when the US economy is operating significantly below capacity (i.e., when the gap between potential GNP and actual GNP is substantial), a situation facing the US in 1972, and likely also in 1973. When businessmen find that the economy is not expanding as much as they were led to believe it would, they revise their expansion plans, and the rate of increase in the new jobs created slows down.

III

International Problems

When the US government introduced the 10 per cent surcharge on imports they made it clear that they meant this to help the balance of payments and would remove it if other countries re-

valued their currencies and ended "unfair" trade restrictions.

In response, some countries allowed their currencies to move upwards, particularly West Germany, Japan, and Switzerland; others, such as France, ignored the American request. The Canadian dollar, which earlier had moved close to par with the American, changed little in value after 15 August, 1971. Officially, all the major currencies were floating, though in fact they were not floating freely.

Although there was some response on the monetary side, the President's programme brought worldwide resentment and bewilderment. That economic growth was slowing down in most of western Europe and in Japan increased the possibility of damage and, consequently, the resentment.

Britain was facing an unemployment peak of about one million by the end of 1971, a 30-year high, and had the highest rate of inflation in Europe. West Germany expected that her exports to the USA might decline by as much as 30 per cent as a result of the 10 per cent surcharge and the revaluation of the mark. Unemployment, while still low, was on the rise. The motor, metal and steel industries were experiencing production cutbacks. Concern about a possible recession was spreading.

Italy's plight

Industrial production in Italy, plagued by strikes, absenteeism, uncertain export prospects, and business pessimism, fell by 3 per cent, while prices continued to rise. Unemployment and inflation were only too apparent. Switzerland faced a balance-of-payments deficit, the first in ten years. Sweden found herself in the worst slump since the 1930s, with high unemployment and inflationary pressures; Denmark faced foreign exchange problems and was forced to impose a temporary 10 per cent surcharge of her own. Only France, among the large European countries, seemed to be holding her own, with real economic growth expected to be about 5 per cent for the year. Japan's rate of economic growth, 12 per cent in 1969 and 11 per cent in 1970, was slowing in 1971, possibly to about one half the rate of 1970-71. This, considered to be a recession, prompted Japan to launch public capital spending and to reduce taxes to stimulate consumer buying.

The less-developed countries were

also concerned about the new US economic policies. While some 70 per cent of their exports to the USA were exempt from the 10 per cent surcharge, the remaining 30 per cent, consisting of manufactured products, were not. Further US economic policies created uncertainty among the trading nations and this meant possible cutbacks of purchases of raw materials and agricultural products from the less-developed countries, which were thus threatened directly through some loss of sales to the USA and indirectly through loss of sales to third countries. On top of this, they were about to suffer a cutback in external aid from the USA. The combination of these factors was ominous since the developing countries were facing rapidly rising unemployment, and this was coming to be recognised as even more serious than slow long-term economic development.

search for solutions

Attempts to find solutions were at three levels. First, internationally, Ministers of Finance and Governors of the Group of Ten met to try to find both short and long term solutions. Inconclusive, even acrimonious at first, these meetings resulted before the end of 1971 in an interim working agreement for the international monetary system. On a regional basis, EEC countries searched for common ground with the USA and, on a bilateral basis, discussions were held between the USA and their major trading partners.

The arguments centred on the restructuring of an international monetary system based on fixed exchange rates pegged to the US dollar, which in turn was tied to gold; and this led on to discussion of whether the USA should devalue or other countries revalue. This the USA at first refused. The Germans, Japanese and some others seemed willing to go even further in their currency revaluations if full accord could be reached. The French refused to revalue, although willing to accept a revaluation of the French franc to the extent that the USA increased the dollar price of gold. Apart from the French, most of the USA's trading partners feared that too great a revaluation would cause them balance-of-payments deficits and depressed economies. The Germans had (and perhaps still have) a particular bone of contention with the French.

The debate in the months after August is still important because, although an

interim settlement was reached and the immediate threat of a trade war was removed, the tensions implicit in the arguments are likely to recur. An adjustment of trade and payments of the magnitude required to bring the US balance-of-payments deficit to an acceptable level cannot take place without hurt to some countries. And when a country's industries are hurt it is tempted to retaliate. Thus, despite the enthusiasm which greeted the outcome of the Group of Ten meetings of 17-18 December, cause for concern remains.

The confrontation between the USA and their major trading partners took this form. The USA said that they would not drop the surcharge until they could see a clear possibility of eliminating their balance-of-payments deficit. They argued that the onus was on the rest of the world to put forward proposals for a solution of the USA's monetary and trading problems. Though opposed to bilateral or regional solutions, the USA's representatives threatened that they would make such arrangements on a country-by-country basis as they deemed necessary in the interests of the USA.

living beyond means

On the other hand, the USA's trading partners maintained that the USA had lived beyond its means, and had pursued neither effective anti-inflationary policies nor adequate efforts to increase domestic productivity. In effect, the USA was asking the world to pay for its failures and over-extension. The rest of the world were not prepared to accept the US proposal for a turn-round of \$13,000 million in their balance of payments and found it particularly irritating that the USA included in this figure a margin to allow continued capital outflow to enable US corporations to acquire control of overseas industries.

The case of Japan shows that the currency realignments agreed are no more than a halfway house. The Japanese have revalued the yen by 16.88 per cent against the dollar. Assuming that productivity continues to improve at the differential rate that has prevailed between these two countries in recent years (some 5 per cent), this would mean that within four years the USA would again be faced with exchange difficulties *vis-a-vis* Japan. Should the Japanese then be required to undertake a further revaluation to reflect the

underlying economic forces that determine the relative strength of one national currency *vis-a-vis* another?

Most nations have criticised the USA's New Economic Policy. They were unhappy because (1) it hurt their pocketbooks, (2) they claimed that the USA expected them to pay for US blunders, (3) some of them thought that, as friends, they should have received special consideration, and (4) at the protectionism of the 10 per cent surcharge, which was contrary to GATT and appeared to signal the end of trade liberalisation.

These criticisms reflected the genuine feelings of many of the USA's partners. But, in Professor Firestone's opinion, they overshadow the positive aspects of the New Economic Policy, which he thinks, opens up opportunities to come to grips with the new reality of international economic relations. To mention just four of these:

(1) The suspension of convertibility of US dollars into gold, and the freeing of the dollar to adjust its value, makes it imperative for the world's trading nations to improve the existing but outdated international monetary system. In the past it was easier to defer than to take action. This is no longer true.

(2) The 10 per cent import charge made it necessary for the industrialised

nations to recognise that they too have responsibilities (more than they have admitted in the past) and that currency values should reflect the basic underlying forces of national economic strength and trading advantages. The realignment of currency values and the further breaking down of trade barriers must encourage expansion and diversification of world trade.

(3) The Domestic International Sales Corporation arrangements will encourage some US firms to stay at home and build up the US economy instead of buying up foreign companies. Complaints about American economic domination have been persistent. Now complaining nations have the opportunity to show what they can do, drawing on their own resources, know-how and ingenuity.

(4) The USA's price and pay restraint measures are an attempt to tackle continuing inflationary pressures. If the USA is successful, two benefits will flow: (a) other nations will no longer be importing inflation from the United States; (b) US incomes policy is effective, the experience may help other countries to pursue more realistic policies themselves.

In other words, Professor Firestone seems to expect that President Nixon will make J.K. Galbraith's proposals for continuing price and wage controls part of Nixonomics. He is an optimist.

Eastern Economist 25 Years Ago

APRIL 25, 1947

The Report of the Select Committee on the Banking Companies Bill, 1946, was presented to the Legislative Assembly about the middle of February this year, but it was crowded out of consideration during the session by more urgent measures of legislation. Enactment thus stands postponed even at the end of three years. The Bill itself has been before the public for a long period and widely discussed. It is therefore on the several important new provisions and alterations made by the Select Committee that attention should centre. The definition of 'banking' has in no country been evolved in such manner as to secure general acceptance. The definition contained in section 277F of the Indian

Companies Act gives rise to administrative difficulties particularly in determining the 'principal business' of a company. In the 1939 draft prepared by the late Sir James Taylor, banking was defined as "the accepting of deposits on current account or otherwise subject to withdrawal by cheque. In the subsequent bills it was defined as "the accepting of deposits repayable on demand". The Select Committee considers this last definition to be too brief and unsatisfactory and replaces it by the one which reads: "the accepting for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise".

In the Shadow of Dollar

E. B. Brook

Vienna.

ALTHOUGH most of the loudest noise in western Europe comes at present from West Germany where a crucial election is to be held on April 23 with heavy accents on conditions for east-west relaxations in Europe, the most significant fronts are building up not within Europe but between western Europe and the United States.

This is very much a year of developments. Having overcome the hesitation whether the Common Market was to be enlarged or not, Europe is now seeking to consolidate itself economically and politically not in the face of the eastern socialist states but in face of the United States.

The reason for this essentially is money and its worth; secondly, the obvious desire to counter the USA and the USSR with some form of western European confederation; thirdly, the world pattern of trade.

The basic position is that western Europe is full of US dollars, is increasing its tally of dollars involuntarily and unwillingly every day and that the near prospect is that the USA will lift its controls on US capital investment abroad rather than tighten them. In the matter of dollars, the west Europeans, including — now — the British, are a collection of very alarmed and most indignant men. But their indignation will do them no good because it is of the helpless type.

angry rebuttal

The Europeans insist angrily that some degree of "convertibility" must be restored, that this was the intention of the Washington currency agreement of December 18; but the USA has steadily remained in deficit, has paid out no gold or any other form of monetary assets. On the contrary, it is now insisting that Britain repays a larger part of its IMF loan in Special Drawing Rights than London is willing to undertake.

Bankers and finance ministers in Europe may fume against Washington's financial immorality (as they see it) but the USA is concerned more about other things than convertibility or even the success of the new exchange rate of structures.

The chief concern of the US President is to get himself re-elected to that office in November; the chief objective of the US administration is, partly for

this reason, full employment in the USA, secondly, international trade and only more remotely the structure of world currencies. Since the percentage of employment in the USA, as elsewhere, depends partly on trade (less than in many countries) the US Treasury led by the forceful Taxan of Irish origin, Mr Connally, is getting ready to use its strong position in international money matters in a resolute, if not tough, manner. The strength of the American position is that the US export industries would not be hurt much by another period of floating exchange rates while those of west Europe and Japan would be badly affected. The USA can well afford to wait a year or two before its balance of payments shows improvement—its contemporaries in west Europe and east Asia cannot.

clash of interests

It is essentially and acutely on this point where the interests of the USA and west Europe (and Japan) clash. Trade, to be profitable to the USA and useful in increasing its employment level, must be free; trade, to be profitable to the Common Market and Japan, must continue to be protected by policies discriminating effectively if not directly against the USA.

At the moment the USA is irritated by the complete lack of progress in negotiations between western Europe, the United States and Japan on trade liberalisation which is being handled with maximum diplomatic delay by a "high level group" in Paris. Established last autumn, the group is supposed to explore ways of liberalising trade over the next ten or twenty years but progress has come to a halt. There is also no move forward to a temporary arrangement for next year's trading. Some delegates, particularly the French, either remain silent at the sessions or fail to attend them. The British also have been almost completely negative.

The Americans are getting ready to bargain with west Europe on the basis of expressing willingness to negotiate on a new monetary system providing west Europe's Common Market will relax its defensive, protectionist trading attitudes. If pressed, the US Treasury might be willing to release some gold to the dollar-stuffed Europeans to obtain an easier trading market.

While Europe prepares also with

plans, led at present by France, for an economic and financial union aiming to free Europe from harmful US economic influences, it is alarmed by hints from Washington that it will lift controls on US capital investment abroad. This policy is almost certain to be adopted by the USA and phased to promote the maximum effect in Europe.

To European complaints about their huge dollar stocks the USA replies with a suggestion that if Europe does not like holding dollars it can run down its holdings out of a payments deficit with the USA, an idea that is absolutely unacceptable in a Europe whose export industries and structures of employment are geared to payments surpluses. Only one European voice, that of the Bank of Italy, has spoken in favour of the enlarged European Community floating in unison in relation to the US dollar and downwards if necessary.

The prospect at present is that western Europe will continue to hold more and more dollars and will be obliged to absorb more American investment. It will continue to remain in a weak bargaining position, whatever the size of the Market, so long as payments deficits are regarded as disastrous and not as a reasonable method of ridding itself of excess dollars.

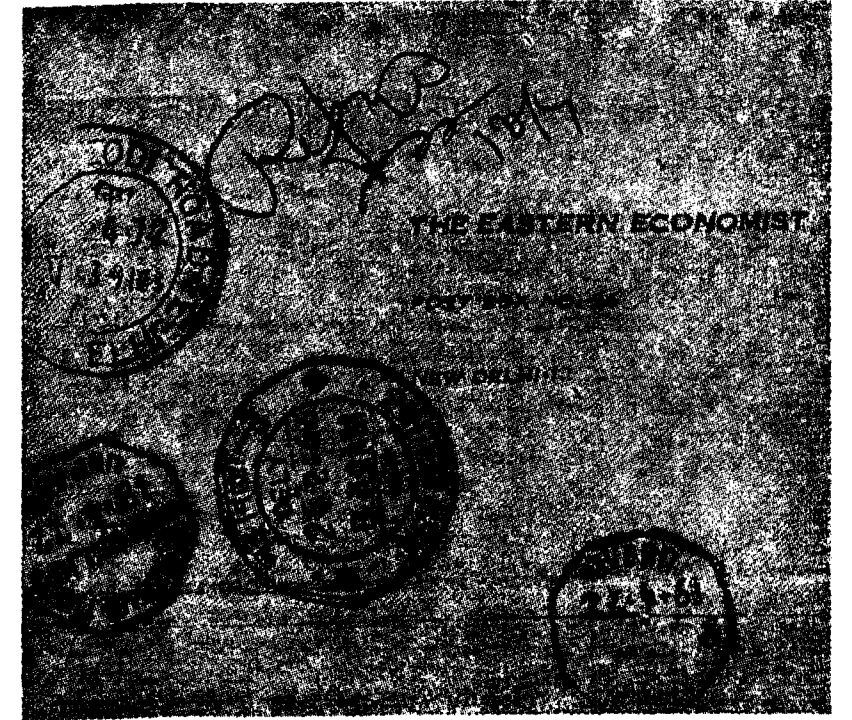
the basic fact

This appears to be a basic fact which not all present plans, to be formalised when the ten Common Market heads of government meet in Paris next autumn, are likely to be sufficient to dissolve. The French President, M. Pompidou, will doubtless win a resounding majority in favour of the Market's expansion and a massive endorsement of his policy of a European confederation in the referendum to be held on April 23, the same day as Germany votes basically over its east European policy. The French vote may move the confederation forward from an idea towards becoming an accomplished fact; it may move France forward to a challenging position of leadership within the Common Market, but it will do little to increase the effectiveness of west Europe's self-protectiveness against American trading unless the fear of payments deficits and their inevitable result of economic internal reorganisation is overcome.

For several weekends

now quite a number of people of all kinds and descriptions have been saying that cabinet changes are only a matter of hours. It has been said of almost every Monday that its morning newspapers would carry the names of the 'ins' and the 'outs'. This speculation reached fever-heat the other day when it was announced that the Prime Minister would be taking a couple of days off for a holiday in Dehra Dun. It was promptly concluded that Mrs Gandhi was taking herself away from New Delhi in order to think quietly about the seeding or the weeding that she might do.

By now, however, it has become clear enough that cabinet carpentry is not among the Prime Minister's more urgent preoccupations. She probably attaches less importance to this matter than most others do. Mrs Gandhi of course has good reason for adopting such an attitude. In the last two years her council of ministers has come to mean little and count for even less as the governing factor in the administration. Mrs Gandhi has been making policy or functioning otherwise as Prime Minister without depending to any great extent or even drawing significantly on her ministerial colleagues. She has put together her own establishment of counsellors or executors and it is largely in discussion with them that the policy decisions are being taken and the processes for implementing those policies worked out. Like Mr Nixon in the White House, Mrs Gandhi at 1, Safdarjung Road has chosen and learnt to work through a personal secretariat which is outside and also above the regular structure of administration. Such system has its disadvantages as well as advantages, but right now I am not concerned with either. The point I am trying to make is the limited one that, given the situation I have just described, the Prime Minister would naturally attach less importance than many others may to the matter of cabinet changes, which may appear to her to be a minor exercise of power or patronage or even a digression, diverting



or otherwise, from the more rewarding pursuits of her office.

An autobiographical

sketch of Indian Airlines, circulated for the benefit of the press, quotes with pride, Mr Stephen Wheatcraft, an air transport economist, who has suggested in a study prepared for the World Bank that, had this airline not been there, the country would have needed at least 3,500 more top civil servants and 9,000 more top business executives of the same calibre as the existing ones to compensate for the time lost in travelling by the fastest alternative modes of transport so as to maintain the national economy at its present level. Whether we accept Mr Wheatcraft's assumption that all the air travel that is being done now by civil servants or even business executives is relevant to the functioning of the national economy or we do not, Indian Airlines evidently is only too willing to accept his arithmetic. In that case the management of the airline and the Civil Aviation Ministry must also agree that the disruption of

Indian Airlines flight schedules, which has lasted for many weeks now, must necessarily have done a great deal of harm to the national economy. If this be granted, the question would arise whether the Minister for Civil Aviation specifically and the government of India generally are justified in dealing with the go-slow tactics of the maintenance engineers in the leisurely and casual manner they seem to have adopted.

Here is a collector's

item about the Indian Posts and Telegraphs Department. On February 22, 1966, I wrote an inland letter to a New Delhi address. This came back to me last week, without any indication why the letter was not or could not be delivered to the addressee. To add spice to the incident, the postal department simultaneously demanded and obtained a payment of 20 paise on the ground that this inland letter (which, as I had mentioned earlier, had been posted in February 1966) bore only a ten-paise stamp (which, of course, was valid postage at that time) instead of a 15-paise postage stamp (which is the valid postage now) and also that it did not bear the five-paise refugee relief stamp (which, incidentally, could not even have been dreamt of in 1966). The postal marks reproduced elsewhere on this page may perhaps prompt some of us to speculate on what could have been happening to this letter during all those six years and more of its underground existence.



MOVING FINGER

TRADE WINDS

Export Priority

THE UNION government has formulated a scheme for making steel available either from indigenous sources or by imports, to the extent necessary, to meet the requirements for export production in respect of exports of engineering goods during 1972-73. In the case of imported steel, the supplies will be made by Hindustan Steel Limited against release orders issued by the licensing authorities. The supplies of imported steel will be at the Joint Plant Committee (JPC) price plus a small additional charge. The Chief Controller of Imports and Exports will be issuing the necessary public notice containing details of the scheme and the procedure to be followed by exporters. This scheme will also necessitate suitable adjustments in the entitlements of registered exporters who participate in the scheme in respect of the specific export contracts.

G.I.C.

Gujarat Industrial Investment Corporation Ltd recorded its maiden profit of Rs 1.94 lakhs during the period January, 1970 to March 31, 1971. During the period the Corporation gave assistance to the extent of Rs 5.44 crores spread over 211 units out of a cumulative assistance of Rs 11.53 crores to 303 units. The Corporation has broken new ground in sanctioning loans to competent technicians. The Corporation financed the projects of technicians to the extent of Rs two lakhs in case of an individual technician and Rs three lakhs in case of more than one technician in partnership. The corporation has

already assisted 585 projects under the Technicians' Scheme amounting to a total financial sanction of Rs 4.51 crores till the end of March, 1971. In order to see that the rural areas get servicing facilities, the Corporation started a Rural Workshop Scheme. For this purpose, a number of centres were selected in the state in consultation with the district authorities, and rural workshops were established—total 113 in number—throughout the state. Till the period ended March 1971, the Corporation had sanctioned financial assistance to the extent of Rs 26.16 lakhs to 113 units under this scheme.

In yet another dimension of its investment activity, the Corporation has entered the project field directly for launching industrial projects either by itself or in collaboration with other business houses. The Corporation has secured letters of intent for the manufacture of fuel injection equipment, fuel pump testing machines, automobile tyres and tubes and several chemicals. With these projects materialising, an investment of around Rs 40.00 crores is contemplated leading to a product pattern of over Rs 100.00 crores.

Newspaper Industry

The union government has decided to set up a fact-finding committee to go into the economics of newspaper industry. Dr. Babhtosh Dutta, Retd. Professor of Economics, Presidency College, Calcutta, is to be the chairman. Mr R. Rajagopalan, Chief Cost Accounts Officer, Ministry of Finance, Mr K.C. Raman, Retd. Production Manager, M/s Bennett Coleman & Co. Ltd and Mr I.P. Gupta, Officer on Special Duty, Central

Board of Direct Taxes are the members. Mr G. Govindan, Registrar of Newspapers for India, is the Member-Secretary. The Committee will ascertain all the elements of the cost of production of the daily newspapers; ascertain all the different elements of the total revenue earned by the newspapers; study these trends during the past few years and forecast, to the extent possible, the normal changes likely to occur in the next year or two; evolve norms for different elements of expenditure from the point of view of reasonableness combined with efficiency and record its findings in regard to the effect of restriction of newspaper supplies to different categories of newspapers.

The committee will consult newspaper managements and also working journalists, non-journalist workers and any other interested group that it may consider desirable to consult. The committee will report its findings not later than six months from the date of its constitution.

Railway Finances

A Parliamentary Committee known as the Railway Convention Committee has been appointed through a Resolution passed by both Houses of Parliament. The Committee will "review the rate of dividend at present payable by the Railway Undertaking to General Revenue as well as other ancillary matters in connection with the Railway Finance vis-a-vis the General Finance". Mr R.K. Sinha, MP, is the chairman of the committee. Public bodies, industrial, commercial and social welfare organisations, chambers of commerce and industry, institutes of management and other associations

and individuals having knowledge and experience of the working of Railways (including former Railway employees) who are desirous of submitting memoranda on the working of Indian Railways for consideration of the committee should send 40 copies of each memorandum to reach the Secretary, Lok Sabha, Parliament House, New Delhi on or before May 6, 1972. The committee would be particularly interested in suggestions to (i) improve the working of the Railways, (ii) step up the earnings, and (iii) reduce the working expenses.

India and E.E.C.

Mr L.N. Mishra, union Minister of Foreign Trade, who was in his way to Santiago, to lead Indian delegation to UNCTAD-III discussed recently with Mr H. Alphand, Secretary General of the French Ministry of Foreign Affairs the role France could play in persuading the EEC member countries to conclude at an early date the proposed Commercial Co-operation Agreement. This country had submitted to EEC an aide memoire in this connection some time ago.

The Commercial Co-operation Agreement is expected to provide a larger framework of co-operation covering different facets of economic relationship. Mr Mishra is understood to have asked Mr Alphand to use his good offices for EEC to find satisfactory solutions to offset the adverse effects on India's export trade consequent on the UK joining the EEC and the preferences becoming unavailable to this country. Only half of India's total exports to the UK are covered under the Generalised System of Preferences (GSP). Since a Commercial Co-operation Agreement was likely to take time it was suggested that the UK should accord a standstill arrangement in the present pattern of trade till 1975

like the one for Africans and Caribbeans.

Employment of Educated

The budget estimates of 1972-73 for the Ministry of Education and Social Welfare contain additional provision for employment of educated personnel, according to the annual report of the Ministry of Education and Social Welfare for 1971-72. As against the budget estimates for provision of general education, employment of educated personnel etc., of Rs 91.25 crores for 1971-72 for the Department of Education, the revised estimates for 1971-72 are Rs 91.42 crores and the budget estimates for 1972-73 are Rs 109.80 crores (provisional).

India-Ceylon Co-operation

At the recently held second meeting of the Indo-Ceylon Joint Committee for Economic Co-operation matters of mutual interest were discussed and it was agreed that economic co-operation between the two countries should be further strengthened. The Minister of Industrial Development offered the services of experts or technical assistance which might be needed in connection with Ceylon's schemes for industrialisation. Meetings of the Indo-Ceylon Joint Committee on Economic Co-operation were held between Mr Swaran Singh, Minister of External Affairs, and Mr C. Subramaniam, Minister of Planning, on the Indian side, and the Mr T.B. Illangaratne, Minister of Foreign and Internal Trade, on the Ceylon side. The Indian side confirmed that they would buy copra, graphite, arecanuts, cloves, chanks and cocoa in the quantities which had already been agreed to and would also examine the possibility of buying tyres and tubes. The

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davp 770(7)/71

Indian delegation offered assistance for the preparation of project reports in two hydro-electric schemes and suggested that the power grids of the two countries should be linked together in their mutual interest. The Ceylon delegation expressed appreciation of the feasibility reports prepared by Indian experts for the setting up of industries based on raw materials which were available in Ceylon, viz., glass, refractories, graphite, rubber goods, and mica.

Credit to Rice Mills

In view of the need to encourage use of modern equipment by rice mills and in accordance with the government's policy of encouraging the use of rice bran oil in the manufacture of vanaspati, the Reserve Bank of India has advised the scheduled commercial banks that they may grant, on merit in suitable cases, medium-term credit for, (i) the modernisation of the existing rice mills or installation of new units, and (ii) the establishment of rice bran solvent extraction plants which use pure rice bran for the extraction of rice bran oil. The restrictions imposed by the Reserve Bank on advances to rice mills against foodgrains would not be applicable to the extension of medium-term credit by banks to rice mills and rice bran solvent extraction plants.

Coal for Burma

The Minerals & Metals Trading Corporation will export a substantial quantity of steam coal along with a small quantity of hard coke to Burma during the current year. A high-power delegation led by Mr Thakin Sein Maung, member, Executive Committee, the Trade Council, government of the Union of Burma, visited this country on the

invitation of the MMTC and a contract was concluded, on April 1, 1972 by Mr C.R. Das, Director, MMTC and Mr Thakin Sein Maung of Burma. By exporting coal to Burma, MMTC will earn foreign exchange worth about Rs 1.4 crores.

Delegation to Cairo

A trade delegation, led by Mr S.J.S. Chhatwal, Director, Ministry of Foreign Trade, left for Cairo on April 16, 1972, for mid-term review of the working of the present trade plan. These talks were expected to last for a week. The delegation also proposed to explore further avenues for expansion of trade between the two countries.

Chemicals Export

With its latest consignment to the UK, Warner-Hindustan's exports of specialist basic organic chemicals (Alpha Picoline, Pyridine and bases) reached 203 tonnes. Warner-Hindustan took concrete steps towards gaining self-sufficiency in this field. The chemicals plant at Hyderabad, built at a cost of over Rs one crore has the distinction of being the only one of its kind in this country. This plant was designed to meet the entire home demand for these basic chemicals — imports of which used to cost the nation Rs 10 lakhs in foreign exchange every year.

Hanover Fair

The Hanover Fair, founded in 1947, with an area of 18,800 sq.m. in exhibition halls and 2,700 sq.m. open space, has now grounds of almost one square kilometre in size, and comprises an area of 470,000 sq.m. rented stand space, of which 295,000 sq. m. is in 22 exhibition halls. At the first

Fair in 1947, there were 1,300 exhibitors, whereas, today more than 6,500 firms are represented, of which almost one-quarter are foreign exhibitors from more than 30 nations. The ever-increasing number of visitors to the fair now come from more than 100 countries. Of great significance also are the trade conferences, which are held during the fair every year, representing an essential supplement to the range of exhibits in the individual branches. The 1972 Hanover Fair is being held from April 20 to April 28, 1972.

Rabi Procurement

The two-day Chief Ministers' Conference on Rabi Procurement and Prices and Land Reforms was held in New Delhi on April 13 and 14, 1972.

I.C.M.A.

A meeting of the members of the Indian Chemical Manufacturers Association in the Eastern Region held in Calcutta on Friday April 7, 1972, re-constituted the Eastern Regional Committee for the current year with Mr B. K. Ghose as Chairman and Mr A. K. Sen as Vice-Chairman. The other members of the committee are: Mr N. G. Bangur, Dr N. K. Bhattacharya, Dr B. N. Ghosh, Mr K. P. Ghosh, Mr B. Himatsingka, Mr A. L. Mudaliar, Mr A.N. Ray, Mr Kalyan Sen, Mr S. C. Sarkar, Mr S. N. Tandon and Mr Venkat ramanan. It was also decided to invite Mr. C. D. Thakkar and Mr A. Das Gupta to all meetings of the committee.

K.L.M.

KLM has sold its last two DC-8-33 jet aircraft. The new owner is the Venezuelan airlines VIASA, with

which KLM has been co-operating very closely for years now. The aircraft are the PH-DCB "Bali" and the PH-DCF "Java", both from the series of seven with which KLM entered the jet age in 60/61. The other five 33s had already been sold, so that the only DC-8s now owned by KLM are seven aircraft of the type 53, which have turbofan jet engines, a greater range and capacity; five DC-8Fs and eleven Super DC-8-63s.

The KLM fleet, which, not counting the "Bali" and the "Java", consists of 50 aircraft—including 7 Boeing 747Bs—will be joined in November of this year by the first of the six Douglas DC-10 wide bodies which have been ordered.

Names in the News

Mr S.P. Mandelia, President of Century Rayon, was unanimously elected President of the Bombay Management Association for the year 1972-73. Mr Mandelia is the Chairman of the Textile Council of the All India Manufacturers' Organisation.

Mrs Sumati Morarjee, Executive Director of the Scindia Steam Navigation Co. Ltd, has been elected Chairman of the Coastal Conference of Indian Ship-owners. Mr A. Ramaswami Mudaliar, one of the founders and chairman of the Conference since 1954, resigned due to his indifferent health.

Mr M.S. Oberoi has been elected a member of the Rajya Sabha. He controls nine luxury hotels in India and operates the prestigious 600-room Oberoi-Imperial in Singapore and the five-star Soaltee-Oberoi in Nepal. Construction on his hotel in Ceylon will also start soon.

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COMPANY AFFAIRS

Madras Rubber

MADRAS RUBBER Factory Ltd has received a letter of intent to start a tyre unit in Goa with a capacity of three lakh tyres and tubes. With this new letter of intent the company will have the privilege of being the second largest licensee for manufacture of tyres in India. The company is maintaining its meritorious record in the field of exports and the government has recently announced its intention to award a Certificate of Merit for MRF's excellent export performance for the year 1968-69. Meanwhile the company is strengthening its export base and a number of steps have already been initiated in this direction including marketing surveys abroad and additions to the existing range of products. This was disclosed by the Chairman, Mr K.M. Cherian, while addressing the annual general meeting of the company held recently.

Continuous efforts are being made by the company to achieve self-reliance in the fields of raw materials, capital goods and tyre technology. For instance, for the new factory unit in Goa the company will be importing capital goods worth only Rs 1.15 crores. The remaining machinery will be fabricated locally by the company's engineering staff with technical assistance available from Mansfield.

The 96-day-old strike in the factory during 1970-71 resulted in a considerable loss of production. But the factory is now working satisfactorily. Sales in the first five months of the current year have exceeded the corresponding figures of last year by a significant margin

and if this uptrend is maintained the annual sales during this year are expected to surpass last year's sales by about 40 per cent. The company also hopes to complete the expansion of the Madras factory to 6.1 lakhs units from 3.6 lakhs as originally planned. Besides the management has entered into an agreement—effective from October 1, 1971 to September 30, 1975—with the labour regarding revision of wages, dearness allowance, incentive bonus and certain other benefits.

Philips

Philips India Ltd continues to maintain its proud record in the field of design and development of new articles, improvement of existing products and of production processes and towards import substitution and cost reduction. The company has submitted to the government a comprehensive plan indicating the areas that it proposes to enter in the next few years and the products involved. The plan envisages substantial new investments incorporating greater diversification, particularly in the area of professional electronics. Hence the growth of the company in the coming years will be more remarkable than that recorded so far.

While the approval of the government is awaited, the company is already turning out sizeable quantities of a wide range of electronic equipments and accessories. The telecommunication factory at Calcutta worked at its planned level of production of fully transistorised portable trans-receivers which are being supplied to the government and the order is expected to be completed in 1973. The produc-

tion of electronic instruments and public address systems continued at a high level at its unit in Bombay. Plans are afoot for the production of tape recorders for which the company holds a letter of intent. Another letter of intent has also been received by the company for the production of null indicators.

Production of radio sets was maintained at a satisfactory level during the year. The company's unit at Calcutta has commenced a fully integrated production of record players. Among the models introduced is a stereo-electrophone of a more indigenous design. The company also introduced fluorescent lamps with triple coil electrodes and anode rings to replace the double coil lamps.

The production of special fluorescent lamps with built-in reflector coating (TLF) was taken up. Plans have reached an advanced stage for production of high wattage incandescent lamps, mercury vapour lamps, halogen lamps, infra-red lamps, and krypton miners' safety lamps and to expand the production capacity for mercury discharge burners used in the production of mercury vapour lamps.

The company is issuing shortly 1,330,000 equity shares of Rs 10 each at a premium of Rs 15 per share. The foreign collaborators will take 294,000 shares in conversion of their loan; 420,000 shares will be issued for cash on a rights basis to the existing Indian shareholders; 92,400 shares will be issued for cash to the whole-time Indian directors and employees of the company and 523,600 shares will be offered for cash to the

Indian public. After the issue 40 per cent of the total issued and paid-up share capital will be held by the Indian public.

The working results of the company during the year ended December 31, 1971, are quite encouraging. The profit before tax after providing for depreciation was significantly higher at Rs 11.57 crores as against Rs 6.72 crores in 1970. The provision for depreciation was raised from Rs 1.10 crores to Rs 1.28 crores while taxation claimed Rs 7.70 crores as against Rs 4.27 crores in 1970. The profit after tax amounted to Rs 3.87 crores, which was higher than the preceding years' figure by Rs 1.40 crores. The directors have recommended a final dividend of Rs 1.40 per share which with the interim dividend brings the total distribution for 1971 to Rs 2.40 per share.

Kamani Engineering

Mr P.R. Kamani, Chairman, Kamani Engineering Corporation Ltd told the shareholders at the annual general meeting held recently that the turnover of the company increased to about Rs 15 crores during 1971 as against nearly Rs 14 crores in 1970 and the company was able to maintain production at the previous year's level. Profit during the year was recorded at around Rs 42.24 lakhs. Mr Kamani pointed out that the company had developed certain specialised items for rural electrification and had executed orders for these items to the extent of about Rs 40 lakhs. The company's rolling mills project was progressing satisfactorily and trial production was expected in April this year. The IDA, he said, had granted a substantial loan for transmission line projects in the country. The government too had detailed

plans for inter-linking various power systems in order to cope with shortage of power in several regions. Mr Kamani, therefore, expected appreciable improvement in the orders in regard to supply and construction of towers.

Mr Kamani mentioned the shortage of steel which affected the production of the company to a considerable extent. Some positive steps taken by the government, he added, had redeemed the situation only to a limited extent. The banning of the export of prime steel and import of steel in order to meet the export obligations had been steps in the right direction. Some other meaningful attempts to step up indigenous production had also been made, he stated.

Nevertheless the situation caused anxiety because there was the need to reduce the level of imports and the time lag between the efforts and results in the matter of raising domestic output was considerable. He pointed out that management of an organisation of this size and complexity, needed a high degree of sophistication.

As an integral part of their efforts to modernise their managerial systems and techniques, the company had computerised a number of its operations covering such areas as designing, planning and control, and financial accounts. Recently, in order to widen the area of application, the company decided to have its own in-house computer. Acquisition of this facility would help greatly in maintaining the technological parity with its competitors in other parts of the world, he added.

Aruna Sugars

Mr K. Palani, Chairman, Aruna Sugars Ltd. indicated recently that the company completed its expansion and

shortly the company's crushing capacity would increase to 2,000 tonnes of cane per day. The board of the company, he pointed out, was considering to increase the crushing capacity further to 3,000 tonnes of cane per day at a cost of Rs one crore. In that case the company would be in a position to crush nearly 400,000 tonnes cane against 280,000 tonnes during the current season. During the year 1970-71, he pointed out, the company worked for 209 days and crushed 247,036 tonnes of cane and produced 231,288 quintals of sugar with a recovery of 9.27 per cent, as compared to 555,543 tonnes of cane crushed and 214,474 quintals of sugar produced with a recovery of 8.24 per cent during the previous year.

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. The profit and loss account disclosed a net profit of Rs 28.04 lakhs after providing Rs 17.44 lakhs towards depreciation against the net loss of Rs 7.42 lakhs during the last year. A sum of Rs eight lakhs was transferred to the development rebate reserve and Rs 20 lakhs to the general reserve. The general reserve stood at Rs 25 lakhs as on September 30, 1971, out of which payment towards dividend amounting to Rs 12.06 lakhs, if approved by the shareholders, would be made.

Mr Palani informed the shareholders at the annual general meeting that the company had become the holding company of Arvind Distillery (P) Ltd, a company incorporated for manufacturing arrack. The project was estimated to cost about Rs 30 lakhs. The

company had invested Rs five lakhs in the capital of that company and as per the present programme, the Arvind Distillery (P) Ltd was expected to go into production shortly.

Blue Star

Blue Star Limited recently signed a licencing agreement with Yusuf A. Alghanim & Sons, Kuwait, for the sale and technical know-how and patent right for the manufacture and sales of Blue Star water coolers in Kuwait. Blue Star have been in refrigeration and air conditioning for over 30 years. Blue Star was the first Indian manufacturer to export water coolers. Today, Blue Star water coolers are sold in 17 countries of the world.

Bayer

The directors of Bayer (India) Limited have decided to increase the authorised capital of the company from three crores to Rs five crores subject to approval of the shareholders. The directors have also decided to capitalise the sum of Rs 60 lakhs subject to the approval of the Controller of Capital Issues, the Reserve Bank of India and the shareholders, for distribution among the holders of three lakhs equity shares of Rs 100 each on such date as may be fixed by the board in that behalf as bonus shares in the proportion of one share for every five existing shares. Such bonus shares would rank pari passu in all respects with the existing shares and will be eligible for dividend that may be declared in respect of any financial year of the company commencing from and subsequent to January 1, 1972.

Canara Banking

The Canara Banking Corporation Ltd Mangalore, has made impressive progress in branch expansion,

deposit mobilisation, credit disbursement and advances to priority sectors during the year 1971. A record rise of 39.5 per cent in deposits was witnessed from Rs 22.41 crores on December 31, 1970 to Rs 31.27 crores a year later. The net profit of the bank after making the usual and necessary provisions including provision for taxation and payment of bonus to staff, is higher at Rs 6.22 lakhs out of which a sum of Rs 1.25 lakhs is transferred to statutory reserve fund. With the amount brought forward from the previous year's account, the total disposable surplus comes to Rs 5.10 lakhs. The directors have recommended dividends at 7.15 per cent p.a. and 6.43 per cent p.a. on five per cent first preference shares and 4½ per cent first preference shares respectively. Dividend at 10 per cent p.a. on equity shares will absorb Rs 2.50 lakhs.

The bank's 24 new branches were opened against two in the previous year, taking the total number of branches to 104 towards the end of 1971. Out of the 24 new branches opened as many as 19 branches are in unbanked centres. A classification of the branches on the basis of population indicates that 63 branches are in rural and semi-urban areas whereas the remaining 41 are in urban and metropolitan areas.

The bank is participating in the Lead Bank Programme in various districts under its area of operation. The bank has already opened a number of branches allotted to it under the Lead Bank Scheme. For the year 1972, the bank has drawn up a very ambitious branch expansion programme. The bank has already opened two branches since January 1972 and it has identified a number of growth centres with good potential.

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EASTERN ECONOMIST

BOOKS BRIEFLY

Modern Management in Industry

Management of Industry in India: H.T. Parekh; Vora & Co. Publishers Private Ltd, Bombay; Pp 74; Price Rs 7.

The Philippines and Taiwan: John H. Power, Gerardo P. Sicat and Mo-Huan Hsing; Oxford University Press; Pp 324; Price 45s net.

Management of Corporations: Khorshed D.P. Madon; Progressive Corporation Private Ltd, Bombay; Pp 521; Price Rs 40.

Dilemmas in Planning: G.L. Mehta; Vora & Co. Publishers Private Ltd, Bombay; Pp 138; Price Rs 12.

The Course of American Economic Growth and Development: Louis M. Hacker; Wiley Eastern Private Limited, New Delhi; Pp 382; Price Rs 10.

The Economics of Socialism: J. Wilczynski; George Allen & Unwin Ltd, London; Pp 233; Price 55s.

Reviewed by ACADEMICUS

Management of Industry in India is based on the three lectures delivered by H.T. Parekh at the invitation of the University of Bombay under Prof. Vakil Endowment Lectures in Economics. In these lectures, the author has made an attempt to deal with the role of management at different stages of industrial growth in a country.

In developing countries where resources are scarce, the need for good and modern management has come to be recognised as an extremely pressing need. In India where the industrial structure has undergone substantial changes, there has been created new awareness of management problems. This being the situation, the reader takes up this book with great enthusiasm. It may be said at once that the reader is richly rewarded by its reading.

The first article deals with

the historical development of industries in India which commenced their operations about 115 years ago. The author has traced the development of Indian industries till the eve of independence as also the evolution of different forms of management — from family to the managing agency system. He has concluded that till 1947 management was still deemed to be "a matter of inheritance rather than acquired techniques." Trading rather than manufacturing operation was still the heart of the matter. With the growth of industrialisation, management groups had broadened, but almost entirely within the limitations of the family system. Naturally the system suffered from many limitations. "Close shareholder contracts insulated the managing group from outside shareholders. The choice before them, in case of dissatisfaction with management was

not the power to displace management, but to sell out their shares."

The second article is concerning 'Management under Planning'. Since 1951 substantial changes have taken place in the Indian industrial field. Rapid industrialisation in the country, passing of the Companies Act, the industrial policy statement of 1956 with subsequent amendments and foreign collaboration agreements characterise this period. Consequently the emphasis shifted to efficiency both because of the legal requirements and business environment. The result was increasing professionalisation of management where instead of family ties and linguistic loyalties possession of technical know-how and business efficiency have come to play an increasingly important role.

Parekh's third and final

article is on 'Management: Trends And Prospects.' Easily this is the best part of the book as the first two articles while full of information are of a rambling nature and lack proper co-ordination of ideas and logical presentation.

According to the author, in coming years industrial sphere is bound to expand along with the expanding public sector and increasing state intervention and regulation affecting, among other things, the ownership pattern of industry. Accordingly the Indian management will have to rise in coming years to the two-fold needs of professionalisation of its membership and qualitative changes that go with it and the vast increase in the supply of personnel needed in keeping with the expected growth of industries.

The author opines that the essence of professionalisation is the separation of management from ownership. Professionalisation of management which is already markedly evident in the private sector should in the nature of things also influence management patterns in the public sector. As a fact, professional management, whether in the public sector or in the private, will tend to be drawn from a single common national pool. According to the author, the distinction between the two sectors must gradually disappear, once professional management becomes the accepted pattern in industry. In view of the demand that may be made during the next twenty years which are likely to be exciting, the author wants that steps be taken to provide education in management at all levels, especially with a view to training local personnel.

Business management is in a sense one of the most im-

portant requirements of economic development of backward countries. It is only in recent years that its importance is being appreciated as its scarcity proved to be greater barrier to economic progress than other factors. H.T. Parekh has done well to deal with the various problems connected with business management. The presentation is direct, simple and lucid and therefore the articles are extremely readable.

Philippines, Taiwan

Both the Philippines and Taiwan suffered disruption to their economies in World War II. Since then both the countries have experienced rapid rates of growth of their national product. *The Philippines and Taiwan* contains separate studies of industrialisation policies pursued in these two countries.

It is found that in the Philippines the national product grew at an annual average rate of about 3.2 per cent between 1902 and 1961. This implies an annual per capita income growth rate of just under one per cent because the rate of population growth averaged a little more than 2.2 per cent. Of the major sectors, manufacturing led with 4.6 per cent annual growth rate, while agriculture and commerce grew at rates that approximated closely to the rate of population growth.

In the Philippines there appear to have been two periods of relatively rapid growth — between 1902 to 1918 and from 1952 to the present day. The two periods however present a fascinating contrast in patterns of growth.

The first period begins early in the era of American rule and closes at the end of World War I. This was a period of rapid growth in world output and trade and it must not seem surprising that the Philippines shared in it. What seems to have

been the most important influence during this period was not the war but the opening of the American market on a preferential basis to Philippines exports, mainly agricultural and agro-based products. This proceeded gradually with a 25 per cent preference until 1909, free trade with quotas until 1913 and fully free trade thereafter until the 1930s. This explains the rapid growth in this early period. Exports and agriculture both led with growth rates of about five per cent per annum. Manufacturing growth was only about four per cent. The picture is one of rapidly increasing agricultural production induced by export demand for raw and processed agricultural products. The case might seem to fit Myint's 'vent for surplus' theory of export-led growth. It is important to note however that it was the element of discrimination in the trading relationship between the Philippines and the USA that provided the principal inducement to agricultural exports. There were important repercussions of this agricultural growth on other sectors of the economy such as electric power, mining, forestry, transportation and communications.

As regards growth since 1952, the contrast with the earlier period is very striking. Growth was led this time by manufacturing output which rose rapidly across a broad front of import-substitution industries. The stimulus was import and exchange controls initiated at the end of 1949 as a consequence of balance-of-payments crisis. Since foreign exchange was in effect rationed on the criterion of 'essentiality', the new industrialisation of the 1950s favoured the finishing and assembling of imported semi-manufactured goods for sale in home market in contrast to the earlier period which was dominated by processing of domestic raw materials for export. It might be said that in the

earlier period manufacturing looked inward to supply and outward to demand while in the later period this trend was reversed. In each case however an artificial element of protection was present.

The structural changes that occurred over the entire six decades are generally in the direction one would expect. Agriculture's share of output and of the labour force declined while that of manufacturing increased. But what is disturbing is that the proportion of labour in agriculture declined very little — from 78 to 71 per cent. Coupling the high proportion of the labour force in agriculture with very low productivity gives the explanation of low per capita income in the Philippines today.

As regards Taiwan, in the first few years of the occupation in 1895, the Japanese authorities were highly sceptical about the value of this tropical land. The first step which the Japanese took was naturally to increase Taiwan's agricultural production by irrigation, flood-control, chemical fertilisers and farmers' co-operatives. Meanwhile sugar industry was built up and this may be taken as the beginning of Taiwan's industrialisation. After this emerged gradually food-processing industries and other light industries along with some infrastructure.

The late 1930s saw gradual changes in this policy as Japan waged a war against China. The outbreak of Pacific War in 1941 and the resulting difficulties in ocean shipping gave further impetus to industrialisation in Taiwan. During 1936 to 1942 there was an apparent industrial boom when some heavy industries such as machine-making, ship-building and petroleum refining were started. But although the total real national income continued to increase

on the whole during this period, real income per head ceased to do so after 1935 when it reached approximately US \$ 40 per annum. Also manufacturing contributed only about 18 per cent to total national income as compared with 40 per cent by agriculture.

The impact of the Pacific War on the Taiwan economy was disastrous. On VJ Day in 1945 when Taiwan was retroceded to the Republic of China, about three-fourths of the industrial productive capacity was destroyed, agricultural output dropping to 45 per cent and industrial output to less than one-third of their respective pre-war figures.

A painful process of rehabilitation and reconstruction began after the war. But Japan was no longer an assured market while trade between Taiwan and the Chinese mainland was completely cut off. Initially therefore recovery was naturally very slow. However, these difficulties were gradually overcome and normalcy restored by 1949. With the US aid soon flowing into Taiwan, the progress of the economy was speeded up and that progress continues to this day. Taiwan showed an annual average growth rate of more than nine per cent between 1961 and 1968.

On behalf of the Development Centre of the Organization for Economic Co-operation and Development, Oxford University Press has been bringing out a series of regional studies of which books on India and Pakistan have already been reviewed in these columns. This book on the Philippines and Taiwan belongs qualitatively to the same category. The treatment is authoritative. This book, compact and at the same time comprehensive, gives a fairly exhaustive picture of the economic developments which are taking place in these two countries. The

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book would be welcomed by the students of regional economic development studies.

Corporate Law

It is common knowledge that at present business corporations play a very vital role in the economic development of a country and they have also great social and political impact. This being the case, it has become necessary to provide a satisfactory legal framework for the working of these business corporations so that misuse of power and money may be prevented or minimised. It is no wonder therefore that almost every country has enacted legislation regulating the management of business corporations.

Management of Corporations purports to provide a comprehensive study of corporate laws and management in England, the USA, Germany, France, Japan and India. The author has given, in brief, the origin and growth of companies and company legislation in each of the above countries with various suggestions regarding legislative measures and the machinery for implementing them.

So far as India is concerned, after dealing with the Companies Act of 1956, the author has dealt with the Monopolies and Restrictive Trade Practices Act, 1969, which is largely based on the Restrictive Trade Practices Acts of 1956 and 1968, the Resale Prices Act, 1964 and the Monopolies and Mergers Act, 1965 of the United Kingdom. The author however opines that 'it is too early to tell to what extent this Act will succeed in implementing the objectives it seeks to achieve.'

In the chapter on 'Labour Participation in Management', the author has made an attempt to show why there should be no legal compulsion to have employee representation at board level

in India until both labour and management are ready to accept this concept. According to the author, this is borne out by the serious problem confronting the 14 nationalised banks in naming their directors. Whether the basis of selection (of the representatives of employees on the reconstituted boards required to be done under the Banking Companies Act of 1970) of the two directors (one representing the junior officer cadre and the other representing the non-officer class) should be seniority and experience or representation to recognised unions is a tricky problem which the government is unable to solve.

Having gone through the book, the author's claim that it is 'a multi-national study of corporate law and management' and that 'there is no other book which has made a comparative study of the law and practice of corporate management in these countries' appears to be an extremely tall claim. Even if it is true, it is so only in the formal sense for this is essentially 'a work of sessions and paste'. Most of the pages are taken up by bare enumeration of clauses of acts and such other details. The author has hardly shown any penetrating analytical ability or understanding of the basic social attitudes and philosophies underlying such legislation. The book may give a smattering of knowledge about the vast subject, but it will certainly not satisfy the discerning readers.

Planning in India

There are many problems confronting Indian planners and *Dilemmas In Planning* is the compilation of speeches and articles of G.L. Mehta examining some of the crucial ones. He has made an attempt to examine some of the vital issues such as investment, allocation of resources, foreign aid, foreign collaboration, role of

private enterprise in planned economy, problems of technology and management and the impact of developmental measures on democratic values of our nation. Since the problems facing the planners and the country are crucial and since the author happens to be one who is intimately connected with our planning and development process, his ideas presented in this book should receive serious consideration.

At the very outset, the author is concerned with the problem of reconciling state action with individual freedom. According to him the problem is not one of choosing between an ideal conception of individual freedom and some kind of collectivism, but one of striking a proper balance between the two. The problem before us is how to use the necessary state guidance and regulations and at the same time personal initiative to get out of stagnation and effect a break-through. This is a big challenge and our statesmen will have to successfully face it, if the country is to prosper and become strong.

Writing about the pattern of India's economy, the author writes: "Those who seek the elimination of the private sector... do not fully appreciate the dynamics of growth in an economy like ours. On the other hand, those who advocate the abolition of the public sector do not understand the essentials of social and economic development in an emergent country like ours at the present." On technology and development, G.L. Mehta pleads that there should be selective approach in which "pace and degree of mechanisation should be determined in the light of our prevalent agricultural and industrial conditions." Developing countries, therefore, need technologies appropriate to their conditions, resources and needs,

instead of wholesale borrowing from the advanced countries.

According to the author, the important lessons which the second five-year Plan has taught us are greater emphasis on agriculture, greater encouragement to exports and appropriate foreign exchange budgeting, all of which were neglected in the second Plan with disastrous consequences. The lessons of the second Plan are still valid in 1972.

The article on 'Foreign Aid: Stimulus or Soporific' is very stimulating. It has examined critically the role of foreign aid to India which constituted five per cent, 19 per cent, 23 per cent and 17 per cent of the total outlay in our four five-year Plans, respectively, and according to the author, made possible 'an annual rise of one per cent national income in India. He has referred to the main recommendations in this field of the Pearson Commission and the Peterson Task Force Report. The recommendations contained in the above two reports that one per cent of GNP of developed countries should be given as aid, that the aid should be generally for priority sectors, that it should be internationalised and be given through institutions like the International Development Bank and that a committee should be appointed to direct aid policies and programmes should all be acceptable to governments and people in developing countries which have come to look upon foreign aid with a certain amount of suspicion due to its being used as an instrument of foreign policy by some of the donor countries.

As regards the role of private sector, the author is of the opinion that "while the broad structure of economic policy has remained unchanged, its implementation has become more flexi-

ble and in many ways more favourable to the exercise of the private sector, both indigenous and foreign." But the author has also warned that "private enterprise has, indeed, to play a role which has to be in consonance with the social philosophy of the times." He has pointed out that private enterprise cannot be a vested interest in itself, but feels sure that "it will not be found wanting in the challenge it faces in emergent economies." Writing on 'Beyond the Two Sectors' the author opines that "Nothing is more important... than to make the private sector institutional in character and professional in methods, while ways must be found whereby initiative, experiment and flexibility can be preserved within the public sector." People generally think only in terms of traditional values and institutions and emergent nations will have to give up old 19th century notions and frameworks and think and act along new lines to suit changing times, if they are to successfully solve their problems of poverty.

It is an excellent collection of articles and speeches, entertaining and instructive. The style is chatty and anecdotal and therefore the book is extremely readable. Though much of what G.L. Mehta has said in this book is now commonplace, there is no doubt that due to his long association with India's developmental efforts in the private and public sector, he has brought very keen insight and broad vision to his analysis of some of the most pressing problems before the country.

American Economy

Research in economic history 'has literally exploded in the past decade'. The Wiley Series aims at giving a breadth and depth to American economic history so far not found in a single con-

ventional textbook on the subject.

The Triumph of American Capitalism by Louis Hacker, published in 1940, presented a provocative and challenging view of America's past. *The Course of American Economic Growth and Development* by the same author presents to economic historians many unconventional hypotheses. The approach of the author makes the book extremely readable, challenging many of the views presented by a number of economic historians previously.

Part of the American heritage is, according to the author, the rejection and acceptance of certain European attitudes, commitments and institutions. Some of the important elements woven into the American mores and against which alone the development of American economic history can be properly understood and appreciated are: (i) the American climate and its way of life have always been capitalist; (ii) Americans have always regarded themselves as middle class; (iii) work to the Americans has always been invested with dignity; (iv) the American has always been a pragmatist; and (v) the Americans are committed to the rule of law.

There is the elaborate and critical analysis of the usual American developments such as the expanding colonial world during the early period of colonisation, the inadequacies of the article of confederation, the ante-bellum years and the structure of the American economy during those years, the process of industrialisation before the civil war of 1861-65, the southern plantation economy based on slave labour (which, it is now being asserted, was less efficient and therefore its employment less profitable implying the ultimate doom of the slave system),

the take-off in the post-civil war period and the part played therein by entrepreneurs, labour, money and banking, agriculture and government policies, achievements of Woodrow Wilson, the causes and consequences of the great depression, the reforms under the New Deal and the American economy during 1950s and 1960s.

Naturally the economic developments during the 1950s and 1960s attract our attention. We notice that during these years, the growth in real GNP had ups and downs and the employment rate too had its swings. We notice that inflation began to appear in the USA in the second half of 1950s and then accelerated in the 1960s. During 1950s and 1960s there was chronic deficit in the balance of payments of USA and a gold drain. Despite prosperity and high employment, depressed areas continue to exist, urban blight has become common and the unemployment rates of non-whites are notably high. And finally we notice that despite the validity of private enterprise, there has been more and more governmental direction and control which has come to be generally accepted as something necessary to sustain the delicate balances in the American economy.

While the students of economic history will find the entire book provocative, challenging and extremely readable, those not so much interested in the historical aspect will find chapters 15 and 16 dealing with the current economic problems of an affluent economy extremely stimulating and instructive. The approach of the author to the study of economic history which combines the conventional descriptive method with statistical and mathematical approaches makes the interpretation of the subject more exact. At present quantification of various

branches of economics is the general trend and economic history cannot for long remain an exception to the rule, though the application of statistical and mathematical methods to economic history has clear limitations.

Economics of Socialism

Human understanding, even his imagination, have their limits and we who are used to our own social and cultural environment, fail to comprehend fully an alien socio-economic system like communism, however sincerely we make an effort to understand its working. And yet we cannot afford to remain ignorant of the working of social systems other than our own. This explains the urgent need, for readers in capitalist countries and of countries like India with mixed economies of an excellent book on socialism viewing all the aspects of the system objectively and explaining them lucidly. No book does that in a better way than *The Economics of Socialism* by J. Wilczynski.

In the Marxian terminology, there are two stages of communism. The first state (the 'lower stage' of Marx) or 'socialism' is a transitional stage during which some elements of capitalism are retained and the second stage (Marx's 'higher stage') or 'communism' is the stage that is marked by the disappearance of the last vestiges of capitalism and the ultimate 'withering away' of the state.

The author classifies the models of the socialist economy into four categories: (1) the bureaucratic centralised model, (2) the planometric centralist model, (3) selectively decentralised model, and (4) supplemented market model. While most of the communist countries are undergoing gradual transformation since 1960s,

only Yugoslavia falls in the last category.

At present all the communist countries subscribing to Marxism-Leninism are characterised by (i) concentration of power in the communist party representing the working classes, (ii) social ownership of the means of production, (iii) central economic planning, and (iv) socially equitable distribution of national income.

Most communist countries are gradually being reformed since 1960. Some of the reforms introduced are: liberalisation of planning, greater independence to enterprises, introduction of the criterion of profit, strengthening of material incentives to labour, price reforms, greater role assigned to finance and credit, establishment of closer links between production and consumption and reorientation of foreign trade. In most communist countries (except Albania) the old dogmatic approach is giving place to new pragmatism and experimentation.

As is well-known the basic principles of socialist planning followed by the communist countries are: (i) determination of the criteria of economic calculation underlying planning decisions, (ii) determination and quantification of the targets to be reached in the planning period, (iii) co-ordination of the targets to ensure 'material balances' and internal consistency of the plan, (iv) determination of appropriate methods to ensure plan fulfilment, and (v) current revision of targets according to changing conditions. The author has shown lucidly, with the help of a simple model, how the communist countries try to seek overall balance among (a) production, consumption and accumulation, (b) primary, secondary and final distribution of national income, (c) personal money income and expenditure, (d)

fixed and circulating assets in productive and unproductive enterprises, and (e) utilisation of labour resources. Against this background, the author discusses 'optimal planning'. There may be a number of plans which are internally consistent and capable of fulfilment; but once a particular criterion is accepted, there can be only one 'optimal plan'. The practical effort so far has been limited to the application of the optimisation procedures only to selected sectors of the economy, such as investment, the location of specific industries, transport and foreign trade. The most advanced work in this field is done in Hungary.

As regards extension of the role of market mechanism to planned economy in socialist countries, it is being justified on three grounds: it is necessary to gain efficiency at micro-economic level which was neglected in the Marxian analysis which in its approach was essentially macro economic; it is necessary for the continuous verification of planned decisions; and finally, it provides a salutary discipline in the form of competition so that production and distribution are constantly being adapted to buyers' preferences.

Profit has come to be officially accepted in the USSR since 1965. But the role of profit under socialism differs significantly from that under capitalism. Briefly, under socialism, profit is not an objective but a means; it cannot be increased by restricting production; it cannot be owned by private persons (except in very minor cases and to an insignificant extent); profit is only one of the several driving forces behind socialist production; it is necessarily an objective measure of efficiency of business enterprise; differences in profit rates do not necessarily determine the distribution

of investment; and lastly, flows of capital to foreign countries are not determined by profit considerations.

After explaining the communist concept of national income (which includes only material products and not immaterial services which fact makes any rational comparison of GNP of capitalist and communist countries very difficult), the author has analysed the problems of accumulation which corresponds to the concept of investment in capitalist countries.

The planned accumulation is realised by direct and indirect measures restricting current consumption. At present there are three sources of providing finance to enterprises — the state budget, banks and enterprises' own resources, the last playing an increasingly important role in recent years. As regards the freedom of choice for consumers, attempts are being made in recent years to co-ordinate the production of consumer goods to the demands and preferences of consumers through devices such as survey of consumer responses and exhibitions. This ensures what the communist theorists call 'rationalised consumer sovereignty'. As regards wage structure though the Marxist theory speaks of 'to each according to his needs', in fact various incentives, moral and material, are provided in proportion to their efficiency measured by profit earned by their enterprises which retain a part of the profit for distribution as incentive bonus among the participating workers.

Price mechanism is being made use of to a greater extent than before. But the price mechanism in communist countries is not the same as in capitalist countries. Price mechanism in communist countries has to subserve the plan objectives in the sphere of produc-

tion as also in the sphere of consumption. This is achieved by having two-tier price system, one for the producers; and the other for consumers, the two sets of prices being determined by totally different considerations. The methods adopted for fixing prices show that prices in communist countries appear to have nothing to do with the labour theory of value which is the foundation of Marxist analysis.

Like pricing, money, banking and fiscal policy have been playing increasingly important role in communist countries with this difference that they are all properly co-ordinated and have to help achieve plan targets. The same is true of international trade which is being re-oriented. The communist countries have given up their former autarkic policies and have been entering the field of international trade both on bilateral and multilateral basis. This is to take advantage of higher technology in western countries, to secure raw materials from developing countries and to share the advantages of comparative costs. Since Stalin's death there has been considerable expansion in the international trade of the USSR. The chapter on 'International Economic Co-operation' which explains the economic co-operation of communist countries with capitalist countries and among themselves is very instructive. Thus communist countries are co-operating among themselves through Comecon for economic planning, to reap advantages of specialisation, for technological reasons, for standardisation and for transport and communication purposes.

Comparing the socialist system with capitalism, the author considers socialism superior to capitalism in regard to the mainspring of economic activity, the level of employment, rates of

growth, dignity of labour, distribution of national income, application of the principle of social cost-benefit principle and prevention of certain forms of wastes (such as product obsolescence, unnecessary product differentiation, unwanted fragmentation and duplication of equipment, excessive number of people working for sales promotion, misleading advertisement, etc., generally associated with capitalism), and dynamism.

On the other hand, the major weaknesses of socialism are the undue ideological and political dominance of the economic scene, bureaucracy and inflexibility, poor correspondence of decision-making between macro and micro levels, the system's liability to big errors, absence of rational and workable pricing system, insufficient effective competition and finally the system's tendency to produce what has come to be known as alienation. The overall effect of all the above weaknesses is reflected in limited personal freedom and low efficiency of labour in communist countries.

Are the two systems, namely socialism and capitalism, converging as Jan Tinbergen said in 1965? Many economists on both sides think so. Considering what is happening in both capitalist and socialist systems in the spheres of micro-macro analysis, economic planning, economic administration, money and banking, role of profits, property ownership, distribution of national income, social structure, prices and the role of consumer preferences, one is inclined to believe that socialism and capitalism are moving away from their classical models and are converging due to technological, political and such other pressures and compulsions.

This excellent book which contains lucid analysis of all

the above problems is a 'must' for the students of economics who want to know the essentials of socialism. And who does not? Socialism at present has prov-

ed to be as dynamic as capitalism and this single book teaches us more about socialism than what possibly a dozen sophisticated books on the subject can do.

Books received

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Financial Accounting: R.L. Gupta; Sultan Chand & Sons, 4792/23, Daryaganj, Delhi-6; Pp 926; Price Students' Edition Rs. 17.60; Deluxe Library Edition Rs 20.

Studies in Cost Accounting: P. Das Gupta; Premier Book Company, 4792/23, Daryaganj, Delhi-6; Pp 598, Price Rs 12.

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Sale — A Profile: R. Arvidsson and S. Dandapani; International Co-operative Alliance, 43, Friends' Colony, New Delhi-14; Pp 132; Price Rs 20.

India Votes 2 (A Source Book on Indian Elections, 1968-70): Edited and compiled by R. Chandidas and Ward Morehouse; Popular Prakashan, 35 C, Tardeo Road, Bombay-34 WB; Pp 107; Price Rs 25.

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The British System of Taxation: Prepared for British Information Services by the Central Office of Information, London; Pp 68.

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Working of Regulated Markets in India (Regulated Markets — Vol II): Department of Agriculture, Government of India; Published by Manager of Publications, Pp 359; Price Rs 10.50.

Industrial Management and Market Research (A Conceptual Framework): Sri-pati Ranganadha; Mee-nakshi Prakashan; Pp 202; Price Rs 16.

Self-reliance: Madras Rubber Factory surpasses its own record.



Shri. K. M. Cherian

Text of the speech delivered by Padma Bhushan Shri. K. M. Cherian at the 11th Annual General Meeting of the Company, held on Wednesday, March 29, 1972.

Gentlemen,

I have great pleasure in welcoming you to the 11th Annual General Meeting of our Company.

TRIBUTE TO OUR PRIME MINISTER

When we met last year, the Parliamentary elections had just been held and the country's destiny had been confided to Mrs. Indira Gandhi. I had then offered our hearty congratulations to Mrs. Gandhi. Now, as we meet again, the Assembly elections have been held, and the results are an overwhelming endorsement of what happened last year. The past year's events have justified the country's instinctive choice of Mrs. Gandhi as leader of the nation; and it is fitting that we begin by paying tribute to our Prime Minister.

Last year, our country had to pass through a fiery ordeal. The Pakistani aggression and the flooding of our country with 10 million destitute refugees posed, for our country, problems of the greatest magnitude. How the war was won in 14 days and how the 10 million refugees were taken care of and finally led back to their homes are splendid feats that

have added lustre to the nation's record of achievements. I hope you will agree with me that this has been solely due to the great leadership of Mrs. Gandhi. Events that could have left our country in shambles have been turned into sagas of triumph and glory. Today India is greater than a year before, throbbing with inner vigour and with enhanced respect from other countries. Let us salute the Leader.

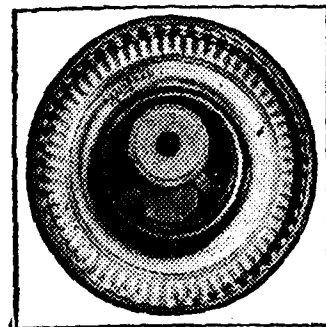
HIGHLIGHTS:

WAR EFFORT: The country rose as one man to the defence of the motherland in the year of crisis. The clarion call echoed through the length and breadth of the country. The call came to the Automobile Tyre Industry, too. The Industry responded to the call and in December gave a 15% production increase over November. The tyres were delivered at the places indicated and within the time desired by the Defence authorities. The Government has recorded its appreciation of the contribution of the Tyre Industry and we are legitimately proud of our performance.

SELF-RELIANCE: Likewise the country accepted the challenge of development through self-reliance. Whereas originally Automobile Tyres were fully imported, now India makes its own tyres. Its tyre production is adequate, not only to meet the country's needs, but also for exports that earn considerable foreign exchange. Initially, after commencing the manufacture of our own tyres, much of the raw material had to be imported. But today, except for few items, the required raw materials are procured in India.

In our Company, this quest for self-reliance commenced as early as 1963. In that year, Shri Jawaharlal Nehru inaugurated our in-plant research facility with the words, "Your record is good. Your future must surpass it." The success of our Company has been built on a tradition of self-reliance with no foreign technicians on the staff. The expertise

is home-grown. Trained by the Mansfield Tyre and Rubber Company, our American collaborators, our technicians have been wholly responsible for the development of tyre technology in our Company. I believe it is very relevant to mention here that we have achieved a significant breakthrough in rubber machinery technology. For our new Factory Unit in Goa with a rated capacity of 3 lakh tyres, we are importing capital goods valued at only Rs. 1.15 crores. The balance machinery will be fabricated locally by our engineering staff with the technical assistance available from Mansfield.



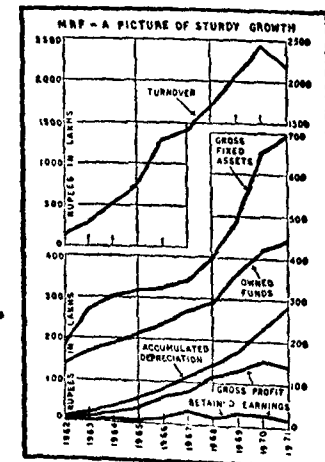
A Tyre Mould made by MRF

GOA UNIT: We have received a letter of intent to start a tyre unit in Goa with a capacity of 3 lakh tyres and tubes. Land has been purchased, civil works have commenced and it is our hope that production can begin here in 1973. With this new letter of intent for a unit in Goa, we are today the second largest licensee for manufacture of tyres in India.

PROGRESS OF TYRE INDUSTRY: Since 1960, production of tyres has increased three-fold. In 1971 there was a 15% production increase over 1970. In 10 years, India's exports have increased from about Rs. 160 lakhs to over Rs. 700 lakhs. The Government of India is sparing no effort to ensure that the country's tyre needs are fully met. As an urgent measure existing units, subject to certain stipulations, have been

permitted to double their production. As a long-term measure, letters of intent to start new units have been issued to 12 new entrepreneurs.

WORKING RESULTS: The Directors' Report and Audited Accounts for the year ended 30th September, 1971 have been in your hands for some time now, and, with your permission, I shall take them as read. There was a strike in the Company's Madras Factory for a period of 96 days. The loss in production has been considerable. In spite of this, it is gratifying to note that sales achieved for the year have only been 10% lower than that for the previous year. The General Reserve stands at Rs. 113.39 lakhs as on 30th September, 1971 as against Rs. 88.5 lakhs as on 30th September, 1970.



The Directors have pleasure in recommending a payment of 12% dividend on the paid-up capital of the Company as on 30th September, 1971.

EXPANSION: MADRAS UNIT: As I said last year, we hope to complete the expansion of our Madras capacity from 3,60,000 units to 6,10,000 units. Though the strike in the factory held up operations for a period, we still hope to achieve the expansion originally planned.

Continued

EXPORTS: Export was recognised by our Company from its early beginning as a vital factor towards achieving self-sufficiency. Towards this end, our Company has made significant contributions which have been duly recognised through export awards given to the Company. The Government has announced recently its intention to award MRF a Certificate of Merit for its meritorious export performance for the year 1968-69. The Company is meanwhile strengthening its export base and has taken a number of steps in this direction including market surveys abroad and additions to the existing range of products.

During the year under review, though there has been a further increase in the quantum of export orders received, actual exports dropped to Rs. 46,69,000 as against Rs. 58,39,000 for the previous year consequent to the stoppage of production for over three months.



LINTAS-MSF. 59C-192

RESEARCH AND DEVELOPMENT: Last year I stressed the need for a continuous flow of technical know-how from our collaborators. While it is true that we have been able to develop indigenous machinery and equipment for the manufacture of tyres, I must gratefully acknowledge the guidance, assistance, and encouragement given to us by our collaborators. We will continue to need this assistance as the Tyre Industry in our country cannot yet afford the colossal expenditure needed on original research. All along, our research has been confined to the field of import substitution. We have, no doubt, achieved some measure of success in this area, but we have to draw from abroad the great scientific advancements that are continuously taking place in tyre technology. Collaboration on a continuous basis is therefore the only means by which we participate in these advancements. I can confidently state that the unreserved flow of technical know-how from our collaborators, Messrs. Mansfield Tyre & Rubber Company, Ohio, U.S.A., has enabled us to keep pace with the

latest developments in tyre technology.

PROSPECTS: The working of our Company for the first five months of the current year has been quite satisfactory. Sales have improved substantially over the corresponding period of last year. It is hoped, that if the same trend continues, the annual sales this year would exceed last year's sales by 40%.



Mr. James H. Hoffman

COLLABORATORS: We are deeply indebted to our technical collaborators, the Mansfield Tyre & Rubber Company, Ohio, U.S.A., and their President, Mr. James H. Hoffman, for the continuous technical assistance and for help rendered in finding export markets. We are also

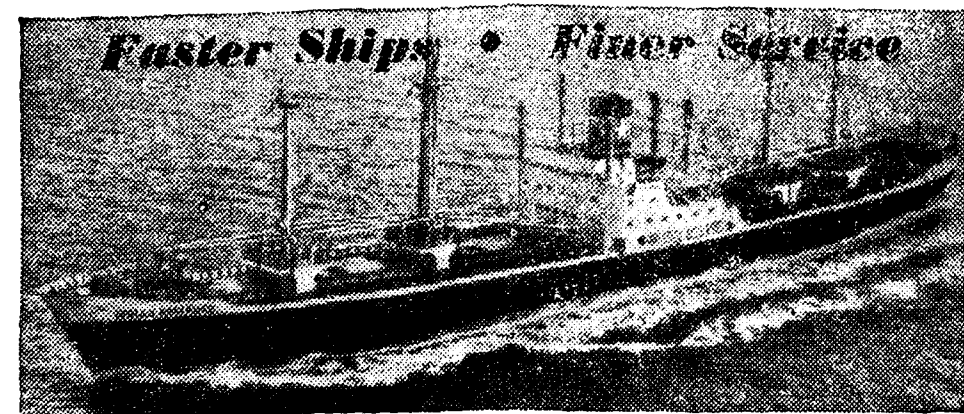
thankful to Mr. Hoffman for making it convenient to visit our country in February this year and for giving us valuable on-the-spot guidance in many matters relating to expansion projects on hand and the working of our Company.

CONCLUSION: A new agreement with the workers' Union entailing revision in wages, dearness allowance, incentive bonus and certain other benefits was signed on 18th November, 1971 with effect from 1st October, 1971 to 30th September, 1975.

Our Company has completed 25 years of work. All through these years, we have been driven by the desire to be self-dependent, and today, more than ever, we are aware of the demands the country has placed on us—the highest levels of self-reliance both in the fields of raw materials and capital goods. I take this opportunity to thank all our retreader friends, tyre dealers, consumers, banking and financial institutions and suppliers for their close co-operation. I also thank the workers, staff, management and my colleagues on the board for their contribution to the growth and development of our Company.

Madras Rubber Factory Limited

(In collaboration with Mansfield Tyre & Rubber Company, U.S.A.) 175/1 Anna Salai, Madras 2, India.



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COMPANY NOTICE

Hindustan Aluminium Corporation Limited

Registered Office: 'CENTURY BHAVAN,' Dr Annie Besant Road, Bombay-25 DD

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Shareholders of the Company will be held at Birla Matushri Sabhagar, 19, Marine Lines, Bombay-20 on Friday the 19th May, 1972 at 4-00 P.M. to transact with or without modifications as may be permissible, the following business:

1. To consider and adopt the Directors' Report, the Audited Balance Sheet and the Profit and Loss Account for the year ended 31st December, 1971.

2. To sanction the declaration of dividend on Preference Shares for the year ended 31st December, 1971.

3. To sanction the declaration of dividend on Equity Shares for the year ended 31st December, 1971.

4. To appoint a Director in place of Shri G.D. Birla, who retires from office, by rotation, in accordance with Article 146 of the Articles of Association of the Company, and, being eligible, offers himself for re-election.

5. To appoint a Director in place of Mr. Edgar, F. Kaiser, who retires from office, by rotation, in accordance with Article 146 of the Articles of Association of the Company, and, being eligible, offers himself for re-election.

6. To appoint a Director in place of Shri G.D. Jhawar, who retires from office, by rotation, in accordance with Article 146 of the

Articles of Association of the Company, and, being eligible, offers himself for re-election.

7. To consider and, if thought fit, to pass the following Resolution which will be proposed as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Section 258 and all other applicable provisions, if any, of the Companies Act, 1956, the number of the existing Directors of the Company be increased from 10 to 12".

8. To appoint Shri T.C. Saboo (who was appointed as an Additional Director by the Board under Article 141 of the Articles of Association of the Company and who holds office only up to the date of this meeting and in respect of whom the Company has received a notice in writing signifying the intention to propose him as a candidate for the office of Director) as a Director of the Company and to consider, and, if thought fit, to pass the following Resolution, which will be proposed as an Ordinary Resolution:

"RESOLVED that pursuant to the relevant provisions of the Companies Act, 1956, including Section 257, Shri T.C. Saboo be and is hereby elected and appointed a Director of the Company."

9. To appoint Shri Bhupendra Kumar Sethi (who was appointed as an Additional Director by the Board under Article 141 of the

Articles of Association of the Company and (who holds office only up to the date of this meeting and in respect of whom the Company has received a notice in writing signifying the intention to propose him as a candidate for the office of Director) as a Director of the Company and to consider, and, if thought fit, to pass the following Resolution, which will be proposed as an Ordinary Resolution:

"RESOLVED that pursuant to the relevant provisions of the Companies Act, 1956, including Section 257, Shri Bhupendra Kumar Sethi be and is hereby elected and appointed a Director of the Company."

10. To consider, and if thought fit, to pass the following Resolution, which will be proposed as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Section 294 and other applicable provisions (if any) of the Companies Act, 1956, the Company hereby confirms and approves of the appointment of M/S Hindustan Sales Agencies, 6, Old Post Office Street, Calcutta, as the Sole Selling Agents of the Company for the States of Punjab, Haryana, Rajasthan, Jammu & Kashmir, Himachal Pradesh and Union Territory of Delhi for the sale of the Company's products comprising of Rolled Products and Extrusions for an initial period of one year commencing from 1st January, 1972, subject to renewals if so deemed fit

by the Board each year, but not beyond the maximum period of five years in all, on payment of commission at the rate of one per cent on the Company's ex-works price excluding excise duty, and on the other terms and conditions contained in the Agreement recorded in a letter dated 13th March, 1972 addressed by the Company to the said M/S Hindustan Sales Agencies, and confirmed by the latter, placed before this Meeting and hereby approved."

11. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

NOTICE is also given that the Register of Members and Transfer Books of both Equity and Preference Shares of the Company will remain closed from 26th April, 1972 to 13th May, 1972, both days inclusive.

By Order of the Board of Directors
M.K. Jain
Dated the 15th Secretary
day of April, 1972.

N.B.: (1) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.

(2) The relative Explanatory Statements, pursuant to Section 173 of the Companies Act, 1956, in respect of the special business under items Nos. 7, 8, 9 and 10 set out above are being posted to the Shareholders along with the notice of the aforesaid Meeting.

(3) Dividends on Equity Shares and Preference Shares when sanctioned will be made payable on and after 25th May, 1972 to those shareholders whose names stand on the Register of the Company as on 13th May, 1972 to whom Dividend warrants will be posted.

Shareholders are requested to intimate to the Company change, if any, in their registered addresses.

RECORDS AND STATISTICS

Agriculture Ministry's Report: 1971-72

THERE WAS an all-round increase in the production of both foodgrains and commercial crops in 1971-72. According to the report of the union Ministry of Agriculture for the year 1971-72 the production of wheat in the current year might be about 26 million tonnes as compared to the last year's level of 23.2 million tonnes and the fourth Plan target of 24 million tonnes.

Among the commercial crops, production of cotton might be about 1.0 million bales higher than last year while that of jute might be higher by about 800,000 bales. The production of rapeseed and mustard is likely to reach a new record level while that of groundnut might be somewhat lower as also in the case of sugarcane.

high yielding varieties

The target for covering 18 million hectares under high yielding varieties of cereals in 1971-72 is expected to be achieved in full. In wheat production the high yielding varieties have brought about a revolution.

In the case of rice also, a breakthrough is in sight. High yielding varieties of rice have shown particularly impressive results during the summer season, which is a promising development. Hybrid bajra is also showing good progress, although during kharif 1971 incidence of one or two diseases was noticed in Haryana and Rajasthan.

In the case of hybrid jowar

and hybrid maize, there are some snags and research efforts are being intensified to evolve better varieties.

multiple cropping

Pilot projects for multiple cropping have been taken up from the current year under a centrally sponsored scheme. Under these projects special emphasis is being given to adaptive research trials, water use and management, scientific demonstrations, provision of credit, inputs and marketing facilities.

production of pulses

Research work has been intensified through All-India Coordinated Research Project on Pulses. Some high yielding and short duration varieties of arhar, urad, moong and lentils have been evolved by scientists and are being tested before their release. Three of these varieties have been released also. A centrally sponsored scheme for seed multiplication and demonstration of these newly released varieties has been formulated for implementation from 1972-73.

commercial crops

Under the Emergency Production Programme undertaken since December, 1971, plant protection measures were organised on a campaign basis to cover an area of 130,000 hectares under rapeseed and mustard crop. The production of this crop in the current year is expected to be substantially

higher than last year. In the case of groundnut, package programmes have been implemented, both under the state plans and under the centrally sponsored scheme.

Important initiatives have been taken for the cultivation of non-traditional oil-seeds, such as soyabean and sunflower seed. Soyabean cultivation has been taken up in Maharashtra, Gujarat, Madhya Pradesh and Uttar Pradesh. To provide incentive to the producers, the Food Corporation of India has been authorised to pay a premium of up to Rs 15 per quintal over and above the purchase price of Rs 85 per quintal. In the case of sunflower seed, demonstration programmes have been taken up to acquaint the farmers with the crop and the techniques of its cultivation.

A number of new programmes have been initiated during the year under report for the development of cotton. An Intensive Cotton District Programme has been taken up in 13 districts including six predominantly irrigated districts and 7 districts in the rain-fed cotton tracts. A new variety hybrid-4, has been found capable of yielding additional 1.5 to 2.0 bales per hectare. Another variety MCU-5 has also proved to be promising for cotton producing areas in the south. The coverage under both these varieties is being substantially stepped up. Development of

cotton in the newly irrigated areas in the command of Rajasthan Canal, Tungabhadra and Nagarjunasagar Projects is also being undertaken. All these measures are expected to lead to substantial rise in indigenous production and curtailment of imports of cotton in the next two or three years.

In the case of jute also, an Intensive Jute District Programme has been approved by the government of India for increasing the productivity and production of the crop in six selected districts in West Bengal, Bihar, Assam, Orissa and Andhra Pradesh.

In the sphere of horticulture, two centrally sponsored schemes, one for the development of bananas for exports and another for walnut cultivation, have been taken up for implementation during the year under report.

dry farming

Fifteen new pilot projects for integrated development of dry land agriculture were sanctioned during 1971-72, thus bringing the total number to the level of 24 projects, as envisaged under the fourth Plan. An outlay of Rs 4.44 crores was approved for the 24 projects for 1971-72.

minor irrigation

About Rs 105.24 crores of public sector outlay are expected to be incurred on development of minor irrigation during 1971-72. Apart from this, institutional investment on minor irrigation works from agencies such as land development banks, central co-operative banks, Agricultural Refinance Corporation and agro industries corporations, is expected to be about Rs 130 crores. The public sector outlay is being mainly utilised for public and community works which benefit small farmers and weaker sections and for

nature made him like other men.

we made him different

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GOOD FOR WEAR ROUND THE YEAR



providing debenture support to the institutional agencies. The World Bank assistance for credit projects of various states ensures a significant support to the development of minor irrigation, which is an important item for provision of credit. Two projects, one each in Haryana and Tamil Nadu, with a minor irrigation component of Rs 2.7 crores and Rs 17.0 crores respectively were approved during 1971-72. These were in addition to the two projects, one for Gujarat with a minor irrigation component of Rs 20 crores and the other for Andhra Pradesh with a component of Rs 10.50 crores, which were approved earlier and were in operation during the year.

Negotiations have been completed for credit projects for Mysore and Maharashtra and they involve substantial components for the development of minor irrigation. About 1.58 million hectares of additional area are expected to be benefited through minor irrigation during 1971-72. The programmes of groundwater development are particularly making a significant progress.

During the year under report, about 300,000 pump-sets, 100,000 private tubewells and 100,000 state tubewells are expected to be installed. In addition, 170,000 surface wells are also expected to be constructed. The Central Groundwater Board is implementing projects for assessment of groundwater resources in hard rock areas, around Hyderabad, in the arid and semi-arid areas of Rajasthan, Gujarat and Haryana and in the alluvial areas of Narmada river basin in Gujarat and Madhya Pradesh.

water use and management

Three new projects for Water Use and Management have been sanctioned

in Tawa (MP), Pochampad (Andhra Pradesh) and Chambal command (Rajasthan) bringing the total number of such projects to 10.

command areas

During 1971-72, schemes have been sanctioned for the five command areas of Kangsabati (West Bengal), Tawa (MP), Kaveri (Tamil Nadu), Jayakwadi stage I (Maharashtra) and Pochampad (Andhra Pradesh). Including the five projects sanctioned in the previous two years, the number of such projects comes to 10, as envisaged under the fourth Plan.

soil conservation

An outlay of Rs 31.80 crores was provided during the year under report for soil conservation, to benefit an area of 1.37 million hectares. Six lakh hectares of non-agricultural land under afforestation and grass land development were also proposed to be covered. Under the centrally sponsored scheme for soil conservation in the catchments of major river valley projects, 108,000 hectares were proposed to be benefited at a cost of Rs 4.8 crores.

fertiliser use

The consumption of fertilisers has risen in 1971-72 by about 20 per cent to the level of 2.6 million tonnes of nutrients as compared to 2.2 million tonnes in the previous year. The consumption of N at 1.8 million tonnes has marked a rise of 18 per cent. P_2O_5 at 547,000 tonnes is higher by 18 per cent and K_2O at 295,000 tonnes by 29 per cent. Intensive publicity for balanced use of fertilisers was organised through audio-visual media, demonstrations and regional seminars. Measures were also taken to increase the flow of credit to the fertiliser distribution agencies and to farmers as also to strengthen

the arrangements for soil testing and construction of fertiliser godowns.

seeds

On account of large-scale shortage of rabi seeds following unseasonal rains at harvest time, central government coordinated arrangements for supply of quality seeds of wheat, gram and barley for use in Bihar, UP and West Bengal. An ad hoc Central Seeds Certification Board has been set up and it has drawn preliminary models for setting up state seed certification agencies. The National Seeds Corporation, a public sector organisation, continued its promotional and supply functions. During the year under report, its sales increased to Rs 4.61 crores. It has taken up seed multiplication for pulses to provide support to programmes for development of pulses. The Tarai Development Corporation also expanded its production and sales of seeds.

plant protection

A gross area of 58 million hectares is expected to be benefited by plant protection measures during 1971-72. The aerial spraying operations covered a million hectares as against 676,000 hectares in the previous year.

machinery

In the light of requirements for 1969-70, a decision had been taken for the import of 35,000 tractors. Against this, 25,390 tractors have been imported/shipped upto the end of October, 1971. These tractors had been allocated mostly through State Agro Industries Corporations. One hundred and thirteen Agricultural Machinery Hiring Centres have been already set up and measures are being taken to establish more such centres. Some

of the corporations are undertaking diverse activities connected with development of irrigation, fertiliser use, land development, fruit processing etc.

In order to provide self-employment opportunities to the agricultural engineers and graduates, a scheme for Agro Service Centres is also being implemented and 95 such centres have been set up.

special programmes

Consistent with the fourth Plan objectives of growth and social justice, special programmes for small farmers, marginal farmers and agricultural labourers, drought prone areas and crash scheme for rural employment and establishment of Agro Service Centres were initiated during the year under report. All the 46 SFDA projects have been approved. Over 1.2 million small farmers have been identified and assistance in the form of credit for development of minor irrigation, purchase of milch animals, poultry, etc. is being given to them.

All the 41 MFAL projects have also been registered and over 540,000 participants have been already identified for giving assistance for development of minor irrigation, purchase of milch cattle, poultry, etc.

The Drought Prone Areas Programme (formerly Rural Works Programme) has been sanctioned in all the 54 districts and an outlay of Rs 23.55 crores was sanctioned for them till the end of December, 1971. Schemes of minor irrigation, soil conservation afforestation and road works are being implemented under this programme. During 1971-72, this programme is expected to generate about 23.7 million mandays of employment. Under the Crash Programme for Rural Employment, about 87.5 mil-

lion mandays of employment are expected to be created during the full year through the implementation of schemes of land development, reclamation, drainage, minor irrigation, soil conservation, afforestation, road building, etc. The actual implementation of this scheme started in October 1971 and projects worth Rs 47 crores have been sanctioned. Under the scheme regarding Agro Service Centres, 2,500 centres are proposed to be set up with an outlay of Rs 386.97 lakhs.

agricultural research

A number of new varieties of crops are reported to have been evolved under the co-ordinated research projects for rice, wheat, other cereals, pulses, cotton, oil-seeds and jute. Research work in the spheres of soil science, agronomy, agricultural engineering, water management and dry farming has also been intensified. In the sphere of animal sciences, new projects for research in animal products technology and animal diseases were undertaken, in addition to the earlier ones on breeding, nutrition, animal health, etc. Research efforts for evolving better breeds of cattle, sheep and other animals through cross breeding were continued.

agricultural marketing

The compulsory grading and pre-shipment inspection, prior to export, now covers 38 commodities. The value of commodities graded before export during April to December, 1971 was Rs 58 crores. Market surveys were carried on in 242 markets between April, 1971 and February, 1972 so as to assess the additional facilities required for coping with increased arrivals of agricultural produce. As many as 211 markets and submarkets were brought under the purview of regulation during the period

April to September, 1971, raising the total number of regulated markets and market sub-yards to 2,356.

export promotion

Exports of agricultural commodities during the period April-June, 1971, totalled Rs 103 crores and were about 16 per cent higher than the exports during the corresponding period of the previous year.

economic policy

A comprehensive scheme for studying the cost of cultivation of principal crops has been sanctioned for implementation in 15 states. During 1971-72, the crops taken up for study under the scheme include wheat in Punjab, Haryana, Madhya Pradesh and UP, paddy in Orissa, Bihar, Andhra Pradesh, Tamil Nadu, Kerala and West Bengal, bajra in Rajasthan and Gujarat and jowar in Maharashtra and Mysore. Field work has already been taken up in 10 states.

animal husbandry

Six new Intensive Cattle

Development Projects were sanctioned during the year, in addition to the 46 projects already functioning. Eighteen new Key Village Blocks have also been set up. Two new Central Cattle Breeding Farms, one at Alamadi (Tamil Nadu) for Murrah buffaloes and another at Koraput (Orissa) for Jersey cattle have been sanctioned. 494 exotic cattle of Jersey, Friesian, Brown Swiss and Red Dane breeds were imported from Australia and Denmark for distribution to various states for intensification of cross breeding programme. Cattle breeding projects in collaboration with Denmark, Switzerland and West Germany are being implemented. In the context of feed and fodder development, in addition to three regional stations on forage demonstration, four more regional stations (in Andhra Pradesh, Rajasthan and Jammu & Kashmir) have been sanctioned. In the context of sheep development, sites for the establishment of three additional farms in UP, Rajasthan and Bihar have been finalised. 2,570 Rambouillet

sheep from USA and 3,019 Merino sheep from USSR were imported during the year to strengthen the programme of sheep improvement.

dairying

The average daily throughput of milk of all the dairy plants increased to the level of 2.40 million litres as against 2.25 lakh litres per day in the preceding year. Seventeen new dairy plants were set up during the year bringing the total number of dairy units to 123.

fisheries

The production of fish at 1.88 million tonnes marked an increase over the previous year's level of 1.76 million tonnes. The increase was shared by both marine fish and inland fish. The foreign exchange earnings from the exports of marine products in 1971-72 amounted to Rs 40 crores. 1,019 mechanised boats were added during the year, bringing the total to 10,762. Agricultural Refinance Corporation is giving credit support for fisheries 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.

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APRIL 21, 1972

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The PM Hopes and
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The PM hopes and believes . . .

given to a Hungarian journalist some days ago, the Prime Minister said that "over the next few months we hope to consolidate self-reliance in agriculture, achieve greater industrial production and create vast new avenues of employment". This is as proper an appreciation of the tasks that lie ahead as can be expected of her. The word 'self-reliance' has become an ubiquitous one, but its application to agricultural goals is wholly appropriate. It is well to hear Mrs Gandhi talk of consolidating the nation's progress in farming since this indicates a healthy lack of smugness about the achievements of the green revolution. Although the country has succeeded in becoming self-sufficient in foodgrains in years of good rainfall, the trend in the growth of population does call for a further rise in the plateau of output so that the people may have less reason to worry about what may be in the nation's larder for them in the years when floods or drought or both happen to work havoc with crops in some part of the country or the other.

Self-reliance has ample scope too in the case of other important farm products, but, here, the Prime Minister, however, was not accurate in talking of 'consolidation' since there will have to be much greater progress in the cultivation of crops other than cereals before a stage is reached when there could be talk about consolidation. In the case of all the major commercial crops, viz., raw cotton, raw jute, sugarcane and especially oilseeds, production lags behind requirements, both quantity-wise and quality-wise, and there is therefore a clear and urgent need for crop development programmes in these areas to be intensified and speeded up. It would be interesting to know what or how much the Prime Minister believes the government can achieve in these directions "over the next few months" but there is no questioning the fact that an effort should get started right away.

It is interesting to note that the government, according to the Prime Minister, hopes to achieve greater industrial production over the next few months. To the extent that the availability of raw materials has improved or is likely to improve, there is a fair chance of this particular hope being realised to a considerable extent. So far as trends in current production are concerned, the deciding factor, however, would be the state or course of industrial relations. Mr Naval H. Tata, coining a neat phrase, has just pointed out that industry has entered a phase of 'production by consent'. The reference here is to disruption of production arising from various forms of non-cooperation practised by workers' organisations. There is of course nothing wrong in a situation in which the workers' positive participation is becoming more and more necessary for the free or full functioning of business enterprises. This, perhaps, is as it should be, but even as this development takes place, it is becoming all the more necessary for workers' 'consent' to increased production forthcoming in the normal course and on the right terms. Inaugurating the Asian Trade Union Seminar in New Delhi earlier this week, the Prime Minister, while giving an assurance to organised labour that the government was determined "that development should not be debased by any form of exploitation", firmly told trade union leaders that they too owed an obligation to help promote production and employment for the sake, particularly, of the poorer sections of the community. If the government, by its policies or administrative action, could make Mrs Gandhi's advice stick, it would have done a great deal indeed to improve the prospects for industrial production in the coming months.

Finally, as regards the Prime Minister's expectation that the government would be able to create "vast new avenues of employment" over the next few months, it is right to tell her that she is far from being realistic. Paper provisions for employment schemes, whether written into the annual plan or even incorporated in the central or state budgets, cannot produce an abundance of employment opportunities "over the next few months". There will have to be big advances in saving trends, investment patterns and the tempo of economic activity generally if there is to be a break-through on the employment front. Apart from the fact that even under the most favourable circumstances, all this cannot be accomplished "over the next few months", it is only too clear that the government has not even started thinking in terms of reorientation of its policies in the necessary directions. In the circumstances, this part of the Prime Minister's statement can have meaning only in the restricted sense that she at least realises that the government will have to act boldly and constructively in the immediate future if the nation is to be reassured that the outlook for its unemployed or under-employed millions will change for the better in the foreseeable future.

Eastern ECONOMIST

APRIL 28, 1972

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Home-truths for the protein club

THERE WAS nothing new on the presently controversial topic of protein strategy in what Dr P.V. Sukhatme told the thirty-first All-India Agricultural Economics Conference held at Varanasi recently. He has been saying the same thing since almost three years ago. But what he did say needed saying in the categorical terms he did if only to bring some sense of proportion to the astoundingly tall thesis of a few super-enthusiasts of the protein club. In their fervour, apparently, the zealous champions of a protein strategy tended to overlook the fact that, where under-nutrition is rampant, as, for instance, in our country, the first priority should be given to more food than to protein *per se*. Until recently, Dr Sukhatme's seemed to be a lone voice of dissent on the subject, but latterly the emphasis in international food circles also seems to be slowly shifting from protein-rich foods, as hitherto, to fully formulated foods which, in addition to protein, would also contain some concentrated sources of energy and vitamins and minerals. In the light of this latest trend, the eminent doctor would appear to be fully justified in asking our Planning Commission to review their plans for the so-called protein strategy, particularly their plans to fortify cereals with amino acid.

For some time past, the people of this country have been fed on and well-nigh sold to the idea that "the worst of the specific hungers that beset mankind today" is the protein hunger and that it is "the principal cause of malnutrition in infants and children". They have also been assured that protein need not all be drawn from land like other nutrients and that, therefore, it is no problem to satisfy the protein hunger. Implicit in these arguments is the assumption that protein deficiency can be overcome by increasing protein *per se* in the diet in much the same way as calorie deficiency can be overcome by increasing calorie intake in one's diet.

This, to Dr Sukhatme, is an oversimplified approach to a complex problem. According to him, what our diets lack is adequate energy food to help active utilisation of the protein that we eat and not just more protein as such. He is supported in this thesis of his—that protein malnutrition is the indirect result of inadequate energy intake—

by eminent scientists such as Miller and Payne in the UK and Gopalan in India. This, however, was not acceptable (at any rate at the time it was first made) to some people in India, including Mr Chandrasekhar, a former Union Health Minister. That not only marked the beginning of an avoidable controversy but also a studious scientific re-examination by Dr Sukhatme himself of all the relevant data and publications in a number of scientific journals of the results of such re-examination.

This explains his latest reversion to the

subject and his reiteration of the finding that "in the present state of our knowledge, available evidence for India does not support the thesis that diets as eaten by the people lack minimal quantity of protein; nor does it support the case for rushing into promotion and factory production of foods fortified with amino acids using modern technology".

In order to gain an insight into the nature of the problem facing us, Dr Sukhatme has suggested a reformulation of the problem (the outcome of a

Ricardo - A 200th Anniversary Tribute

April 19, 1972 marks the 200th birth-anniversary of the economist whom Lord Keynes termed 'as the most distinguished mind that found economics worthy of its pursuit'. The Department of Economics of Bombay University, which incidentally is celebrating its golden jubilee this year, had arranged a symposium on 'The Contemporary Significance of David Ricardo' on that day to commemorate the historic occasion. A number of facets of the contributions of Ricardo came up for discussion.

Dr. Ranganath Bharadwaj pointed out that Economics was privileged in having an unlitary man as the founder of its abstract tradition.

Professor P. R. Brahmananda, who was the main speaker of the day, referred to the contemporary significance of the numerous theorems of Ricardo. Ricardo's hunch that distribution and not wealth was the subject-matter of Ricardo has been vindicated by the absence of any firm conclusions from growth theory. Ricardo was the first to note that wage changes would not always lead price changes in a similar direction. A long line of evolution of the significance of thought has now led to a theory of value in which the components of capitals as inputs are deemed as fundamental in value-determination. Ricardo also destroyed the basis for the concept of equal values of capitals being equal in a physical respect. This has now led to the abandonment of the notion of capital-intensity in high theory. The speaker also referred to the admission by Samuelson and others that there is no necessarily inverse relation between interest and the measure of capital-intensity. The modern theory of value has discarded the marginal method and has returned to the Ricardian roots. The theorems relating to comparative costs, to the effects of the variations, in the quantity of money to the level of prices and to the absence of a permanent effect on the rate of interest of monetary changes have now been vindicated. Contemporary discussions on international liquidity have led us back to the proposition of Ricardo that a balance of payments disequilibrium of any one country is always the consequence of overexpansion of money supply. In fiscal matters, the emphasis on per capita surplus, rather than on increase, as a measure of the base for taxation has now come into vogue. The effects of a balanced budget would be negative upon savings and upon growth unlike as in Keynesian theory. Ricardo laid great emphasis upon the productivity in wage-goods as the key determinant of the rate of profits. Ricardo's position on machinery and its effects upon employment are of great relevance in India. The speaker said that definite quantitative evidence was now available that the Indian economy was heading towards a stationary state.

Other speakers referred to the contemporary significance of Ricardo's contributions to trade and capital theory. Miss Geeta Parthasarathy showed that, mathematically, the theory of factor-reversals cannot be vindicated. Her proof however was questioned by Mr. Nachane. Dr Lakdawala, in his concluding remarks, drew attention to the abiding significance of the Ricardian foundations.

mathematical model representing the relationship between calories and protein) in these words: "... it is not enough to know how frequently a diet is deficient in protein. It is essential that we also know the probability that a diet deficient in protein is also deficient in calories". "If a diet is protein-sufficient but does not have adequate calories to synthesise and retain protein, it would imply that man's primary need is for more food (energy) rather than protein *per se*". In the absence of such a reformulation, he believes, "the real nature of the problem of protein nutrition has tended to remain obscure" and has been allowed to acquire overtones, political, commercial and humanitarian far beyond the domain of nutrition". Hence his call to agricultural economists, statisticians and planners to take lead in sifting the available evidence and ascertaining the true situation. The urgency of the call lies in the fact that failure to do so might lead to our planners diverting an increasing part of the country's limited resources on projects which can contribute little to welfare and economic development.

What is precisely the stand of the protagonists of the protein problem? To quote Dr Sukhatme, "insufficiency of good quality protein in the diets of the people is at the heart of the protein problem. The problem is particularly serious in the case of children. So large are the inequalities in protein consumption among the different segments of the population that nearly one-third of the people are believed to have a protein intake less than what is needed for maintenance and growth, and this despite the fact that the average *per capita* consumption of protein for the developing countries as a whole is nearly 40 per cent in excess of the recommended needs based on the most recent recommendations made by FAO/WHO. With the current rate of population growth, the gap between nutritional requirement and actual consumption of protein by the greater part of the population is likely to widen rapidly and, if this situation should continue, "the physical, economic and social development of future generations may become completely arrested". (UN Report 1968).

Posed as stated above, the problem appears to be really urgent. In other words, it is imperative to raise the protein intake in the diets of the people without any delay. But the matter does not stop there. Taking all the prevailing factors into consideration, such as the slow pace of economic growth, the

limited possibilities of increasing production of good quality protein like animal protein, their high cost and so on, the UN experts went about urging production of semi-conventional cheap protein-rich foods using modern technology from materials locally available and distribution of such factory-made products (e.g. Modern bread fortified with lysine) through special feeding programmes. These experts also advocated the augmentation of protein supply from all sources (such as leaf protein, single cell protein, fish-protein concentrates, etc), but the main and noticeable stress was on recent developments of fortification with amino acids so as to produce low-cost protein-rich foods on a commercial scale for consumption by the undernourished and, of course, to set up an appropriate machinery to make this possible.

An interesting point that is worth noting here is that the UN experts based their recommendations on the estimate of the magnitude of the incidence of protein deficiency, as also the data for India from which this estimate was made, prepared by Dr Sukhatme himself. But, while doing so they missed the point revealed by a further analysis of the same data, viz that most of the protein-deficient diets are also inadequate in total energy content, and, in consequence, their implications, with the result that their protein strategy has turned out to be somewhat misconceived. Dr Sukhatme quoted an array of statistics to make his audience understand what man's needs for protein and energy are and how the adequacy or otherwise of dietary intake of

individuals in the light of the recommended needs had to be ascertained.

We may now sum up Dr Sukhatme's main findings. While agreeing that protein deficiency is widespread, he holds that diets which are protein deficient are almost always deficient in total energy and supplementing these diets with protein or amino acids is wasteful. Secondly, he contends that there is no evidence yet to establish that the quality and concentration of protein in the cereal/pulse based diet is inadequate to meet protein needs; on the contrary, according to him, what cereal/pulse based diets lack is energy foods like milk and eggs which enable active utilisation of the protein that people eat.

Thirdly—and this is important—the major factor responsible for protein deficiency is inadequate income. (This explains his stress on efforts to encourage pulse production and to involve the small farmer into the effort of food and milk production, as also the associated cottage and village industries, so as to increase his income and diet alike). Fourthly, Dr Sukhatme feels that a supplement of energy foods like milk which has half of its calories derived from fat, will greatly help in the transition from weaning to solid diets. Accordingly, he is for all-out efforts to expand the production of these foods. Finally, rather than provide lunch to school children, he thinks, more attention must be paid to the needs of pregnant and lactating mothers, as this is likely to have a direct impact on infant mortality and through it on improved levels of nutrition.

Eastern Economist 25 Years Ago

MAY 2, 1947

The Report of the Disposals Enquiry Committee is a rather unimpressive document and reads very much like a departmental memorandum. It will not be unfair to say that the enquiry has added very little to our knowledge of this vexed question about which the public has held firm views and entertained suspicions, which cannot altogether be dismissed as frivolous or malicious. Indeed the only new information made available by the Committee appears to be as regards the progress of disposals. The total volume of declarations of surpluses, excluding American surpluses made up to the end of 1946, amounted to Rs 152.1 crores in terms of book value, and sales Rs 70.5 crores, the balance being Rs 81.6 crores. But there

is a large volume of surpluses yet to be declared: further surpluses of engineering stores alone are expected to be of the order of 600,000 tons of the book value of Rs 70 crores, while vehicles are likely to be reported at the monthly rate of 5,000 till March 1948. The book value of all these will be well over Rs 100 crores, and the total left for disposal including the balance will thus be something like Rs 180 to 200 crores. Considerable delay in declaring surpluses occurs on account of the fact that the final responsibility therefor is vested with the War Office for several categories of stores. The Committee urges that this delay be cut and at least Indian surpluses declared at once.

ISI and the consumer

THE SILVER jubilee celebrations of Indian Standards Institution (ISI) last week in the capital were marked by all-round satisfaction with its achievements in the first quarter century of its existence. If the yardstick of ISI's success is taken merely as the total number of standards formulated by it, it can rightly feel proud as it had published as many as 6,720 standards till the end of February this year, the largest number (1,329) being in the chemical industry. All these standards have been evolved, according to Mr S.K. Sen, Director-General of ISI, "through a common consensus of different interests concerned". In other words, a standard is no more than a compromise of "what the manufacturer can make, what the user wants and what he is prepared to pay for the product". This applies particularly to consumer products. In the case of industrial products, however, the element of suitability predominates with an eye on saving both in materials and effort without in any way compromising with quality.

Under the ISI Certification Marks Scheme, nearly 3,000 licences have been issued for more than 500 industrial and consumer products. The value of annual production of ISI certified good has already crossed the mark of Rs 500 crores. But all this is a small portion of our total economy and in the words of Mr Moinul Haque Chowdhry, union Minister for Industrial Development and President of ISI "there is still a long way to go".

That formulation of standards has been instrumental in saving valuable raw materials and foreign exchange, there is no doubt. A number of studies have shown the benefits accruing to the economy through the adoption of standards. Some time back, the National Council of Applied Economic Research demonstrated in one of its studies that a saving of 23.6 per cent in structural steel could be effected by the new designs formulated in consultation with the Indian Standards Institution.

A research paper by Mr S. Rajamani and Mr G.R. Krishnamoorthy of Bharat Heavy Electricals Ltd., Trichy, submitted for discussion at the silver jubilee convention indicated that mere variety rationalisation brought about an increase in storage capacity by three

times in the case of plates and by 3.5 times in the case of structural in the manufacture of 60 MW and 110 MW high pressure boilers. This paper clearly established the utility of various techniques in standardization at different levels as well as their inter-dependence.

Another outstanding example of the use to which standardization has been put in a light engineering industry is given by Mr B.D. Kapur, President, Atlas Cycle Industries Ltd., Sonapat, in an article published in the souvenir of ISI jubilee convention. As the table below shows, variety reduction of the order of 40 per cent was attained through design standardization and as much as 50 per cent in product standardization (hardware only). This was an achievement of no mean order. Incidentally, it may be stated that this unit bagged a big export order recently — thanks to the imaginative materials management techniques, including standardization, adopted by the unit:

Results of standardization in Atlas

Activity	Variety reduction		Percentage reduction
	From	To	
Design	5,250	3,150	40
Standardization			
Product			
Standardization:			
Hardware	43	21	50
Washers	19	6	67
Bicycle components	254	212	18

Numerous similar examples can be cited demonstrating the usefulness of standards in industry.

In order to help the consumer in this country as well as the export industries, the ISI Certification Marks Scheme was started in 1956. The common understanding is that the ISI mark is an assurance against sub-standard product, the assumption being that the product has been manufactured under the quality control system approved by ISI. This naturally inspires confidence in the mind of the consumer who feels

that he is getting his money's worth if the product is certified by ISI. Already the certification scheme of ISI covers a large variety of industries such as pesticides, cables and conductors, steel and steel products, jute and jute products, liquefied petroleum gas cylinders and valves, diesel engines, food colours, etc.

The Certification Scheme of ISI is voluntary in nature, that is why only a small number of industries have gone in for it in the last 15 years. If the consumer insists on purchasing goods marked by ISI, it will result in increasing numbers of manufacturers turning to the facility provided by ISI. If a large number of manufacturers have not applied for the ISI Certificate Scheme so far, the apathy of the consumer alone is not responsible for it. A part of the blame rests with the inefficient handling of this scheme by ISI.

A typical example is provided by a consumer who wrote as follows to the *Times of India* on April 22, 1972: "Sometime ago I purchased an anodised aluminium lunch box bearing ISI mark number IS-21 on the assumption that the ISI mark guarantees quality. To my dismay, I found that any food material packed in this lunch box acquired the colour of the coating used. This was both unpleasant and dangerous. On complaining to ISI, New Delhi, I was informed that IS-21 certifies only the quality of the aluminium and nothing else. An average consumer does not know about these niceties. He assumes that the item has been checked and certified for use. For example, the ISI mark on a pressure cooker should ensure that it is made of the right material, that it will build up the necessary pressure and that it will not explode. It is little consolation to be told that the material used is of the right quality. Will ISI enlighten the public on the procedure it adopts to ensure that the ISI mark is used by manufacturers to serve society better and not to exploit the consumer?"

Obviously increased attention needs to be paid to the inspection of the manufacturing unit before awarding the ISI mark and the sampling checks carried out from time to time should be rigorous and not perfunctory. It might be argued that no amount of inspection can guarantee cent per cent perfection but an effort certainly should be made to minimise the percentage of errant cases.

Roads challenge railways

IN A recent publication, the Ministry of Railways has bemoaned the fact that a good proportion of the high-rated traffic has been creamed off by road transport. In *A review of the Performance of the Indian Railways*, issued while presenting the Railway Budget for 1972-73, the Ministry points out that the preponderance of low-rated commodities like coal, ores, stones, cement, fertilisers, fodder, foodgrains and salt in the traditional mix of the revenue-earning freight traffic of the railways has been getting accentuated over the years. In 1970-71 the low-rated group of commodities accounted for about 72 per cent of the total revenue-earning traffic but contributed only 52 per cent of the earnings from goods carried. Between 1960-61 and 1970-71, the originating tonnage of these commodities increased by about 54 per cent while, in the rest of the commodities consisting of a fair proportion of high-rated traffic, the increase was only by 14 per cent.

The Ministry of Railways has explained that an urgent demand has arisen for flexible road transport services because of the growth of secondary manufacturing industries especially in the small-scale and decentralised sectors. There has been a great increase in the demand for specialised transport services calling for safe, fast and reliable scheduled services including door-to-door delivery. The ministry points out that the road haulage, apart from certain inherent advantages like being able to pick up traffic and deliver it at different points, does not also have the legal liability which the railways have of being required to lift any traffic without showing undue preference either to any set of customers or to any type of traffic.

But road transport is becoming increasingly popular with industry and trade not merely because of its inherent advantages but because of the inability of the railways to provide satisfactory service. On the one hand, the freight rate on the railways has been going up sharply while, on the other hand, efficiency has been declining. The Operations Research Group of Baroda, in a recent study, revealed that about 77 per cent of the total of exporters who had the choice of road or rail transport preferred the former because of the

various deficiencies of the railways. According to the research group's findings, the following were the reasons for not using rail transport:

	Per cent
Long transit time	74.7
Uncertain transit time	58.3
Absence of ready availability	26.9
Fear of theft	20.7
Door-to-door delivery not being available	15.8
High freight	22.9

The railways have been attempting to meet the challenge from road transport by various measures like the running of super express goods trains, container services, freight-forwarder scheme, and special station-to-station rates for particular classes of traffic. The Marketing and Sales Organisation of the Railways is giving special attention to measures to divert more traffic to railways from road. But it can achieve success only if the railways tone up their efficiency considerably. The Minister for Railways said in his recent budget speech that in 1971-72 the railways had to pay compensation of over Rs 12 crores on account of theft, pilferage, and damage of booked consignments.

It is true that the railways are not to be solely blamed for their inability to serve industry and trade efficiently. The railways do not seem to be getting effective co-operation from the other ministries at the centre and from the state governments. Especially in the eastern region of India, the railways have suffered much from anti-social activities. For instance, in the eastern region the number of over-head electric traction wire thefts increased from 645 in 1970 to 699 in 1971, thefts of brass bearings from 26,388 to 28,366, thefts of brake bearings from 8821 to 19,377 and the number of victimisation of goods trains from 1079 to 1922. Mr Hanumanthaiya, the Railway Minister, said in his budget speech that he had given "serious thought" to this problem and that much improvement could be expected with the active and patriotic participation of railwaymen at all levels and with the co-operation of the state governments. It remains to be seen to what extent the minister's efforts in this regard will succeed.

Road transport has also suffered from anti-social activities though it has not received much publicity. In any case, the central and state governments should see to it that the railways are

able to perform their functions at the highest level of efficiency. At the same time, road transport should also be developed in a more serious and systematic manner.

India has been spending meagre amounts on the improvement of roads despite their immense importance to the economy. India's investment on roads as percentage of the gross national product was only 0.60 per cent in 1967 compared to 2.32 per cent in Japan. The government of India and the state governments have been deriving substantial sums of revenue from the road transport industry but spend only a negligible amount on the improvement of the roads. The Operation Research Group has estimated that while between 1960-61 and 1968-69, total revenues from the road transport industry increased at the compound rate of 16.1 per cent a year, the expenditure on road construction and maintenance increased at the rate of only 7.5 per cent a year. Consequently, the percentage ratio of expenditure to revenue declined at the average compound rate of 8 per cent a year. The efficiency of road transport is affected in many places due to narrow culverts, defective bridges and poor surface.

The government of India and the state governments should give greater attention to the vigorous development of road transport. This will help not only export promotion and employment but also improve the living standards of the people. In a vast and expanding economy like ours, there is clearly ample scope for the profitable co-existence of road and rail, each of which can effectively and substantially contribute to the country's rapid progress.

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POINTS OF VIEW

The world of STC

R. V. Murthy

It is axiomatic that there is a direct relation in an organisation between its efficiency and the calibre of its men, but a lot also depends on the method of working that an organisation pursues. Of course, there are methods and methods, but it is the calibre of the men at the helm of an organisation that is decisive in the selection of the right method, that is a method that not only promises but produces the best results. When, three years ago, Mr Prakash Tandon, Chairman, State Trading Corporation (STC), introduced "performance budgeting," he claimed for it several virtues; among the more important was the inculcation of a sense of financial discipline in the STC's operations by making its management carefully to examine and quantify its intentions and, through follow-up actions, maximise output and minimise inputs. After looking at the STC's provisional results for the year ended March, 1972 announced on March 31, that is the last day of the year itself, it is difficult not to concede that the claim has been more than fulfilled.

main factors

Mr Tandon rightly attributed the gratifying progress of the STC during 1971-72 to two main factors: one, low capital employed ratio and low expenditure ratio. Thus, the saving in capital employed in 1971-72 was of the order of Rs 80 crores. In 1967-68, on a turnover of Rs 141 crores, the STC employed Rs 67 crores in stocks and debtors, but, in 1971-72, on a turnover of Rs 328 crores, only Rs 60 crores were employed thus, while in the current year 1972-73, the budget provides for an employment of a still lower amount, only Rs 47 crores, on an anticipated higher turnover of Rs 374 crores. Percentage-wise, the saving is a reduction in the ratio of expenditure on stocks and debtors to turnover from 46 per cent to below 19 per cent. At the former ratio (of 46 per cent), this would mean Rs 124 crores less by way of capital employed in 1972-73. Similarly, the ratio of expenditure to turnover, which was 2.65 per cent of the turnover in 1967-68, declined to 1.71

per cent of the turnover in 1971-72. The expenditure in 1967-68, it may be noted here, was Rs 3.8 crores and this used to rise at about 21 per cent; at this rate of rise, the expenditure would normally have risen to Rs 7.5 crores, but due to the new system introduced, the actual rise has been only Rs 5.1 crores, which means a saving of Rs 2.4 crores. In arriving at the savings effected, we must also add the savings on interest; calculated at 9.5 per cent per annum, this would work out to another Rs 7.6 crores, making a total saving of as much as Rs 10 crores in one year.

The total turnover of the STC group — Projects and Equipment Corporation (PEC), Cashew Corporation of India — (CCI), Handloom and Handicrafts Exports Corporation (HHEC) and Indian Motion Pictures Export Corporation (IMPEC) — crossed the Rs 300-crore level in 1971-72. Thus, exports rose from Rs 74.1 crores to Rs 96.8 crores (+30.6 per cent); imports increased from Rs 154.0 crores to Rs 220.7 crores

(+43.3 per cent); total sales rose from Rs 233.8 crores to Rs 328.6 crores (+40.5 per cent); and profit shot up from Rs 7.2 crores to Rs 16.1 crores (+123.6 per cent).

Lest this be adversely commented upon, Mr Tandon said in his statement: "STC lives in an interesting world: when it makes good profits, some object to it; equally, when it makes less profits, some say it is sliding down. STC took this to heart and this year made an all-out effort to improve its profits and more than doubled it". But he did not stop at that. He went on, perhaps to be seen to be in tune with the prevalent trend, "Our management is now fully cost and profit conscious, consistent of course, with its social obligations".

Even so, he did not mind adding, perhaps as an after-thought, "Actually, by the standards of industry's profits in India of nearly 10 per cent on turnover, and private trade's even higher our profits of 4.9 per cent is quite modest. A profit of 4.9 per cent is certainly

TABLE I
Performance of STC

	Last year 1970-71 Actual	This year 1971-72 Provisional	Next year 1972-73 Budget
Export sales	74.1	96.8	127.5
Import sales	154.0	220.7	236.9
Domestic sales	5.7	11.1	10.1
Total sales	233.8	328.6	374.5
Profit before tax	7.2	16.1	11.0
Expenditure*	6.4	6.1	6.7
Stocks	35.3	33.2	23.9
Debtors	25.0	27.1	22.9
Equity capital	8.8	9.8	9.8
Reserves	11.7	12.4	15.7
Net worth	20.5	22.2	25.5
Expenditure to sales	2.7%	1.9%	1.8%
Stocks "	15.1%	10.1%	6.4%
Debtors "	10.7%	8.2%	6.1%
Cash Position		Overdraft	Credit
1.4.1970			Rs crores
1.4.1971		7.1	1.4
1.4.1972			4.1

*Excluding interest, depreciation and provisions.

modest, although it must be borne in mind at the same time, that not all the dealings of the STC are decided solely by the STC; oftentimes, it is required by the authorities to enter the market to stabilise prices as, for instance, in respect of rubber and tobacco, or to do some buffer stock operations as, for example, for fats and oils and rubber as in 1971-72. Nevertheless, Mr Tandon would do well to strive and achieve a profit rate of 10 per cent so that there may not be a shortfall in contribution to Plan resources from public sector undertakings for which credit is taken meticulously by the Planning Commission.

A noteworthy feature of the STC's 1972-73 budget is that, for the first time, it covers the entire group. The highlights of the budget are an all round increase in total sales (exports, imports and domestic sales) and a reduction in stocks, debtors and expenditure as a ratio to sales, as the table on page 838 shows.

On one achievement of the STC, namely cash management, no one can withhold credit to Mr Tandon. Despite some buffer stock operations which involved an avoidable use of its resources, the STC managed not only to have cash surplus but invested it suitably and also usefully. The Corporations lending to its export associates in the small-scale sector and the switching of its surplus funds for use by any member of the group are at once imaginative and prudent, in that these not only make for the maximum utilisation

of the available resources but the minimisation of interest payments as well. To judge from the chairman's statement, the small-scale industries stand to gain many other benefits. Other beneficiaries of the STC's new schemes are its own employees (management trainee scheme) and young talent from men and women drawn from scheduled castes and scheduled tribes apart from the Administrative Staff College, Hyderabad and the Indian Institute of Management, Ahmedabad, which have both received endowments for the purpose of encouraging management education (e.g. Industrial Relations in Hyderabad and International Marketing in Ahmedabad).

What role does the STC play in stabilising prices? This is a matter of opinion, depending upon the angle from which one looks at it as a producer, as a trader or as a consumer. But, by and large, the STC must be said to have exercised a healthy restraint on wild fluctuations in prices, especially in the field of fats and oils. But for the STC's sales of soyabean oil and tallow (the issue prices of both, by the way, are fixed by the concerned union ministries), prices in the field would have witnessed gyrations galore. The STC's effective role in the field is necessarily circumscribed by the findings of a committee set up by the Ministry of Foreign Trade (on which the STC is also represented) which decides the prices of a wide range of commodities to be actually charged by the STC. This explains the multi-tier system of prices

followed by the STC, the prices varying with the margin of the profits charged, these being the lowest in the case of items supplied as replenishment against exports of certain products.

While on the subject of prices Mr Tandon was also thinking aloud on the problem of price support operations for agricultural products. According to him, an import-export bank for agricultural commodities would be a worthwhile experiment. Such a bank, he said, could export an agricultural commodity whenever it was in surplus and import raw materials needed by industry out of the foreign exchange so earned whenever necessary. As we achieve agricultural improvement, he opined, we must think in terms of such and other agricultural services.

Mr Tandon also made a reference to the number of advisory committees set up by the STC to ascertain from the industrial interests concerned their requirements of various items so as to enable them to plan their export programmes more systematically. More than in the field of exports, where individual exporters would still be relatively more effective, the STC, he thought, could play a really decisive and useful role in imports, even as combines of import interests, official or non-official, in other countries were doing by reason of their being in a commanding position to dictate terms. This, however, has not prevented him from planning for an increase in STC's exports in 1972-73 to Rs 127.5 crores as against less than Rs 100 crores in 1971-72.

Let's be reasonable

Sagittarius

WITH BUMPER food crops continuing to be harvested, the suspension of concessional food imports, the establishment of a new record in respect of the output of raw cotton and the emergence of a new threat of sugar shortage, the policies of the central and state governments and the Reserve Bank of India will have to be suitably revised. In regard to food procurement and distribution particularly, it has become necessary to have clear ideas as the cost to the exchequer on account of the maintenance of buffer stocks and the commitments to meet the requirements

of the statutorily rationed areas and for effecting sales through fair price shops is tending to become prohibitive.

One would have thought that the central government would not be obliged to incur heavy expenditure on food subsidies after the country had attained near self-sufficiency in food and it became possible to dispense with concessional imports of wheat and other cereals under the PL 480 agreement. Indeed, it can even be said that surpluses of foodgrains are emerging in some directions and it should not be

difficult to overcome deficits in some cereals by paying for their imports with exports of others in excess of our requirements.

The actual developments, however, are coming about in a different way. With a record output of 26 million tonnes of wheat in 1971-72 and the prospect of heavy arrivals of this cereal, into the marketing centres in Punjab Haryana and UP particularly, there is even talk of buffer stocks of foodgrains increasing by 1.5 million tonnes to around 10 million tonnes by the end

of this year. In the budget estimates for 1972-73 it has been indicated that there will have to be a provision of Rs 25 crores for maintaining buffer stocks though the aggregate amount involved would be Rs 120 crores. The balance of Rs 95 crores will be found out of the resources of the banking system and this is stated to be one of the main reasons for fixing a modest target of Rs 215 crores for net borrowing through open market loans. While the government may still succeed in raising a larger net amount of more than Rs 300 crores by the issue of new loans, what is more important from the point of view of the present discussion is the additional burden cast on the exchequer in the form of higher interest charges, losses on sales, increased expenditure on storage, loss on account of waste and deterioration and so on.

unprecedented procurement

As there will be an expansion of credit for procurement operations on a scale hitherto unprecedented in the 1972-73 marketing season and there is likely to be a net increase in procurement credit by over Rs 100 crore, by the end of March 1973, aggregate advances against food-grains to the Food Corporation of India and other agencies may easily cross the Rs 500-crore mark. This figure should not be considered forbidding as the go-downs of the Food Corporation of India would be bursting at their sides and the value of 10 million tonnes of foodgrains could be easily in excess of Rs 850 crores. This roughly gives a measure of the indirect investment out of budgetary resources of nearly Rs 350 crores in food stocks. The question is up to what level buffer stocks should be allowed to increase, what should be the procurement prices and how sales should be effected out of buffer stocks through fair price shops and to consumers in the statutorily rationed area. A decision on these vital questions will have to be taken at an early date as any effort to maintain buffer stocks in excess of even the existing level of 8.5 million tonnes will cost the exchequer dearly besides leading to wasteful use of transport facilities deterioration in storage and the immobilisation of large funds, which can be utilised for other purposes.

The central government has to bear

the interest charges payable by the Food Corporation to the banking system for maintaining minimum buffer stocks. Even assuming that about Rs 500 crores will continue to be immobilised in these stocks, the cost will be a minimum of Rs 50 crores. It has been suggested by those in charge of procurement operations that it should be the objective to mobilise minimum resources at an interest rate of six per cent for creating a revolving fund and reducing interest charges.

interest charges

This will no doubt result in a reduction in interest charges alone by Rs 20 crores annually. This suggestion is eminently acceptable though it will be difficult to find the required resources in a short period in view of the pressure on available resources from many directions. It should not be difficult however to carry out this operation on a staggered basis and complete it in a period of five years. In that case, there will be no question of earmarking definite amounts out of budgetary resources or continuing to immobilise large amounts of the banking system in the shape of advances against foodgrains.

The Food Corporation may attempt to raise its own funds through the issue of bonds or if it is not immediately practicable, the government may allocate about Rs 100 crores every year out of its own resources for this purpose and lend the amount to the Food Corporation in the same way as it is doing to the Railways by charging an average rate of interest. A continuance of this procedure for four or five years will enable the corporation to have a pool of resources which will help it to be independent of either the government or the banking system for carrying out its operations. What is however more important is how it conducts these operations. They are likely to result in heavy losses as stated earlier if there is a net increase in buffer stocks and purchases and sales have to be carried out of about 3.5 million tonnes in order to meet the needs of fair price shops and the statutorily rationed areas.

The Agricultural Prices Commission has drawn forceful attention of the government to the need for reducing procurement prices and increasing issue prices in order to eliminate the losses

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sustained on procurement and sales. The subsidy on this account in 1972-73 is estimated at Rs 120 crores while a provision of only Rs 100 crores has been made in the budget estimates. The provision in the budget for 1971-72 was originally Rs 30 crores and it has risen to Rs 50 crores in the revised estimate, on account of a fall in the content of imported foodgrains and an increase in the volume of buffer stocks. The actual losses may be very much more since the state food ministers at their recent conference did not agree to an increase in issue prices immediately or a staggered reduction in procurement prices. Since they have not had the courage to arrive at workable decisions, there should at least be a change in the policy in regard to procurement and distribution. There is no point in penalising the tax-payer for feeding a section of consumers in a period of plenty through the pursuance of policies which were thought of in times of scarcity.

costly operation

The grower has to be assured a fair price for his produce. But the manner in which procurement and distribution policies are being implemented is proving to be costly for the community as excessive procurement has been responsible for high prices in the open markets in the lean months. Also in the deficit areas traders are helped to exploit consumers partly because of the inability of the Food Corporation to carry out intelligent open market operations. The anomalies in this regard can be expected to be rectified naturally if in 1972-73 there is a further increase in the output of foodgrains to 112 million tonnes. But there is no reason why a decision should not be taken regarding the limiting of the subsidy that will have to be incurred by the central government to Rs 50 crores and restricting procurement operations to a limited quantity. After this quota had been completed, additional quantities should be acquired only in the nature of support operations at prices which are much lower than procurement prices.

This kind of approach to the problems confronting the central government and the Food Corporation is inevitable. Otherwise, apart from interest charges of over Rs 50 crores, there will be the loss arising out of the actual

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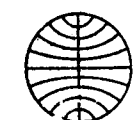


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difference between issue and procurement prices which are now about Rs 50 per tonne. There will also be the additional expenditure on transport, storage costs, loss in storage and deterioration, administrative expenditure and so on. Even assuming that about Rs 50 per tonne will be the minimum expenditure on account of these factors, the total loss involved will be easily Rs 100 per tonne. If the quantities procured exceed six million tonnes, the aggregate cost will be over Rs 100 crores including interest charges and even Rs 120 crores as estimated by the Agricultural Prices Commission. The adjustments in issue and procurement

prices should thus be effected for absorbing at least handling and other charges. The burden of interest charges may for the time being be borne by the government, though even here there will have to be an upper limit in regard to the size of the buffer stocks and a definite plan for creating a revolving fund. Only after pragmatic decisions have been taken on these issues, it will be possible to evolve correct policies in regard to the maintenance of buffer stocks for raw cotton or raw jute.

It will also be necessary to have clear thinking in respect of minimum prices

for sugarcane and availability of credit for effecting payments against cane purchases and maintenance of sugar stocks. It is the failure to think clearly on vital questions that has been responsible for the present confusion in the formulation of farm policies. The emphasis has necessarily to be on boosting production at any cost in the earlier stages of development. But once a breakthrough has been achieved in some directions the new problems have to be handled properly and sentiment should not result in the undue penalisation of the tax-payers or those consumers who do not benefit from subsidised sales.

Coin shortage— a danger signal

M. R. Pai

FROM ABOUT the end of 1970, an acute coin shortage has been felt all over the country. This has seriously inconvenienced people in their day-to-day economic activities. In big cities like Bombay, quarrels with bus conductors, vegetable vendors and restaurant owners have become a routine for the public.

Similar reports are heard from cities as far removed in distance as Cochin and Delhi, and other towns of India.

A brief study of our mints and coinage system is interesting. Three mints at Bombay, Madras and Calcutta were set up in 1823. The Madras mint was closed down in 1859 though there is still a Mint Street to remind people of it. The Calcutta mint was shifted to Alipore in 1951. The Hyderabad mint was acquired in 1950.

The three mints at Bombay, Alipore and Hyderabad are under the charge of the union Finance Ministry. But the Reserve Bank is responsible for coin supply to the public.

When public criticism of Reserve Bank started, an impression was sought to be created by the Reserve Bank spokesmen that the Bank had nothing

to do with the present coin shortage as the mints were owned by the government. The actual position is different.

The programme of production of coins is determined by mints "on the basis of advices received from the Chief Accountant, Reserve Bank of India." (Estimates Committee of Second Lok Sabha in its 48th Report).

The reasons for present acute coin shortage are two: First, failure of the Reserve Bank to anticipate coinage requirements of the economy. Second, the failure of government economic policy over the years.

In March 1956, the coin supply was Rs 66 crores. It had increased to Rs 134 crores in January 1972. However, the increase is not to be measured in terms of these figures. A meaningful interpretation of these figures is to see the coin supply as a percentage of the total stock of currency. Only then one gets a proper appreciation of the supply position.

In 1956, coin supply was 3.9 per cent of the total stock of currency which was Rs 1,684 crores. In 1971, it had come down to three per cent while the

total stock of currency was Rs 4,708 crores. Considering the increase in money supply, and growing economic activities, there was need to increase the coin supply. Because most transactions in our country take place in retail trade, even if coin supply had been maintained at 1956 level, the requirement would have been about Rs 183 crores and not Rs 134 crores in January 1972. Therefore, there is a serious shortfall of about Rs 50 crores owing to the failure of the Reserve Bank to anticipate the need for small coins.

An explanation is sometimes given that owing to export orders to Thailand and Greece, our mints were busy. This is not correct. In the first place, export orders are nothing new. One of the functions of the mints is to execute export orders. For instance, the "Currency and Finance", Report of the Reserve Bank for 1956-57, clearly states: "As in the previous years, the India government mints continued to undertake coinage for foreign countries". The Parliamentary Estimates Committee also points out that mints "take up foreign coinage".

Second, the recent report of the union Finance Ministry had disclosed that

in the last two years, the Reserve Bank had drastically cut down orders for coins. The result is a countrywide shortage of coins.

The Reserve Bank in a letter to the Bombay branch of the All-India Bank Depositors' Association has contended that this was a shortage only in Greater Bombay, and elsewhere conditions were better.

Once again, this explanation is incorrect. If it had been true, then coins would have been attracted to Bombay from the rest of the country because they command a premium of Rs 10 to Rs 12 per coins worth Rs 100. Coin shortage is universal in the country, but it is felt more acutely in Bombay which is India's premier commercial centre. Bombay's faster pace of economic activities require more coins than other parts of the country.

The second main reason for coin shortage is the failure of government's economic policy. Over the years, because of government's faulty policies, prices have gone up steadily. The increase has been so big that the metallic content of many coins today is much more than their face value. In such a situation, unscrupulous persons have

started cornering and melting coins for sale of metal.

It is interesting to note in this context that many countries use light metals in coins just to forestall this possibility. In fact, our Parliamentary Estimates Committee had recommended in 1959 that use of cheaper substances in our coins should be considered. Unfortunately, this recommendation does not seem to have been acted upon by the authorities. Only now that the coin crisis has come upon the public, new coins are being minted in light aluminium magnesia alloy. Had this been done earlier, the present crisis would not have been so acute.

From time to time, there are suggestions that paper coins or plastic coins should be issued. As coins change hands frequently, "paper coins" would be soiled and damaged beyond recognition in a few days. As it is, the one-rupee notes have a short life. Moreover, counterfeiting such paper or plastic coins would become easy and detection very difficult.

Some organisations like the BEST Undertaking of the Bombay Municipal Corporation have issued coupons to cope with the requirements of their bus services. Some restaurants have also "coupons" or "tokens" currency. This

is permitted as the authorities seem to be helpless in enforcing the laws. In reality, such coupons and tokens are a parallel currency and illegal.

The present coin shortage cannot be allowed to continue because it hampers economic growth. In addition, its burden is mainly borne by small people who can least afford it. While on the one hand there is loud talk of "social justice" and the need to help small people, on the other we have the ironical spectacle of gross social injustice and losses for the small people as a result of coin shortage!

Shortage of coins in our present inflationary situation can be compared to a fat man gasping for breath. It shows that ours is not a healthy economy if people have to pay more money to buy money! Money itself is a measure of economic value and when that measure becomes distorted economic activities also get distorted.

The coin shortage is, therefore, a danger signal to the economy. It points out the need for (a) realistic economic policies which promote greater production of wealth and a stable rupee, and (b) managerial efficiency on the part of the governmental authorities in handling the economic problems of the country.

RECORDS AND STATISTICS

Editor: R. V. MURTHY

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Man-power is as man-power does

M. K. Raju

THE ALL India Management Association, in collaboration with the Madras Management Association, had conducted a survey last year on "The Managerial Profile in Madras". The survey was confined to 120 member organisations, who are enlightened enough to become members of the Management Association. Only 29 important organisations representing 30,658 employees, 1,484 managers and 3,095 supervisors have responded. This is a 24 per cent response, which I understand, is one of the highest responses for such a survey. The findings are most revealing:

27.6 per cent of managers surveyed do not possess a university degree.

54 per cent of supervisory staff are non-graduates.

Inexperienced supervisors

More than 62 per cent of supervisors have less than 10 years of experience. This would imply that they have another 25 years productive run and will be a drag, without an opportunity for training or continuing education, more so, as many of them may move to management levels.

The total training effort covers only 20 per cent of the sample, a substantial portion of which is due to the impact of only two highly training oriented companies.

Amongst the supervision, the total trained, excluding one major company, is only 17 per cent.

A survey conducted by *Economic Times* in 1969 and reported in the MMA Executive Compensation Survey, reveals that 46 out of the 75 managing directors do not have any qualifications worth mentioning. The position, I understand, shows some improvement now.

If we take the criterion for eligibility

Extracts from an address by Mr M.K. Raju President, All India Management Association, at the Third Annual Convention of the Indian Society for Training and Development, held in Madras earlier this month.

of a professional manager as possessing good education, an opportunity and a desire for continuing education, well developed ethical and moral values and a certain experience in managing, 54 per cent of our existing managers do not meet these standards.

This is indeed a depressing picture. Planning of training is not widely practised—activity-wise and budget-wise—even in the relatively well-known and large companies in an industrial metropolitan city like Madras. On the national scene, organised training efforts are more scarce. An area as important as training is taken for granted. We only have lip service, with too little commitment in the country for training and development.

Human resource development is so critical a factor in the economic growth of the nation, that it can no longer be left to chance, or 'corporate conscience' in a few companies. There is an urgent need for a national policy on training and human resource development.

Current scene

That explains the reason why so many countries have developed national policies with respect to training. Let us look at the scene in some of these countries:—

Britain has introduced an industrial training legislation on the basis of a levy and grant system varying from industry to industry (the levy in engineering industry is 2½ per cent of salaries and wages). Two million people are being trained systematically each year by the employers.

In France, every employer of more

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than 10 workers is obliged to pay a uniform training levy going up to two per cent on his total wage bill. Under the scheme, total number trained has risen from 190,000 in 1969 to 371,000 last year. It is the legal right of every French worker to get periods of leave to attend approved training courses.

French managers believe that training must become a permanent process throughout their professional life.

Sweden has implemented a man-power and economic policy.

Japan's miracle

Japan's economic miracle is the success story of their man-power policy, where thousands of supervisors and technicians were trained in a very short time.

Canada has a new man-power training programme.

USA spends 12 per cent of GNP for education and training in industry, government and defence. It is reported that 42 per cent of growth rate per product per person is due to education during the fifty years 1910-1960.

Israel has introduced education and job training measures worthy of mention.

In Finland, it is reported that top and middle executives go to school to study professional management, probably more than those in any other country.

In Singapore, with no more than 50,000 management personnel, 100,000 man-hours of management training were imparted in less than four years.

In Poland, in one year itself, in

1963, 100,000 personnel took part in courses dealing with management and related subjects.

All this reveals a national concern for human resource development. This covers as much the existing stock of human resources, as well as the development of new resources. Formal management education and training is becoming an integral part of corporate man-power policy and it includes top management at the board levels, as well.

While the experience in all these countries, demonstrates so clearly the relationship between investment on training and economic growth, in our country, there is a glaring contrast—a gap between 'blissful ignorance and unconcern for management on the one hand, and appreciation of the significance and role of management for the efficient and effective functioning of all social units on the other'. In my opinion, this is the crux of our problem. Unless we bridge this gap, we cannot ensure any sustained progress.

magnitude of task

Let us presume that we accept in principle that this gap must be bridged and we as a country accept training and development, as a part and parcel of our man-power policy. Then, what is the magnitude of our task?

Efforts were made from time to time to project our future demands of managerial personnel in the country.

The latest estimate from the Institute of Applied Man-power Research projects our demands for the decade 1966-76 at 250,000 managers, of which promotions from within cover at least 100,000. What is conspicuous is that the data is so much at variance from one estimate to the other, that it needs to be reconciled. What is even more conspicuous is that no data, not even a rough estimate, is available on the existing management and supervisory personnel in the country. This is so serious, as they form the baseline for our training needs, make the climate for receptivity to training and form at least 80 per cent potential for promotion of supervisory and managerial personnel from within.

These estimates of managerial re-

quirements do not include the 8.5 million and odd government employees from the state and central governments and the corresponding managerial needs. Put together, industry, government and agriculture, call for an intensive training activity, on a gigantic scale, in our country.

large demand

Whatever be the criterion we adopt, the estimated demand for new managers is large—anywhere from 25,000 to 50,000 annually. Against this requirement, we turn out about 650 graduates in management education annually from our business schools and universities. Amongst the existing management personnel, it is estimated that about 10,000 managers get exposed to some training or the other annually through all existing training agencies, associations, universities and business schools. This is from the existing base of about a million management and supervisory personnel.

Thus, our efforts in the direction of training are glaringly inadequate and this, to a large extent, is retarding the tempo of our economic development, regardless of our other investments. This constitutes a colossal task and our policy must be to allocate our resources judiciously prioritising our national requirements.

High rate of economic growth is not possible without the better utilisation of existing facilities. Our industrial sectors must, therefore, increase their efforts in a relentless campaign, to make present workers, supervisors and managers more effective and to ensure an adequate supply of well qualified personnel for the future, if our country has to maintain rapid growth.

With the present industrial base and existing technologies, machines and materials and with only one more input, namely, improved management and massive training at all levels, we should be in a position to restore full utilisation of existing capacities, which will be the equivalent of 3500 million rupees of additional output. Similarly, an efficient inventory management should result in substantial savings in the country. It is, therefore, clear in the present stage of our development, that training of existing personnel to improve the

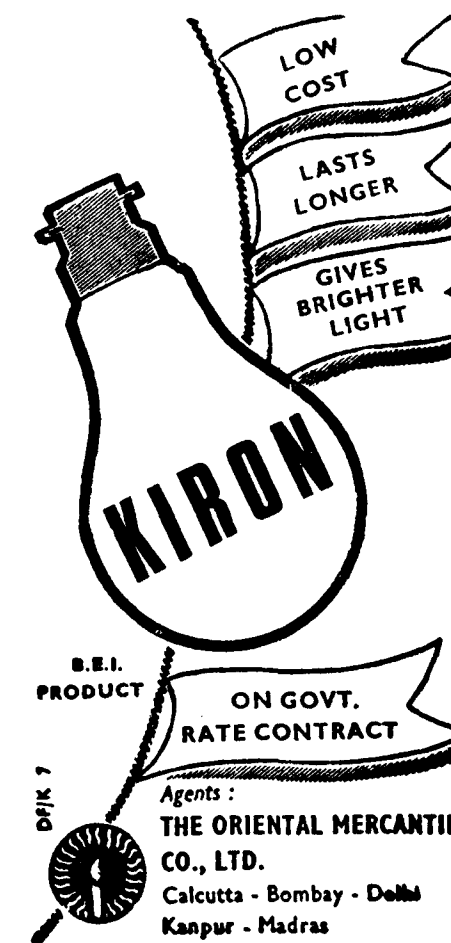
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efficiency becomes even more important than even training of new managers.

Then, what is the role of the Indian Society for Training and Development (ISTD) and industry?

As I visualise it, ISTD must be a catalyst to close the gap between ignorance and appreciation for training and development, the gap between appreciation and acquisition of knowledge and finally, the gap between the acquisition of knowledge and its application.

As a first step, it must take the responsibility to collect facts about existing management and supervisory personnel in the country, both in the government and industry and our projected demands for the future, for a predetermined economic growth. I recommend a national committee for this project, a time schedule to correlate the existing data, for collection of new data and to make available authentic statistics on existing management and supervisory personnel. This must cover



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age, educational qualifications, experience and area of specialisation. This is the most urgent task we have, if we want to make any progress in our training activity. This will be a starting point for a National Plan on Training. When once the project proposal is ready, I am sure, we can find enough financial resources from enlightened industrialists and the government to conduct such a survey.

Secondly, a strategy must be evolved by ISTD to close the gap between ignorance and unconcern for training and its application. Whether the approach will be enterprise-wise, or at the dual level; whether it should be through appreciation seminars or through films or through case studies of successes and failures, it is for ISTD to decide. I recommend that you honour at each annual convention two or three organisations in our country, which are training oriented, which have shown creativity and innovation in training and which have contributed to our national progress. They deserve such recognition.

industry's role

Thirdly, I strongly believe that industry can and must take all necessary steps to do everything in its power including investment of large sums to supply qualified man-power. No doubt, we require the assistance of the government. But, installation of recruiting, training and selecting centres within the companies on their own initiative will pay high dividends and contribute not only to their own prosperity, but also the country at large.

Fourthly, I recommend, we set up national training centres in Bombay, Calcutta, Delhi and Madras with facilities such as audio-visual aids, auditoriums, libraries and films. ISTD can take a lead in setting up such centres, and co-ordinate its efforts in training with other management associations. Physical facilities will make training more effective, reduce costs and increase the frequency of use. ISTD could take the lead in drawing a Master Plan. Ultimately, such facilities may be extended to at least one centre in each state for mass exposure of supervisors and managers to training in every sphere of economic activity.

Fifthly, this intense training activity pre-supposes an adequate number of

competent trainers. It will be worthwhile for the ISTD to study the profile of a trainer, as it exists today and develop a profile for the future, to undertake the tasks ahead. This is so important that it will be worthwhile for you to consider "Profile of a Trainer" as one of the themes for your next convention. I hope, by that time, you will be in a position to bridge the gap between ignorance and appreciation of the role of training and move to the acquisition of knowledge and its application. The trainer will have to play an important role in this transition.

Sixthly, as you will, no doubt, discuss during your deliberations at this convention, you must prepare yourself as how to meet the challenges of training of a large number of personnel in the country; how to make organisations more effective; how to initiate, set up and organise training in an organisation; how to provide enough trainers in quality and quantity and also what approaches to take — the behavioural and the systems — that ideally suit our environment and culture. This includes the training design, training evaluation, both qualitative and quantitative and research into different types and methods. This must become a part of the integrated plan for training in the country.

Lastly, our training goal must match the needs of our national goals of an annual growth rate in industrial production of 10 per cent, agricultural output of six per cent, national income of five per cent, labour productivity of seven per cent and more than all, real per capita income of five per cent.

baseline for plan

This should form the baseline for developing a National Plan for Training. Some of the major elements of this plan would be:

Establishing priorities between orientation and functional programmes, executive development programmes, postgraduate development programmes, as well as derive cost-benefit equations for each one of them.

Developing sectorial and managerial level priorities for training in industry.

Establishing the education and training linkages, through constant dia-

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logue between the industry and the academics.

The plan calls for mobilisation of resources in a big way. While we need the assistance of the government, industry cannot shy away from its own responsibility. With the creation of physical facilities for training in national centres all over the country, industry groups could consider voluntary efforts to launch a crash programme for training, as you have done so in one of your chapters, where 40 companies, 300 participants and 78 faculty members have participated in a co-operative supervisory training programme during the last two years. This is the best way. However, there is one harm independent India has done to industry—it has made it cease to think for itself and look to the government to do the thinking for them. On the training front, if we wish to keep to this trend, we may have no alternative but to look to the government for a compulsory levy on training, as in France and Britain. The choice is entirely left to the enlightened leadership in the country. To conclude:

crucial factor

Human resource development is the critical factor for economic growth. It can no longer be left to chance or corporate conscience.

The efforts in developing this resource, in India, have, so far, been grossly inadequate.

The crux of our problem is the gap between ignorance and appreciation of human resources development.

Priority is for improvement of the calibre of existing management and supervisory personnel.

ISTD can play a strategic role in bridging the gap between ignorance and appreciation of the role of training, in collecting authentic data on existing management and supervisory personnel and future demands, creating physical facilities for training and developing strategies to meet the existing and new demands.

ISTD can assist in drawing up a National Plan for training.

Human resources form the key to our progress. If properly harnessed, there is no reason, why we cannot altogether banish poverty and ill-health from the face of India.

FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi, Saturday

THE DEMANDS for grants of two more ministries — (i) the Ministry of Agriculture, and (ii) the Ministry of Communications — were adopted by the Lok Sabha this week and those of the Ministry of Home Affairs were inconclusively debated. Another highlight of the proceedings of this House was a discussion on the large-scale closure of textile mills in Ahmedabad due to power shortage. Before the Rajya Sabha went into recess on Saturday last to re-assemble on May 8, it deliberated upon the arrangement with the Soviet Union for the import of raw cotton from there for processing in this country and re-export of cloth in the form of garments back to that country.

raw cotton prices

With plenty of foodgrains in stock and the current rabi crop expected to be again a bumper one, the members participating in the debate on the demands for grants of the Ministry of Agriculture, were much less critical of the government's agricultural strategy than they had been till last year. They however, expressed a good deal of concern over the recent sharp fall in the prices of raw cotton, particularly in Gujarat, the up-trend in sugar prices as a result of production this year going down to 31 lakh tonnes, the slow progress in the implementation of land reforms and the growing unemployment in the countryside. In respect of foodgrains, some critical references, of course, were made to the lack of adequate progress on the pulses and oilseeds fronts.

In his reply to this debate, the Minister of Agriculture, Mr Fakhruddin Ali Ahmed, took pride in the government having redeemed its pledge to stop all concessional imports of foodgrains. We are on the threshold of even exporting some foodgrains, he pointed out. The wheat target of the fourth Plan, Mr Ahmed said, was likely to be exceeded this year when the output would be more than 26 million tonnes. On the rice front also, he assured the House, the picture was now much

more encouraging as a good deal of rice was being produced even in the hitherto wheat-growing states like Haryana, Punjab and Uttar Pradesh. The massive summer rice crop programme, which was envisaged to be launched in the north-eastern part of India this year, would further substantially improve rice production in the country. This type of rice cultivation in West Bengal, Mr Ahmed said, had already yielded very good results.

concerted effort

Mr Ahmed agreed that concerted efforts had yet to be made for stepping up the production of oilseeds and pulses, but assured members that the various schemes which the government had prepared to raise the output of these two farm products — extension of cultivation of soyabean and sunflower in the case of oilseeds and popularisation of the new varieties which have been developed in the recent past in the case of pulses — would help in easing the position in the near future. Steps, he further stated, are being taken to check the diversion of area under cultivation of pulses and oilseeds to growing of foodgrains. Mr Ahmed assured the House that land reforms would now be more effectively brought about. He mentioned in this regard the steps being taken by the state governments to reduce the ceiling on land holdings.

Earlier intervening in the debate, the Minister of State, Mr A.P. Shinde, dealt with the problem of cotton, the other Minister of State in this Ministry, Prof. Sher Singh dwelt upon the sugar issue and the Deputy Minister, Mr Jagannath Pahadia, dealt with the problems connected with community development and co-operation. Mr Shinde announced that the government had decided to buy cotton at fixed prices to build up a buffer stock — the purchase prices, however, were announced later: about 10 per cent increase over the minimum prices reached in 1969. The purchase operations would be undertaken by the Cotton Corporation of India. These support prices, Mr Shinde hoped,

would make the country self-sufficient in cotton in the next three years. Mr Shinde also revealed that the total production of foodgrains in the country this year was estimated around 112 million tonnes, as against 107 million tonnes last year.

sugar estimate

Prof. Sher Singh expressed the hope that as a result of increase in the acreage under sugarcane, sugar output next year would go up to about 40 lakh tonnes, as against nearly 31 lakh tonnes this year. About the problem of payment of arrears to sugarcane growers, which had been adversely commented upon by some members, he stated, that the concerned state governments had been requested to take up steps to ensure expeditious payment to growers by mills. A large part of the outstanding arrears, he revealed, had already been cleared. Another point that was made by Prof. Sher Singh was that the rural works programme, which was launched by the union government last year to create employment in the countryside, was now making steady progress. The target of creating 554 lakhs man-hour jobs through this programme had already been exceeded. Of the 50 crores outlay earmarked for it, sanctions had been accorded for schemes involving an outlay of Rs 47 crores. The disbursement till now was of the order of Rs 34 crores.

Mr Pahadia assured the critics of his department that serious efforts were being made to strengthen the co-operative institutions which provided credit facilities to small and medium farmers.

The debate on the demands for grants of the Ministry of Communications was marked by the stout defence of the Minister for Communications, Mr H.N. Bhuguna, of the working of the Posts & Telegraphs Department in the face of heavy odds and the clamour of members for extending postal facilities in the rural areas. Mr Bhuguna admitted that the P&T Department con-

tinued to incur losses and had not lived up to the expectations of members. But he attributed this to the many problems faced by the department. One of these problems, he pointed out, was that out of social considerations, the department had to provide certain services at heavily subsidised rates. Whereas the cost of handling a postcard, for instance, he said, came to 18 paise, the department charged for it only 10 paise. The cost of handling newspapers, similarly, was as much as 25 paise, while the P&T Department's charges were 3.5 paise. The Minister did not agree with the suggestion of members that the P&T Department should be replaced by an autonomous corporation. Such a step, he felt, would amount to total commercialisation of the department which was also expected to be a public utility service. The other major problem, Mr Bahuguna pointed out, was that of human element. There being nearly one lakh post offices for about seven lakh villages, more than 51 per cent of the mail in 1972 was delivered by foot-runners. Moreover, mail sorters had to sort out letters written in 14 languages, if not more.

service in rural areas

In respect of extending postal facilities in the rural areas, Mr Bahuguna observed that the major constraint was shortage of funds. As additional funds became available, more and more post offices, he assured, would be opened in the rural areas. Mr Bahuguna also dwelt upon some of the economy measures his Ministry was taking. The plethora of forms, he said, was being reduced. The government had also decided to levy a small charge for VPP and acknowledgement receipts for registered letters as was being done in the case of money orders. To the complaint of a long waiting list for telephone connections, Mr Bahuguna's reply was that the production of indigenous equipment was being stepped up. He, however, regretted that the productivity of the Indian Telephone Industries, Bangalore, was much lower than that of the highly mechanised plants in Japan. Several members suggested that the state capitals should be linked with New Delhi by STD. The Minister assured them that that was his Ministry's aim also. Some members stressed the need for a concerted drive for stepping up small savings in rural areas through post offices.

During the debate on the Home Ministry's demands for grants, the CPM and Congress-O spokesmen

assailed the union government for using police and intelligence agencies for consolidating the rule of a small coterie in the ruling party. The DMK spokesman expressed concern over the increasing central control over states. Charges were again hurled at the central government for rigging up the recent state elections in some parts of the country. It was also alleged that the office of the state Governors had been reduced to the position of the chief election agents of the ruling party. The delay in the union government taking action on the memoranda submitted by the opposition parties against the Haryana Chief Minister, Mr Bansi Lal, which contained charges of corruption and nepotism against him, came in for scathing criticism at the hands of several members. A CPI member vehemently criticised the "failure" of the union government to curb corruption and black marketing.

state of emergency

The Jana Sangh leader, Mr A.B. Vajpayee, criticised the Prime Minister for concentrating too much power in her hands. The continuance of the state of emergency was also adversely commented upon by many opposition members. The Congress spokesmen, however, made valiant attempts to defend the government against the charges of the opposition, particularly in regard to the use of police and intelligence agencies for perpetuating the rule of a small coterie in the ruling party. They scathingly criticised the CPM for resorting to murder politics in West Bengal and expressed the hope that the law and order situation in that state would be improved in a concerted manner. Mr N.E. Horo (Ind) demanded the creation of a Jharkhand state, comprising the Chota Nagpur division of Bihar, two districts each of Madhya Pradesh and West Bengal and four districts of Orissa. This demand however, was strongly opposed by a Congress member, Mr Shankar Dayal Singh.

Intervening in this debate, the Minister for Home Affairs, Mr K.C. Pant, pointed out that time was not yet ripe for dispensing with the powers acquired by the union government through the declaration of emergency in the wake of war with Pakistan, as the Indian forces were still on the western borders keeping a constant vigil. He castigated the opposition members for raising the bogie of rigging up the recent state elections and advised them that they should take their defeat at the polls in a sporting manner. He, however, assured the House that the

government was prepared to legislate to tackle violence at the polls. Mr Pant hit back at Mr Jyotirmoy Bosu, the CPM spokesman, and pointed out that his party had suffered setback at the polls because the people in West Bengal had now turned against the CPM due to the violence let loose by it when it was a partner in the United Front government there. The Minister doubted whether the CPM at all believed in democracy. He felt that the Naxalite problem had been contained, thanks to official measures. The government, he added, was keeping constantly in mind the socio-economic aspects of the problem. Mr Pant also indicated that the union government would soon bring forth legislation to deal with the activities of communal organisations in the country.

power shortage

A strong demand was made in the Lok Sabha for the nationalisation of the Ahmedabad Electric Company during the discussion on the power crisis in Gujarat which had led to the closure of many textile mills in that state recently. The company was charged of not having informed the state government in time about the shortage of coal. It was also suggested that the company was grossly mismanaged. The Deputy Minister for Foreign Trade, Mr A.C. George, revealed in his reply to the discussion that the union government had taken a very serious note of the closure of textile mills in Gujarat due to power shortage, but pointed out that it had no authority to take over the Ahmedabad Electric Company. He advised members to approach the state government for this purpose. Mr George assured the House that the union government had taken prompt action as soon as it came to their notice that the shortage of coal had caused power crisis in Gujarat. The recurrence of such happenings in the country, he stressed, had to be avoided.

The cotton agreement with the Soviet Union came in for sharp criticism in the Rajya Sabha at the hands of the Swatantra members who expressed fears that it was detrimental to textile exports. Mr A.C. George agreed that the arrangement was not as advantageous now as it was last year when it helped in providing work for textile mills which were starved of raw cotton, but hastened to add that it was in the "national interest". The deal with the Soviet Union, he pointed out, had enabled the country to earn Rs 16.5 crores as conversion charges, besides assisting in making use of the idle loomage.

Evolution of sterling area

Josselyn
Hennessy

London.

Sterling Yesterday

DURING THE postwar period sterling and the sterling area have declined in importance but, in periods of strain, international monetary support has been given in the interests of stability. Now that Britain is about to join the European Economic Community, and now that changes in the basis of international liquidity are being discussed, sterling enters a new phase. Both the sterling area and sterling as a reserve currency will continue to diminish, although

ing the second half of the nineteenth century and up to 1931, the trade of overseas sterling area countries was predominantly with Britain, so that it was natural that it was carried out in sterling.

Each of the overseas sterling area countries had its own local currency. Some, notably the self-governing dominions, had their own central banks, which kept their assets almost entirely in sterling. For the rest, the pattern which developed early in the twentieth century was for their currencies to be issued by local currency boards, which

and both private and public borrowers had ready access to the London capital market. Governments and public bodies, in particular, raised funds by issuing stocks on the new issue market.

Two consequences flowed from these arrangements. To the extent that foreign currencies were earned, they were sold, through the banks, on the London market in exchange for sterling. Secondly, local currencies were maintained at a fixed rate of exchange against sterling.

The countries involved in these arrangements were mainly those which constituted the British Empire, with the exception of Canada which, largely for geographical reasons, became more closely linked with the USA and the dollar. But a number of countries outside the empire also participated in the arrangements to a greater or lesser extent, particularly by borrowing on the London capital market and by holding part of their reserves in sterling. With all major currencies convertible into one another and into gold, and the stability of sterling unquestioned, sterling was widely held, both as a trading and a reserve currency. It supplemented gold as an international reserve medium.

II

The Departure From Gold

The international trading world awoke to the significance of these long-standing arrangements in 1931 when sterling ceased to be exchangeable for gold at a fixed parity, which had been the implicit basis of the arrangements up to then. Other major countries left the gold standard at about the same time. With exchange rates liable to fluctuate in the market more freely than before, most countries decided to stabilise their exchange rates in relation either to the US dollar or the pound sterling. For the sterling area countries which were members of the British Empire, whether self-governing or not, there was virtually no choice; they linked their exchange rates to sterling. So, too, did several others, notably Eire, Egypt, Iraq, Portugal, Siam and the Baltic and Scandinavian states most of which had close political and economic ties with the UK. This group of

sterling will remain an important trading currency.

The position of the sterling area, and the role of sterling in international monetary arrangements are likely to change considerably in the near future in the natural course of evolution and also, and more particularly, as a consequence of Britain's expected entry into the European Economic Community. Looking even further ahead, fundamental changes in the status of reserve currencies are possible. In any event, in recent years it has become clear that the sterling area neither works as it used to nor in the straightforward way suggested by the more simplified descriptions of it.

The origins of the sterling area go back a century and more; its development ran parallel with the history of British imperial commercial and political relationships, into which it fitted so naturally that few people were aware of sterling's significance until the ending of the gold standard revealed it. Dur-

held corresponding assets denominated in sterling. Both boards and central banks would buy and sell their local currency against sterling, without restriction, at fixed rates. There was no need to hold reserves in other forms, as sterling was freely convertible into gold or foreign currency.

Similarly, all other parts of their financial systems were closely linked to Britain and to sterling. The banks were mainly British undertakings with head offices in London, or indigenous banks with an office in London. They took deposits locally, and lent part of their resources locally, but the bulk of their other assets were held in sterling in London where they were deployed in the large and efficient money and capital markets which were not available elsewhere.

Again, the overseas sterling area countries looked to Britain to provide capital for financing local developments. Private capital flowed largely through British companies operating overseas,

countries, then, comprised the sterling area.

The link between most of the sterling area countries was strengthened in 1932, when Britain, which up to then had by and large pursued a policy of free trade, introduced a general protective tariff. Arrangements were made under which almost all goods from Empire countries entered Britain free of duty, and the countries concerned extended reciprocal preference to British goods, although by no means so completely. This was the system known as Imperial Preference, which still continues under the name of Commonwealth Preference. Otherwise, membership of the sterling area implied no discriminatory treatment. In particular, until the war, no restrictions were placed upon either current or capital payments between the sterling area and the rest of the world, although some watch was kept over new capital issues on the London market.

In 1939, however, the sterling area became legally recognised as the basis of the system of exchange control then introduced. A few of the non-British members left the area at this time. The essence of the arrangements was that both current and capital payments within the sterling area, which naturally continued to be made in sterling, remained free of restriction. Payments between the sterling area and any part of the rest of the world, however, became subject to exchange control permission, because in the circumstances such payments had to be made in gold or foreign currency, of which supplies and current earnings were limited. The introduction of exchange control involved the setting up of similar procedures by all members of the sterling area. At this time, too, the arrangements became formalised whereby any foreign currency earnings by sterling area countries were sold for sterling in London, and all foreign currency resources were gathered into the Exchange Equilisation Account, run by the Bank of England; this became popularly known as the sterling area dollar pool.

III

Postwar Arrangements

After the war — indeed before it ended — Britain and other countries sought to establish an international monetary system in which all currencies would be freely convertible into one another at least for current transactions.

The basic purpose of the International Monetary Fund launched in 1946 was to achieve this under a system of fixed parities with exchange rates fluctuating within narrow margins either side of parity.

Pressure on the UK to restore full convertibility — prematurely as it turned out — and aimed specifically at the sterling area arrangements came from the USA with the agreement reached in December 1945 to provide a large line of credit to the UK. Owing to the shortage of dollars at that time exchange control permission for the use of dollars even for current payments, was severely enforced. Britain undertook within one year from the coming into force of the agreement, to make "sterling receipts from current transactions of all sterling area countries... freely available for current transactions in any currency area without discrimination, with the result that any discrimination arising from the so called sterling area dollar pool will be entirely removed and that each member of the sterling area will have its current sterling and dollar receipts at its free disposition for current transactions anywhere". When this undertaking was met in 1947, heavy outflows of dollars began and convertibility had to be suspended.

anaemic position

At that time Britain's current trade position was still anaemic from her war effort. In addition, mainly because of the way in which overseas military operations had been financed, Britain had emerged from the war with external sterling liabilities several times greater than the size of the gold and dollar reserve, approaching £4,000 million as against under £1,000 million. A large part of these balances, even those of sterling area countries, which held the bulk of them, was blocked by British exchange control. The US loan agreement provided for part of these balances to be released by instalments and for part by agreement with the holders, to be "adjusted", by which was meant written down. Although unblocking was gradually achieved no progress was made with the intention to write down.

That — whatever the eventual objectives agreed at the Bretton Woods conference in 1944 — exchange control would be likely to continue for a substantial period was recognised in the Exchange Control Act of 1947, which provided, and still provides, the statu-

tory authority for exchange control. The countries of the sterling area were listed in a schedule to the Act and so became known as the "scheduled territories".

Another aftermath of the war was the devaluation of sterling in September, 1949, from \$4.03 to \$2.80. Although many non-sterling countries also devalued at that time in a widespread realignment of parities, sterling area countries (except Pakistan and British Honduras) changed their gold parities by the same amount as the pound. Devaluation thus demonstrated the continued cohesion of the sterling area, but it also suggested a fundamental weakness.

dubious assumption

The area had functioned on the implicit assumption that sterling was at least as strong as any other currency, and so was at least as satisfactory as any alternative asset to hold as a reserve. Devaluation showed this assumption to be false, at least in the circumstances of those early post-war years. Some of the sterling area countries were substantial earners of dollars, e.g. Malaya from sales of rubber and tin. Had such countries continued to hold these earnings themselves instead of converting them into sterling, they would not have incurred loss through the devaluation. For the system to survive, it was necessary to demonstrate once again the fundamental strength of sterling.

For some years after devaluation, it seemed that confidence was being restored. Despite occasional strains and crises, the UK balance of payments was becoming stronger, and Britain had assumed her traditional role as a substantial provider of capital, particularly to overseas sterling area countries. Indeed, in due course she became once again a net creditor country, but the increase in external assets was on a longer-term basis; no inroads were made upon the wide discrepancy between short-term liabilities and assets, and the chronic illiquidity of Britain, in her role as "banker" to the sterling area, persisted.

The sterling area remained the basis of UK exchange control. As applied to sterling holdings of countries outside the area, it went through various changes until a major simplification was made in December, 1958. Current sterling was then divided into two categories only, "resident" sterling held by residents of any sterling area country,

and "external" sterling, held by residents of any other country. External sterling was fully convertible for current purposes, i.e. it could be used for payment to any other other external sterling account or to a resident sterling account. Resident sterling was freely transferable to other residents sterling accounts, but exchange control permission was needed before it could be moved to an external account or used to buy non-sterling area currencies. This was usually given for approved trade transactions, but import censoring controls were nominally retained until substantially abolished in November, 1959.

IV

Loosening of the Bonds

The granting of convertibility to external sterling was the most noteworthy overt event affecting the position of the sterling area between the evaluations of 1949 and 1967. There were, however, other developments during his period, the full significance of which was often not appreciated at the time, which gradually weakened most of the numerous real — as distinct from legal — links of the area.

At various postwar dates, South Africa left the Commonwealth (though remaining in the sterling area), Egypt and Iraq left the sterling area, and Burma left both. Most of the dependent Commonwealth territories achieved political independence. A common and parallel development was the setting up of indigenous central banks in place of the old currency boards which had been substantially under British control. In any case, the functions of the new banks went much wider, and decisions had to be taken about the form in which reserves should be held. The longer-established central banks, too, similarly reconsidered their policies. The net outcome was a considerable diversification of the reserves of overseas sterling area countries, generally because additions were in the form of non-sterling rather than sterling assets. Over the nine years to 1970 their combined sterling assets rose on balance by £792 million. Table I gives the year-by-year movements.

Although the amount of sterling held in official reserves has not changed greatly since 1950, that of dollars has risen sharply because of the successive and large deficits on the US balance of payments. As a result, between 1948

and 1971 sterling fell as a proportion of total world reserves of gold and convertible currencies from 23.6 per cent to 7.4 per cent, whereas US dollars rose from 6.0 to 37.3 per cent.

TABLE I
Changes in Reserves of Overseas Sterling Countries

	£m.		
	Sterling assets	Non-sterling assets*	Total
1962	+64	+131	+195
1963	+131	+97	+228
1964	—37	+77	+40
1965	—67	+58	—9
1966	+53	+343	+396
1967	—108	+264	+156
1968	+98	+687	+785
1969	+360	+230	+590
1970	+235	+591	+826
1970 first half	+367	+506	+873
1971 first half	+459	+590	+1,049

*Gold, non-sterling currencies and SDRs

This relative switch out of sterling both reflected, and was made possible by, the increasing diversification of

trade between the various countries of the sterling area. Intra-sterling area trade continued to grow, but has declined as a proportion of total trade from around one half in the early fifties to under one third by 1970. For trade between Britain and the rest of the area the fall has been somewhat similar.

Note some specific influences on sterling area trade patterns: The Commonwealth preference system has remained in operation, but has become less important. The preferences, many of which were specific rather than *ad valorem*, have been reduced both by inflation, and by the general lowering of duties through GATT and UNCTAD. Britain has also extended preferential arrangements to other members of the European Free Trade Association. All these developments have whittled the value to other Commonwealth countries of the preferences extended to them in the UK market. When the UK enters the EEC the preferences themselves will be withdrawn over a period.

More important, perhaps, especially from the mid-1950s, in respect of diversification of reserves was the mounting evidence that sterling was becoming overvalued at the 1949 par-

TABLE II
Sterling Area Trade

	Total exports of sterling area countries £m.	Intra-sterling area exports as % of total	Total imports of sterling area countries £m.	Intra-sterling area imports as % of total
1950	5,349	48.9	5,591	48.2
1955	6,664	51.3	8,119	47.1
1960	7,965	43.6	10,062	38.7
1965	10,729	38.6	13,155	34.7
1970	18,464	30.6	20,565	30.2

United Kingdom Trade

	Total exports £m.	Exports to sterling area as % of total	Total imports £m.	Imports from sterling area as % of total
1950	2,243	46.1	2,598	37.8
1955	2,993	47.6	3,861	40.1
1960	3,789	38.3	4,655	33.8
1965	4,901	34.1	5,751	31.3
1970	8,063	27.5	9,051	27.2

ty, and a series necessitated international assistance while remedial measures took effect. When the UK balance of payments went into deficit again in 1964, however, this time there was no swift response to the action taken. In 1966 a new form of international aid was agreed, the so-called "Basle arrangements". Assistance under these was intended to provide resources to meet drains on Britain's reserves from any running-down of official sterling balances, but not those due to the balance of payments itself. A facility of \$1,000 million was arranged and made available to Britain by a number of central banks and by the Bank for International Settlements. Originally for only a short period, it was renewed in March, 1967 and 1968.

Not all the developments of this

period were determined by pressures on sterling. Any remaining discrimination in respect of current sterling was virtually eliminated by administrative action. Exchange control permission continued to be required for resident sterling to be transferred to an external account, to buy non-sterling currencies. However, the granting of such permission—in practice delegated to banks—became almost automatic in the UK, so that sterling held by residents could be freely used to import any goods from anywhere in the world, or for any other *bona fide* current transaction, with the exemption of tourist expenditure, on which no restrictions were applied in the sterling area, but limits were imposed for other countries. The allowance has varied from time to time, being reduced to £50 per head per

annum between November, 1966, and January, 1970, since when it has been large enough to involve virtually no effective discrimination. Thus current account discrimination was largely eliminated.

Sources and acknowledgments: This is the first of two articles summarising a nine-page report in the latest issue of the Midland Bank Review (Poultry, London E.C. 2P: 2BX), but the bank is responsible neither for the emphasis of my summary, nor for my interspersed comments, based on a variety of sources.

Next week's concluding article will survey the differing treatment of capital movements, the working of the sterling area today, the implications of the UK's entry into the EEC and sterling's future role.

Between Prague & Moscow Michal Kelem

THE ECONOMIES of the socialist countries develop on the basis of plans which determine the perspective as well as the yearly main trends of development. The past and present development of the economic plans shows that this principle is objectively valid—as an axiom.

True, some "theoreticians" consider any broader plans than inner-enterprise relations an "instrument of bureaucracy", but the economic results achieved in the socialist countries prove them to be wrong, or that they want to be wrong.

An example of this is Czechoslovakia, whose economy, and in this connection also other spheres of activity and life of her inhabitants, is developing uniformly and at a comparatively high speed. During the last twenty-five years, industrial production rose 7.2 times (in Slovakia 22 times,) agricultural production rose by 26 per cent—which is about the same level achieved in France—the national income rose 3.7 times, personal consumption 2.5 times, real wages more than doubled and so on.

Although the initial state was different in the other socialist countries, their economies developed at about the same pace, which was largely aided by mutual economic co-operation. The complex character of the Soviet economy holds a major position in this co-operation and mutual assistance,

Czechoslovakia's national-economic plans are analysed here in terms of the high degree of linkage and co-operation which exists between Czechoslovakia and the Soviet Union within the respective five-year plans and the principles determined for the economic development of countries of the Council for Mutual Economic Assistance. Czechoslovakia will be celebrating its National Day on May 9.

which gives wide scope for socialist production relations.

For instance, it is impossible to overlook the fact that the Soviet Union supplies up to 65 per cent of the raw materials required for production and life in the socialist countries. In many instances this concerns irreplaceable raw materials, such as iron ore, non-ferrous metals, crude oil, natural gas, cotton, grain and so on. A more detailed analysis shows that development of these economic relations was dependent upon the expansion and intensification of the economies of the member states of the Council for Mutual Economic Assistance (Comecon.)

Czechoslovakia, is known to be one of the industrially advanced countries—with a strong processing and mainly engineering industry. On the other hand, her raw material base provides minimum possibilities of development.

It is therefore only logical that a

country of this character will find of greater advantage such economic co-operation which enables it to export the products of its advanced processing industry and to purchase the required raw materials in exchange. This is why economic co-operation between Czechoslovakia and the Soviet Union has been expanding year after year.

The Soviet Union accounts for almost one-third (32.4 per cent) of Czechoslovakia's foreign trade turnover, while the exchange of goods between the two countries almost doubled during the last ten years.

In certain raw materials imported by Czechoslovakia in 1970, the Soviet Union accounted for 85 per cent (10,840,000 tons) of iron ore, 96 per cent (9,400,000 tons) of crude oil, 66 per cent of manganese ore, 91 per cent (150,000 cubic metres) of timber, 64 per cent (73,000 tons) of cotton, 100 per cent (one million tons) of grain—together with the other Comecon countries, 50 per cent (121,000 tons) of meat and so on.

Czechoslovakia is a country in which engineering is the most advanced branch of industry, accounting for 23.8 per cent of total industrial production and 53 per cent of all exports. It is therefore of extraordinary importance for the structure of Czechoslovakia's economy that 60 per cent of Czechoslovak

exports to the Soviet Union are made up of machines and equipment. The rest comprises 16 per cent of various materials and raw materials and about one-fifth products of the consumer goods industry.

The Soviet Union is Czechoslovakia's most important customer for electrical locomotives, trolleybuses, trams, river craft and ships, equipment for rolling mills and the chemical industry, as well as consumer goods such as the world famous Czechoslovak footwear, clothing, textiles, furniture, leather accessories and artificial jewellery.

Many large Soviet metallurgical and engineering plants—e.g. in Cherepov, Orsk-Khalim, Novolubitsk, Zlatousk and so on—are completely equipped with machines made in Czechoslovakia.

beneficial co-operation

This economic co-operation, which has proved its worth during the years of its development, is economically beneficial to both countries. It is one of the most important principles upon which co-operation between the Comecon member countries is based.

This is also why their economic advance could achieve a level which provides possibilities for higher forms of economic co-operation. Part of this is specialisation which enables the production of larger series and provides scope for even broader co-operation. The aim is to jointly develop industrial branches which are beneficial to all concerned, to build common enterprises and to gradually integrate the economies of these countries.

True, the term economic integration is nothing new. Integration processes are objectively called for by the development of the production forces within the stage of scientific-technical revolution. However in the world division of labour, the conception of socialist integration is something quite new, which has within itself a feature of proletarian internationalism, that means not only economic co-operation as such but also mutual assistance. Socialist economic integration is not taking place at the cost of the working people, it is a planned process which makes way for the development of the production forces and thus of socialism as a whole.

The "complex programme" for the further intensification and improving of co-operation and development of socialist economic integration

among the COMECON member countries", approved by the 25th session of the Council for Mutual Economic Assistance at the end of July this year, is not intended to deepen existing differences in the stage of development in various socialist countries, but to bring about an economic equalisation and a rapprochement of the socialist economies and nations.

The complex programme, accepted for a period of 15 to 20 years, is in itself a co-ordinated plan for the near distant future in these countries.

Whereas, in the past, there was economic co-operation between the Comecon member-countries only on the basis of agreements concluded mostly for a period of five years and supplemented by annual contracts, and concerning mainly the exchange of goods, the co-ordination of plans within the complex programme is intended to jointly develop all spheres of the economy.

This comprises branches and kinds of industrial production which tend to form the basis of common development: raw materials, power engineering, ferrous and non-ferrous metallurgy, petrochemicals and production lines connected with them, the systems of machines and instruments which determine the development of scientific-technical revolution, e.g. electronic, systems of automation, control and measuring instruments. They provide the indices for the dynamics of economic growth, the trends in world trade, the trend of prices on the world market, preparation and raising the qualification of personnel and so on.

support to technology

This form of integrated co-operation, which takes place on the basis of mutual consultations, is in no way intended to infringe the independence of planning activity of national bodies, but, on the contrary, will support it. However it is certainly intended to give support to the most progressive production methods and technologies and thus to ensure the competitiveness of the whole socialist economic system on the world markets.

This all comprises a complex of measures amounting to a qualitative revolution in the economic processes of the socialist states. It took two years to prepare this very intensive work. Around 300 experts and specialists from the Czechoslovak Socialist Republic—which is supremely interested in the development of economic integration

within the Council for Mutual Economic Assistance (Comecon) in view of her standard and economic position in the world—took part in elaborating the Complex Programme in the controlling body and the Comecon commissions. The first stage of coordinating the plans of economic development of bilateral and multilateral bases took place at the same time.

In the co-ordination of plans between Czechoslovakia and the other member countries of the Council for Mutual Economic Assistance (Comecon) priority is given to economic co-operation with the Soviet Union, which the 14th Congress of the Communist Party of Czechoslovakia, in May 1971, designated as one of the main factors for the development of Czechoslovakia's economy.

increased turnover

The turnover of Czechoslovak foreign trade with the Soviet Union is to increase by 40 per cent in the next five years. This increment is to guarantee the expansion of a number of processing branches, which is documented by the following data: (during the five-year Plan period ending 1975,) Czechoslovak deliveries to the Soviet Union will include 4,500 machine tools of various types and parameters, 75 gas turbines, rolling mill equipment weighing 110,000 tons, 38 complete breweries, telephone exchanges for 905,000 line connections, 1,125 diesel locomotives, 2,700 trams, 60 river craft and so on.

Consumer goods will also hold an important place in Czechoslovakia's exports to the Soviet Union: 35 million pairs of shoes per year in 1975, furniture to the value of 128 million rubles, tricot for 56 million rubles, ready-made clothing for 165 million rubles, glass-ware for 26 million rubles, artificial jewellery for 25 million rubles and so on.

Czechoslovak imports from the Soviet Union will be concentrated mainly in raw materials: the amount of imported crude oil and natural gas will especially be raised. Other import commodities include machine tools, cutter loaders for mines, excavators, bulldozers, tractors, harvesters, diesel locomotives, planes. Czechoslovak motorists are particularly looking forward to Soviet cars of which 215,000 are to be imported.

Integration progresses in all spheres of production and between various enterprises. Let us give a few examples:

The Vítkovice steelworks is to deliver

a 3.6 four-high rolling mill train to the value of 2,100 million Czechoslovak crowns for the Azovstal metallurgical plant in Zhdanov (USSR) by 1973. The order, which is unparalleled in the history of this metallurgical-engineering complex, is called the "order of the century". Enterprises from the German Democratic Republic, Poland and Hungary are participating in the production of this equipment.

The underground railway in Prague is one of the large construction works of Czechoslovakia's five-year Plan. The Soviet trade partner is taking part in its construction not only by passing on its own wealth of experience, and with its experts, but also with equipment supplied. Around 10,000 million Czechoslovak crowns are to be spent on this capital construction, the like of which cannot be found in the republic. Co-operation in the building of Prague's underground will not only cut down costs but will also speed up construction work; the first line, 7.1 kilometres long, will be put into service by July 1973.

nuclear power

Another basis for integrated production will gradually emerge in nuclear power engineering. By the end of 1980 ten nuclear-power plants, of the Vornesh type, will be erected in the Czechoslovak Socialist Republic. The Soviet Union will supply the core circuit for the first two of them, while Czechoslovak enterprises will supply the pumps, turbines and condensers for the secondary circuit.

The production of computers, which Czechoslovakia has been helping to develop, for many years, is also going beyond the possibilities of a single country. Division of production programmes and joint research between both countries is being prepared in the sphere of electrical engineering, electronics, in the production of numerically controlled machines, textile machinery, petrochemistry, the production of cellulose and in metallurgy.

In many capital constructions which require extensive investment costs Czechoslovakia has been participating with credits, and will continue to do so. During the present five-year Plan period these are repaid by raw materials or finished products.

These investment credits enable Czechoslovakia to import from the Soviet Union part of her supplies of crude oil, natural gas, iron ore, aluminium, copper, zinc, lead and so on.

In 1971, these supplies will account for one third of the total deliveries of raw materials from the Soviet Union.

During the fifth five-year Plan, Czechoslovakia takes part in the construction of the transit gas pipeline, which is to carry natural gas from the Soviet Union across Czechoslovak territory to Austria, Italy, the German De-

mocratic Republic and the Federal Republic of Germany.

Economic integration will also be promoted by the International Investments Bank of the Comecon member-countries, which has large funds at its disposal for developing progressive industrial branches and for the construction of joint enterprises.

UCOBANK AT THE SERVICE OF EXPORTERS

Exports are a national priority—Exporters need credit facilities over a wide range—Availability of credit at the right time, in adequate measure and at reasonable cost is essential for development and expansion of overseas trade.

By means of our various Schemes of Export Finance and through our foreign branches, agents and correspondents throughout the world, we can offer every assistance you need in your export business.

HEAD OFFICE: CALCUTTA



UCO-3/72

I wonder how many

of us have noticed how peaceful our country is these days. Firm administration in West Bengal has contributed not a little to the making of this healthy situation, but the main reason, of course, is that the Left extremists have managed to alienate the sympathy of the man-in-the-street by their suicidal tactics of gangsterism. In Andhra, too, another red trouble spot, the politics of violence seems to have gone into cold storage. In Bombay, where the Shiv Sena has had its ego repeatedly knocked about, political goondaism is now at a considerable discount. In Tamil Nadu, the DMK's attempt to muscle in on the trade union movement had recently been creating ugly situations, but Mr Karunanidhi seems to have learnt a few lessons in time. In Madhya Pradesh, dacoit gangs have been surrendering arms and promising to turn over a new leaf. In view of all these, the idolaters around Mrs Gandhi may well be tempted to hail her as the greatest Home Minister India has ever had.

Whether Mrs Gandhi deserves this particular tribute or not, her reply to the debate in the Lok Sabha on the Home Ministry's Demands for Grants was certainly noteworthy for some of its pronouncements. She expressed a personal preference for the abolition of capital punishment and while it is true that she may not have received enough help in this matter from state governments or even the Law Commission, she nevertheless has sufficient authority in state capitals as well as over public opinion to be able to initiate effective steps for the early passage of necessary legislation. Although she has based her arguments in favour of the abolition of the death penalty mainly on the grounds that (a) the deterrent effect attributed to capital punishment has not been firmly established, while (b) there have been cases of miscarriage of justice resulting in innocent men being convicted and made to suffer the extreme penalty, the most valid argument against men being

put to death through judicial processes is that this practice dilutes the quality of civilisation to which the community concerned may lay claim. In other words, even if it could be shown that the death penalty is effective in keeping down the murder rate or that the judicial machinery for the trial and conviction of accused persons could be perfected so as to eliminate all risks of the innocent being punished, it would still be barbarous for any society to resort to the savage ritual of executions carried out in its collective name and on its collective behalf.

The Prime Minister

said that the government intended to enact a law requiring political defectors to resign their seats in legislatures and seek re-election. That a politician who has been characterised in some quarters as the Grand Defector should now be thinking in these terms is no doubt amusing, but the country would surely be willing to forget the notorious episode of the 'conscience vote' since a certain degree of disciplinary functioning by political parties has now been seen to be a basic requirement of political stability or orderly administration in the country and the people are therefore inclined to be grateful to whoever it may be who is now proposing to penalise defection, without caring to scrutinise this person's own record or motives too closely. At the same time as a corollary to this decision of the government to bring forward a law discouraging defectors in legislatures, the ruling party is morally bound to bind itself forthwith by a self-denying rule against admitting into its ranks floor-crossers from other parties between now and the passing of the proposed law.

The Chief Minister

of Tamil Nadu, who was in the capital a few days ago and had a meeting with the Prime Minister, is evidently very keen on persuading her of the virtue of coexistence between her party and his in the political life in that southern state. This is not

because Mr Karunanidhi believes that the Indira Gandhi congress constitutes a serious threat to the DMK government. On the contrary, he is aware of the fact that, in comparison to himself, Mr C. Subramaniam is a very poor strategist and an even poorer tactician. More important still, he also knows only too well that, although Mrs Gandhi is as popular with the people of Tamil Nadu as she is with people in other parts of the country, her popularity has not been able to encroach on the grass-root support which he personally and the DMK as a party do command in the state. If, nevertheless, he is anxious to avoid a confrontation, it is largely because the Indira Gandhi congress has a certain nuisance value as an opposition party, especially as the DMK's demagoguery, combined with the widespread suspicion that its leaders are not only corrupt, but are avariciously so, has led to the party and its government being regarded with growing contempt among various sections of the people who, although in a numerical minority even in the aggregate, are nevertheless qualitatively and, perhaps, strategically important in the public life of the state. Mr Karunanidhi certainly can carry on without the political support of these people, but it would be so much nicer for him if he could rule without a nagging feeling that his administration is not being respected in these quarters.

I greatly enjoyed

reading the following Letter to the Editor which appeared in the Delhi edition of the *Sunday Statesman* dated April 23:

"Sir, —The evening flight from Calcutta to Delhi was so delayed that I knew I would reach my destination after midnight. To avoid annoyance to my Delhi host, the PRO at Dum Dum obliged by sending a telex message: 'Flight delayed. Please leave the front-door key in the top drawer of the hat-stand.'

"A few days later, I was flying to Delhi again and the flight was once again late. Unfortunately, no message could be sent to Delhi as the telex machine at Dum Dum was out of commission. However, when I landed at Delhi airport after midnight, the announcer had a message for me: 'The front-door key is in the top drawer of the hat-stand.' Since then, this is a standing arrangement between me and my host at Delhi whenever I fly Indian Airlines—Yours, etc. K.C.K., Calcutta."



APRIL 28, 1972

MOVING FINGER

EASTERN ECONOMIST

TRADE WINDS

Cotton Prices

THE UNION government has fixed prices for certain varieties of cotton and has asked the Cotton Corporation of India to make bulk purchase of those varieties. The centres of purchase, varieties and prices per quintal are: Punjab, Bhatinda: 320F Rs 195; Abohar: 320F Malout, Kotapura and Kukfar Rs 200, Fazika 320F Rs 210. Madhya Pradesh: A-51/9 certified cotton Rs 220 and uncertified cotton Rs 210. Gujarat: Kalyan Rs 180, Wagad equivalent to Rs 1,300 per candy for cotton lint, V-797 Rs 190, Co2 (Cambodia C) Rs 235 and Cambodia B Rs 260, Digvijay Rs 240-245, Gujarat 67 Rs 305, Hybrid-4 Rs 320.

New Sugar Policy

The union cabinet has set up a sub-committee to formulate a new sugar policy for the 1971-72 season. Besides considering anew the ratio between "levy" and "free" sugar, the sub-committee will try to determine the cost of production of sugar. In view of the high prices of sugar in the open market and the widening gap between demand and supply of this essential consumer item, it was felt that the percentage of "levy" to "free" sugar should be raised from 60 to 70.

Industries in U. P.

Mr K.N. Modi, President, Western Uttar Pradesh Chamber of Commerce & Industries felicitated Mr B.B. Lal, Secretary, Ministry of Development and Internal Trade at Meerut on April 22. Mr Modi referred to the backwardness of Uttar Pradesh despite the policy of the government, both at the centre and in the

state, to accelerate its industrialisation. In his review of the problems facing industries in Uttar Pradesh in particular and the country in general, Mr Modi urged administrators to give clear-cut direction to the socio-economic policy of the government designed to promote growth with social justice. He made a pointed reference to the reduction in savings in the economy, which, in his view, was due to confiscatory rates of taxation. Till the time savings picked up, Mr Modi urged that financial institutions should be more liberal and should accept 3: debt equity ratio as against 2:1 allowed as at present. Mr Lal's diagnosis of the ills of UP was the absence of initiative among industrialists and businessmen. The state government also was partly responsible for slow growth of this most populous state in the country, said Mr Lal.

Trade with Bangladesh

In a public notice issued on April 20, the government of India has laid down the rules and regulations regarding trade with Bangladesh. Most of the trade between the two countries will be handled by state agencies; only a few items have been left out for the private sector. In the list of India's exports to Bangladesh, stone boulders, hard wood, soft wood, barytes, lime and lime-stone, dolomite, gypsum, unslaked lime, books, periodicals, gramophone records, ayurvedic and unani medicines, infant milk food, and machinery and spare parts have been reserved for eligible exporters. The exports of cement and unmanufactured tobacco will be handled by the State Trading Corporation, asphalt by the Indian Oil Corporation, coal by

the Minerals and Metals Trading Corporation and cotton textiles by the Cotton Textile Export Promotion Council. Similarly, the bulk of the imports from Bangladesh will be handled by the state agencies; only ayurvedic and unani medicines, books, periodicals, gramophone records and semul cotton will be imported by eligible importers.

Ceiling on Urban Property

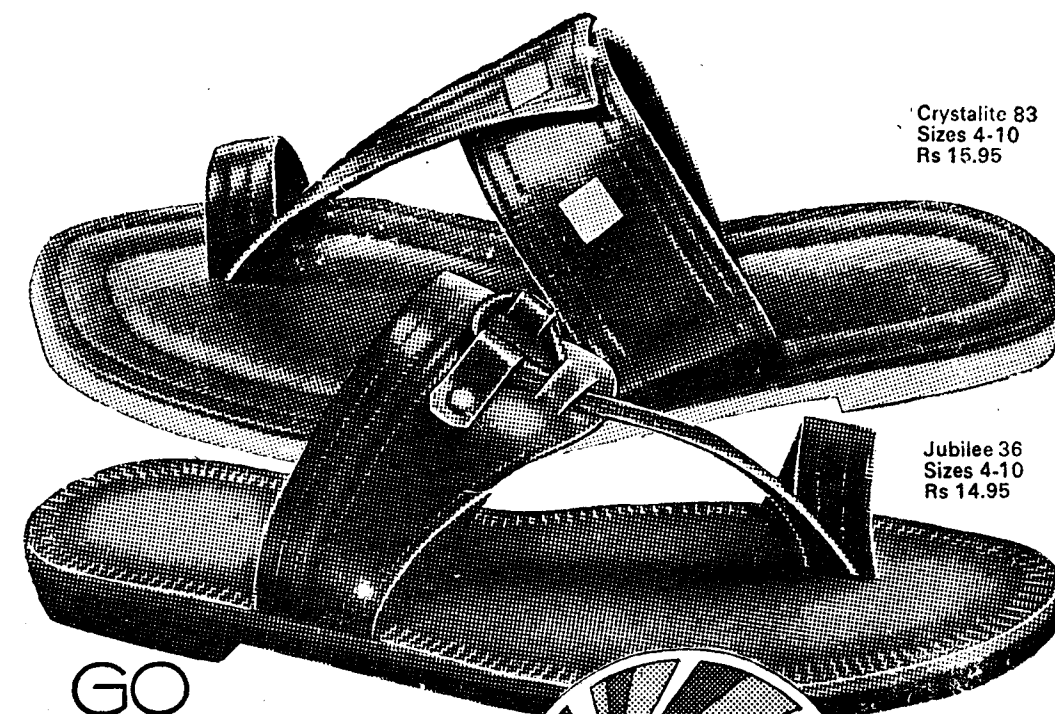
A bill providing for a three-tier scheme of ceiling on urban property was recently adopted by the Madhya Pradesh assembly. The measure [The Madhya Pradesh Urban Property (Ceiling) Bill] fixed ceiling on urban property for the three slabs at Rs 3 lakhs, Rs 4 lakhs and Rs 5 lakhs. The ceiling would be enforced in towns having a population of 10,000 and above. The draft Bill contained only two slabs of ceiling — Rs 4 lakhs and Rs 5 lakhs — but an official amendment provided for yet another category ceiling, Rs 3 lakhs, which was accepted by the House. The amended Bill stipulated that a family comprising a single person would not be permitted to possess property worth more than Rs 3 lakhs. A family of up to five members could, however, be allowed to have property worth Rs 4 lakhs. A family of more than five members will be able to acquire property of up to Rs 5 lakhs. Each member of a family of more than five members can possess property worth Rs 25,000 but the value of total property should not exceed Rs 5 lakhs. The government has been given two years' time to take over the excess property. Any "gift, sale or transfer" during the period will not

be permitted. The bill also provided for a member of exemptions. Public sector undertakings, and public, religious and charitable trusts will not be covered by the measure. All private and public companies registered under MP Societies Act and the Co-operative Societies Act have been granted exemptions. Similar exemptions have been granted to traders and industrialists who use the property for "trade, industry and commercial purposes". Educational institutions, libraries, non-profit making clubs and housing schemes for weaker sections of society have also been exempted.

Petroleum Products

Last year a high-level committee was set up under the chairmanship of Mr N.N. Kashyap (Chairman, Indian Oil Co.) for suggesting measures to curb the consumption of petroleum products in this country as the continuously rising prices of crude oil had increased the burden of foreign exchange expenditure. The committee submitted its unanimous report within three weeks. Most of its recommendations were carefully examined by the government and some of them have already been implemented.

Regarding the suggestion of the committee that the production of liquefied petroleum gas (LPG) should be maximised, the government has requested Engineers India Limited (EIL) to appoint experts for conducting techno-economic feasibility studies for producing LPG where it is not being produced and for maximising its production where it is already being produced. The government has appointed an expert group to assist EIL's experts and to generally co-ordinate action in this regard. The IOC is also making a complete review of the existing market-



Crystalite 83
Sizes 4-10
Rs 15.95

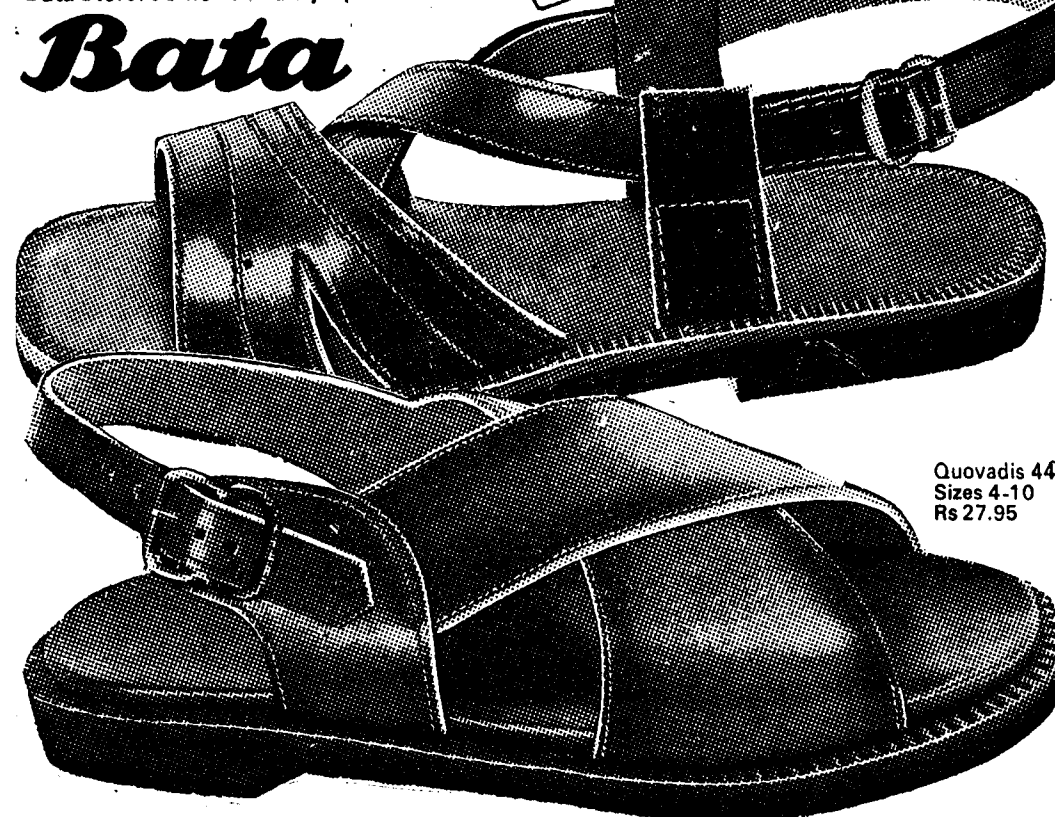
Jubilee 36
Sizes 4-10
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ing and distribution facilities for LPG to identify the bottlenecks, if any.

The committee had recommended that there should be a sharp increase in the price of motor gasoline to curb its consumption which suggestion has already been accepted and implemented by the government. The committee had also suggested that the techno-economic feasibility of producing 83 ON motor gasoline instead of 79 ON motor gasoline should be examined. The committee was of the view that this might result in a reduction of five per cent in the consumption of motor gasoline. The government has accepted this suggestion and the techno-economic feasibility study has already been completed. The government is making efforts to bring about a change-over in the octane rating as early as possible.

In order to prevent the misuse of solvents, the committee had suggested that the ceiling selling prices of motor gasoline and solvents should be equated. The government has accepted as well as implemented this recommendation. In regard to kerosene, the committee had recommended that intensive studies should be made to determine how best its misuse as automotive fuel could be prevented. This question is currently being considered by the government in all its aspects. Also, the NCAER and the IIP have been asked to undertake studies to determine the extent of kerosene consumption in rural areas for lighting purposes.

In regard to the price of high speed diesel (HSD) oil, the government has noted the recommendation of the committee not to increase it, as it would accentuate inflationary trends. A study in depth of the railways programme for diesel-

isation has been recommended; the Planning Commission and the railway board are at present studying it jointly. The Ministry of Shipping and Transport and the CSIR have been requested to undertake research for improving the efficiency of the diesel engines which would reduce the consumption of HSD.

The committee had recommended that the production of larger capacity of road trucks should be progressively increased. It had also suggested that the roads should be widened and strengthened to carry heavy duty road trucks and truck-trailor combinations. This recommendation of the committee has been accepted by the government and the Ministry of Shipping and Transport is taking suitable action in this regard.

The recommendation of the committee that the rural electrification programme should be intensified in those states where the demand for light diesel oil (LDO) for lift irrigation is very high, such as in Gujarat, has been accepted by the government. Regarding investigation of the problem if the present price of LDO gives any inducement for its use in lieu of electricity, the government has asked the Ministry of Irrigation and Power to pursue this matter.

In order to eliminate the misuse of mineral turpentine oil, the committee has suggested that the prices of kerosene and mineral turpentine oil should be equated. The government has accepted this recommendation and the Fuel Policy Committee has been requested to specifically analyse this problem.

Regarding the recommendation of the committee that the consumption of furnace oil by the textile industry should be reduced to the barest minimum after

reviewing the requirements of individual customers, the government has decided to refer this matter to a special standing committee with representatives of the Ministry of P & C, DGTD, Ministry of Finance and the IOC. The suggestion regarding the desirability of setting up secondary processing facilities to convert the heavy residue into middle distillates has been referred to an expert group.

Jehangir Ghandy

Sir Jehangir Ghandy, technocrat, administrator and pioneer in management and technical education, passed away in Delhi on April 17. He was 76. In 1921, at the age of 25, he joined the Tata Steel Works at Jamshedpur as metallurgical engineer.

In 1945, he was appointed a Director of Tata Industries and in April, 1954, Director-in-Charge of Tata Steel. A more significant recognition of his outstanding ability as one of the foremost administrators in the country came in August, 1959 when he was appointed a Director of Tata Sons, the parent firm then controlling the Tata Group of companies. He was Chairman of Indian Tube Co. Ltd, Belpahar Refractories Ltd, and a Director of the Tinplate Company of India Ltd.

He was a member of the Executive Committee of the National Metallurgical Laboratory; Chairman, the Metals Committee of CSIR; Executive Council of the Central Fuel Research Institute; Eastern Regional Committee of the All-India Council for Technical Education, and the All-India Board of Technical Studies in Management. He was a member, among others, of the governing body of CSIR, Council of the Indian Institutes of Technology, the Court of the Governors of the Administrative Staff

College, Hyderabad, the Board of Governors of the Indian Institute of Management, Calcutta, the Indian Advisory Committee of the Nuffield Foundation, and the Indian Committee of Lloyd's Register of Shipping.

Humphreys & Glassgow

Humphreys and Glassgow Consultants Private Limited, which has secured from Messrs New Central Jute Mills Limited the solvay process of making soda ash and ammonium chloride, developed by the latter at their Varanasi works, is reported to have modified this process. It is now offering the modified process to soda ash and ammonium chloride manufacturers solely against rupee payment of engineering and know-how fees, although a certain amount of foreign exchange is required for importing some equipment. Humphreys and Glassgow Consultants also intend to make available the service of the Indian engineers in its employment to its sister concerns in the United Kingdom and Australia for setting up fertilizer and chemical plants in the Persian Gulf and south-east Asian countries.

Indo-Nepal Collaboration

The Nepalese Prime Minister, Mr Kirtinidhi Bista, revealed at a press conference here recently that his government had approached the government of India for collaboration in the setting up of the Karnali hydro-electric project in his country. This project is envisaged to produce two million KWs of electricity per annum. A sizable quantity out of this output could be made available to India at a negotiated price. Although the scheme has already been investigated by a Japanese team and an Australian company, as also by the World Bank, Nepal, Mr

Bista said, would like India as well to investigate it and then help in its execution and supply of such equipment for it as was possible. The World Bank has shown interest in financing a part of the cost of this project, which is estimated around Rs 210 crores.

During his visit to Delhi, Mr Bista had talks with the representatives of Indian Chambers of Commerce and Industry to interest Indian entrepreneurs in the establishment of industries in Nepal, notably paper and cement. He expressed disappointment at the response of the Indian entrepreneurs for setting up industries in his country. Nepal he said, was prepared to give them as adequate concessions as they are getting in west Asia, Africa and south-east Asia.

Aluminium Foils

The change of definition of aluminium foils from "a product of thickness (excluding any backing) not exceeding 0.15 millimetres" to "foils (whether or not embossed, cut to shape, perforated, coated, printed or backed with paper or other reinforcing material) of a thickness (excluding any backing) not exceeding 0.15 millimetres" in the 1972 Finance Bill is said to have created a very anomalous position for the small and medium-scale printers and converters of these foils. Through this change in definition, the levy of 23 per cent ad valorem is said to have been made applicable to the overall sale price of all packaging materials in which aluminium foils are used even if the percentage of the foil in them is as low as two to five per cent. The new levy procedure, it is feared, will throw the small man in the foil printing and conversion trade out of the business as his operative costs are already much higher than those of the integrated, big foil-making concerns.

The big units by virtue of their integrated operations, are able to economise a good deal in their costs as they have not to incur such expenses as transportation charges, octroi duties, sales-tax, etc., on primary foils which the non-integrated printers and converters have to incur.

According to the All-India Paper and Allied Products Manufacturers' Association, whereas the cost of laminated and printed foils produced by the non-integrated units to the consuming industries comes to as much as nearly Rs 72,100 per tonne, the cost of the products of the integrated concerns approximates only about Rs 58,460 per tonne. Deducting the excise levy on primary foils from the cost of laminated and printed foils, the customers have to pay nearly Rs 67,600 per tonne of finished foils in the case of non-integrated producers, as against Rs 58,460 per tonne in the case of integrated producers. The table alongside gives the approximate cost of production of the non-integrated and integrated units,

The non-integrated units, which at present meet only about 15 per cent of the total demand for laminated and printed aluminium foils in the country, cannot be expected to realise any premium from the customers over the sale prices of the integrated units, which supply 85 per cent of the total requirement. In fact, they are reported to be obliged to sell their products at a small discount so that they can compete with the integrated units. The All-India Paper and Allied Products Manufacturers' Association has, therefore, suggested that the excise duty on aluminium foils ought to be levied only at the primary state. At this level, the duty may be imposed even at 40 per cent, instead of 32 per cent, so that the net receipts of the central ex-

chequer from this source do not suffer. This suggestion apparently merits consideration by the union Ministry of Finance.

Names in the News

Brig. B.S. Bharat, Director-in-charge of the pharmaceutical division of Rallis India Limited, has been unanimously re-elected President of the Organisation of Pharmaceutical Producers of India (OPPI), Bombay, for 1972. Mr S.V. Pillai, Managing Director, Pfizer Limited, and Mr D.J.R. Farrant, Managing Director, Glaxo Laboratories (India)

Limited, have been re-elected Vice-presidents.

Mr. M. R. Shervani, former member of Parliament and renowned industrialist of Uttar Pradesh, has been appointed by the government of India as a director of Indian Telephone Industries, Bangalore — a public sector undertaking.

Mr M.M. Muthiah, Managing Director, M/s Carborundum Universal Ltd. was elected Chairman of the Employers' Federation of Southern India for 1972-73, at the annual general meeting held on March 29, 1972.

(In rupees)		
Materials	Integrated producers	Non-integrated producers
One ton aluminium foil 0.012 mm	13,500	13,500
Packing charges	Nil	500
Transportation charges	Nil	50
	13,500	14,050
Excise 32%	Nil	4,496
Forwarding and transportation charges	Nil	360
Octroi	Nil	20
Sales-tax 20%	Nil	378
Collection charges	Nil	50
Total cost of one ton aluminium foil	13,500	19,354
2.5 tons paper	10,500	10,500
Adhesive	3,000	3,000
Ink	3,000	3,000
	30,000	35,854
Process wastage—	3,000 (10%)	7,170 (20%)
	33,000	43,000
Labour charges lamination	5,000	5,000
Labour charges printing	5,000	5,000
	10,000	10,000
Total	43,000	53,000
Excise 32%	13,600	17,000
	56,760	70,000
Sales-tax 3%	1,700	21,00
Total cost to customer	58,460	72,100
Less: excise paid	Nil	4,500
	58,460	67,600

COMPANY AFFAIRS

Gwalior Rayon

THE RAYON grade pulp factory of Gwalior Rayon's new division, Harihar Poly-fibres, situated at Harihar, Mysore state, has commenced its trial run. The factory is expected to produce 300 tonnes of rayon grade pulp in April and 1500 tonnes per month by the end of July. The full production of 100 tonnes per day or 3000 tonnes per month is likely to be reached by the end of this year. The raw material, eucalyptus, is being obtained from the nearby forests in Mysore state. The know-how for the manufacture of rayon grade pulp from wood has been developed by Gwalior Rayon in its pilot plant and research division at Nagda and in this respect the company has the most advanced experience in the world.

A sizeable part of the machinery and equipment has been fabricated by the company while the plant has been designed by Birla Consultants Pvt Ltd, a leading consultancy firm in the country specialising in the techno-economic evaluation, factory layout, plant and machine design, management studies, training of personnel and research and development planning right from erection to commissioning of the plant. This exemplary collaboration between Gwalior Rayons and Birla Consultants is yielding rich dividends, as for instance, in the bagging of a Rs 5-crore turnkey assignment from South India Viscose. The project includes erection, start-up and test performance of viscose preparation plant, spinning machine, after-treatment machine, dryer baling press, carbondisulphide plant and sulphuric acid plant besides guaranteeing of production with minimum raw material

consumption. South India Viscose which is setting up a 20-tonne per day staple fibre plant has awarded the turnkey contract jointly to Gwalior Rayons and Birla Consultants.

Century

The directors of Century Spinning and Manufacturing Company Ltd, have proposed to maintain the final equity dividend at Rs 29 per share, making a total distribution of Rs 45 a share for 1971, the same as paid in 1970. Although the company's sales have gone up by 5.5 per cent from Rs 52.62 crores to Rs 55.52 crores, the gross profit has declined by Rs 1.75 crores to Rs 13.10 crores. The fall in profits is attributed to the all-round increase in the cost of raw materials on the one hand and lower realisation on rayon yarn on the other.

Out of the gross profit, the directors have allocated Rs 250.37 lakhs to depreciation as against Rs 288.61 lakhs in 1970 while the appropriation to development rebate reserve was stepped by Rs 10 lakhs to Rs 26 lakhs. Taxation claimed Rs 580 lakhs as compared to Rs 706 lakhs. This leaves a net profit of Rs 453.25 lakhs as compared to Rs 474.51 lakhs in the preceding year. The interim dividend absorbed Rs 56.78 lakhs the same as in 1970. After adjustments a sum of Rs 200 lakhs was transferred to general reserve and Rs 148.85 lakhs to dividend equalisation reserve as against Rs 307.73 lakhs and Rs 110 lakhs provided respectively in the previous year. The proposed final dividend will claim Rs 102.92 lakhs, the same as in 1970 and it will be paid out of the dividend equalisation reserve.

The company's Rs 13-crore cement plant is expected to go into production by the end of 1973. The company is presently finalising orders for plant and equipment for the cement project. The capacity of the plant will be six lakh tonnes a year. The company has not yet received a licence for the setting up of seamless steel pipes plant.

Telefunken

Telefunken India Ltd has reported remarkable improvement in its performance during the year ended December 31, 1971, with significant increase in output, record rise in exports, and encouraging improvements in its working results. This is indeed a magnificent record for a company which has completed a run of only four years in the manufacture of radio sets. During the year under review the output of radio sets shot up by more than 82 per cent as compared to that of 1970. At the same time the product range was further increased with the addition of new models of radio sets and diversified by the introduction of tape recorders which have been well received by the market. Steps are now being taken for undertaking the expansion of the manufacture of radio receivers — the licensed capacity having been increased from 120,000 sets to 300,000 sets — and for the implementation of the industrial licence for the manufacture of 40,000 record players. Efforts are now being made to obtain a licence for the manufacture of TV sets.

It is gratifying to note that the company was able to make deep inroads in the domestic and overseas markets. While its domestic sales of radio receivers went up by over 62 per cent as

compared to 1970, exports increased by more than three times in 1971 as compared to the preceding year.

During the year under review the company earned, after providing for depreciation, a profit of Rs 31,076 as against a loss of Rs 56.49 lakhs in the previous period of eighteen months. An amount of Rs 9.00 lakhs was provided for depreciation in 1971 as compared to Rs 13.71 lakhs in the preceding period of eighteen months.

With stability and economic level of production and with rising demand for the company's products in internal and external markets the company is well poised for a major thrust forward in all spheres of its activities in the coming years.

Dunlop India

Mr R.G.S. Nairn, Chairman of Dunlop India Ltd, while addressing the annual general meeting of the company said that even with a sizeable increase in the output of tyres there would be an unsatisfied demand particularly for truck tyres. He has indicated that the gap between demand and supply for automotive tyres in 1973-74 will be of the order of one million tyres even after taking into consideration the capacities involved in the various letters of intent. As considerable foreign exchange had to be incurred for the import of tyres it is desired that fresh expansions should be allowed in the case of existing units especially to growth companies such as Dunlop India which are making significant contributions in the vital sectors of the national economy such as road transport, agriculture, industry, defence and exports. Dunlop India has already approached the government with a fresh proposal for increasing the capacity of the Ambattur factory by two lakh tyres

and tubes. Meanwhile the company has fully implemented the expansion programme for 250,000 automotive tyres and tubes at Ambattur for which it received an industrial licence in December 1969. Further, it has appointed an export team to study the future development of the factory at Sahaganj, West Bengal, so that it can satisfy fully the changing future market requirements.

In keeping with its policy to develop new and improved products of advanced design, the company introduced a number of products such as a new rayon truck tyre (Dunlop Highway 105) Dunlop Super Taxi tyre, the PG 6 suitable for very rough off the road conditions and new types of tyres for IAF and Boeing 737. One of the most recent projects is the development of the main wheel tyre for the Boeing 747 jumbo jet.

Every effort was made by the company to maximise the use of indigenous raw materials. As a result the company's dependence on imported raw materials was reduced from 11.3 per cent in 1966 to 6.2 per cent in 1971. The company continued to maintain its record in the field of exports. In 1971 the company exported to 71 countries earning Rs 3.34 crores, an increase of about 10 per cent over 1970. It is heartening to note that the company's exports accounted for 47 per cent of the total tyre industry's exports.

Unit Trust

Sales of units by the Unit Trust of India during January-March 1972 were higher than those in the corresponding period of last year. The Trust sold units of the face value of Rs 1.77 crores to 4,586 new investors during January-March 1972, third quarter of its current year, against Rs 1.22 crores to 2,570 applicants in the

National and Grindlays Bank Group

Geographical distribution of profits

	% 1967	% 1968	% 1969	% 1970	% 1971
United Kingdom	59	56	56	61	55
Asia	30	31	24	25	27
Africa	11	13	11	12	18
Mediterranean and Middle East	—	—	9	2	—
In £000's	£1,390	£1,502	£2,101	£2,948	£4,161

*Including Group Interests in the Far East

Results	1971	1970
Capital and reserves (including loan stock)	£53m.	£50m.
Shareholders' Funds	£38.6m.	£38.1m.
Deposits	£850m. (£284m.*)	£817m.
Advances	£454m. (£476m.*)	£478m.
Cash—short term loans and at Bankers	£273m.	£227m.
Consolidated Profit after Tax before exceptional items	£4,161,000	£2,948,000
Increase in general provision for doubtful debts	£2.5m.	Nil

*The equivalent amount at the 1970 rate of exchange

In his Statement to the Shareholders of National and Grindlays Bank Limited the Chairman, Lord Aldington, said:

Progress in 1971

The principal reason for the sharp increase in the trading profit between the two years was the steady improvement in management efficiency.

Asia

The Bank's business in India and with India has been well maintained and well run; and the Bank's deposits inside India have continued to rise. We have considered a number of useful additional sterling loan proposals to assist in Indian industrial or commercial development, but for a variety of reasons none reached full completion in 1971. The Merchant Banking Division in India are concerned in advising a large number of top class industrial customers, but market and other conditions make most of their work a lengthy process. They have, however, completed several useful export finance arrangements and are considering others.

Middle East

1971 was a year of considerable consolidation within our organisation throughout the Gulf. Our associate, the Bank of Bahrain, had a satisfactory year and another associate, the National Bank of Dubai, is building up a strong banking position. Our associated bank in the Lebanon, the Société Nouvelle de la Banque de Syrie et du Liban, continues to occupy a predominant place in a very large banking community.

The Far East

Dao Heng Bank, in Hong Kong, has had a

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iam-NGB-4/72

corresponding quarter of last year. During the quarter, a sum of Rs 5.88 lakhs was invested by 60 non-residents. The Trust repurchased units of the face value of Rs 67.99 lakhs during the quarter, against Rs 89 lakhs in the corresponding quarter of last year. The number of unit holders, registered with the Trust totalled 4,12,056 at the end of March 1972, with the amount invested totalling Rs 102 crores. Under the Unit-linked Insurance Plan, the total business written during the quarter amounted to

Rs 10.19 lakhs under 128 applications.

Interim Dividends

The directors of *Dharan-gadhra Chemical Works Ltd* have maintained the interim equity dividend at five per cent for the year ended March 31, 1972.

Chowgule Steamships Ltd has proposed a tax-free interim equity dividend of Rs 20 per share for the year ended March 31, 1972 as against Rs 15 for the previous year.

Dividends

		(Per cent)	
Name of the company	Year ended	Equity dividend declared for	
		Current	Prev. year
Higher Dividend			
Globe Auto Electricals	Dec. 31, 1971	8	6
Jawahar Mills	Dec. 31, 1971	10	7.5
Avery India	Dec. 31, 1971	15	13.8
Polyolefins Industries	Dec. 31, 1971	10** (a)	—
Derby Tea	Dec. 31, 1971	4	Nil
Same Dividend			
Goodlass Nerolac Paints	Dec. 31, 1971	12	12
Belapur Sugars and Allied Industries	Sept. 30, 1971	18	18
Travancore Rayons	Dec. 31, 1971	15	15
Chemo-Pharma Laboratories	Dec. 31, 1971	12*	12
Highland Produce Co	Dec. 31, 1971	12.5	12.5
Podar Mills	Dec. 31, 1971	10	10
Finlay	Dec. 31, 1971	12	12
Gold Mohur	Dec. 31, 1971	12	12
Oudh Sugar Mills	June 30, 1971	22	22
Navsari Cotton and Silk Mills	Dec. 31, 1971	5	5
Victoria Mills	Dec. 31, 1971	15	15
Dhanalakshmi Mills	Dec. 31, 1971	10	10
Mothola Tea	Dec. 31, 1971	10	10
Swastik Rubber Products	Dec. 31, 1971	12	12
Sandoz (India)	Dec. 31, 1971	11	11
Reduced Dividend			
Phillips Carbon Black	Nov. 30, 1971	12	15

*On increased capital **Maiden Dividend.
(a) Tax free

New Issues

Modi Industries Ltd is offering for public subscription 5,000 (8 per cent) registered debentures of Rs 1,000 each at par for cash payable in full on application. The subscription list opened on 25th April and will close on April 29 or earlier but not before April 28, 1972. The entire public issue is underwritten. The company proposes to install three ten-tonnes electric arc furnaces (two already installed) and twin strand radial types continuous casting plant complete with auxiliary equipment for casting billets of carbon, spring and low alloy steels of 100x 100 mm section and a rolling mill.

Rathi Alloys and Steel Ltd will be issuing to the public for subscription shortly 2,70,000 equity shares of Rs 10 each and 10,000 redeemable cumulative preference shares (9.5 per cent) of Rs 100 each. This is the first mini-steel plant out of the six sanctioned by the governments. Its first furnace was commissioned in September last and the second one, forming part of the expansion, was put in operation last month.

Regal Papers (Pvt) Ltd is setting up a high glass cast-coated paper plant, at Ghaziabad with an installed capacity of 1500 tonnes per annum without any foreign know-how. It will be entering the capital market sometime in June or July to raise Rs 17.5 lakhs — Rs 10.5 lakhs in equity shares of Rs 10 each and Rs 7 lakhs in preference shares of Rs 100 each to meet a part of the capital cost of the project.

Alfred Herbert (India) Ltd, Calcutta, proposes to raise fresh capital by issuing two lakh equity shares of Rs 10 each at a premium of Rs 5 per share. A part of this issue will be reserved for subscription by the com-

pany's employees. The company proposes to undertake the manufacture of rubber machinery including intermixes, shear strip tyre presses and tube presses. Technical collaboration will be provided by Messrs. Francis Shaw and Co. (Manchester) Ltd.

East Coast Breweries and Distilleries Ltd will be entering the capital market soon with a public issue of Rs 29.5 lakhs in ordinary shares of Rs 10 each at par. The entire issue is underwritten. Considering the vast potential of Paradeep the government has issued a letter of intent to the company for setting up a new undertaking for the manufacture of 5,000 hectolitres of beer. The technical know-how has been offered by Desmet (India) (P.) Ltd based on the latest development in processing equipment and technique of pressure fermentation developed by Dr Wellhoener, Pressure fermentation Institute of West Germany and being exploited by Steineckers.

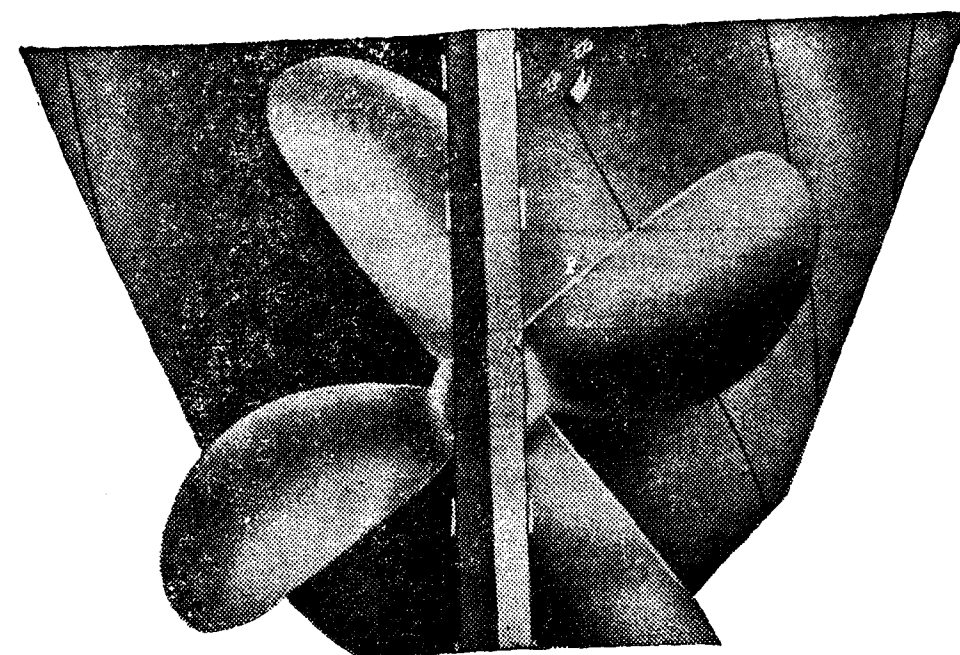
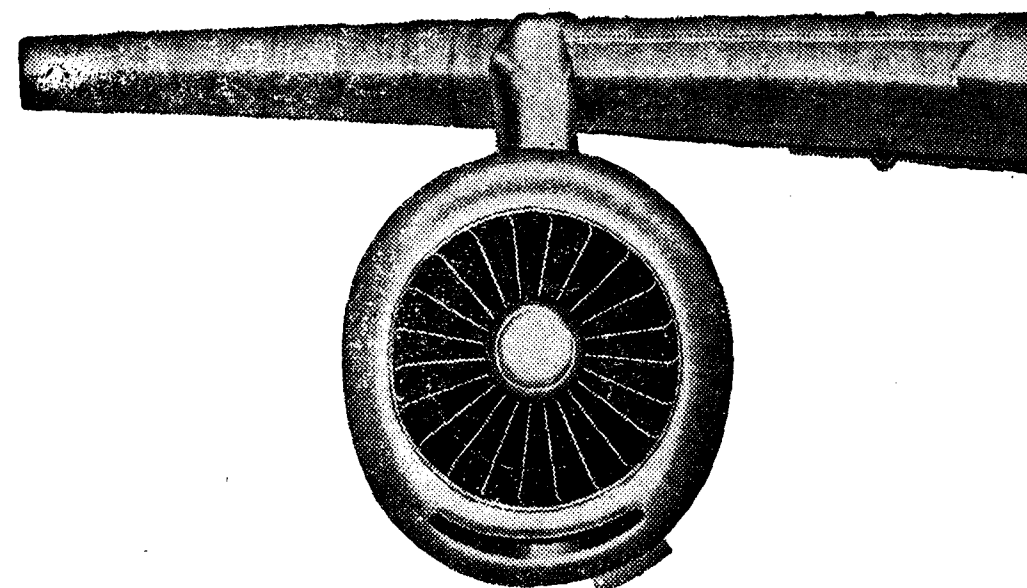
Eurokote (India) will be approaching the capital market shortly to raise capital worth Rs 55 lakhs — 3,50,000 equity shares of Rs 10 each and 20,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each. The entire issue is underwritten. The company has received an industrial licence for the manufacture of 3,000 tonnes of high glass cast coated paper and board per annum. The factory will be located in the industrial area of Vapi, Gujarat state.

COMPANY MEETINGS

Asian Cables Corporation Ltd: Nirmal, 241/242, Backbay Reclamation, Bombay-1; April 28; 4 P.M.

Triveni Engineering Works Ltd: Hotel Imperial, Janpath, New Delhi; April 28; 4 P.M.

Bharat Fertiliser Industries Ltd: 12, Nanabhai Lane, Fort, Bombay-1; April 28; 4.30 P.M.



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COMPANY MEETING

DUNLOP INDIA LIMITED

Chairman, Mr. R.G.S. Nairn's Review

The following is the address by the Chairman, Mr. R.G.S. Nairn, at the 46th Annual General Meeting held on April 21, 1972, at Calcutta.

I have pleasure in welcoming you to the 46th Annual General Meeting of the Company.

As the Directors' Report and Accounts for the year ended 31st December, 1971, have been in your hands for some time, I should like, with your permission, to take them as read.

THE YEAR'S TRADING

Sales of Dunlop automotive tyres and tubes were higher than in 1970, mainly due to the implementation of the expansion at our Ambattur factory. However, the demand for our products continued to be in excess of manufacturing capacity. Your Company took special steps to ensure equitable distribution of tyres and tubes at the recommended retail prices, and maximised supplies for Defence, State Transport undertakings, and to border areas.

Sales of our industrial products also exceeded those of last year, but, here again, the demand, particularly for conveyor belting, could not be fully met due to limitations in capacity.

INDUSTRY CAPACITY

Production by the Automotive Tyre Industry increased substantially to 4.6 million tyres in 1971 as compared to 4.0 million in 1970, an increase of 14%, but in the important product groups of truck, rear tractor and large earthmover tyres, demand exceeded availability. This was in spite of the implementation of expansions granted by Government to existing manufacturers, including your Company. The position was further aggravated when additional tyres had to be diverted towards the end of the year for Defence needs. During 1972-73 shortages will continue,

particularly in the main truck tyre size 9.00-20.

In order to ensure sufficient availability of a vital product, which is essential for the economic development of the country, additional automotive tyre manufacturing capacity should be installed within the next two years. The available capacity of the existing manufacturers, including Letters of Intent, is 5.5 million automotive tyres whereas the total demand in 1973-74 is estimated to be 6.5 million. This gap cannot be filled by the various new tyre projects to whom Letters of Intent have been issued as they do not appear to have made significant progress.

In anticipation of the growing shortage, your Company submitted early last year applications to Government for a composite factory at Goa for the manufacture of automotive tyres and tubes, and industrial products. Government has recently rejected the automotive tyres and tubes application as a licence for a tyre factory at Goa has been given to another existing manufacturer. In view of the immediate need to create additional capacity and the national policy for conserving foreign exchange, we have submitted a new proposal to Government to increase capacity at our Ambattur factory by 200,000 tyres and tubes with the addition of balancing equipment only. It will be possible to implement this expansion within the short period of one year from receipt of the capital goods licence, thus enabling us to meet a part of the shortage in the immediate future. I hope that Government will consider our latest proposals favourably and speedily in order to minimise the need for imports at a substantial foreign exchange cost. The foreign exchange required to import 100,000 truck tyres is approximately Rs 3 crores.

I mentioned earlier that the demand for Dunlop industrial products could not be fully met. In the case of conveyor belting in particular, the market potential has increased well beyond the manufacturing capacity in the country and our capacity is booked for 42 months. Major consumers, mostly Public Sector projects, are therefore having to import their requirements and the position will become progressively worse until additional capacity.

is installed. Our application for the factory at Goa includes a composite scheme for the manufacture of steel cord and textile reinforced conveyor belting, which is still being considered by Government.

DEFENCE SUPPLIES

Your Company fully played its part in meeting the country's Defence requirements, during the year and the output of products such as tyres for army vehicles, including tanks, and for Indian Air Force aircraft, was increased substantially.

Dunlop India is the only manufacturer in the country of aircraft tyres and military tank tyres. During 1971, we commenced production of a special purpose truck tyre for sand operations to meet Defence needs. Our future plans include a scheme for retreading aircraft tyres.

Following the declaration of the national emergency, the employees at the Company's factories worked on Sundays and holidays to maximise production for Defence needs. We had the honour of a visit by Lt. Gen. I.S. Aurora, GOC-in-C. Eastern Command, to our Sahaganj factory on 21st December, when he expressed his appreciation to your Company and its employees for the important contribution which they had made to the war effort.

EXPORTS

Our consistently good export performance was maintained and another new export record was set in 1971 in the face of severe international competition. Your Company exported to 71 countries earning a total of Rs. 3.34 crores, an increase of almost 10% over 1970. This was achieved through well planned export promotion, effective visits by Dunlop export executives to as many as 36 countries to expand existing markets and develop new ones, and the invaluable support from our U.K. Associates with their international distribution and service organisation. Dunlop India's exports in 1971 were 47% of the total Tyre Industry exports.

A notable achievement of Dunlop India Export House was the development of overseas markets for a wide variety of goods

made by indigenous small scale manufacturers.

International trade today is complex, highly competitive and subject to sudden shifts and in order to be successful in this field, comprehensive and consistent Government policies are needed. Unfortunately this is not always so. For example duty drawback rates for automotive tyres and tubes were reduced drastically with very little prior notice in December 1971 with no increase in export cash assistance to compensate for the high raw material prices in India. Consequently, exports can now only be made at an even more substantial loss than previously. If we are to win and hold export markets on a long term basis, it is essential to have reasonable stability in the net cost of products for export.

PRODUCTION

Higher production was achieved during 1971 despite production losses at the Sahaganj factory, mainly because of power cuts and high absenteeism, particularly in the first half of the year.

The expansion programme for 250,000 automotive tyres and tubes at Ambattur, for which an industrial licence was received in December, 1969, was completed by the end of the year. The Ambattur factory also started production of bicycle rims, for which a capital goods licence for 1.5 million pieces per annum was received in July, 1969.

An expert team was appointed to investigate the future development of our larger factory at Sahaganj, West Bengal. Plans are being finalised to ensure that Sahaganj continues to operate efficiently, and plant and equipment are modernised to cater to changing future market requirements.

The range of Metalastik rubber-to-metal bonded products at Sahaganj was enlarged during the year with the introduction of draft gear pads required for the centre buffer couplers of railway wagons.

PRODUCT DEVELOPMENT

In keeping with the Company's policy to develop new and improved products of advanced technical design, a new rayon truck tyre, the Dunlop Highway 105, was introduced in the market after being tested over 80 million kilometres on all kinds of roads throughout India. No other tyre developed in this country has ever been so extensively tested before commercial introduction. Your Company also developed and marketed the Dunlop Super Taxi tyre. This is the first tyre produced in India specially designed for the needs of the taxi operator. Another addi-

tion to our tyre range was the PG. 6 which has been developed for use under very rough "off-the-road" conditions. User reaction to these tyres has been most favourable.

In pursuance of our policy to make the country self-sufficient in aircraft tyres, we have continued to develop new sizes. During 1971 we added to our range three new sizes for the Indian Air Force and tyres for the Boeing 737 aircraft. One of the most recent projects is the development of the main wheel tyre for the Boeing 747 Jumbo jet.

RESEARCH AND DEVELOPMENT

Research and development are of the highest importance in a technology-based industry like ours, and backed by the supply of technology from our U.K. Associates, your Company's technical development departments enable us to introduce new and better products, and to improve on our already excellent achievements in the field of import substitution and exports.

The know-how from our U.K. Associates is provided under a Technical Aid Agreement. At the end of 1969, this Agreement was terminated by Government who requested us to renegotiate a new Agreement. We submitted our proposals for the new Agreement and Government approval is awaited.

It will interest you to know that Dunlop U.K.'s expenditure on research and development exceeds the equivalent of Rs. 15 crores per annum, and their recent union with Pirelli, Italy, permits Dunlop India, at no extra cost, to avail of the added benefits of research and development by Pirelli, whose expenditure is also in the region of Rs. 15 crores per annum. To remain competitive by international standards, research and development on this huge scale have become essential and, needless to say, a company of the size of Dunlop India cannot possibly afford expenditure of this magnitude. It is not only economical but essential for your Company to continue to purchase technical know-how to ensure that we do not fall behind international standards which I, would submit, is a matter of national interest. The advantages are not only in terms of product quality and performance, which are vital to maintain exports, but just as important to ensure that there is the most economic use of scarce raw materials.

However, your Company is keenly aware of the need to reduce reliance on external technical assistance, and, in fact, spent

approximately Rs. 30 lakhs on local development activities in 1971. The new proposed Technical Aid Agreement reduces the number of products for which technical assistance needs to be continued, thereby minimising foreign exchange outgoings.

The most important products now excluded are cycle tyres and tubes, for which we are establishing a Research and Development Centre at our Ambattur factory. This Centre will not only assume responsibility for exporting know-how to Dunlop Companies all over the world but will also enable us to sell know-how to other manufacturers overseas. Your Company will thus earn additional foreign exchange.

We continue to make every effort to maximise the use of indigenous raw materials and provide all possible assistance to local manufacturers for the development of new indigenous sources of supply. As a result of these efforts, our imported raw materials have been reduced from 11.3% of total requirements in 1966 to 6.2% in 1971.

A similar effort has been made by us in persuading the major international equipment manufacturers to commence operations in India and in encouraging the development of indigenous tyre manufacturing equipment. For example we have played a large part in persuading McNeill's of USA to manufacture Bag-o-Matic tyre moulding presses in India. Production is expected to commence in the next year or two and another major step will then have been taken towards self-reliance.

COSTS

The inflationary trend in prices of indigenous raw materials continued during 1971. Apart from

higher excise duties price increases were particularly high in the case of synthetic rubber, cotton textiles, and steel. Prices of imported raw materials have also increased following the imposition of higher import duties in December 1971 and March 1972 and the realignment of exchange parities.

The cost of wages, salaries and dearness allowance has also increased considerably over the previous year.

To compensate for the direct cost increases incurred since November 1968, when automotive tyre selling prices were last increased, the Tyre Industry approached Government for an increase in automotive tyre prices early in 1971. This request has now been referred to the Bureau of Industrial Costs and Prices for investigation. In the meantime, we are compelled to absorb these and any further cost increases.

Taxation

The full impact of the reduced rates of development rebate was felt from 1971. The 1971 Budget introduced further increases in the incidence of taxation, the most important being the withdrawal of relief on profits of a number of priority industries, of which your company was one. In December 1971, a surcharge of 2½% on corporation tax was levied as an emergency measure and this has been increased in the 1972 Budget to 5%. These changes will result in a steep increase in the burden of your company's taxation.

Furthermore, the announcement of the proposed total withdrawal of development rebate from May, 1974 is likely to become a disincentive to industrial investment, particularly in the case of capital intensive projects, unless relief in an alternative form

is granted to offset the increase in the tax burden.

PROFIT & LOSS ACCOUNT AND BALANCE SHEET

The main features of the financial results for 1971 have been covered in the Annual Report, but there are several points that I would like to make.

We have always maintained that an important yardstick in considering profits is the percentage of profit, before interest and tax charges, to sales. Since 1969, this ratio has been declining in spite of a steady increase in sales volume, and in 1971 the ratio was 7.4% compared with 9.1% in the previous year. The major reason for this is that selling prices for automotive tyres and tubes have not been increased since November, 1968, although prices of major raw materials, services and also employee costs have risen substantially during this period. The result of these cost increases is that whilst the Company's total income has increased in 1971 by approximately Rs. 10 crores, profit before tax has reduced by approximately Rs. 1 crore.

Although much has been achieved by way of cost economy, improved operating efficiency and reduced working capital tie-up, a fairly rapid growth in production volume and turnover is essential if selling prices are to be contained and a reasonable level of profit earned.

As you will see from the accounts, profit before tax amounted to Rs. 6.04 crores compared with Rs. 7.04 crores in 1970. After providing for taxation and Development Rebate Reserve, the balance of profit amounted to Rs. 3.17 crores. The taxation charge for 1971 is actually lower than it was in 1970, due to the commissioning of the new

plant and buildings at the Ambattur factory. Preference Share dividends absorbed Rs. 4.6 lakhs and your Directors propose to maintain the Ordinary dividend at Rs. 2 per share absorbing Rs. 2 crores, the same as for 1970, retaining the balance amounting to Rs. 1,12,48,000 by transferring this to General Reserve.

Capital expenditure for the year was Rs. 6.03 crores compared with Rs. 3.20 crores in 1970. The expenditure during the year includes the implementation of the expansions at the Ambattur factory.

A reappraisal of the effective working life of your Company's fixed assets was carried out during the year. Based on this study, the rates of depreciation applicable to various categories of assets were revised on 1st January, 1971, with retrospective effect. The cumulative adjustment arising out of this revision amounted to Rs. 65.95 lakhs and this amount has been transferred from depreciation account to Capital Reserves.

In order to finance the sterling requirements and also the balance of the rupee cost of the company's recent expansion, it was decided with your approval at the last Annual General Meeting, to raise approximately Rs. 2 crores by way of an issue of 15,00,000 Ordinary Shares at a premium of Rs. 4 per share to members in the ratio of three new Ordinary Shares for every 20 Ordinary Shares held. The proceeds of the proposed issue will be Rs. 2.1 crores. The amount payable by Dunlop Holdings Limited, U. K. is approximately Rs. 1.08

crores of which Rs. 1.04 crores will be met by set off against the sterling loan made available by them. Government approval to this issue is awaited.

PERSONNEL

It has always been your Company's firm belief that a properly trained and contented labour force is its biggest asset. We have therefore adopted progressive labour relations policies and continuously worked towards improving the conditions of service of all employees.

Consistent with this policy, it has been your Company's practice to negotiate long term agreements, which help to ensure uninterrupted production and industrial peace during the operational period of the agreements. In 1971, we concluded negotiations and signed a new four year agreement covering the personnel at the Head Office as well as the District and Sub-District Offices throughout the country.

Negotiations for a new agreement for the production operatives and staff at the Sahaganj factory are still continuing in an environment of industrial peace.

The agreement covering our employees at the Ambattur factory expired at the end of 1971 and negotiations for a new agreement were started. However, I am sorry to have report that while negotiations were still continuing at tripartite level, the Union at the Ambattur factory disregarding the advice of the Government Labour Department, took the law into their own hands thereby disrupting production and creating

indiscipline. As a consequence of this, in the interests of security of personnel and plant, the Management was compelled to declare a lock-out until normal working conditions are assured. We are keeping the door open for negotiations and it is to be hoped that the appropriate climate for the resumption of full production will soon be restored.

Your Company's programmes for training and development of personnel at all levels continued to make good progress during 1971. A large number of employees attended Company courses as well as courses organised by outside professional bodies.

FUTURE PROSPECTS

I have already referred to your Company's plans for expansion and diversification of its manufacturing activities. However, a point that disturbs me is that we continue to be regarded as a dominant undertaking under the Monopolies & Restrictive Trade Practices Act. As you know, a company is deemed to be dominant in any product if its average production of that item over the last three years was one third or more of the total industry production. Although your Company's share of the total automotive tyre industry output in the last three years has been somewhat in excess of one-third, this is so only because we have implemented licenced expansions quickly and because during this period, our factories have worked peacefully. In fact, your Company's share of total licenced capacity is only 25% which reduces to 16% if all Letters of Intent that are presently valid

are included. Your Company which has produced to full licenced capacity because it has taken energetic steps to implement its expansions quickly, would not be considered dominant if the future position rather than past production were taken into account.

I would like to cite a specific case, directly affecting your Company, where the Monopolies & Restrictive Trade Practices Act could operate against the national interest. Dunlop India is the sole producer in India of aircraft tyres and tubes. Consequently, under the Act, it could be said that your Company is monopolistic for these products. It would be unfortunate if this were the case as our pioneering efforts have resulted in self-sufficiency for these vital products for the country's military and civil aircraft.

I have every confidence that Government will increasingly take a more realistic view of issues such as "dominance" when considering expansion applications and will allow growth to companies such as Dunlop India, which are making significant contributions in vital sectors of the national economy, such as road transport, agriculture, industry, Defence and exports.

In conclusion, I should like to thank all our employees for the efforts they made during 1971 and particularly for the special endeavour during the national emergency.

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

PUBLIC NOTICE

This is for public information that M/s Modi Spinning & Weaving Mills Co. Ltd., Modinagar has made an application on 13th March, 1972, under Section 23 (4) of the Monopolies & Restrictive Trade Practices Act, 1969 to the Department of Company Law Affairs, Government of India for making an investment upto Rs 65 lacs (Rupees sixty five lacs) in the equity capital of the Modi Rubber Ltd., Modinagar.

Any person interested in this, may make representation to the Secretary, Department of Company Law Affairs, Government of India within a fortnight of this publication.

For Modi Spg. & Wvg. Mills Co. Ltd.,

K. N. MODI
DIRECTOR

14th March, 1972

PUBLIC NOTICE

This is for public information that M/s. Modipon Limited, Modinagar has made an application on 13th March, 1972 under Section 23 (4) of the Monopolies & Restrictive Trade Practices Act, 1969 to the Department of Company Law Affairs, Government of India for making an investment upto Rs. 75 lacs (Rupees seventy five lacs) in the equity capital of the Modi Rubber Limited, Modinagar.

Any person interested in this, may make representation to the Secretary, Department of Company Law Affairs, Government of India within a fortnight of this publication.

FOR MODIPON LIMITED

K. K. MODI
DIRECTOR

RECORDS AND STATISTICS

Wholesale Prices

THE WHOLESALE prices as measured by the official index (with the year ended March, 1962=100) rose by 2.2 per cent to 190.0 in January, 1972 as against 186.0 for December, 1971. The index for January, 1972 was higher by 3.7 per cent when compared to 183.3 for January, 1971. The rise in the All Commodities index during January 1972 was shown by an advance in almost all the constituent groups except 'Chemicals' which declined by 1.0 per cent to 199.5. The rise in the other groups was of the following order:

'Food Articles' (+2.8 per cent to 210.1), 'Liquor & Tobacco' (+1.6 per cent to 201.8) Fuel, Power, Light & Lubricants (+0.1 per cent to 174.7), Industrial Raw Materials' (+3.1 per cent to 190.5), Machinery & Transport Equipment (+0.2 per cent to 162.0) and Manufactures (+1.8 per cent to 171.1).

food articles

The index for 'Cereals' Sub-group moved up by 2.6 per cent to 204.7 due to a rise in the prices of all the cereals except jowar which remained unchanged. Enhanced prices of all the pulses (except arhar which fell), pushed up the index for the sub-group by 3.0 per cent to 294.5. The index for 'Food grains' rose by 2.6 per cent to 221.0. At this level the index for 'Food grains' was also higher by 9.0 per cent when compared to that of a year ago. The index for 'Fruits & Vegetables' advanced by 3.6 per cent to 184.7 due to a rise in the prices of oranges and bana-

nas. Owing to a rise in the prices of milk, the sub-group index for 'Milk & Milk Products' went up by 1.8 per cent to 214.8. Higher prices of groundnut oil, gingelly oil and vanaspati raised the sub-group index for 'Edible Oils' by 2.5 per cent to 201.1. The prices of coconut oil, however, declined. The sub-group index for 'Fish, Eggs & Meat' declined sharply by 18.0 per cent to 202.8 due to a fall in the prices of eggs and fish. The index for 'Sugar & Allied Products' recorded a rise of 11.9 per cent to 231.7 due to a rise in the prices of sugar, gur and kandsari. A rise of 3.3 per cent to 161.3 in the sub-group index for 'Other Food Articles' was caused by higher prices of all the commodities.

liquor & tobacco

The index for 'Liquor & Tobacco' group moved up by 1.6 per cent to 201.8 due to a rise in the prices of tobacco raw.

fuel, power, light, lubricants

The index for this group stood at 174.7 as against 174.6 for the previous month. The prices of coke moved upwards during the month.

industrial raw materials

Higher prices of all the fibres (except coir fibre which stood stationary) pushed up the index for 'Fibres' sub-group by 5.8 per cent to 180.9. In the case of the Oilseeds sub-group, the prices of groundnuts, linseed, gingelly seed, rapeseed and cottonseed moved up

Index Numbers of Wholesale Prices by Groups & Sub-groups of Commodities

(Base: 1961-62=100)

Group and Sub-group	Jan. 1972	Dec. 1971	Jan. 1971	Percentage Change	
				Jan. 1972	Jan. 1971
				Dec. 1971	Jan. 1971
Food articles	210.1	204.3	201.1	+2.8	+4.5
Foodgrains	221.0	215.3	202.7	+2.6	+9.0
Cereals	204.7	199.6	192.9	+2.6	+6.1
Pulses	294.5	285.8	246.8	+3.0	+19.3
Fruits & vegetables	184.9	178.4	186.6	+3.6	-0.9
Milk & milk Products	214.8	211.0	210.5	+1.8	+2.0
Edible oils	201.1	196.1	234.0	+2.5	-14.1
Fish eggs & meat	202.8	247.2	215.5	-18.0	-5.9
Sugar & allied products	231.7	207.0	175.2	+11.9	+32.2
Others	161.3	156.2	181.1	+3.3	-10.9
Liquor & tobacco	201.8	198.6	184.6	+1.6	+9.3
Fuel, power, light & lubricants	174.7	174.6	162.9	+0.1	+7.2
Industrial raw materials	190.5	184.8	206.3	+3.1	-7.7
Fibres	180.9	171.0	199.5	+5.8	-9.3
Oilseeds	208.7	203.4	233.0	+2.6	-10.4
Minerals	141.5	141.1	135.2	+0.3	+4.7
Others	174.5	174.0	170.0	+0.3	+2.6
Chemicals	199.5	201.5	189.7	-1.0	+5.2
Machinery and transport equipment	162.0	161.7	150.4	+0.2	+7.7
Electrical machinery	162.8	162.8	148.9	—	+9.3
Non-electrical	170.5	169.7	158.6	+0.5	+7.5
Transport equipment	146.2	146.1	136.9	+0.1	+6.8
Manufactures	171.1	168.1	161.5	+1.8	+5.9
Intermediate products	204.1	195.6	188.7	+4.7	+8.2
Finished products	163.1	161.5	155.0	+1.0	+5.2
Textiles	169.6	168.0	160.5	+1.0	+5.7
Cotton mfrs	162.9	162.9	157.0	—	+3.8
Jute mfrs	202.0	194.2	182.0	+4.0	+11.0
Silk and rayon mfrs	129.0	128.5	120.7	+0.4	+6.9
Woollen mfrs	194.1	194.1	182.0	—	+6.6
Coir mats & mattings	175.8	175.8	175.8	—	—
Metal products	182.7	178.0	166.2	+2.6	+9.9
Non-metallic products	152.8	152.0	145.0	+0.5	+5.4
Chemical products	150.5	150.1	149.6	+0.3	+0.6
Leather products	98.0	98.0	92.1	—	+6.4
Rubber products	157.3	157.3	155.4	—	+1.2
Paper products	135.7	135.7	124.7	—	+8.8
Oil cakes	185.9	185.1	193.5	+0.4	-3.9
Misc. products	123.9	123.8	122.9	+0.1	+0.8
All Commodities	190.0	186.0	183.3	+2.2	+3.7

Source: Office of the Economic Adviser, Ministry of Industrial Development.

while those of castorseed and copra declined consequently the index for this sub-group recorded a rise of 2.6 per cent to 208.7. The sub-group index for Minerals rose by 0.3 per cent to 141.5. The sub-group index for 'Other Industrial Raw Materials' advanced by 0.3 per cent to 174.5.

chemicals

The index for 'Chemicals' group declined by 1.0 per cent to 199.5 due to a fall in the prices of sodium-hydrosulphite and copper sulphite.

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' however advanced by 0.5 per cent to 170.5. The index for 'Transport Equipment' stood at 146.2 as against 146.1 due to a rise in the prices of cycles.

intermediate products

The index for 'Intermediate Products' moved up by 4.3 per cent to 204.1 owing to an increase in the prices of cotton yarn, rayon yarn, leather, semis (billets), zinc, bran sheets, copper sheets, lead and linseed oil. The prices of tin block however declined.

finished products

Higher prices of Jute Manufactures (+4.0 per cent to 202.0) and Silk & Rayon Manufactures (+0.4 per cent to 129.0) raised the sub-group index for 'Textiles' by 1.0 per cent to 169.6. The index for 'Metal Products' sub-group advanced by 2.6 per cent to 182.7 due to an increase in the prices of all the items under this sub-group. The

sub-group index for 'Non-Metallic Products' moved up by 0.5 per cent to 152.8 on account of a rise in the prices of cement and pottery goods, although the prices of bricks, tiles and glass manufactures declined. The sub-group index for 'Chemicals Products' went up by

0.3 per cent to 150.5 due to higher prices of dying materials and essential oils. The indices for Leather Products, Rubber Products and Paper Products stood stationary at their last month's levels of 98.0, 157.3 and 135.7 respectively. The sub-group index for 'Oil

Cakes' advanced by 0.4 per cent to 185.9. The index for 'Miscellaneous Products' moved up slightly from 123.8 in the outgoing month to 123.9. On the whole the index for 'Finished Products' moved up by 1.0 per cent to 163.1 during the month under review.



PERFORMANCE:

**PRODUCTION IN
1971-72 STEPPED UP TO
RS. 32.76 CRORES**

**An increase of more than RS. 5 CRORES
over 1970-71 output**

**PRODUCTION SINCE INCEPTION
RS. 158 CRORES**

Major Accomplishments Include:

- Completely equipped & Commissioned
- Three Hydro power stations
- Two Thermal power stations
- Over 230 diesel electric locomotives
- Three out of every four suburban trains operating in Calcutta area
- One out of every four suburban trains operating in Bombay area.

And supply of

- Main Steam Turbines for propelling Indian Navy Warships
- 1,20,000 KW Steam Turbine Generator.



**HEAVY ELECTRICALS (INDIA) LIMITED
BHOPAL**
(A Govt. of India Undertaking)

Newfields

Reserve Bank of India

(Rs crores)

	April 1972	A week ago	A month ago	A year ago
Issue Department				
Notes held in banking department	13.26	18.13	18.19	4.83
Notes in circulation	4768.43	2724.68	4724.68	4360.99
Total notes issued	4781.70	4655.31	4742.87	4365.82
Gold coin and bullion	182.53	182.53	182.53	182.53
Foreign securities	238.65	238.65	238.65	273.42
Rupee coin	33.23	36.27	33.85	47.17
Government of India rupee securities	4327.28	4197.85	4287.84	3862.69
Banking Department				
Deposits of central government	244.86	214.86	188.13	352.20
Deposits of state governments	2.04	4.96	10.17	4.21
Deposits of Banks	200.32	295.70	246.14	204.39
Other deposits	114.69	110.09	95.22	86.17
Other liabilities	1015.71	1063.67	948.01	680.02
Total liabilities or assets	1577.63	1689.27	1487.67	1326.98
Notes and coins	13.34	18.26	18.29	4.88
Balance held abroad	174.76	182.17	187.00	83.34
Loans and advances				
State governments	717.53	625.20	494.17	456.57
Scheduled commercial banks	80.55	207.45	187.49	270.26
State co-operative banks	305.65	323.26	337.31	289.11
Other loans and advances	88.46	88.23	84.65	41.70
Bills purchased and discounted	54.06	11.16	54.62	20.29
Investments	94.92	87.32	80.09	113.33
Other assets	48.38	46.22	44.06	47.50

Scheduled Commercial Banks

(Rs crores)

	April 1972	A week ago	A month ago	A year ago
1. Demand deposits*	3119.27	3062.88	2974.95	2619.88
2. Time deposits*	4015.00	3990.83	3986.91	3333.19
3. Aggregate deposits*	7134.27	7053.71	6961.86	5953.07
4. Cash	182.25	179.76	175.34	166.89
5. Balances with Reserve Bank	226.02	259.41	229.63	198.77
6. Cash and balances with Reserve Bank	408.27	439.17	404.97	365.66
7. Borrowings from Reserve Bank	80.55	207.45	187.49	270.26
8. Investments in government securities	1701.35	1651.74	1650.22	1359.33
9. Advances	4177.16	4179.11	4127.62	3753.39
10. Bills purchased and discounted	1033.48	1043.14	1033.19	993.94
Inland bills	810.52	821.20	811.17	782.50
Foreign bills	222.96	221.94	222.02	211.44
11. Total bank credit	5210.64	5222.25	5160.81	4747.34
12. Percentage of				
(6) to (3)	5.72	6.23	5.82	6.14
(8) to (3)	23.85	23.42	23.70	22.83
(11) to (3)	73.04	74.04	74.13	79.75

*Excluding inter-bank borrowings

Source: Reserve Bank of India

Index Numbers of Security Prices

(Base: 1961-62=100)

Week ended	1971		1972			
	April 10	March 11	March 18	March 25	April 1	April 8
Government and Semi-Government Securities, All-India, Total	97.8	97.6	97.6	97.6	97.6	97.6
Government of India	97.2	96.9	96.9	96.9	96.9	96.9
State governments	100.3	100.4	100.4	100.3	100.3	100.3
Semi-government Institutions	100.6	101.3	101.3	101.3	101.3	100.9
Debentures-All India	93.1	92.6	92.6	92.6	92.6	92.6
Preference Shares-All India	85.6	82.8	82.3	82.4	82.5	82.7
Variable Dividend Industrial Securities, All-India, Total	100.2	94.2	94.1	96.0	96.1	96.7
Agricultural and Allied Activities	88.4	87.4	87.0	87.1	87.0	87.0
Mining and Quarrying	54.4	46.9	45.0	45.2	45.4	45.8
Processing and Manufacturing: Total	97.0	91.2	91.2	93.8	93.6	94.2
Foodstuffs, Textiles	82.0	76.9	77.1	79.3	79.9	80.4
Metals, Chemicals, etc.	102.8	95.6	95.1	97.3	97.7	98.5
Others	125.5	121.7	122.2	123.4	123.0	123.2
Other Industries	123.4	116.7	117.0	118.3	117.0	117.9
Financial	130.8	115.2	115.6	115.5	115.8	115.8
Variable Dividend Industrial Securities—Regional						
Bombay	113.3	102.0	101.7	104.0	103.6	104.3
Calcutta	95.2	94.7	94.8	96.5	97.1	98.0
Madras	88.0	84.1	84.0	84.3	84.3	84.4
Ahmedabad	80.0	68.7	68.9	71.9	72.8	72.7
Delhi	113.3	104.6	102.1	102.1	101.9	101.7

Source: Reserve Bank of India

EASTERN ECONOMIST

APRIL 28, 1972

Index Numbers of Industrial Production

Base 1960=100

Item	1971*				Item	1971*			
	1970	May	June	July		1970	May	June	July
General Index:					Heavy inorganic chemicals	337.4	341.3	347.4	347.9
Seasonally adjusted	180.8	183.2	186.1	185.7	Synthetic resins and plastics	194.4	231.6	221.0	198.0
Crude	180.8	179.0	182.7	187.3	Synthetic fibres	230.7	256.1	260.6	274.2
Mining and quarrying	149.0	155.1	150.4	N.A.	Dyestuffs and dyes	195.6	193.7	173.9	168.9
Manufacturing	174.7	170.4	176.9	180.6	Manufacture of fertilisers	668.7	649.3	787.7	807.7
Food manufacturing industries	157.5	136.0	149.4	155.2	Manufacture of paints, varnishes and lacquers	115.2	120.5	117.5	113.0
Sugar factories and refineries	165.3	65.2	17.3	9.6	Fine pharmaceutical chemical	156.6	156.8	156.7	156.8
Vanaspatti	154.4	167.4	164.5	154.2	Petroleum refinery products	297.3	337.4	310.7	315.9
Tea	128.4	128.9	194.1	221.0	Manufacture of non-metallic mineral products†	189.1	212.8	203.6	205.6
Coffee curing	129.3	283.4	202.1	167.9	Manufacture of cement (hydraulic)	177.9	187.6	169.7	192.2
Cigarette manufacturing	168.0	178.5	188.2	197.7	Basic metal industries	205.5	200.5	193.8	208.7
Manufacturing of textiles	109.7	103.9	104.2	113.6	Iron and steel basic industries	187.8	177.5	169.4	184.1
Spinning, weaving and finishing of cotton textiles	111.8	102.9	103.7	110.8	Aluminium manufacturing	508.7	557.4	558.1	591.8
Cotton spinning	127.0	114.7	115.2	124.3	Manufacture of metal products	219.0	269.1	297.1	234.8
Weaving of cotton textiles	92.7	88.0	89.3	93.9	Manufacture of machinery except electrical machinery	369.5	314.9	353.4	352.6
Spinning, weaving and finishing of woollen textiles	161.6	147.0	152.1	191.6	Manufacture of industrial machinery	120.6	82.0	95.7	77.4
Spinning, weaving and finishing of Jute manufactures	85.1	92.1	94.2	103.5	Manufacture of electrical machinery	362.7	398.1	424.8	395.3
Manufacture of paper and paper products	216.2	228.7	218.4	224.1	Manufacture of batteries	232.3	226.9	244.1	254.3
Manufacturing of paper	217.4	230.6	224.0	230.4	Manufacture of transport equipment	132.0	107.5	120.6	121.3
Manufacturing of leather and fur products	65.3	49.9	63.7	56.6	Manufacture motor vehicles	157.8	149.4	157.0	167.5
Manufacture of rubber products	215.7	190.3	216.5	248.5	Motor cycles and bicycles	266.5	273.7	275.4	297.8
Manufacture of chemicals and chemical products	236.5	239.9	247.9	261.3	Manufacture of motor cycles & scooters	603.2	N.A.	N.A.	N.A.
Basic industrial chemicals including fertilizers	332.2	361.1	385.4	386.4	Manufacture of bicycles and tricycles	194.9	198.3	196.7	214.5
Heavy organic chemicals	287.7	291.3	298.8	284.4	Electricity generated	334.0	357.9	343.3	N.A.

†Except products of petroleum and coal. *Provisional. Source: C.S.O.

Money Supply with the Public

(Rs lakhs)

Last Friday	Money supply	Total currency with the public	Deposit money with the public			
			Total	Net demand deposits of banks*	Other deposits with Reserve Bank	Total variations in money supply
1951-52	1,848,18	1,285,51	562,67	544,85	17,82	-160.03
1955-56	2,216,95	1,571,01	645,94	636,90	9,04	+262,16
1960-61	2,868,61	2,098,05	770,56	757,10	13,46	+199,16
1965-66	4,529,39	3,034,28	1,495,10	1,478,38	16,72	+449,11
1966-67	4,949,96	3,196,80	1,753,16	1,711,75	41,41	+420,57
1967-68*	5,350,07	3,376,08	1,973,99	1,917,66	56,32	+400,11
1968-69*	5,779,25	3,681,97	2,097,28	2,016,41	83,88	+429,18
1969-70*	6,386,54	4,010,34	2,376,20	2,318,30	57,90	+607,29
1970-71*	7,136,32	4,379,67	2,756,65	2,712,82	43,83	+749,78
January 1971	6,946,31	4,259,01	2,687,29	2,628,46	58,83	+151,88
November "	7,486,67	4,490,09	2,996,58	2,947,89	48,69	+40,33
December "	9,702,99	4,567,17	3,135,81	3,069,80	66,02	+216,32
January 1972	7,809,35	4,708,29	3,101,06	3,037,45	63,61	+106,36
February "	7,895,00	4,781,00	3,114,00	3,057,00	57,00	+86,35
March "	8,054,00	4,803,00	3,251,00	3,171,00	80,00	+159,00

Source: Reserve Bank of India

*Provisional

EASTERN ECONOMIST

APRIL 28, 1972

Consumer Price Index Numbers for Industrial Workers

(Base: 1960=100)

Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1970		1971*				
							Dec.	July	Aug.	Sep.	Oct.	Nov.	Dec.
All India				174**	177	186	186	190	194	196	196	197	195
Ahmedabad	130	148	168	165	169	176	177	178	181	183	182	186	184
Alwaye	145	148	183	198	197	198	197	200	203	204	204	206	210
Asansol	140	145	168	176	178	189	190	192	196	198	199	199	195
Bangalore	144	159	172	180	183	196	190	192	193	197	197	199	197
Bhavnagar	132	152	173	176	178	186	185	188	193	195	196	195	199
Bombay	130	147	164	167	175	182	183	189	190	192	193	194	191
Calcutta	131	148	163	170	172	182	185	184	189	194	198	200	193
Coimbatore	132	144	151	147	154	164	167	174	178	178	177	180	184
Delhi	136	152	172	178	185	199	202	211	216	215	213	218	211
Dighboi	138	160	198	185	180	189	195	186	191	192	191	191	190
Gwalior	139	160	191	179	184	191	186	197	200	201	201	200	198
Howrah	137	154	178	181	176	186	189	187	189	194	200	201	196
Hyderabad	140	158	167	173	185	189	191	192	195	199	200	200	197
Jamshedpur	136	158	183	171	170	183	181	191	191	191	191	192	186
Madras	134	144	151	150	160	170	174	180	182	183	185	187	188
Madurai	128	142	146	148	160	177	183	190	193	200	194	197	196
Monghyr	151	187	215	185	188	204	199	204	211	211	213	209	202
Mundakayam	138	152	173	186	191	197	196	194	202	204	200	204	206
Nagpur	138	148	164	166	176	187	191	189	193	194	194	196	197
Saharanpur	141	163	188	176	181	186	184	192	193	195	194	198	200
Sholarpur	128	150	165	167	176	185	187	197	203	206	204	201	207

*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*				
							Dec.	June	July	Aug.	Sept.	Oct.	Dec.
All India	132	146	159	161	167	174	175	178	181	183	183	183	182
Bombay	132	142	153	156	162	168	168	173	174	174	174	174	171
Delhi-New Delhi	131	142	154	162	168	174	173	179	182	181	181	180	180
Calcutta	126	139	152	156	162	170	171	174	177	179	179	179	175
Madras	133	147	154	154	161	175	181	183	186	187	189	191	193
Hyderabad-Secunderabad	133	147	155	159	167	174	177	186	179	181	181	181	184
Bangalore	133	145	156	160	164	172	176	177	179	180	181	182	182
Lucknow	132	146	159	156	161	166	166	171	175	177	177	178	176
Ahmedabad	131	146	160	162	168	171	171	171	174	176	174	175	175
Jaipur	133	150	162	168	176	183	182	186	189	189	189	189	188
Patna	139	160	179	180	180	191	191	191	196	196	195	193	190
Srinagar	134	143	160	167	174	184	187	187	188	191	191	192	193
Trivandrum	131	146	165	168	172	178	182	180	183	184	184	186	187
Cuttack-Bhubaneswar	142	154	164	167	169	176	198	181	183	188	185	189	188
Bhopal	133	144	166	166	172	180	179	186	191	191	189	191	191
Chandigarh	129	143	155	164	171	178	177	180	185	186	183	184	185
Shillong	123	134	155	163	164	166	166	173	178	177	180	182	179

*Provisional

Source: C.S.O.

EASTERN ECONOMIST

APRIL 28, 1972

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, Poptins, Voiles, Dorias, Bleached Long Cloth and fabrics for all the family.



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Tumbril, not band-wagon

It is unfortunately only too true that much of the business community has let itself be demoralised and devitalised by the unprincipled political persecution to which it has been subjected. Indeed many business leaders seem to have got themselves brain-washed to an extent where they seem to have more or less happily reconciled themselves to being talked to or otherwise treated as second-class citizens who must justify their existence from day to day by proving their *bona fides* to the satisfaction of the current vendors of ideological claptrap. So much so we have now reached a situation in which the future of free enterprise, with all that it means for the defence of our democratic values, has become too serious a matter to be left to certain leaders or spokesmen of the business community. This is all the greater reason for our congratulating Mr Devarajulu, who delivered a brave and frank speech to the annual session of the All India Organisation of Employers held in New Delhi last week.

Mr Devarajulu, disdaining to be hypocritical or opportunist, suggested that it might "be wrong to look upon industry as a provider of massive direct employment, at any rate in the short run." He also expressed the hope that the Bonus Review Committee would ensure that "the basis for payment is such that it would not place an undue burden on industry or lead to litigation and worse." By uttering these views he managed to rouse the ire of the Labour Minister, Mr R.K. Khadilkar, who promptly charged him with having a closed mind. It is difficult to see what was so outrageous in Mr Devarajulu's observations. It is after all the bare truth that jobs in millions cannot be created directly in organised industry in the short run, especially in view of the fact that industrial growth is itself being depressed partly by the government's own politically oriented economic policies. As a matter of fact, Mr Devarajulu's statement only strengthens the government's approach to the issue of employment which is presumably to create additional employment opportunities mainly in the agricultural, transport, construction and service sectors. There is, thus, no question of Mr Devarajulu having sinned even against the Holy Ghost of the "politics of commitment" of which Mr Khadilkar is so doughty a champion.

In any case, is there any justification at all for the kind of verbal assault launched by the state-owned All India Radio on Mr Devarajulu through the medium of a script broadcast in its "Spotlight" programme on April 29? Mr N. Gopinathan Nair, who is the author of this script, (which is reproduced elsewhere in this issue) was described by the announcer as a political commentator. It might perhaps have been more appropriate had AIR mentioned that Mr Gopinathan Nair was attached to the newsweekly *New Wave*. This would have helped the listeners to relate Mr Nair's script to his political faith or associations and thereby guided the listeners to evaluate his views properly. Mr Nair has used strong language. This journal, of course, does not and cannot object to strong language as such since it too believes in and practises hard-hitting journalism. But, then, Mr Gopinathan Nair's polemical style would have been quite in order had it been exhibited in the *New Wave*. The point is whether AIR was within its rights in inviting him to launch a deliberately misleading verbal tirade of this kind on a private individual when it is a well-known fact that AIR certainly does not allow similar latitude to those who write or broadcast for it when the latter have things to say in criticism of individual ministers or the government. Our short question is will AIR pass for broadcasting a script which may comment, for instance, on Mr Khadilkar's rejoinder to Mr Devarajulu in a language similar to that which Mr Gopinathan Nair felt so free to revel in?

But, then, AIR only knows too well on which side its bread is buttered. The misfortune of some of Mr Devarajulu's colleagues in the business community is that they are far less shrewd or practical. They naively believe that they are jumping on a band-wagon whereas the fact is that they are being pushed into a tumbril.

For the rest of us, the wonder must be for how much longer businessmen of independent views will at all be able to continue to speak out their mind from positions of authority or influence in the business community. It is clear that, if the ruling party considers the people as so much fodder for the ballot box, it looks upon the business community merely as a pliable provider of the cash to buy this fodder with. The pity is that so many businessmen seem to have reconciled themselves not only to play the game as they are expected to play it, but also to play into the hands of a tribe of politicians which is clearly set on destroying every possible area of influence in our national life which may possibly put up obstacles in the way of the absolutist principle in government. Mr Frank Moraes, writing in *The Indian Express* has mourned the decline of parliament. Much else that must be valuable to a democratic community is decaying too.

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Problems of plenty

THE YEAR 1971-72 will stand out as a major landmark in the history of the country's agricultural development as, for the first time in the post-Independence period, it was possible to dispense fully with imported foodgrains. With an all-time record output of 107.8 million tonnes in 1970-71 against 99.5 million tonnes in the previous year, there was no need to use imported supplies of wheat or other cereals.

Indeed, anticipating an increase in internal availability, it was possible for the union Ministry of Agriculture to reduce imports in 1971 to 2.1 million tonnes from 3.6 million tonnes in 1970. It has since been decided to stop altogether concessional or commercial imports of wheat. Also, there will henceforth be only commercial imports of rice under barter trade agreements and these imports too may become surplus to the requirements of the country as a break-through on the rice front is also being established.

The food situation has become so comfortable that the government has started thinking of exporting wheat products like suji and maida. It may also be necessary to export even limited quantities of fine cereals apart from effecting a change in the crop pattern in order to bring about an increase in the proportion of fine cereals to total production. A tantalizing situation may develop in the 1972-73 marketing season if the union Minister for Agriculture, Mr Fakhruddin Ali Ahmed's estimate of 112 million tonnes of output of foodgrains proves correct.

The government will have to be alert in the coming months in order to be in a position to manage any situation if the peculiar predicament experienced, when there was a glut of raw cotton, is to be avoided in the case of foodgrains. This view is taken on the basis of the data given in the latest annual report of the union Ministry of Agriculture. Out of the output of 107.8 million tonnes the quantity procured increased by 2.2 million tonnes to 8.8 million tonnes.

There was a marked increase in market arrivals and the procurement of wheat had to be raised substantially to 5.1 million tonnes from 3.2 million tonnes. As the output of wheat increased to 23.2 million tonnes from 20.1 million tonnes in 1969-70 it will be found that more than 60 per cent of the additional production of this cereal had to be purchased by the Food Corporation of India and other agencies. In respect of rice,

When the Sun King

of France arrogantly asserted centuries ago that "I am the state", it was probably thought that he had stated for all time the absolutist principle in politics. We, in the India of today, know better. Speaking in Hyderabad the other day the Prime Minister said that if her party failed in making good the slogans of its election manifesto, that would be the end of the democratic political system in our country. Although Mrs Gandhi spoke of "her party", all of us know that the "party" means Mrs Gandhi and Mrs Gandhi alone. There is after all the big hoarding put up in Connaught Place in New Delhi by the municipal committee, which proclaims in big, brazen letters day in and day out the finality of the leadership principle in our current politics. Louis XI only went so far as to exalt the divine right of his kingship to the level of the state, but we have the

taking over this firm, he could have easily done so. That he has not troubled to do so is clearly significant in terms of the authoritarian spirit which the Prime Minister is building up in her personal government.

Mr Kumaramangalam, again, is equally arbitrary about his proposal to set up a holding company for the steel industry. The minister himself has been saying that the major problems confronting the state steel plants are the poor quality of maintenance and the sorry state of industrial relations. Mr Kumaramangalam, however, has yet to explain how the setting up of a holding company is going to raise the efficiency of the Steel Minister or his ministry in dealing with these difficulties or otherwise improve matters in this respect. Again, with a grand unconcern for the legalities or even the minimum decencies of government-people relations, Mr Kumaramangalam is saying that

WITHOUT CHARITY

Prime Minister of India, functioning presumably under a Republican constitution, suggesting that the future of democracy in our country begins and would end with her being able or allowed to fulfil the electioneering commitments of her party, i.e., herself.

No wonder that the ruling hierarchy in New Delhi is now permeated through and through with the spirit of authoritarianism. Thus we have the Minister for Steel and Mines unhesitatingly saying over and over again, in explanation of the government's recent decision to take over the Indian Copper Corporation Ltd, that his purpose was to "grab" the experienced and skilled technical personnel of the company. Mr Mohan Kumaramangalam is a person who, by professional training and political choice, is accustomed to make the worse look the better cause. If, therefore, he had wanted to make out a plausible case for

the proposed holding company will appoint directors to the boards of the private sector steel plants on behalf of the shareholders of the public sector institutions, such as the LIC and the Unit Trust, in these firms. Although public memory is proverbially short, people still recall what pains the government of the day took in the wake of the Mundra scandal to reassure public opinion that there would be no government interference in or with the discharge by the LIC of its investment functions and responsibilities. It is, therefore, most surprising that it has now become possible for a minister of the central government to declare publicly that certain vital duties relating to the investment portfolios of public finance institutions including the LIC may hereafter be transferred to a new government agency even the constitution of which is yet to be sufficiently described. The nation once nearly went into hysterics about a single, pri-

vate Mundra operating in Calcutta and here we are with a minister of the central government holding out the possibility of a nationalised Mundra functioning with the sovereign authority of New Delhi.

Considering the level of management in the public sector in steel, any minister for steel should normally speak from a position of humility. Mr Kumaramangalam, however, accepts no such obligations. He has in fact his own view of managerial values in the state steel plants. Not long ago, even as the nation was suffering an enormous economic loss through the dislocation of steel production at Rourkela, Mr Kumaramangalam had the effrontery to suggest that the country should admire the efficiency and speed with which the public sector steel engineers had been able to carry out repairs to the roof of the steel melting shop. Indeed, at the time, it sounded almost as if Mr Kumaramangalam was positively pleased that the roof had collapsed and thereby given an opportunity to his bright boys to show what they could do by way of a quick repair job. More recently, he gave another fine display of logic being stood on its head when he once again attempted to make light of operational lapses by unduly emphasising the diversionary aspect that "corrective action has been promptly taken by the plant management and there is now no escape of gases."

Any objective comparison of managerial performance in the two sectors of the steel industry is highly likely to indicate that the case for converting the public sector into a joint sector by providing for private participation in the ownership and management of the state steel plants is much greater than any case that there may be for the backdoor nationalisation of the private steel companies through Mr Kumaramangalam's projected holding company. This, however, does not come in the way of the minister blandly declaring that his holding company would be revolutionising the steel industry in this country particularly by a break-through in steel technology by putting big money into research and development which would benefit both sectors, public and private. The fact that Hindustan Steel has been eating into its capital base through continuous operational losses has obviously not found mention in Mr Kumaramangalam's brief.

TOUCHSTONE

however, the quantity procured rose only marginally to 3.19 million tonnes from 2.94 million tonnes while there was an increase in output by two million tonnes. In regard to other cereals also there has been good absorption as the quantity procured rose only slightly to 4.92 lakh tonnes from 2.74 lakh tonnes. It will therefore be clear that a surplus has arisen in wheat while current production of rice and other cereals is being easily absorbed.

The whole quantity of wheat procured could not be sold in the lean months by the Food Corporation and other agencies as imports were arriving. There was therefore an increase in buffer stocks of foodgrains to 7.9 million tonnes by the end of 1971 from 5.3 million tonnes at the end of the previous year. Allowing for imported supplies of 2.1 million tonnes, it can therefore be stated that there was a net addition to government stocks by five lakh tonnes out of indigenously procured foodgrains. The addition would have been more but for the fact that sizable quantities had to be utilised for feeding refugees from Bangladesh. The annual report thus proudly draws attention to the fact that for the first time in recent history the offtake through the public distribution system was less than the quantity procured, the actual offtake being 7.7 million tonnes against the quantity procured of 8.8 million tonnes.

In view of the expectations of bumper harvests of foodcrops aggregating to 112 million tonnes in 1971-72, in spite of adverse weather conditions in Orissa, parts of Bihar and Andhra Pradesh, the question is what will be the quantity procured in 1972-73 and to what extent there will be an increase in buffer stocks. It is generally expected that the output of wheat will constitute a new record at 26 million tonnes or 2.8 million tonnes more than in 1970-71. If the experience of 1971-72 is any guide, it may not be surprising if nearly 80 per cent of additional production is to be procured and even stored. This would mean that the total quantity procured may be even in excess of 7.3 million tonnes.

Assuming that the increase in buffer stocks in 1971 was mainly on account of wheat and allowing for imports of 2.1 million tonnes, it can be reasonably presumed that self-sufficiency had been reached out of the 1970-71 crops and gross consumption was of the order of 22.7 million tonnes. There will necessarily be a growth in consumption in the current year by about five per cent. In that case in the absence of imports of wheat, there will be need for providing about 24 million tonnes out of indigenous produc-

tion for meeting the requirements of the home market.

There will thus be statistically a surplus of two million tonnes of wheat. In respect of rice and other cereals total consumption in 1972-73 may be 75.0 million tonnes against the production of 74.5 million tonnes. With marginal imports of rice there is the prospect of buffer stocks increasing by nearly two million tonnes. The needs of Bangladesh can be easily met out of the country's production though with the continuance of imports against earlier indents, the shipments to Bangladesh may not make any big difference to stocks.

It will be clear from the foregoing that food self-sufficiency had been reached in 1971-72 even after meeting the needs of Bangladesh and providing for unknown leakages across the frontiers. This is indeed a great achievement as it has become possible to avoid heavy expenditure in foreign exchange on food imports. From self-sufficiency to marginal surplus will be another great step forward when the bumper harvests make themselves felt in the coming months.

It may not be a difficult proposition to hold stocks of foodgrains to the extent of two million tonnes additionally by the end of this year taking the total to 10 million tonnes. The finance involved also may not be difficult to be located as the total of about Rs 160 crores in a year can be easily provided by the banking system as its net commitment will be only Rs 135 crores. There is a budgetary provision of Rs 25 crores in 1972-73 against an estimated increase in the value of stocks by Rs 120 crores. In the light of the latest developments the aggregate increase may be Rs 160 crores, as stated above. With rising deposits of the scheduled commercial banks and the absence of any keen demand for funds, the commercial banks may even welcome the opportunity to expand credit against foodgrains of Rs 135 crores and even more.

The problem, however, is not so simple as it looks. The quantities procured will have to be 12 million tonnes in 1972-73 against 8.8 million tonnes in 1971-72 and there will be considerable strain on storage and transport facilities when arrivals out of rabi crops prove to be heavy in the next three months. Even last year the procurement and storing of wheat particularly caused great concern and the Food Corporation had to wage virtually a battle in order to move huge quantities of foodgrains to places of safe storage before the onset of the monsoon.

With a greater demand on the facilities

of the railways by the defence services the accordance of high priority to the needs of Bangladesh and a higher level of activity in other directions, the Railways may find it difficult to provide the required number of wagons for moving foodgrains. How this ticklish problem will be solved in the coming months remains to be seen. The whole argument is of course based on the assumption that total production will be 112 million tonnes.

There is another point which has to be borne in mind in the context of emerging plenty. If for any reasons bumper harvests were again realised in the next kharif season, market arrivals may be heavy later in the year and with a disgoring of stocks by traders and hoarders, the offtake through the public distribution system may not be even of the dimensions of 1971-72.

The union Ministry of Agriculture has therefore to be fully prepared for meeting any eventuality and the lessons of 1972-73

New industries for West Bengal

THE GOVERNMENT of West Bengal claims that the climate for industrial development in the state has distinctly improved recently and that, in the coming months, a large number of new industries will come up while many of the existing industries are likely to undertake substantial expansion. It is, of course, true that Mr Siddhartha Shankar Ray's ministry has helped to revive the people's confidence, especially of the business community, in the economic future of West Bengal. But it seems unlikely that the state's economic recovery will come about so quickly as expected by the government.

The lack of electricity continues to be the biggest hurdle to the rapid revival of industrial activity. Most of the industrial units are severely handicapped by frequent and prolonged load sheddings; and if all, or even many, of the closed units immediately reopen, they will not be able to work due to the acute power shortage. Moreover, the administrative machinery is yet to be geared to the task of industrial development. The West Bengal Industrial Development Corporation which was set up in 1967 was reorganised recently. But it has not yet been able to find suitable personnel for its technical and financial divisions. The corporation has also not been provided with sufficient funds

will clearly indicate what are exactly the beneficial effects of self-sufficiency in food production and to what extent there will have to be changes in procurement and distribution policies in order to avoid an undue increase in buffer stocks and in expenditure on account of higher interest charges, storage facilities, supervisory personnel and the like. Only if the new problems are successfully tackled, it can be expected that the upward trend in food production will be sustained and a healthy crop pattern evolved.

The current year will therefore stand out as another landmark with the complete elimination of imports and even the emergence of a small surplus. Only the apple-cart should not be upset by Nature in 1972-73 though there is reason to believe that the agricultural economy has gained considerably in strength and with the adoption of new techniques of cultivation and the creation of lift irrigation facilities there may not be a repetition of the disastrous happenings of 1965-67.

for the efficient discharge of its functions. Mr Ray and his ministerial colleagues therefore should take prompt and positive measures to invigorate the state's economy by enabling the existing industries to make better use of their capacity and by facilitating new industries to come into existence in various parts of West Bengal.

About ten years ago, the National Council of Applied Economic Research, New Delhi, conducted a techno-economic survey of West Bengal, in which it clearly indicated the great scope that existed for the growth of new industries in the state. Unfortunately, this competent and comprehensive survey did not receive any attention either from the political parties or the administration or even from the industrial organisations. This was a pity because the survey had analysed the state's economic potential in great depth and had made many specific suggestions for setting up new industrial units. Now the Indian Investment Centre, New Delhi, has issued a brochure on the scope for industrial development of West Bengal. The centre has opened an Entrepreneurial Guidance Bureau in Calcutta to assist businessmen in taking investment decisions. The 35-page brochure provides basic data on West Bengal, its natural resources, and the incentives and facilities available for development.

The brochure has analysed the scope for industries broadly under two categories — engineering and non-engineering. In the former group, great scope is seen

for automobile ancillaries, electronics, industrial valves, paper and pulp making equipment, and various types of industrial machinery. The prospects for electronics seem to be particularly encouraging in view of the availability of labour at relatively low wages. The brochure says that it is possible to develop an electronic complex consisting of a large number of units, each specialising in the production of components. In addition, the manufacture can be taken up of electronic equipment like calculators, mini-computer unit and electromedical unit. In the non-engineering sector, considerable scope is seen for forest-based industries, rubber-based industries, ceramics, synthetic fibres, fruit processing, and petrochemicals. The outlook for petrochemicals seems to be quite promising. The brochure says that the setting up of the proposed refinery and the fertiliser complex in Haldia will provide the nucleus for a new pattern of development in the fast-growing fields of fertilizers and petrochemicals. The fertiliser complex will make available many intermediates and by-products like methanol, phosphoric acid, ammonia, and urea, which will facilitate the establishment of numerous industries based on them.

The scope for small industries is also highlighted in the brochure. In 1966, there were in West Bengal about 495,000 small-scale units, employing about 1.3 million workers and the net value added by them was Rs 728 million. But no official survey has been made about the small-scale sector since 1966. The brochure envisages vast scope for the growth of small-scale units as ancillary and subcontracting industries especially in the manufacture of automobile components, electronic components, electric fittings, castings, forgings, machined components, sheet metal components, and so on.

The brochure has merely listed the industries which have growth potential in West Bengal. It would have been better if it had also indicated, at least broadly, the areas which offered scope for such industries. For example, what kind of industries are suitable for Darjeeling? A district-wise analysis would have been of more practical use to entrepreneurs.

The chapter in the brochure on infrastructure is not only sketchy but even misleading. It says that West Bengal has "a well-developed infrastructure." But the fact is that the infrastructure facilities in this state are grossly inadequate and this is one of the main reasons why except Calcutta, the 24 Parganas and Howrah, the rest of West Bengal has had very little of industrialisation. The brochure says

that West Bengal occupies the third place in the per capita consumption of power. This makes little sense in the context of the serious power shortage that has been prevailing in the last two years.

It is pointed out that as in March 1969, the number of villages electrified in the state was 2433. But nothing is said of the fact that West Bengal has the least number of electrified villages in the whole country. Less than ten per cent of the villages have been electrified so far compared to 80 to 90 per cent in many other states. The brochure refers to the increase in the length of extra municipal roads from 12,721 kilometres in 1966 to 14,138 kilometres in 1967. But the condition of most roads in Calcutta and the districts continues to be scandalous. In many places, the roads are not suited to carry heavy vehicles. Attempts are now being made to improve the roads by the Calcutta Metropolitan Development Authority but the progress is very slow because of the shortage of steel, cement and other materials, and the lack of effective co-ordination among the various implementing agencies.

The brochure says that West Bengal has the highest railway mileage of about 21,000, about 65 per cent of which is broad gauge, 20 per cent metre gauge, and 15 per cent narrow gauge. But there are vast areas in the state which are not linked to the railway network. It is estimated that about 25 per cent of the state's total area lies over ten miles away from the nearest railway track. The brochure should have given a correct picture of the infrastructure facilities on West Bengal and explained how their expansion would contribute to the growth of various industries.

There is no dearth of organisations, official and non-official, in West Bengal to provide advice and assistance to entrepreneurs. For instance, there are the West Bengal Financial Corporation, Industrial Development Corporation, and the Board of Industries. In addition, there are institutions which operate at the all-India level such as the Industrial Finance Corporation, National Small Industries Corporation, Industrial Development Bank, and Industrial Reconstruction Corporation. The nationalised banks also are expected to assist new entrepreneurs in various ways.

The Bureau of Entrepreneurial Guidance, sponsored by the Indian Investment Centre, is the latest addition to the list of institutions which have been set up to assist the growth of new industries. The Bureau's functions are to offer advice on the need for fresh capacity, the size of

the economic unit and the corresponding investment involved, methods of production, availability of raw materials, demand forecast, export prospects, and official policies regarding industrial licensing and foreign collaboration. The bureau has made a good beginning by drawing attention to the enormous scope for industrial expansion of the state. But

Sugar, a captive of politics

THE ESTIMATES Committee of Parliament, in its 15th report on the Ministry of Agriculture, has castigated the government for its *ad hocism* in regard to sugar policy. It has recommended the formulation of a long-range sugar policy keeping in view the future domestic demand and export commitments. What needs to be underlined is that this is not the first time that the government has been criticised for following an *ad hoc* policy in regard to this industry. Nearly seven years ago, the Sen Committee had suggested that the government should lay down a long-term plan for this industry which has been dogged by wide fluctuations in production from year to year. The Sen Committee had also recommended the setting up of a buffer stock of 500,000 tonnes of sugar in order to smoothen the supply to consumers which tends to become erratic due to yearly oscillations in production.

This industry has struck the headlines in recent weeks because of the increase in the free market prices of sugar. The consumer, who had been paying around two rupees per kg, has now been forced to pay more than three rupees per kg. The harassed consumer blames the industry which in turn blames the government for its faulty policies. The Estimates Committee has indicated that the government is largely responsible for the present mess in this industry.

The production of sugar started rising in 1968-69 after a bad spell of two years. The highest output was recorded in 1969-70 at 4.26 million tonnes. This was the period when partial decontrol (60 per cent levy and 40 per cent free) had turned out to be a blessing in disguise. The closing stocks of that year were as high as 2.1 million tonnes — almost half the total production of the year. Consequently, there was not much difference between the sugar prices in the free market and the fair price shops. The diversion in demand from fair price shops to the open market caused

so long as the existing industries in West Bengal continue to work with large idle capacity and face serious difficulties in regard to the availability of electricity and transport, one wonders whether new entrepreneurs will come forward in sufficient numbers to take advantage of the various facilities and concessions offered by the government.

hardship to the sugar factories because of the accumulation of stocks. Unfortunately, at this stage the government adopted the obstinate policy of not revising the sale price of levy sugar in keeping with the rising trend in costs. The sugar factories had no option but to take recourse to high courts which passed interim orders permitting the factories to charge increased prices for levy sugar. The government hurriedly withdrew all controls on price, distribution and movement of sugar with effect from May 25, 1971.

The prolonged stalemate has resulted in reducing acreage under sugarcane by more than three per cent in 1970-71 and further by three per cent in 1971-72, according to official sources. The industry's estimate is that the area under sugarcane has dropped by 10 to 15 per cent in these two years. Consequently, production dropped to 3.74 million tonnes in 1970-71 and to 3.10 million tonnes in 1971-72 (estimated). The declining trend in output has been accompanied by a reduction in stocks causing a bullish trend in prices. With anticipated demand at 4.0 million tonnes in 1971-72 (year ending in October 1972) and availability at 4.5 million tonnes, the closing stocks at the end of 1971-72 would be around 0.5 million tonnes if no exports are made. But the Ministry of Agriculture in its report for 1971-72 has stated that "efforts would be made to maintain the export level at 0.35 million tonnes as admissible under the International Sugar Agreements, if the internal supply position later permitted." It means that the closing stocks after exports would be significantly lower than the stocks at the end of the earlier two years. Despite these bleak prospects, at the time of the outbreak of Indo-Pakistan hostilities in December last year when there was a sudden rise in sugar prices, the industry agreed to make available 60 per cent of the monthly releases to the government for distribution through fair price shops at a fixed ex-factory price of Rs 150 a quintal. This was a goodwill gesture on the part of the industry.

It may be stated here that besides the sugar factories, gur and khandasari pro-

ducers also are competitors in the purchasing of sugarcane. Whereas the statutory minimum prices are fixed by the government in regard to the purchases of sugarcane by the factories, no such limitation is imposed on gur and khandsari producers. What is more, gur and khandsari producers have to bear no burden by way of excise duty. In a good year, gur and khandsari producers are under no obligation to consume all the cane while the sugar factories are forced to crush all the cane available. Consequently, in such years crushing of sugarcane extends even beyond June and July when recovery from sugarcane is extremely low. On the other hand, when the crop is lean, gur and khandsari producers are able to divert substantial quantities of sugarcane meant for the factories by offering higher prices. Here lies much of the dilemma of the sugar factories.

Again, the financial operations of sugar factories have been put under great pressure by a number of statutory obligations. The excise duty is a first charge and is immediately provided for; this applies to the purchase tax as well. Recently, the payments to sugarcane growers have also been put in the same category as instructions in this regard have recently been sent to the banks by the Reserve Bank of India so that the manoeuvrability of financial operations of the sugar factories is severely restricted. Despite these limitations, the sugar factories have attempted to maintain their production and allied activities. In northern India particularly, the sugar units are honouring the obligation of providing levy sugar at controlled prices despite the fact that they are forced to pay exorbitant prices for sugarcane which in some cases is as high as Rs 13 per quintal against the statutory minimum price of Rs 7.37 per quintal. The burden of this increased incidence is naturally passed on to the 40 per cent quota of free sugar.

In Tamil Nadu, factories are paying cane price around eight rupees a quintal. Recovery of sugar in Tamil Nadu is higher than in northern India. Thus, the cost of sugar production in Tamil Nadu is lower than in Uttar Pradesh and Bihar—and this applies to other southern states as well with slight variations—

while the tax on industry is uniform irrespective of location. This has put the north Indian factories at a serious disadvantage.

A part of the blame for stagnation in yield from land under sugarcane in northern India particularly must be shared by state governments which have collected large sums of cess from sugar factories for improving sugarcane cultivation but have done precious little in this regard. The states, in turn, have passed on the responsibility of cane development to the cane development councils. The development councils on their part plead their inability to service the sugarcane growers because they have to cater for a large number of growers with very small holdings each. The factories are unable to assist the growers because they have no direct contact with them. Even if they assist the sugarcane growers, there is no assurance that the sugarcane that they assist in development will not be diverted to gur or khandsari manufacturers.

In his recent statement in Parliament, Mr Fakhruddin Ali Ahmed, the union Minister for Agriculture, indicated that the government was committed to the nationalisation of the sugar industry as promised to the electorate in the election manifesto of the ruling Congress party. He, however, stated that the government would take a decision in this regard only

after the report of the Commission of Enquiry to examine the working of the sugar industry appointed in November, 1970, was received. It may be recalled that the centre had made it clear to the government of Uttar Pradesh some time back that the latter was competent to nationalise the sugar industry in the state if it so desired. In Uttar Pradesh, the government took over — not nationalized — 12 sugar factories under the Uttar Pradesh Sugar Undertakings (Acquisition) Act, 1971. Out of these 12 sugar factories, only five are under the control of the state government while the remaining seven have been able to regain control through the intervention of the courts. With the threat of nationalization facing them and the availability of sugarcane on the decline—apart from the rising price of cane and the compulsion of surrendering 60 per cent levy sugar to the government—the sugar factories find themselves in a difficult position. This is hardly a situation which would encourage sugar units to modernise or renovate their plants. They are today in the same position as the coking coal mines were before their take-over by the government. So long as the government does not take a long-term view of the issues of sugar development or assure the industry that it is willing to adopt a consistent policy designed to promote cane development and increase sugar production year after year, the industry cannot be blamed for the messy state of our sugar economy.

Eastern Economist 25 Years Ago

MAY 9, 1947

What has been described as a deftly executed social stratagem has been necessary in order to induce Mr. Jinnah to receive Gandhiji. Discreet officials of the Viceroy's House, who apparently spent considerable time and planned elaborately to arrange a meeting between the two leaders, where presumably gratified when Gandhiji proposed and Mr. Jinnah agreed that a further meeting should be arranged at latter's residence. Nobody certainly expected any immediate or spectacular results; and nobody was therefore disappointed. One of the subjects discussed was the response to the joint peace appeal—probably the only point on which agreement could have been predicted. But the somewhat colourless statement "that we must do our best in

our respective spheres to see that that appeal of ours is carried out" (to which Mr. Jinnah was willing to subscribe) was followed almost immediately by another proclaiming overtly, if not clearly, that neither the appeal nor the further communique reiterating it was intended to apply to the N.W.F.P. On the major question namely Pakistan, no real discussion was obviously possible. Gandhiji met the Quaid-e-Azam on the Congress. The very question of partition was itself thus open for discussion, and the problems which agitate Sikhs and Hindus of Eastern and Central Punjab, could hardly have been discussed.

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We are all our brother's keeper

Pierre-Paul Schweitzer

I WELCOME this opportunity to address the Third United Nations Conference on Trade and Development. The UNCTAD and the Fund share a common concern about the trade and development problems of the developing countries and in the past we have closely collaborated on many levels. I look forward to continued fruitful co-operation in promoting the economic development of our members.

A few days ago, Mr McNamara, President of our sister institution, the World Bank, spoke to you about the unacceptable state of development in most of the developing world and the urgency of moving forward with practical measures. I agree with his emphasis on the need for a reappraisal of some of the policies in developing countries and for an improvement in the external climate for development. Much of what I have to say on this occasion will bear on this latter aspect, especially the international monetary situation. But before I turn to this main subject of my talk, I would like to refer briefly to our own experience in developing countries.

Fund's concern

The Fund has been deeply concerned with problems of development over the last two decades, and much of its work, in annual consultations and in connection with provision of resources has been to discuss and review financial policies and programmes of its members. In the last ten years of the Fund's operations, developing members had no fewer than 206 stand-by arrangements for a total of more than SDR five billion, each arrangement designed to support a programme to foster economic development in conditions of reasonable financial stability. The resources that the Fund committed were substantial, but no less important was the encouragement that the Fund's support and continuing collaboration gave to the authorities in carrying out their programmes. The Fund's approach has been that of a partner in a common en-

Address delivered by the Managing Director of the International Monetary Fund on April 25 at UNCTAD III in Santiago, Chile.

deavour, based on the conviction that only through sound financial policies and management can a country generate the savings which are essential to economic development. Not infrequently the Fund and the member have persevered through many years of effort until the aim of restoring vigour to the economy has been realised.

unsatisfactory progress

None of us can take satisfaction from the course of economic development over past years. Progress needs to be much faster and better balanced; there must, in particular, be substantially more opportunities for productive employment of the growing labour force. The Fund's experience testifies to the increasing realism that the developing countries have shown in their policies and priorities in recent years. In improving and strengthening their efforts, they must and should have much greater external support.

In the monetary field the period since UNCTAD II has seen many important changes. This was the period when, after prolonged discussions within the Fund and elsewhere in which UNCTAD itself played a very constructive role, the special drawing rights scheme was created and activated. The experience of the first basic period, which draws to a close at the end of this year, clearly shows that the SDR has become established as a reserve asset. SDRs are allocated to each Fund member in proportion to its share in total quotas; the almost two and a half billion in SDRs which our less developed members received represent about 15 per cent of the total reserves of these countries.

During the same period a substantial

increase was made in the quotas of members in the Fund, thus enlarging the pool of resources available to finance payments deficits. The Fund also established a new facility, which stands alongside the widely used compensatory financing facility, to assist members in connection with the financing of international buffer stocks. Unfortunately, even with the availability of this facility, negotiations of commodity agreements are very difficult to conclude. There is at the present time only one agreement under which the facility is used, the Fourth International Tin Agreement of July 1970. But I hope that in coming years there will be greater success in concluding such agreements, and I am sure that our facility will play an increasingly useful role.

turbulent phase

The period since UNCTAD II has also coincided with a difficult and turbulent phase in international monetary relations, with recurring disturbances of growing magnitude. Last year, in particular, was in every sense a year of crisis, in which fundamental disequilibria in payments that had gradually been building up culminated in the United States' decision of August 15 to suspend the convertibility of the dollar into gold and other reserve assets. Shortly after this, at our Annual Meeting in Washington, the Governors of the Fund passed a unanimous resolution calling upon members to establish, as a first step, a satisfactory structure of exchange rates. As you know, this was accomplished towards the end of the year. It was also agreed, and reflected in decisions taken by the Fund last December that, as a temporary measure, countries might permit their exchange rates to fluctuate within wider margins.

You will recall that the resolution of the Governors also requested the Executive Directors to make reports to them on the measures that are necessary or desirable for the improvement or reform of the international monetary system. Seve-

ral studies have since been prepared on this question and the Executive Directors of the Fund have given much thought to it. I would like to direct my remarks to some of the more important aspects of the reform as we see them now.

As members of UNCTAD are aware, the search for improvements in the international monetary system did not begin with the resolution that I mentioned; it has been one of our main preoccupations for some years. Two broad elements in the functioning of the system gave us the greatest concern. First, the mechanism for reserve creation that had served the world well until the early sixties was no longer viewed as adequate or desirable. A system based largely on gold and reserve currencies tends to be increasingly subject to strain as currency holdings become the dynamic element in reserve creation through continuing deficits of the major reserve centre. Second, there was much ground for dissatisfaction with the process of balance of payments adjustment and the role of the exchange rate mechanism in this adjustment. It was in response to these concerns that special drawing rights were created as a supplement to reserve assets, and a re-examination was undertaken of the par value system and the mechanism of adjustment of payments imbalances. This re-examination led to an interim report submitted by the Executive Directors to the Governors at the Fund's Annual Meeting in Copenhagen in 1970.

three conclusions

In this report there were three main conclusions: first, the par value system, under which exchange rates should be held stable so long as they are at a realistic level, is sound and it is neither feasible nor desirable to construct an international monetary system based on floating rates. Second, stability of exchange rates does not and should not imply rigidity, and there would be advantages in smaller and prompter changes in parities. Third, there should be a further study of appropriate ways of introducing flexibility into the system while preserving the basic reliance on par values.

More recent events, and especially those since August 1971, have given new urgency to the efforts to improve and strengthen the international monetary system. It has also become increasingly evident that if we are to avoid a repetition of crises in the future, we should not be

content with technical improvements of the present regime but should seriously re-examine the system as a whole. While many of its features should no doubt be preserved, new mechanisms and rules may be needed so that the system will be fully adequate to the future requirements of world trade and development.

main objective

As you know, the main objective of SDR allocation was to bring about a growing degree of collective and deliberate control of international reserves, with the expectation that reserve assets in the form of gold and currencies would over the years decline in relative importance. The SDR facility has been successful, and has provided an important addition to the reserves of Fund members—developed and less-developed alike. But the aim of providing an orderly process of reserve creation was overwhelmed by the explosive growth of official US dollar balances, resulting from a large basic deficit in the US balance of payments and massive outflows of speculative capital. We are therefore confronted with the necessity of finding ways of avoiding in the future the instabilities inherent in an undue growth of holdings of reserve currencies. In my view, this points to an emerging central role for SDRs in the international monetary system, and to a restructuring of the SDR scheme so as to make this possible.

It scarcely needs to be stressed that the international monetary system cannot function smoothly and efficiently unless all countries adopt appropriate policies, particularly with respect to balance of payments adjustment. No system can survive if it must labour under the burden of persistent payments imbalances and long-continuing overvaluation or undervaluation of major currencies. If we are to avoid this danger in the future, we must devise policies and techniques which will lead to more effective exchange rate flexibility than has existed in the past. Nor can appropriate freedom to adjust parities be denied to the reserve centres, if they are to undertake the same commitment for financing their imbalances as other countries. There continues to be wide agreement that the par value system should remain the basis of the future exchange rate mechanism. But there must be assurance that changes in parities will be made promptly, before payments imbalances build up to unmanageable proportions. This, perhaps together with

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access to widened exchange margins under appropriate safeguards, should go far to curb disruptive speculation. One of our principal tasks will be to clarify the role of international consultation and initiative to ensure a satisfactory structure of exchange rates.

The reform and strengthening of the international monetary system to serve the needs of all countries is a complex and challenging task, and we cannot expect to complete it overnight. But we must seize this opportunity to build an enduring system, not least because of the benefits that developing nations will derive from a smoothly functioning system less prone to crises and more capable of helping to maintain the growth in world trade on which all countries heavily depend. The attitudes and uncertainties bred by frequent monetary crises cannot but affect adversely the external climate in which economic development of countries has to proceed. Recent experience has given ample demonstration of the impediments that developing countries encounter in their efforts to make orderly progress when the world economy remains vulnerable to disturbances.

notable achievement

A notable achievement in relations between nations since the middle fifties was the growing acceptance by industrial countries of the need to share responsibility for assisting economic development. In recent years, unfortunately, that spirit has weakened and the actions of developed countries—despite their growing affluence—have not measured up to their responsibilities. Development assistance, in particular, has faltered badly, and improvements in the terms of assistance, such as aid untying, have dropped into the background. The scheme of preference for exports from developing countries has been accomplished only in part. A great deal remains to be done in broadening the access to the developed markets of both primary and manufactured products of developing countries. This calls for difficult adjustments in the developed countries, and they may well be reluctant to act as long as the overall international monetary situation remains uncertain. We are unlikely to achieve the structural changes in world trade and capital flows that will most benefit the developing countries unless the international monetary system functions efficiently.

Developing countries have an impor-

ant stake in the preservation of an orderly system of trade and payments. It is sometimes argued that the rules of conduct in currency and payments relations that are suitable for developed countries are not appropriate for developing countries. I do not agree with this view, for I have no doubt that the interests of the two groups of countries coincide on most matters concerning economic growth and stability. Each has problems that are unique to its economic situation, but this only means that the code of conduct that should govern the system should be capable of flexible application so as to accommodate these special problems and needs. Within the framework of the present Articles, the Fund has evolved policies and practices which have proved responsive to the interests of all groups and indeed to the circumstances of each particular member. The Fund's attitude toward exchange practices and restrictions and its policies on the use of its resources, including the compensatory and buffer stock financing facilities, are examples of the way in which it has been able to meet the needs of developing and developed countries equally well. I strongly believe that we should continue to preserve a universal code applying to all countries in a manner that takes full cognisance of their special circumstances.

Such a universal system in no way precludes a useful role for regional groups designed to promote closer monetary and trade relations. These arrangements can be of particular advantage to small countries by providing access to a larger market, thus facilitating a more productive use of resources. The Fund co-operates closely with regional organisations and will continue to support efforts to establish regional co-operative arrangements.

SDR facility

Earlier I emphasised that, in connection with our forthcoming consideration of the restructuring of the international monetary system, much thought has to be given to the further development of the SDR facility. An aspect of SDRs that will certainly be examined is that of a link between SDRs and development financing. The Fund has been studying this question in response to the desires of many Governors at the last two Annual Meetings. This study will now have to be set in the context of the larger role that SDRs may play as the growing element in international reserves and the

principal source of international liquidity in years to come. The report by the UNCTAD Secretariat on the international monetary situation has set forth arguments in favour of the link. The Fund's study will take that report into account as well as the many suggestions that have been made on the subject at this conference and at the recent meeting in Caracas. What we must consider is how best to evolve this new instrument so as to ensure its position as a major—and ultimately the major—reserve asset. This means that we must carefully consider what collateral uses of SDRs can be compatible with the efficient functioning of the international monetary system. The various forms of link between SDRs and development finance that have been suggested need to be examined from the point of view of their effect on the quantity and quality of development aid, and on the working of the SDR mechanism. I should also add that some of the proposals now being made for the reform of the international monetary system may give rise to still other possibilities of transferring resources for development, all of which will receive our full attention.

important subjects

The UNCTAD Secretariat report that I just mentioned also touches on two other important subjects on which I would like to comment briefly. One is the size of the quotas of developing countries in the Fund. I agree that developing countries have a particular need to rely on the resources of the Fund in view of the variability in their trade, and their difficult access to alternative sources of international finance. Indeed, in view of these considerations, special upward adjustments have been made in the past in the quotas of developing countries. Countries that are in the lower range of development ("hard core" least developed countries) have a share in total Fund quotas well over three times greater than their share in world exports. But our work in this area has not stopped. The Fund is now engaged in a review of the methods by which quotas have been computed in the past to ensure that in future quotas of members adequately reflect their economic circumstances. An increase in the share of developing countries in total Fund quotas would, of course, not only broaden their access to conditional liquidity by the Fund but also increase their share in SDR allocation, as long as the latter continues to be based on Fund

quotas as required by the Articles of Agreement.

The other subject noted in the UNCTAD report is the important one of decision making. It is clearly appropriate, as was emphasised in the Governors' resolution at the Annual Meeting that the examination and reform of the international monetary system should be carried out in the Fund. While the Articles provide that decisions of the Executive Directors can be taken by weighted voting, in practice the Fund operates by consensus and its decisions reflect the views of Executive Directors representing all 120 members of the Fund. However, reform of the monetary system entails so many complex policy problems that from time to time it may be desirable that major issues be discussed at the highest financial and political levels. It is this consideration that has led the Fund to give active thought to the creation of a Committee of the Board of Governors, selected on a basis comparable to that of the Executive Board. Clearly, its size would have to be a compromise between the widest possible membership and the compactness necessary for fruitful negotiations. This and many other questions are yet to be settled. But if an agreement on the creation of such a committee can be reached, it would, in my view, greatly facilitate the negotiations of major issues that may arise in connection with the reform as it would give full weight to the interests of all members of the Fund. I am gratified by the strong and unanimous support that this idea received at the meeting of the Group of 24 at Caracas earlier this month.

task unfulfilled

Mr chairman, the problems of trade and development with which this conference is concerned are urgent. Despite two decades of effort and achievement, the task of developing the greater part of the world, and improving the standard of living of most of its population, remains unfulfilled. There is need for more intensive effort on the part of developing countries and more substantial collaboration on the part of others. This conference will undoubtedly point to many constructive ideas and suggestions. The principal task for us in the Fund will be to strengthen the international monetary system so that these ideas and suggestions can be effectively carried out and yield that all of us hope for.

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When production is by consent

R. V. Murthy

IN HIS presidential address to the 39th annual general meeting of the Employers' Federation of India (EFI) held in Bombay a few days ago, Mr Naval H. Tata dealt incisively with such issues as bonus, strikes and productivity. He also subjected to a searching analysis the concept of "Garibi Hatao", a slogan which has now attained a truly international status.

To quote Mr Tata, "while 'Garibi Hatao' is meant for the entire nation, somehow our trade union leaders, in their dramatised self-pity, have led the workers in organised industries and services to believe that, in this grand plan for relief of poverty, they are the primary beneficiaries. They seem to ignore conveniently the ocean of humanity far less fortunate than themselves". In other words, they have failed to keep in view the larger picture of Indian poverty as Prime Minister Indira Gandhi wanted them to when, in May last year, she made an appeal to the country's trade union leaders. She had then said: "The employed, particularly in the organised sector, who enjoy a measure of social security should recognise that, in our country, to be employed is in itself a privilege."

glaring disparity

Our organised industrial workers who are most vocal and vociferous, although small in number — only a fraction of the massive working population of the country — thanks to their mainly urban-based trade union leaders, have brought about such a glaring disparity in the ranks of our working population that Mr Tata felt like saying: "Before we talk endlessly of the widening gap between the rich and poor nations and between the rich and the poor of the nation, let us spare some moments in rectifying a grievous social injustice within the working classes."

Considering the fact that, as against the average *per capita* annual earnings of Rs 2,473 of our organised industrial workers, the income of a whole rural labour

household was only Rs 955 in 1967-68, and also the fact that as many as 20 million of our country's unemployed have no income whatsoever, it is but right that the call for "Garibi Hatao" should accord greater priority to this large segment of non-industrial workers rather than to organised industrial workers, as Mr Tata suggested.

specific issues

To turn now to the specific issues that EFI president touched upon, he pointed out that since the enactment of the Bonus Act, on a rough estimate, "no less than 10 per cent of all industrial strikes have had their origin in the issue of bonus and the country has lost thousands of mandays in strikes, go-slows and lock-outs, after endless litigation." It is unnecessary to go into all the circumstances and the factors that have led to this sorry state of affairs — Mr Tata has put down everyone of these step by step — but we may ask with him the question: "Can we not devise other ways of dealing with this vexed question?" Here are the two alternatives that Mr Tata has put forward:

(1) Any other practical alternative than the Bonus Act formula whereby the government itself would disburse bonus directly without involving the management, say by levying a surcharge related to production and disbursing it as a national dividend of labour.

(2) A direct increase in wages.

Obviously neither of these suggestions seems to have been fully thought out by Mr Tata. For, as he himself noted, both suffer from the same defect as the present provision of minimum bonus, in that they too are neither related to productivity nor to profit. They are probably his loud thoughts on the admittedly frustrating problem of bonus. It is significant that, in stressing the need for another look at the issues, he wanted to make bonus "an instrument of not only higher productivity,

but something which would promote cordial industrial relations". Note that he did not even so much as make a passing mention of profits here. All that he seems concerned with is cordial industrial relations.

As in the case of bonus, the attitude of most of our industrial workers and trade union leaders towards strikes and lock-outs is short-sighted and selfish rather than national good-oriented. This has become particularly conspicuous since the recent reference to a moratorium on strikes and lock-outs, made by our President and the Prime Minister. Instead of reacting to the appeal in a constructive manner, our members of Parliament and trade union leaders straightaway sought to denounce it as an attempt to abridge the fundamental right to strike.

voluntary gesture

Mr Tata, on the other hand, pointed out, that the right to strike for the worker and the right to lock-out for the employer are not fundamental rights, nor are they enshrined in ILO conventions. And, accordingly, he interpreted the appeal from the two topmost dignitaries of the country not as a plea for a ban on strikes but as a call for a voluntary gesture on the part of both workers and employers not to invoke it for a specified period in the national interest. He further wanted to drive home this point: "Strikes and lock-outs are reciprocal rights to counteract the threat from each other, in the process of collective bargaining; one cannot exist without the other". In this connection, he urged the government to impress upon trade union leaders how they have conveniently overlooked this fact by a reference to the position prevailing in all essential services where it is not possible for the government to exercise its right to lock-out for reasons of national defence or for maintaining essential services for the public.

To the extent that the government does this, it can be held that the government has voluntarily renounced its right to lock-



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out. But no trade union leader or labour minister has cared to tell the workers, on grounds of reciprocity, voluntarily to forgo their right to strike in these essential services.

Talking of lock-outs, I may draw attention to Mr Tata's remarks on the latest legislation regarding closures of industries. As per this legislation, a prior notice of 60 days is required before any industry decides to close or face severe penalties including imprisonment. This surely is extremely one-sided and stems from the supposition that businessmen close down their shutters deliberately to cause avoidable unemployment. As the EFI president observed, "No businessman in his senses, invariably involved as he is in having borrowings against his personal securities and guarantees, will expose himself to an action for take-over or liquidation by the bank by deliberately closing the doors of his units".

Moreover, "in these days of uncertain finance, dubious supply of raw materials and frequent and unpredictable industrial disputes involving law and order, can any employer by any stretch of imagination foretell 60 days in advance that he would be compelled to close down on a certain prespecified date?". Mr Tata was, therefore, perfectly justified in asking the Labour Minister whether he would be willing to enact a similar legislation compelling workers to give to government 60 days' clear notice for an indefinite total strike.

As for productivity, Mr Tata can certainly be excused for holding the view that whatever modest increases in productivity the country has witnessed so far can truthfully be said to have been achieved in spite of trade union indifference, if not opposition. It is excusable because, by and large, our trade unions make a point of opposing all forms of rationalisation, modernisation, innovation and, in fact, any measure direct or indirect, to improve productivity. Why this is so was also brought out by him. He gave as many as seven reasons — fear of higher share of the additional profit to the employer; apprehension of an erosion of potential employment; possibility of greater strain on workers; disinclination to exert more; the inherent disincentive of our wage pattern; lack of relation between profit-sharing and productivity, albeit up to a point, and workers' reluctance to concede any credit to labour-saving equipment for higher production.

These reasons ought to make our labour leaders as well as our labour ministers

do some hard thinking with a view to educating our workers and dispelling their doubts on this vital question. At the same time, as Mr Tata exhorted employers, in this age of "production by consent", it is difficult to expect any breakthrough in higher productivity without the co-operation of both trade unions and workers. The

sooner this co-operation is sought and got, the better it would be for our country. Unless this is done, our goods will be priced out of all our export markets, a contingency that we shudder even to contemplate when export earnings bid to become practically the sole reliable source of foreign exchange earnings for the country.

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Private Employer and Social Accountability

N. Gopinathan Nair

DIVINE RIGHTS have become a thing of the past: kings and queens have long reconciled themselves to this fact. But not some of the so-called princes of private industry in the country.

Mr G.K. Devarajulu's presidential address at the thirtieth annual session of the All India Organization of Employers was replete with peevish assertions of this anachronistic right. No wonder that the union Labour Minister, Mr R.K. Khadilkar, was compelled to give the assembled employers a sharp lesson on social accountability.

It is a pity that a powerful section of the employers in India is still living in the mid-nineteenth century. They have no compunction in asserting their right to hire or fire labour. The employers seemed to be rattled at the government's new policy to give priority to employment rather than GNP promotion. The presidential address darkly warns the government that it will be wrong to look upon industry as a provider of massive direct employment. "Shorn of the qualifying words, this means that the private sector cares two hoots about massive employment, but is more concerned about its rate of profit."

making merry

During the last four Plan periods, the private sector was making merry under the slogan of production for growth. The effect of hitching the Plans to the lodestar of GNP promotion has led to serious distortions in the economy. While encouraging the rapid growth of monopoly and making the rich richer, it has resulted in massive unemployment and impoverishment of the masses. The real wages of the very workers who raised production to new heights have remained static during the last two decades. The government has at last woken up to the mischief caused by the slogan "production for growth" and has decided to reverse it with the slogan "growth for social justice." One of the key elements of this slogan is the stress on priority to employment. But if Mr Devarajulu's address is an indication of

This is the text of the AIR broadcast which has been referred to editorially in this issue (cf page 877)

the mind of the private sector in the country, it is opposed to this policy.

The employers do not consider it their responsibility in helping liquidate unemployment in the country. They have also revealed their vested interest in its continuance. A cheap labour market is the dream of every profit-obsessed capitalist.

Another passage in the president's address also reveals the working of the minds of the leaders of the private sector. The address has strongly opposed the demand for a decent bonus. According to Mr Devarajulu "the bonus sum represents no more or no less than the capacity to mulct the industry to the maximum at any given time." To make such a statement after the bonus law has been in operation for so many years is, to say the least, Rip Van Winklish.

imposing discipline

The attitude of the employers as crystallized in the President's address does not augur well for smooth industrial relations in the country. As usual, the employers allege that labour is the villain in deteriorating industrial relationships. They want the government to impose so-called "discipline" on the workers. This means, while the employers will be at liberty to flout accepted obligations, the government should rush to their aid to put down the workers who will naturally resist and struggle against such doings.

The employers plead that the management and workers should be inspired by an identity of purpose. But one fails to understand, how there could be any identity of purpose between employers who are not prepared to accept the social implications implicit in the government's employment-oriented policy of development, and workers who have a vital stake in making this policy successful. Con-

licts are bound to arise, unless the employers are prepared to change their present high and mighty attitude.

Mr Khadilkar should be congratulated for his blunt speaking. He asked the employers to free themselves from their fixations. Instead of exhorting the government and labour to practise self-discipline, it would pay dividends if the employers' organizations, for a change, took up "the task of educating and disciplining their constituents in accepting the obligations that flow from the very fact of their having the citizens of this country in their employment," he pointed out.

current fashion

It has become a fashion these days to compare the relatively high income level of industrial workers to the low per capita income of the population in general. The implication is that the workers were taking an anti-social stance by demanding higher wages and better conditions of work. The presidential address had also raised this bogey. But Mr Khadilkar gave it a hard knock. There has to be a great deal of levelling up, he said. But equally a considerable amount of levelling down has also to be done. The tallest poppies have to be cut. Mr Khadilkar gave the employers another piece of advice. If they want to stay in business, it will be wise of them to exercise more self-discipline, recognize the source of their power and above all its limitations.

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FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi, Saturday

THE DEMANDS for grants of four more ministries — (i) the Ministry of Home Affairs, (ii) the Ministry of Industrial Development, (iii) the Ministry of External Affairs, and (iv) the Ministry of Information and Broadcasting—were adopted by the Lok Sabha this week. Those of the Ministry of Defence were inconclusively debated. The Minister for Agriculture, Mr Fakhruddin Ali Ahmed, clarified the thinking of the union government on the issue of farm land ceilings. Another highlight of the proceedings of the House was the introduction of the Constitution (29th Amendment) Bill.

Widespread concern over the fall in the growth rate of industrial production last year was the main feature of the debate on the demands for grants of the Ministry of Industrial Development. It was strongly urged by almost all the participants in this debate that the government should go into the causes of the slow progress on the industrial front and expeditiously take steps to reverse the declining trend. Several members complained that licensing procedures were still very complicated, red-tape ridden and time-consuming. Quite often, it was alleged, entrepreneurs got frustrated with these procedures and gave up the very idea of starting industry. The leftist members of the House accused the government of becoming soft towards monopoly houses as well as foreign concerns in complete disregard of its declared policy of curbing monopolies. They also felt that not enough was being done to foster self-reliance. Some others, however, pointed out that restrictions on the growth of monopoly houses was one of the primary reasons for the slow pace of industrial progress during the past three years.

sick mills

The steady increase in the number of sick industrial units in the country was also adversely commented upon. Pleas were made for a revision of the Industrial Policy Resolution with a view to accelerating growth. The cause of backward areas for industrialisation was championed by many. Some members argued for rapid expansion of agro-based industries. The need for stepping up the produc-

tion of essential consumer goods was also stressed.

In his reply to the debate, the Minister for Industrial Development, Mr Moinul Haque Choudhury, denied the charge that the government had become soft towards monopoly houses. Since he assumed the charge of this Ministry, the share of larger houses in the industrial licences issued, he pointed out, had gone down from 17.19 per cent to 3.7 per cent. He agreed with members that industrial growth last year had left much to be desired. But one of the main causes of this, he said, was a sharp decline in the production of sugar, cotton yarn and steel. These three industries alone, he stressed, had depressed the industrial growth rate by about 3.5 per cent. Mr Choudhury denied the allegation that the government had taken a decision to allow foreign subsidiaries to set up units in export-oriented and labour-intensive industries.

new licences

The Minister for Industrial Development expressed the hope that as a result of the speeding up of the clearance of applications for industrial licences, the rate of industrial growth would start improving soon; the full impact of this, he pointed out, would, however, be known in about three years' time. The number of industrial licences and letters of intent issued last year, Mr Choudhury said, was nearly three times of the figure for 1969. A close watch, he added, would be kept on the implementation of the new licences. The necessary assistance would be given to entrepreneurs wherever needed, but the licences would be revoked if not implemented according to the specified schedules.

Referring to the development of backward areas, the Minister indicated that some more concessions for setting up industries in these areas might be announced soon; the matter, he disclosed, was under the consideration of the Planning Commission and his Ministry. Mr Choudhury also revealed that the government was thinking of establishing a corporation to run "sick" industrial units. On the question of the nationalisation of

industries, he recalled the Prime Minister's recent observation that while the government was not averse to this step, it wanted its approach towards this problem to be pragmatic.

Mr Choudhury announced that an agreement for the proposed joint sector scooter project to be located at Lucknow would be signed soon with an Italian firm and production would start within a year. The ministerial examination of the public sector project for the manufacture of dry batteries, he further revealed, had also been completed. Another announcement made by the Minister was that the government had taken the decision to establish a holding company for machine tools.

Indo-Pak talks

The current emissary-level talks with Pakistan at Murree to prepare ground for a summit meeting between Prime Minister, Mrs Indira Gandhi, and Pakistan President, Mr Z.A. Bhutto, dominated the debate on the demands for grants of the Ministry of External Affairs, although the other aspects of our foreign policy too came in for a good deal of discussion. There was a general consensus that the main stress in the talks with Pakistan should be on an overall settlement of the issues of dispute with that country in the interest of a durable peace on the sub-continent and not only on the settling of the controversy over the prisoners taken by the two countries during the last conflict.

Several members desired that the Sino-Indian relations should also be normalised but some others doubted whether the time was ripe for parleys with China. Some Congress members advocated continued support by the government of India to the Arab cause in west Asia. Some others pleaded for a rapprochement between our country and the United States. The Vietnam issue too figured prominently in this debate and a good deal of resentment was expressed over the renewed mass scale fighting in this strife-torn country. While Indo-USSR friendship was generally appreciated, the spokesmen of the Jan Sangh and the Socialist parties were critical of the concept of Asian security unde-

Soviet auspices. The usual plea for the recognition of the German Democratic Republic and the Provisional Government of South Vietnam, which has its seat of operation in North Vietnam, were also made by the leftist members of the House. A former minister of the union government, Mr B.R. Bhagat, desired that one per cent of India's GNP should be set apart for giving assistance to developing nations.

hand of friendship

In his reply to this debate, the Minister for External Affairs, Mr Swaran Singh, expressed the hope that the proposed Indo-Pakistan talks would pave the way for a lasting peace on the sub-continent. He urged Pakistan to grasp the hand of friendship extended by India. The External Affairs Minister assured the House that Bangladesh would necessarily be a party to any settlement of the outstanding issues between India and Pakistan.

Referring to Vietnam, Mr Swaran Singh felt that the prospects of the resumption of Paris talks on the issue had brightened. He hoped that these talks would lead to a settlement not only of the Vietnam conflict but also of the difficulties of all the three Indo-China states within the framework of the Geneva agreement. On Sino-Indian relations, he said, that India would take the necessary steps for a detente whenever an opportunity came up for some concrete action. He regretted that as yet there had been no positive indication from Washington to improve Indo-US relations. The Indo-Soviet relations, he added, were very cordial and the government of India was grateful to Moscow for its support in times of need and difficulty when "others wavered, hesitated and even worked against us". Mr Swaran Singh thought that the fears of some members that India was becoming a satellite for the Soviet Union were unwarranted. There was no question of this country becoming a client state of any other nation, he stressed. On West Asia, he said, India continued to support the Arab cause.

Mr Swaran Singh welcomed the idea of collective security in south-east Asia and pointed out that it should not be viewed as an extension of the Brezhnev doctrine. He revealed that Malaysia had shown interest in this concept and even Australia had made some queries. The External Affairs Minister wanted the Indian Ocean to be declared a peace zone in which ships carrying nuclear weapons should not be allowed.

Earlier intervening this debate, the Deputy Minister for External Affairs, Mr

Surrindra Pal Singh dealt with our relations with the neighbouring countries like Ceylon, Nepal, Bhutan and Burma. The relations with these countries, he observed, were friendly. He deprecated the allegation in some quarters that we had designs on Ceylon.

As could be expected, the controversy over the recent order of the government restricting the pages of newspapers to ten dominated the debate on the demands for grants of the Ministry of Information and Broadcasting. While the Congress and CPI members supported the step, the spokesmen of the Swatantra, Congress(O) and Utkal Congress parties assailed it. The Swatantra spokesmen accused the ruling party of using newsprint as an instrument for curbing the freedom of the press; the government, he observed, was not at all worried about the havoc which the above order was likely to play with newspapers. A similar view was expressed by the Congress-O spokesmen in this debate. The Utkal Congress spokesman, however, wondered why the simpler method of price-page schedule was not resorted to by the government, instead of imposing the ceiling of 10 pages. Some of the Congress and other members with leftist leanings wanted the government to introduce without delay legislation to secure diffusion of newspaper ownership. The affairs of the Children's Film Society also came in for scathing criticism. So also the role of All India Radio (AIR) and other information media. It was alleged that AIR and other information media, were being used to help the ruling party. The oft-repeated plea for converting AIR into a statutory corporation was reiterated. Some members wanted the Press Trust of India as well to be converted into a corporation.

no ulterior motive

The Minister of State for Information and Broadcasting, Mrs Nandini Satpathy, stoutly refuted the allegation that there was any ulterior motive for restricting the size of newspapers. The only reason for this, she pointed out, was the necessity to contain foreign exchange outgo on the import of newsprint in the present tight foreign exchange situation. She stressed that the government believed in the freedom of the press and that it must be accepted as a basic principle of democracy. The government, therefore, would like to see opinions expressed freely, subject only to the limits of national security, not only by the persons who had means and resources to do so but also by those who wished and were capable of doing so. The newsprint policy, she assured the House, would be reviewed as soon as the

report of the fact finding committee was available. Referring to films, Mrs Satpathy disclosed that her Ministry and the Ministry of Foreign Trade were jointly considering the setting up of a composite public sector undertaking to look after the exports of Indian films, imports of foreign films, loans for the production of "deserving" films and the creation of distribution and exhibition facilities directly under this undertaking. She did not agree to the suggestion for converting AIR into an autonomous corporation. The TV network in the country, she said, was being expanded.

major announcements

In her reply to the discussion on the demands for grants of the Ministry of Home Affairs (the highlights of this debate were reported in this column last week), the Prime Minister, Mrs Indira Gandhi, made two important announcements. The first was that the government would soon bring forward legislation to severely cut the role of foreign money in the country's public life. The intention is to completely prohibit the receipt of foreign money by candidates standing for elections, political parties, employees of the government, public sector undertakings and newspapers. Associations, trusts and foundations would require prior sanction for receiving funds from abroad. In the case of individuals, information would have to be given to the government by the recipients on a prescribed form.

The second announcement concerned defection by legislators. The Prime Minister indicated that a bill was being considered by the government in this regard which would make it necessary for the defecting legislators to resign and seek fresh mandate. Mrs Gandhi denied the charge of the opposition members that this legislation had been deliberately delayed by the government. The cause of delay, she added, was the failure of the opposition parties to respond promptly to the government's communication to them in this connection.

The Prime Minister virtually ruled out the consideration of the demand for greater autonomy for states. The central government, she stressed, had been extending full co-operation to state governments regardless of which party was in power. The chief ministers of all the states, including those ruled by the opposition parties, were also always willing to co-operate with the centre. She thought that the centre-state relationship as envisaged in the Constitution was basically sound.

Mrs Gandhi castigated the opposition

members who had alleged that elections had been rigged. She characterised this charge as fantastic. She was particularly severe in her references to the CPM, which party, she said, was not even willing to concede that democracy could deliver the goods. The CPM, she pointed out, had always talked of negation of democracy and emergence of one party rule in the country. It had at no time understood democracy as it was commonly understood.

The Prime Minister also informed the House that the government had accepted the plea for ending discrimination against married woman in the matter of seeking or retaining employment in government services. She expressed her preference for the abolition of capital punishment.

The highlight of the inconclusive debate on the demands of the Ministry of Defence was the strong plea made by several members, belonging both to the treasury and the opposition benches, for the country going nuclear. They maintained that the high cost involved should be no argument against our doing so; no price was too high when it came to guarding the freedom of the nation. The performance of the defence forces during the last December's conflict with Pakistan was highly praised by all the sections of the House. The need to strengthen the defences of the country was reiterated. Hopes were expressed that the welfare programmes for ex-servicemen and the dependents of those who were killed or injured in the Indo-Pakistan conflict would be implemented expeditiously.

ceiling on land holding

The Minister for Agriculture, in a statement, clarified that the ceiling of 10 to 18 acres on land holding by a family of five, consisting of husband, wife and three minor children, was envisaged in the case of lands which were prennially irrigated from government sources. The lands irrigated by private tubewells, therefore, would be outside the purview of the above ceiling. He quoted in this regard the enactment by Parliament itself for West Bengal. Most of the other states, he said, were following this principle.

The Constitution (29th Amendment) Bill, which seeks to amend Article 31-A of the Constitution to enable the government to pay compensation for acquisition of land at a price to be fixed by it which may not be the market value of the acquired land, was introduced in Lok Sabha this week. The provisions of the Bill are proposed to be given retrospective effect from June 20, 1964.

In a report submitted to the Lok Sabha on April 27, the Estimates Committee of Parliament expressed deep concern over the paucity of raw materials for industries. It suggested that instead of a number of ministries and government departments being responsible for meeting the needs of industrial raw materials, a central planning agency should be set up to keep a constant and strict watch over the supply position so that remedial steps could be taken expeditiously. The Committee also referred to the "lack of proper planning" in developing the requisite capacities for the production of basic raw materials.

economic production

An important guideline for the processing of applications for industrial licences, it opined, ought to be whether the capacity to be licensed offered scope for economic production. The development of backward areas and a rational distribution of industries in the various parts of the country were stressed by the committee. In regard to foreign collaborations, it said that a close watch should be kept on the results of these collaborations. Care should be taken that the efforts at self-reliance were not marred by undue imports of foreign know-how.

The committee recommended that a perspective plan for the next 10 to 15 years should be prepared for all the key industries, so that the five-year requirements and year-to-year achievements could be properly adjudged in this wider perspective. All possible encouragement, the committee stressed, should be given to entrepreneurs who wanted to set up labour-intensive industries.

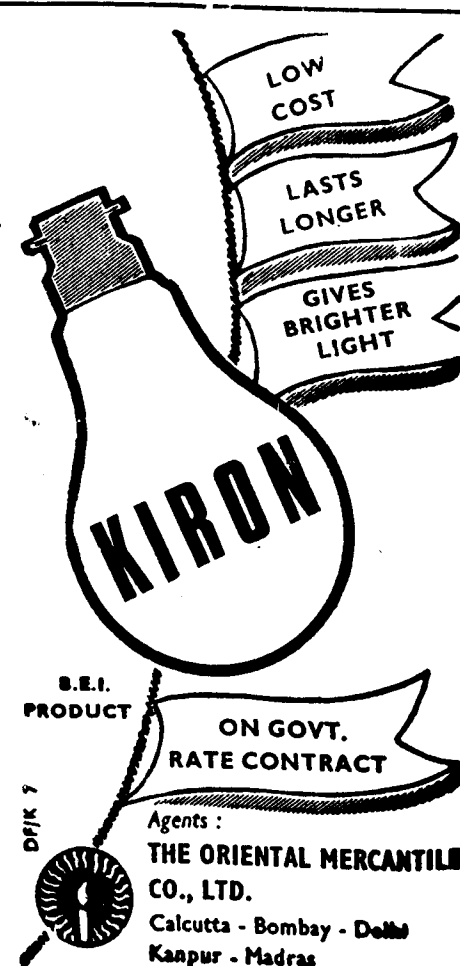
In its 44th report, the Public Accounts Committee of Parliament has expressed the view that it is not worthwhile to tax commodities in the case of which the annual yield from taxes is less than Rs 50 lakhs. The committee has mentioned specifically in this regard the products manufactured by small industrial units dispersed throughout the country. The levies on these goods or commodities, the committee feels, would involve disproportionately large cost of collection. It is of the opinion that it is necessary to develop a fully integrated system of costing to find out the cost of collecting taxes commodity-wise.

In its 20th report on the working of the Shipping Corporation of India, the Parliamentary Committee on Public Undertakings has recommended the drawing up of a need-based shipping programme integ-

rated with the capacity of indigenous shipyards. The committee has pointed out that the country would have a total tonnage of only 33.77 lakh GRT at the end of the fourth Plan, on the basis of the existing tonnage and orders placed by March 31, 1972. There will, thus, be a sizeable shortfall in the achievement of the fourth Plan target of raising the shipping tonnage in the country to 40 lakh GRT.

The Shipping Corporation of India, the committee has suggested, should gear up its machinery suitably and take proper action to achieve the target assigned to it of raising its tonnage to 15.47 lakh GRT by 1975. A high-powered committee, consisting of the representatives of the corporation, other shipping interests, Hindustan Shipyard and Mazagaon Docks, might be set up to provide guidance and to resolve all problems of the corporation.

The committee is of the view that development of ports and ordering of ships should go hand in hand so that valuable funds are not locked up in ships which the ports are not able to handle and which, therefore, have to be chartered out.



Alone and honourable

IT CAN scarcely have been a surprise to any of the 141 countries which have been discussing international trade and financial strategy at the third UNCTAD conference that it has so far provided little tangible in the way of assistance to the developing countries. From west Europe only one voice, that of Federal Germany, has offered the developing countries easier loan terms at a time when the general trend is the other way. From west Europe, also, only one voice, that of Dr Mansholt, the new President of its Commission, has expressed regret that no comprehensive and coherent policy on development aid was offered by the Common Market at the Santiago meeting.

These niggardly facts are scarcely surprising partly because it is doubtful how

per cent of the amount by which the Atlantic countries will grow richer during this decade.

There is little support either in western Europe or the USA for a significantly increased allocation to the industrially developing area of Special Drawing Rights. The United States, itself one of the largest users of SDRs, is unenthusiastic. Western Europe dislikes the idea of increasing international liquidity because it considers the SDR system to be a factor in preserving American domination of the international money markets. They fear also that more liquidity would bring on more inflation.

The extent to which the United States and western Europe are preparing for sharper economic contest is revealed by

in another. A mere synchronisation of Common Market currencies will not suffice as long as some member countries continue to pursue a policy of growth rather than of stability.

The Common Market, as it moves towards expansion, faces this and many other problems, not all of which are likely even to begin to be solved by the Market summit meeting in Paris next autumn. Its institutions need to be more flexible and more democratic. The status of the little-publicised European Parliament in Strasbourg — whose members are elec-

The first part of the article on the "Evolution of Sterling Area" by Josselyn Hennessey had appeared in our issue dated April 28. The second part will appear later—Ed.

WINDOW ON THE WORLD

far west Europe and north America have genuine interest in sharing effectively and steadily in the industrially developing nations' progress. West Europe and the USA are getting set for battle with one another, for internal economic squabbles and have not much time for others.

The Common Market's proposal at Santiago to raise official development assistance from the current 0.35 per cent of industrialised countries' gross national product to the 0.7 per cent recommended by the United Nations for 1975 shows how very far the Atlantic states are from making the proposal at the second UNCTAD conference in New Delhi four years ago — that there should be a net transfer of resources amounting to one per cent of gross national product. Many of the current transfers, also, carry a high interest rate — this despite the fact that even the increased assistance proposed by the Market would use up only 1.5

anxiety in both areas over a possible further growth of inflation and by their measures either to ensure raw material supplies or to buy them more cheaply.

The anxiety about inflation was expressed by the President of the West-Deutsche Landesbank Girocentrale. He foresees a growth of inflation throughout the Common Market because the monetary exchange margins between the Market's currencies have been narrowed without accompanying firm agreements on joint Market economic and monetary policies. The factors influencing west European monetary stability are no longer controllable at the same time as the USA continues its over-production of dollars.

If, in this German banker's opinion, the Market continues its failure to arrive at an agreed economic and monetary policy, an inflationary policy in one country could reduce the stability of the currency

ted by their governments, not by popular franchise — needs to be raised and the basis of its membership made far more popularly representative. There is increasing risk of clash also between Market authority and national sovereignties. There is some danger, especially in this period of expansion, that the euphoria of apparent solidarity may lead to an overriding of justified national interests.

The nations' intention to secure for themselves supplies of industrial raw materials has been revealed recently both by France and the United States. The French government is about to detail an ambitious plan to diversify its sources of basic raw materials through intensified worldwide exploration by French firms and backed by a stockpiling policy. The stockpiling plan will concern itself largely with assembling and maintaining a sufficient supply of copper and nickel for all French industrial purposes. This may eventually damage the interests of such non-French copper exporters as Poland and South Africa since the aim is for French firms to be capable of directly controlling supplies amounting to between one-quarter and one-third of overall French requirements within five years. Through direct and indirect aid French firms will be encouraged to expand their exploration activities, especially in Canada, Australia and New Caledonia. Investment risks against war and political take-overs abroad will be covered by a government guarantee. Timber and rare

metals as well as copper, nickel and industrial ores are included in the plan.

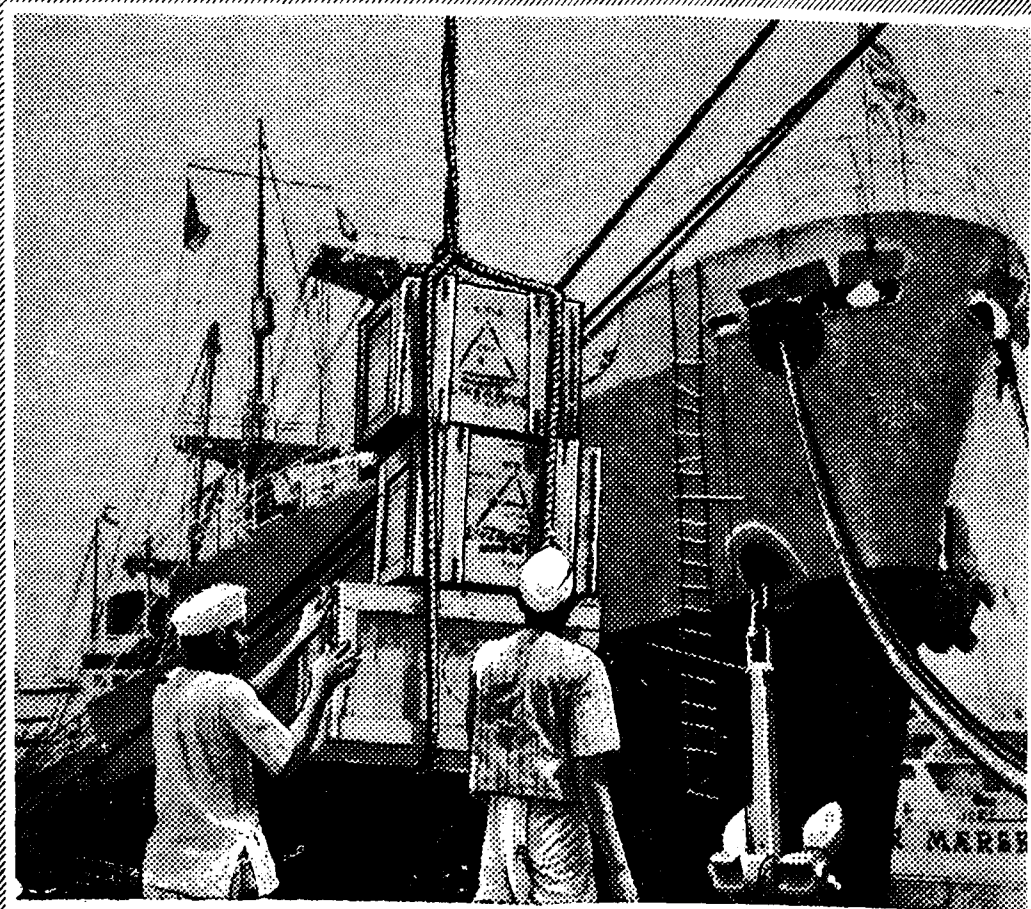
The USA, somewhat similarly, is to give government support to private corporations and firms in their dealings with foreign governments owning or controlling mineral or other natural resources vital to US industry. The USA is, with Japan, the world's largest consumer of raw materials most of which it does not possess.

Both the USA and France have recently

learnt the hard way in their dealings with the OPEC and the Algerian government that possession remains nine points of the law. As a result, France will mine and bore farther afield and the US government back and lead its large corporations in negotiations with foreign enterprises and foreign governments.

The USA, to west Europe's concern, is also preparing a tougher foreign trade policy, including new criticisms of foreign trade practices and restrictions. The anti-

dumping law will also be tightened and its administration made still more rigorous. French and Belgian firms have recently suffered from this increased strictness over practices of "selling goods at less than fair value" in order to effect a sale. Customs procedures are also to be tightened in the USA and there is a hint that US capital may be restrained in creating jobs abroad if domestic US manufactures are prevented by discriminating barriers from selling in those foreign markets on equal terms.



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BOOKS BRIEFLY

Taxing Agriculture

Reviewed by
Academicus

Direct Taxation of Agriculture: A.C. Angrish; Somaiya Publications Pvt. Ltd; 1972; Pp 339; Price Rs 25.

Wage Determination: P.R.N. Sinha; Asia Publishing House; Pp 362; Price Rs 36.

Managing for Profit: R.R. Gilchrist; George Allen and Unwin Ltd, London; Pp 165; Price £3.25 net (in UK only).

Industrial Management and Market Research: S. Ranganadha; Meenakshi Prakashan, Meerat; Pp 202; Price Rs 16.

The Indian Press Profession to Industry: Arun Bhattacharjee; Vikas Publications; 1972; Pp 216; Price Rs 25.

Sale—A Profile: R. Arvedsson and S. Dandapani; International Cooperative Alliance, New Delhi; 1972; Pp 132; Price Rs 20.

It is now generally accepted that Indian agriculture which contributes about 48 per cent of the national income is relatively lightly taxed and for rapid economic development, the agricultural sector will have to play a more significant role and therefore a larger amount of resources will have to be mobilised from this sector. The emphasis on increasing mobilisation in the agricultural sector has become all the greater because of the 'green revolution' that has already made its appearance in the country. *Direct Taxation of Agriculture* by Dr A.C. Angrish tries to analyse the various aspects of direct agricultural taxes in the light of modern principles of taxation and requirements of economic development of the country and attempts to put forward "a rationalised scheme of direct agricultural taxes for the country."

revenue significance

The author, having traced the evolution of agricultural taxes, has analysed the revenue significance of land revenue and agricultural income-tax, with a view to ascertaining their productivity and elasticity. After calculating the burden of land revenue and agricultural income-tax, the author has come to the conclusion that the agricultural sector is undertaxed, especially in terms of the absolute taxable capacity that it possesses. The analysis also reveals inter-sectoral and interclass inequity. The author has appraised the agricultural tax structure in the light of the principles of taxation and has brought to the forefront the existing defects of land revenue and agricultural income tax. In this connection he has also discussed

the pros and cons of the current controversy regarding the abolition of land revenue especially on lands below some minimum size and has made out a strong case not only for the retention of land revenue but its enhancement, both on theoretical and practical grounds. The author has critically examined the possible alternatives to the existing system of land revenue and agricultural income tax and has come to the conclusion that on economic grounds there is no satisfactory alternative system.

taxation reform

Chapter 8 and 9 which deal with the reforms of agricultural taxation are the most significant part of the book. The author is of the opinion that agricultural income-tax may not be a good substitute for land revenue from the point of view of productivity and administrative feasibility. Having examined the pros and cons of the proposal to merge agricultural income-tax with the general income-tax, the author has concluded that this proposal, though theoretically sound, is practically impossible in view of some economic and political difficulties. In view of many difficulties in imposing agricultural income tax, the author is inclined to retain land revenue, after rationalising the existing system. In the author's proposal for reform of land revenue system, the basis of 'potential net income' would be more or less a crude form of agricultural income tax. Land revenue in that rationalised system would not be based on acreage of land but on the potential income from land. The author has also put forward a detailed

scheme for the collection of land revenue in kind and proposals to make it administratively feasible and fiscally sound. The author however favours continuation of agricultural income tax on large tea estates and other plantations as a long-term measure.

The author has confined his analysis only to land revenue and agricultural income tax — the two important direct agricultural taxes. This means that he has not taken into account other direct agricultural taxes such as water rates, betterment levies and local taxes on agriculture. But unless all these taxes are taken together, we are not likely to get an idea of the full contribution which agriculture is making at present to mobilisation of resources and this means that the author's recommendations made only on the basis of his study of land revenue and agricultural income tax will have only limited practical value, both from the point of view of theoretical analysis and for policy-formulation purposes.

So much has been written these days on contribution of agriculture to economic development and on agricultural taxation that it is not at all surprising that there is hardly anything new in what Dr Angrish has said. One is left with the impression that that problem of agricultural taxation is not economic or even administrative but has become essentially a political problem in which sphere economist has hardly any say.

WAGE DETERMINATION

Wages and wage rates are one of the most important bones of contention between employers and employees and account for an overwhelming percentage of industrial disputes both in developed and developing countries. A developing economy like India embarking on a comprehensive programme of planned economic development will have to certainly concern itself with the avoidance of industrial disputes and maintenance of industrial peace in order to register satisfactory progress on the industrial front. Naturally this explains the anxiety on the part of the state and every one interested in the economic progress of the country

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to find out methods of peacefully resolving issues concerning wages and determination of wage rates.

In his *Wage Determination*, P.R.N. Sinha has made an attempt to analyse the various issues pertaining to determination of wages by wage boards in India. He has tried to emphasise the principles and procedures adopted by wage boards in the fixation of minimum wages and reckoning of wage differentials. Also an attempt has been made to analyse the working of wage board system, its impact on industrial relations and some economic implications of the recommendations.

frequency of disputes

Analysing the factors that led to the formation of non-statutory wage boards in India, the author has pointed out that prior to the advent of the wage board system, state regulation of wages in organised industries in India came essentially as a by-product of settlement of industrial disputes by conciliation and adjudication machineries. During the course of the working of the tribunals, it was experienced that they failed to provide an effective solution to constantly increasing unrest over the question of wages. It was increasingly realised that the number and frequency of wage disputes in organised industries would not be reduced unless the parties themselves had the ultimate say in reaching the decisions. It was due to this that the second Plan recommended the establishment of wage boards on industrywise basis. The result was that a number of central wage boards came to be established in different industries.

Each wage board consists of an impartial chairman, two other independent members and two or three representatives of employers and workers each. The central wage boards are purely recommendatory bodies, the ultimate decisions regarding the acceptance of the recommendations lying with the government of India, which requests the parties concerned to implement them, if the government accepts those recommendations.

It is noticed that in determining the wage-structure, the wage boards are required to follow the principle of 'fair wage' as set forth in the Report of the Committee on Fair Wages. In addition, the wage boards are also required to consider (a) needs of the industry in a developing economy, (b) requirements of social justice, (c) need for adjusting wage differentials in such a manner as to provide incentives to workers for acquiring more skills and (d) desirability of extend-

ing the system of payment by results.

In chapter III the author has sought to analyse the various issues connected with 'need-based minimum wage' as viewed by the wage boards. It is found that the wage boards' estimates of need-based wage were at sharp variance with those worked out by employers and trade unions. In spite of various limitations, the need-based minimum wage was finally recommended by the wage boards for the cement and iron and steel industries, the quantum of need-based minimum wage recommended by the wage boards lying somewhere between the estimates made by employers and trade unions when making their submissions before the wage boards. It is interesting to note that other wage boards did not think it possible to recommend need-based wage on the ground of inability of industries to bear the financial burden involved and that such a recommendation cannot be made without considering the capacity of industries to pay. The author rightly feels that the task of calculating a need-based wage, instead of being left as at present to individual wage boards set up differently for different industries, should be entrusted to a single national tripartite body, the different wage boards on their part concentrating only on examining the capacity of an industry to pay such a wage, reckoning of differentials, and resolving other issues of wage determination.

various issues

The author discusses the various issues pertaining to the application of 'the capacity to pay' criterion. In this regard the main problems facing the wage boards related to determination of a fair cross-section of the industry and secondly the measurement of capacity to pay. In both cases the approaches of different wage boards differed considerably. As regards the first, we notice that some wage boards selected only a certain number of units to represent a fair cross-section of the industry, while some others made an attempt to ascertain the capacity of each unit separately. As regards the measurement of capacity of an industry to pay, different wage boards adopted different approaches. While some depended on balance-sheets furnished by the employers, others placed their reliance on the findings of the Tariff Commission and profitability studies made by the Reserve Bank of India. The yard-sticks adopted for measuring the financial health of an industry were various, covering items such as capital formation, percentage of bonus issues to the total paid-up capital, net worth, reserves and uses of funds and percentage of dividend declared on equity

shares and so on. However the wage boards in general failed to demonstrate as to how the consideration of the above factors was brought to bear on the fixation of wages.

The author has also analysed certain other principles considered by wage boards, i.e. productivity of labour, prevailing rates of wage levels, national income and its distribution, place of industry in the economy of the country, needs of the industry in a developing economy and requirements of social justice. Though productivity of labour was considered by wage boards, they could not specifically measure the proportionate contribution of labour to this increase in productivity. Only the wage boards for sugar and jute industries gave some definite weight to 'prevailing rates of wages'. 'Level of national income and its distribution' was given consideration by some wage boards, though nothing definite was said about correlating wages to national income. Certain wage boards, according to the author 'laid undue emphasis on the needs for accelerating capital formation, building of reserves for promoting modernisation and rationalisation and promoting exports'. The term 'requirements of social justice' was interpreted differently by different wage boards and the author feels that 'consideration of this factor did not have any direct bearing on the fixation of wages.

As regards various types of wage differentials, the wage boards were concerned more predominantly with the fixation of differentials based on differences in occupations and various degrees of skill. In general they did not disturb the existing differentials, except for removing anomalies from the existing wage-structure. However we find that most of the wage boards reduced the number of existing grades which were reported to have been numerous and widely diverse.

declining ratio

As regards some of the economic implications of the wage boards' recommendations and the impact of the wage board system on industrial relations, the author has stated that the level of money wages in all the industries in question has considerably increased, the most notable increase taking place in cement and sugar industries. He has also pointed out that the percentage of both workers' money wages and total wage cost to total cost of production declined or remained more or less unchanged after the wage boards recommendations came into force. It is significant that the percentage nowhere increased. Also it is proved that produc-

tivity per worker in value terms after implementation of the wage board's recommendations has generally been higher than for the period preceding the recommendations.

As regards the share of labour in the national output, according to the author, a mixed picture has emerged. In some cases, the share of value added going to wages has gone up and in some others it has gone down.

Wage problems in a country assume socio-political colouring and are often sought to be resolved on grounds other than economic. This is bound to create problems for industries in the private sector. If the emphasis is shifted to economic considerations based on adequate empirical data, different parties to industrial disputes are likely to evolve more satisfactory solutions. It is therefore extremely heartening to note that considerable amount of research is being made in the field of labour economics and some excellent books on the subject are being published. This book on *Wage Determination* by P.R.N. Sinha is certainly one of them.

EFFICIENCY IN INDUSTRY

The subject-matter of *Managing for Profit* is the meaning and measurement of efficiency in an enterprise. In the manufacture of its products, an enterprise makes use of various resources such as raw materials, power, labour and machines and it is the output achieved from these resources that determines the efficiency and, therefore the profitability of the enterprise.

The purpose of industry is the fulfilment of human needs. If an enterprise can find customers for its product, sell this product at a profit and operate within limits set by its social and legal obligations, the enterprise can justly claim that it has fulfilled these human needs.

But it is also equally true that in its quest to meet these social needs, the enterprise must make profits without which the enterprise cannot survive. Profit is the ultimate measure of effectiveness. It is only a concern that makes reasonable profits that is likely to offer security of employment, promotion prospects, job opportunities and income and personal motivation that comes from being associated with the enterprise and its success. Thus, without doubt, the final result must be profit and a business can only earn profit if it is able to utilise its resources effectively, harness the skills and abilities of its employees, innovate, exploit new

markets and locate and develop new opportunities.

It is obvious that the true income of an enterprise is obtained by deducting, from value of sales, the value of all raw materials and other bought-out purchases. It is this income which represents the fund from which all wages, salaries and profits must be paid as well as other items of operating expenses such as rent, rates and depreciation. According to the author the name given to this fund is 'Added Value'.

Though economists have been using the concept of 'Added Value' to measure national income, it is surprising that it is only comparatively recently that companies have become aware of the significance of this concept as a tool of management. As a result, it is the creation of 'Added Value' that has become the primary objective of an enterprise. Whatever the decisions to be taken, the acid test of their effectiveness will be whether they will result in an improvement in the 'Added Value' per unit of resource input.

It is stated that a company has many responsibilities: responsibilities to the employees (fair wages, security, status, comradeship, scope for self-development and fulfilment, good and safe working conditions and sense of belonging); to the shareholder (fair and reasonable return on invested capital); to the local community (to be a good neighbour, taking constructive interest in local affairs); to the consumer (good quality at a fair price); and to the nation (proper and productive use and development of national resources, both human and material). According to the author all this a company can do or fulfil only if it makes reasonable profits which in the final analysis depends on the 'Added Value'.

interesting and readable

This is all that R.R. Gilchrist has to say, though he has said that in an interesting and readable way. But reading the book, one is aghast that even the chief executives of companies know so little about the principles of economics. Some of the topics analysed, namely pricing, incomes and employment, incentives for profit, costing, budgeting, and even the concept of 'Added Value' bear out this statement. The economic phenomena are influenced at present by so many factors including monetary and fiscal policies of the government that it would be impossible for modern executives to conduct their business satisfactorily without having a firm grasp of elementary economics. He might have succeeded in the last century without this knowledge, but

he has little chance in the present. Looking to the courses of study of commerce faculties in Indian universities, and reading some of the books on commercial subjects written by Indian authors, one is confirmed in one's opinion that all these people concerned with modern business need a sound foundation of economics which most of them seem to lack at present.

MARKET RESEARCH

In *Industrial Management and Market Research* S. Ranganandha has attempted to bring into sharp focus the main issues in marketing and industrial management. In most of the developing economies which have adopted the technique of planned economic development with its various restraints on free economic forces, there is perceptible decline in the guiding influence of the market and market forces. And yet the importance of marketing, according to the author, "as a creative management function which promotes trade and employment cannot be over-emphasised". Moreover in India where nearly four-fifths of its population is dependent on agriculture which contributes nearly half of its national income, the crucial role of rural marketing is not widely recognised. There is however a marked change in the outlook as regards rural marketing which has undoubtedly vast potential, thanks to the record agricultural production and impending 'green revolution'.

Though India has yet to become a leading industrial country, the phenomenal expansion of Indian industry in recent times has accentuated the need for increasing the number and improving the quality of the personnel required to meet the demands of industrial management in the country. It has now been realised that industrial management has become so complex at present that the industrial manager is required to function as a 'coordinator-general', which is possible only if he has acquired inter-disciplinary skills. The author has rightly emphasised that what is needed in India is "a changed attitude to the role of the manager in an industrial undertaking which accords with the increasing complexity of the structure of modern industry". This study aims at highlighting some of the issues in marketing and industrial management that have to be faced in India in the present context of its development.

The author begins by emphasising the importance of work study. According to him, in a wider perspective, industrial research and market research are the two familiar techniques of enhancing producti-

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vity. The former depends upon science, technology and innovation, while the latter is concerned with the study of consumer needs. In fact 'work study' may be defined as "the systematic objective and critical examination of all the factors governing the operational efficiency on any specified activity in order to effect improvement". The author has discussed various aspects such as managerial audit, productivity analysis, wage-setting, product-diversification, product research analysis, brand-preference study analysis, marketing research analysis, sales organisation analysis, sales forecasting and dozens of other allied topics.

When one completes the reading of the book, one is left completely frustrated. The common feature of most of the books, on industrial management and marketing is that the analysis hardly seems to have any strong theoretical foundations, making the analysis highly superficial and shallow. Though the author has something useful to say, one notices that there is hardly any co-ordination and integration among scores of topics which the author attempts to analyse. What he has done is to present a few pieces and bits based more on common sense than on any formal theoretical analysis. Indian publications on commercial subjects will have to raise their plane of analysis, if they are to command respect of their readers.

INDIAN PRESS

The Indian Press Profession to Industry has its origin in individual surveys conducted by Arun Bhattacharjee since 1969. Since the Press in India has earned the sobriquet of "Jute Press", "Monopoly Press" and the like, one is interested to know about the real state of affairs about the Indian Press.

The book is divided into three major sections. The first section is concerned with the 'Freedom of the Press'. This section discusses such important topics as 'Pressures on Mass Media', "Is State Finance to Newspapers Compatible with the Freedom Concept?" and "Newsprint Crisis and Growth of the Press."

Under freedom of the press, the author has analysed pressures of law, such as common law restrictions, professional secrecy, incitement to disorder, obscenity and so on. The author has also referred briefly to prevailing conditions in this respect in some other countries such as UK, USSR, China, East Germany and Yugoslavia. The author then proceeds to analyse "Economic and Political Pressures" such as subsidies, graft, allocation of

newsprint, government advertisement, price-page schedule, finance corporation, trade unions, political pressures, violence and some other direct pressures by the government. And there are pressures on news agencies.

The consequence is that freedom of the press is constantly faced with the possibility of intervention by the state. By claiming that it is necessary to prevent the diffusion of false or distorted news, to prohibit propaganda subversive of public order or the existing system of government to protect and maintain high moral standards, to uphold religion and punish blasphemy and so on, the state can and often does intervene and impede publication of information and opinions. It only means that no constitutional or legal provisions as such can guarantee freedom of the press and information, unless society recognises that the best government is that which allows citizens to form and express their own opinions on all matters, including the government.

anti-trust laws

Is state finance to newspapers compatible with the freedom of the Press? The author asks why the growing monopoly of the press should not be controlled by direct anti-trust or anti-monopoly laws instead of by indirect method of financing small papers which would support the party in power? And it is doubtful, according to the author, if it could check the growth of monopoly. Again, if the purpose is to create a small but powerful voice in the semi-urban and rural areas in support of government by such governmental financial assistance, then also it is rather "an unwise attempt as only two per cent of newspapers reach the villages." The author opines that the scheme of government's financial assistance to newspapers, taking all factors into consideration, is hardly commendable.

As regards production handicaps, with general literacy reaching 30 per cent mark which should lead to a greater demand for newspapers and consequently newsprint, the situation in India in regard to newsprint is more dismal than before. India continues to import a substantial part of newsprint and there has been hardly any planning in this vital sector during the last twenty years, various attempts made being either half-hearted or thoroughly inadequate.

The second section analyses various issues regarding "News Agencies". The author is of the opinion that "a co-operative, non-profit-making agency subscribed

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and supported by the press in any country is usually the best form." In India most of the news agencies are afraid that government may force them into corporations to make them answerable to the government and Parliament. The author has analysed the organisation and functions of some important news agencies such as Press Trust of India, United News of India, Samachar Bharati and Hindustan Samachar in India and some foreign news agencies such as Associated Press, United Press International and Reuters Ltd. He opines that it is most unfortunate that "during the last hundred years, despite the tremendous development of the Press throughout the world, the number of world news agencies remained almost the same." There are just five world news agencies which are controlling or supplying news to the mass media.

The final section analyses "Progress Towards self-sufficiency". We note here that during the last ten years considerable development has taken place in the country in the fabrication of plant and equipment for pulp and paper machinery. At present, almost the entire pulp plant, recovery system, boilers, turbines, water supply, most of the electric equipment, pumps and instruments can be fabricated in the country, whereas before the third Plan almost all these had to be imported. However in the case of paper machinery, the position is not equally good. There will have to be more planning to fill some of the gaps that still remain in this sphere.

Though free press is an important and vital aspect of democracy, an average citizen knows very little about its organisation and functioning. This book by Arun Bhattacharjee giving all the essential details of the industry not only in India but to some extent in other countries also, is therefore, extremely welcome by all those who value Freedom of the Press.

PROFILE OF SALE

The volume of retail trade is vast, ranging generally between 30 per cent and 50 per cent of the gross national product of a country. Any one entering retail trading should therefore have an eye on the volume to be covered not only for the purpose of economic viability under business considerations but also to cause the needed demonstration effect with a view to rationalising the retail trade as a whole. Unless accompanied by a clear-cut and well defined objective with the necessary wherewithal, know-how and capital, a retail shop may remain a backward, unpro-

gressive and little known business entity.

In *Sale — A Profile* the authors, besides dealing with the aspects of location, assortment, pricing, selling systems, layout, location of goods, display, and salesmanship which are all basic to a retail establishment, deals with more important though less practised aspects of a retail trading such as conducting a feasibility study, sales promotion through sales budgeting and sales planning. The authors have dealt in a lucid manner with various selling techniques like silent selling (by window display), clearance sales etc. The authors have also discussed the problems of staff training, customer relations and shop hygiene.

Retail trading which occupies an extremely important place in the nation's economy and in the lives of millions of people remains one of the most neglected subjects in all countries and has received hardly any attention from analysts. Even big departmental stores and

cooperative retail establishments have hardly looked at these various aspects of retail trading in a scientific way. Though in this book the authors have analysed the various issues mainly having co-operative retail trading in view, their analysis will be found useful by all retail traders, big and small, in developed and developing countries. Without bringing in irrelevant theoretical sophistication which is the practice of many authors dealing with such subjects the authors have dealt with the various issues relating to retail trading in a lucid and lively style so as to be easily understood and appreciated by most of the retail traders who often do not possess high theoretical knowledge and analytical ability. Though some aspects of retail trading lend themselves to theoretical analysis and generalisations, it is essentially an art and the authors have done well to treat it as such and without high theoretical pretensions, with the consequence that the book has become extremely readable and useful to retail traders as also purchasers.

Books Received

Features with Flair: Brian Nicholls; Vikas Publications; Pp 95; Price Rs 16.

Freight Transport: Prepared for British Information Services by the Central Office of Information; Pp 22.

Education (Sector Working Paper): Published by World Bank; Pp 35.

Population Planning (Sector Working Paper): Published by World Bank; Pp 83.

Commerce Year Book of Shipping and Ship Building: Editor Vadilal Dagli; Published by D.B. Mahatme on behalf of *Commerce (1935) Ltd*, Manek Mahal, 90 Veer Nariman Road, Bombay 20 BR; Pp 132; Price Rs 25.

Economics of Public Expenditure: T. Mathew; Vora and Co. Publishers Pvt Ltd; Pp. 260; Price Rs 25.

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Power Development in India (The Financial Aspects): K. Venkataraman; Wiley Eastern Private Ltd; Pp 166.

Law and Practice of Banking (Banker's Edition): S.R. Davar; Progressive Corporation Pvt. Ltd., 51, Mahatma Gandhi Road, Bombay-1; Pp 1046; Price Rs 30.

Handbook of Statistics: 1970-71: Published by the Indian Engineering Association, 6 Netaji Subhas Road; Calcutta-1; Pp 340; Price Rs 17 (Postage Rs 3 Extra).

Income-Earning Trends and Social Status of the Harijan Community in Tamil Nadu: A Vagiswari; Sangam Publishers, 11 Sunkurama Chetty Street, Madras-1; Pp 150; Price Rs 7.50.

Appropriate Technology for Rapid Economic Growth: Appropriate Technology Cell, Ministry of Industrial Development, Govt. of India; Published by Manager of Publications, Delhi; Pp 160.

Productivity (Special Section—Labour Productivity) (Jan.-March 1972) Editor V.S. Chopra; National Productivity Council, 38 Golf Links, New Delhi-3; Price per copy Rs 3.

International Conference on Monopolies Mergers and Restrictive Practices; Edited by J.B. Heath; published by Dinesh Khanna for Vidya Mandal, 416, Kuch: Brij Nath, Chandni Chowk, Delhi-6 Pp 285; Price Rs 75.

TRADE WINDS

UNCTAD III

THE SIX-WEEK session of UNCTAD III started in Santiago (Chile) on April 13. Earlier two meetings of this UN organisation were held in Geneva (1964) and New Delhi (1968). The basic aim of the organisation is to ensure an equitable system of international trade so as promote the economic development of poor countries.

High hopes were generated when UNCTAD came into being but the developments in the past eight years have caused widespread disappointment among the developing countries. Mr L.N. Mishra, India's Foreign Trade Minister gave expression to the frustration prevailing among backward countries of the world because of the rigid attitudes of the advanced countries. He urged that the existing system should be so re-fashioned that "international economic co-operation becomes binding and that assistance to developing countries is not based on an appeal to the charity of richer nations."

After about two weeks of discussions at Santiago, it appeared that the Third World countries were joining hands to press the adoption of a resolution to bridge swiftly the economic gap between the world's 25 poorest countries and the rest of the developing nations. Included in the list of these countries are: Upper Volta, Botswana, Burundi, Chad, Dahomey, Ethiopia, Guinea, Lesotho, Malawi, Mali, Niger, Tanzania, Rwanda, Somalia, Sudan, Uganda, Afghanistan, Bhutan, Laos, Maldives, Nepal, Western Samoa, Sikkim, Yemen and Haiti. They are selected on the basis of, (a) having per capita income of less than \$100, (b) illiteracy rate at 20 per cent and (c) 10 per cent or less manufacturing rate in the gross domestic product.

Mr Raoul Prebisch, former

UNCTAD Secretary-General, addressed the conference in his personal capacity. He said that it was impossible to "leave the necessities of international commerce to the vicissitudes of gold or dollar production". He appealed to the developing nations to remain united as that was the only means they had of fighting "geocentrism" of the industrial powers.

The European Common Market came in for severe criticism at the conference. The developing countries received considerable support in their fight against the developed countries, from Dr Sicco Mansholt, President of the Executive Commission of the European Common Market. Dr Mansholt said that the terms of trade were becoming unreasonably unfavourable to the poor countries, whose debts—currently around \$60,000 million—were increasing twice as fast as their export earnings. He urged UNCTAD III to produce a resolution setting out the "minimum volume of aid necessary and the limits of aid conditions acceptable to all concerned". Dr Mansholt also called for more international commodity agreements to provide more stable markets and fair prices for producers.

According to Mr Adede Boerma, FAO Director-General, "if richer countries decided to become only two per cent less self-sufficient in agricultural products, poorer countries could gain \$4,000 million worth of exports a year." The market sharing, according to him, did not in any way imply that rich countries would be tied to buying commodities, the demand for which was declining. "If a part of the money now being spent in richer countries on research into substitutes were spent on agriculture in developing countries, results for the latter could be spectacular" he added.

As was expected Mr Chou Huaming, Vice-Minister of

Foreign Trade and head of the Chinese delegation, accused the USA of pursuing a policy of "economic expansion, plunder and profiteering". He said: "they force down prices of raw materials, occupy commodity markets, monopolise monetary affairs, expand the export of capital and plunder the resources and wealth of other countries". Mr Huang set his country firmly behind the demands of the so-called Group of 77 whose members now total 96.

The Soviet delegation did not relish its being clubbed with other non-socialist rich countries in the exploitation of the poor countries of the world. Mr N.S. Patolichev, the Soviet Minister for Foreign Trade, criticised those members of the "Group of 77" who did not differentiate between socialist and developed capitalist countries and referred to them as "one general group of the rich north". Mr Patolichev said, that the USSR had co-operated in building 490 industrial projects and that 500 more would be constructed during the years of the current five-year plan ending in 1975. He further said that the Soviet Union would furnish to the developing countries long-term credits at a low interest rate, with the settlement of these credits being done as a rule through the deliveries of traditional export products of developing countries.

UNCTAD has not been a total failure as alleged by some critics. In regard to tariff preferences some progress has been made. The establishment of a Generalised System of Tariff Preferences in the rich countries for the manufactured goods of developing countries is no small achievement. The scheme differs from country to country. The USA and Canada have still to finalise their schemes but others have certainly gone ahead with it. The countries which have already derived benefits from these schemes are Hong Kong, Yugoslavia, South

Korea, Singapore, Brazil, Mexico and to a certain extent India. After tariff preferences, the developing countries anticipate concessions in regard to shipping and freight rates and in the transfer of technology.

A challenging speech was made by Mr Robert S. McNamara who asked the developed countries to take steps for the reduction of inequalities which existed between the rich and the poor countries. He said: "Our clear duty for the remainder of this decade is to face up to mass poverty for what it really is, determine its dimensions, locate its whereabouts, set a limit beneath which we will not accept its continuance, and make our first priority a threshold of human dignity and decency which is achievable within a generation."

Included in the Indian delegation as a member is Mr C.P. Srivastava, Chairman of the Shipping Corporation of India who earned the honour of presiding over a session of the UNCTAD committee on shipping and other invisibles after his election as president of the committee at the current session of UNCTAD.

Asian Development Bank

The report of the Asian Development Bank for 1971 states that loan approvals during the year rose to \$ 254 million, about 40 per cent of loan approvals since the first loan was made in January 1968. For the bank itself, the outstanding event of the year was the decision by the Board of Governors to increase the authorised capital stock by 150 per cent from \$ 1,100 million to \$ 2,750 million. The addition in capital will permit the bank's lending operations to grow by more than 10 per cent per annum over the next four years without damage to its liquidity position or over dependence on borrowing.

The loans approved during the year were spread over 13 countries including the territory of Papua and New Guinea which received its first loan

from the bank. Electric power development absorbed the largest portion of the bank's lending during the year, followed by industry, including indirect lending through industrial development banks; transport and communications; water supply; and agriculture in that order.

A feature of importance in the context of the difficult debt-servicing problem of many regional developing member countries was the growing share of concessional lending from special funds resources in the bank's operations. Special operations in 1971 accounted for 12 out of the total 28 loans approved compared with 10 out of the total of 32 loans in 1970. Of the 13 countries which were active borrowers in 1971, eight received concessional loans totalling \$51.5 million. These eight countries were Ceylon, Indonesia, Laos, Nepal, the Philippines, territory of Papua and New Guinea, Republic of Vietnam and Western Samoa. In the case of one project—for a fisheries port in the Philippines—ordinary and special funds loans were blended.

Cumulative loan approvals at the end of 1971 stood at 85 loans totalling \$638.5 million, comprising 57 loans for \$531.3 million from ordinary capital resources and 28 loans for \$107.2 million from special funds resources. Loans to industry, both direct and through industrial development banks, had the largest share with 32 per cent; electric power accounted for 23.7 per cent; transport and communications 21.4 per cent; agriculture 14.4 per cent; water supply 8 per cent; and education—less than one per cent.

As the bank's lending covers only the foreign exchange cost of the various projects, the total development effort assisted by the bank far exceeds the amount of bank financing. It is estimated that the total cost of projects directly financed by the bank in 1971 was \$514 million, the bank's loans representing about 41 per cent.

Apart from its primary task of providing loan funds for

development, the bank continued to provide technical assistance for project preparation and implementation, sectoral studies, policy formulation and institution building. Excluding regional activities, 15 technical assistance projects totalling \$ 1.5 million were approved during 1971. These covered such economic activities as rural development, irrigation, crop plantation, timber marketing, a fisheries port, chemicals, power supply and road work, bridge and port studies. About 80 per cent of the technical assistance commitments entered into in 1971 was for project preparation. Such technical assistance normally leads to "bankable" projects and constitutes an important source of projects in the pipeline.

The year 1971 also saw a welcome number of additional contributions to the Technical Assistance Special Fund. Four countries—Austria, Ceylon, the Republic of China and the Republic of Korea—contributed for the first time to the Fund and another five countries—India, Japan, the Netherlands, the Federal Republic of Germany and the United Kingdom—made additional contributions or extended arrangements for contributions made in previous years.

During the year, the bank raised the equivalent of \$121.7 million by means of public issues in Austria, Belgium, Japan, Switzerland and the United States, and a private issue placed in 12 regional member countries. Aggregate borrowings reached the equivalent of \$ 160 million at the end of 1971. At the end of 1971 total subscriptions to the authorised capital stock of the bank stood at \$ 1005.38 million. The territory of Papua and New Guinea became the thirty-sixth member of the bank on April 8, 1971, subscribing \$ 1.38 million to the bank's capital.

Total subscription in convertible currencies paid amounted to the equivalent of \$246.7 million. Total subscription in members' own currencies, or in the form of promissory notes,

amounted to the equivalent of \$246.7 million of the amount of subscription paid in the members' own currencies, convertible currency funds amounted to the equivalent of \$169.1 million. At the end of the year the bank's investments of convertible currency funds held were invested in 18 currencies and amounted to the equivalent of \$363 million, of which 24 per cent was held in government securities or government-guaranteed obligations of member countries and 76 per cent in time deposits or certificates of deposit of banks in member countries and with the Bank for International Settlements.

ADB and Soft Loans

Addressing the fifth annual meeting of the Board of Governors of the Asian Development Bank at Vienna on April 21, the Finance Minister, Mr Y. B. Chavan, welcomed the opportunity for the bank to hold its annual meeting outside the Asian region. Mr Chavan advocated that the level of ordinary lending of the bank should be maintained and not increased significantly during the next few years as it would not be advisable to add to the debt burden of Asian countries with a large volume of loans on commercial terms. It would also be damaging for the image of the bank if its activities continued to get concentrated in a few countries whose needs were by no means the most pressing. If the Asian Bank developed primarily as a sort of middle-man to mobilise the resources of the capital markets of the world for the benefit, primarily of those Asian countries which could afford to borrow on commercial terms, there would be little justification for so many of the Asian countries' representatives to gather annually to discuss its affairs.

The major task for all those who are associated with the bank should be to increase the proportion of the soft loans, said Mr Chavan. He further said that when soft loan resources were scarce and indeed

meagre, they should not be used for countries which were relatively better-off. The only criterion for eligibility for soft loans was the economic condition of the country concerned, he added.

Last year, India had contributed Rs 300,000 to the Technical Assistance Fund. The contribution has been substantially utilised and India is now prepared to offer a further contribution of Rs 400,000 to the same fund. Like the earlier contribution, this sum can also be utilised for expenditure on Indian personnel and services, irrespective of whether such expenditure was in rupees or other currencies.

The developed countries had declared in the DAC meeting in Tokyo in September 1970 and the OECD ministerial meeting in June 1971 that they would untie their future contributions to multilateral financial institutions. The contributions to multilateral financial institutions had always been taken to cover both general funds, including soft funds, as well as those for technical assistance. Apparently, suggestions were now being made that the declarations did not cover the field of technical assistance. "This is very disappointing; and I hope such distinctions will not be pressed", added Mr Chavan.

Referring to the long-term monetary reforms, Mr Chavan urged the ADB to raise its voice where the vital interests of the members were concerned. In matters like the link between the SDRs and development finance or the safeguarding of the value of the reserves of the developing member countries, the ADB should be more vigilant. Mr Chavan urged economy in the administration of the ADB. He said that more effort had to be made to ensure economies bearing in mind the particular context of the Asian region.

Rajasthan Budget

Rajasthan's budget for 1972-73 presented to the state Legislative Assembly on April 26, by the Finance Minis-

ter, Mr Chandannal Baid, showed an overall deficit of Rs 27.94 crores. Tax proposals would yield Rs 4 crores. Mr Baid announced an increase in sales tax on gems and stones, country liquor, beer and other intoxicants, cereals and pulses and chemical fertilisers and withdrawal of concessions on central sales tax on hand-made soaps. This was expected to yield Rs 2.43 crores.

Increases in motor vehicles tax and irrigation rates were expected to yield Rs 75 lakhs and Rs 80 lakhs respectively. The increase in excise duty on methanol would yield Rs 2 lakhs. Mr Baid hoped that the deficit would be covered through special accommodation from the centre and also by the state's share in the centre's efforts for additional resources mobilisation for the current year. The Finance Minister proposed reduction in sales tax on barley from two per cent to one per cent.

Mr Baid said revenue receipts are estimated at Rs 211.51 crores and expenditure at Rs 228.33 crores leaving a deficit of Rs 16.82 crores on revenue account. Capital receipts are estimated at Rs 84.62 crores and capital expenditure at Rs 99.04 crores leaving a deficit of Rs 14.42 crores. The minister announced additional Plan expenditure for opening 1,000 new schools and upgrading another 1,000 schools, provision of drinking water faucets in backward areas and supply of medicines totalling Rs 70 lakhs.

The increase in levies would reduce the overall deficit from Rs 31.24 crores to Rs 27.24 crores. Taking into account the additional Plan expenditure of Rs 70 lakhs the net overall deficit comes to Rs 27.94 crores.

Mr Baid declared that the state government intended to introduce a bill in the current session to bring the ceiling on agricultural land to the level recommended by the Central Land Reforms Committee. Another bill, imposing a ceiling on urban property would

also be introduced in the current session.

Speaking about the difficult financial position of the state, the Finance Minister said that there was an overall overdraft of Rs 89.82 crores. To this must be added the adjustments yet to be carried out relating to previous years' accounts. Over and above the carry-over deficits of previous years and an anticipated deficit of Rs 31.24 crores is to be taken into consideration. He said that these chronic budgetary deficits must be viewed in the background of the total debt burden of the state, which stood at Rs 643.16 crores on March 31, 1972. A provision had been made in the budget estimates for liquidating 15 per cent of the assessed overdraft.

The problem in the state was really acute and staggering compared with other states. "Our debt burden is considerably higher in relation to our population and resources which will be evident from the fact that debt servicing liability alone would amount to Rs 95.96 crores, of which Rs 41.90 crores would be by way of payment of interest alone". He, therefore, demanded that the centre should appoint a national debt commission without delay to study the problem of indebtedness of states and suggest ways for scaling down this burden.

Export Output Plan

According to Mr A. C. George, Deputy Minister for Foreign Trade, 12 inter-ministerial groups have been set up to draw up concrete export production plans in respect of some specific commodity groups and to implement those plans. The terms of reference of all the working groups are: (1) Pinpoint specific products with export potential within the group; (2) review existing capacity and production including export production; (3) build export elements; (4) identify gaps in existing capacity in regard to ranges, specifications, quality and deficiency in quantity; (5) plan at the micro

level for diversification, expansion and creation of capacity with export component; (6) overseas provision of production inputs and piloting of individual cases through a production control system (industrial licensing, capital goods licensing and foreign collaboration) both for generating new production and for continuing existing production; (7) develop information, reporting and reviewing systems for discharging the above functions. The groups which are being studied are as follows: Group A: Pig iron, mild steel tools, alloy and special steel; Group B: electronic equipment and components; Group C: (i) aluminium metal, (ii) petrochemicals and derivatives thereof, integrated petrochemical complexes, dyes and intermediates, drugs and pharmaceuticals, (iii) plastic resins and manufactures. Group D: metallurgical equipment, small and cutting tools, hand tools, metal cutting machines, metal forming machines, chemical and fertiliser plants; Group E: automobile ancillaries; Group F: (i) ferrous castings and forgings, structural steel fabrications, (ii) aluminium metal manufactures; Group G: sewing machines and bicycle components; Group H: processed foods, marine products, canned fruits and vegetables; Group I: leather and leather products, rubber manufactures including tyres and tubes; Group J: other selected products in the small sector.

M RTP Commission

Under the provisions of the MRT P Act, the number of members of the Commission should be not less than three and not more than nine. On the initial constitution of the commission, a start was made with the statutory minimum of three, comprising the chairman and two members.

As in the case of judicial pronouncements, where there are differences of view among members of the Commission, the opinion of the majority is taken as the Commission's opinion. That is why the MRT P

Act provides for an odd number of members in the minimum and maximum strength prescribed for the Commission. With only three members now, even if one of them were to be absent, owing to illness or leave or for other reasons, the progress of work of the Commission will be affected.

So far, the government has sought the opinion of the Commission on a few cases relating to substantial expansion, setting up of new undertakings, mergers, amalgamations or take-over, under Sections 21, 22 and 23 of the MRT P Act, which were considered by it to be important or significant. In view of the present limited strength and detailed procedures involved in the inquiries, the Commission has not been able to dispose of all of them or to set up benches as provided for in the Act. Unless its strength is increased, the Commission may find it difficult to cope with the work when more references are made not only under these sections but also under Section 31 relating to monopolistic trade practices. That is why the government is examining the question of increasing the number of members of the Commission.

Licensing Policy Criticised

The Estimates Committee of Parliament has suggested that the industrial licensing policy and procedures should be "clear and unambiguous" and should generally hold good for a reasonably long time. It has recommended that the policy should be for a minimum duration of five years, coinciding with the five-year Plan, "so that industry can have a span of assured development along predetermined lines for sustained growth of production."

In its 19th report, submitted to the Lok Sabha recently by its Chairman, Mr Kamal Nath Tewari, the committee noted that the industrial licensing policy had in the past been changing rather frequently and

this "has had an unsettling effect on industry". The committee has recommended that the government should formulate and announce the licensing policy for the fifth Plan period well before the Plan begins so as to attract the most competitive applications for the issue of industrial licences on merit.

The committee has been critical of the licensing policy and procedures on several accounts. It has stated, for instance, that if the government had taken corrective steps in good time in respect of under-utilisation of industrial capacity, the country might have been saved the recent decline in the growth rate of production in the organised sector and shortages developing in certain categories of goods. It regrets that the government should have waited for corrective action until the growth rate declined to a "distressingly low level" even though the fact of considerable under-utilisation of industrial capacity at the beginning of the fourth Plan was pointed out in the Plan itself.

Referring to the policy of capacity restraints, the committee expressed the view that the new policy of freeing industrial licensing from the limitations of assessed demand and indicative production targets given in the Plan might be justified as a short-term measure to tide over current shortages of goods but in the long run, this policy is fraught with danger in as much as it would generate undue pressure on scarce resources and may well lead to excess capacity.

Bonus Act to be Reviewed

The government recently announced the appointment of an eight-member committee, including representatives of employers and major trade unions, to recommend, among other things, the level of minimum bonus. The committee, headed by Dr. B. K. Madan, will review the operation of the Payment of Bonus Act and suggest suitable modifications to the

scheme outlined in it. Besides the chairman, the committee includes Mr N. S. Bhat, Mr Harish Mahindra, Mr R. P. Billimoria, Mr G. R. Ramanujam (INTUC), Mr Satish Loomba (AITUC), Mr Mahesh Desai (HMS) and Mr S. D. Punekar.

The committee will recommend whether establishments (other than factories employing less than 20 workers) may be covered by the Bonus Act and if so, up to what limit of employment. Further, it will suggest whether there should be any separate formula for payment of bonus in small establishments, whether the ceiling on payment of bonus requires any alterations and whether the bonus should be linked with production or productivity. The committee will also make a careful assessment of the impact of its recommendations on the national economy before finalising them. Its headquarters will be in Bombay in the Department of Industries and Labour of the government of Maharashtra.

Punj Delegation

The Engineering Export Promotion Council's delegation under the leadership of Mr V. P. Punj, which returned to New Delhi, a few days ago, after a fortnight's tour of Malaysia, Indonesia and Thailand, told newsmen recently that Malaysia offered great opportunities for the supply from India of sugar mill machinery, power station equipment including structural fabrications, instrumentation, transmission line towers, cables, etc. In the field of power station equipment, including boilers and transformers, the quality of Indian products has been found to be comparable to the equipment exported by Japan and other developed countries. Some of the public undertakings in Malaysia have expressed their full satisfaction not only with the quality and performance of Indian equipment but also with the business dealings of Indian suppliers. The thermal power station at Port Dickson which took boilers from

Bharat Heavy Electricals Ltd, Trichi, has placed orders for complete structurals on Texmaco, Calcutta, and for complete instrumentation on Instrumentation Ltd, Kota. Malaysia is also expected to place sizeable orders for machinery, structurals, etc., on Indian suppliers for the setting up of a 2,500 tonnes crushing capacity per day sugar mill. It has as well, shown interest in India collaborating with Malaysian nationals in setting up such small-scale ventures as agricultural implements, farm tools and bicycles, at an industrial estate set up in one of the Malaysian states.

In Indonesia, the delegation discovered promising scope for the supply of sugar mill machinery and stores. Most of the sugar mills there need rehabilitation and modernisation. The Indian sugar mill technology is considered at a par and in some cases even better than that of the developed countries. The modernisation of sugar mills in Indonesia, estimated to cost \$ 100 million, is to be assisted by world financial institutions and the United States. India can well participate in modernisation programme of the Indonesian sugar industry. The delegation feels that there is good scope for India collaborating with the foundry, bicycles and airconditioning industries in Indonesia.

Thailand, the delegation said, was already importing a wide range of engineering goods from India, valued at roughly Rs 3 crores. Contacts were established by the delegation with the public undertakings in Thailand, which were buying equipment for power generation, irrigation etc., and organisations interested in industrial development. Thailand, the delegation feels, also offers sizeable scope for the expansion of our engineering goods export.

The markets of Malaysia, Indonesia and Thailand being highly competitive, they are very quality conscious. The delegation stressed the need for discipline in our manufacturing industries and the introduc-

tion of stage-to-stage inspection system, besides the final stage inspection.

ADB's Bond Issue in Japan

The Asian Development Bank announced on April 19, its third Japanese yen bond issue in the aggregate amount of Yen 10 billion (equivalent at current rates to approximately US \$32.5 million). The bonds known as Japanese Yen Bonds bearing 7.3 per cent interest and having ten-year maturity period, will be issued at par. The bonds are redeemable at par in four annual instalments of Japanese Yen 600 million each, payable on May 6 in each of the years 1978 through 1981, and the final instalment of Japanese Yen 7,600 million is payable on May 6, 1982. This brings the average life of the bonds to 9.4 years.

Names in the News

Mr R. Doraiswamy, Director General of Shipping, has retired from the office. He has handed over charge to Mr Y.S. Kasbekar, Deputy Director General of Shipping. Mr Doraiswamy who was to retire in March 1972, was asked by the union government to continue in office for some time more. He was the secretary of the Reconstruction Policy Subcommittee on Shipping constituted at the dawn of Independence.

The following were elected the office bearers of the Public Relations Society of India, Delhi Chapter, at its annual meeting:

1. Chairman: Mr K. R. Singh (IBM); 2. Vice-chairman: Mr Baldeo Sahai (Fertilizer Corporation of India); 3. Secretary: Mr R. P. Agarwala (Eastern Economist); 4. Treasurer: Mr J.S. Jogi (Deccan Herald).

Mr S. P. Mukherjee, Jute Commissioner relinquished his office on April 19 to take up his new assignment as Lt. Governor of Mizoram. The successor to Mr Mukherjee has not yet been named.

COMPANY AFFAIRS

Vijaya Bank

IN HIS annual address to the shareholders of Vijaya Bank Ltd the Chairman Mr Mulki Sunder Ram Shetty presented a graphic picture of the phenomenal progress made by the bank during 1971 and the energetic steps that are being taken to streamline the administration to cope with the changing needs, conditions and requirements. The bank is planning to start a department for management development, the purpose being to fill managerial, executive and other responsible posts with well-trained staff.

The year 1971 was a year of formidable challenges and creditable achievements for the bank. Deposits in 1971 for instance shot up to Rs 43.64 crores registering an impressive increase of 58 per cent over 1970, probably the highest among banks in the country. It is gratifying to hear from the chairman that this momentum has been maintained for three successive years, a record performance indeed of which any bank can boast of. Gross earnings, on the other hand, jumped by about 53 per cent and net profit by nearly 75 per cent while advances leaped by 47 per cent to Rs 25.84 crores with the average credit-deposit ratio in 1971 standing as high as 63.35 per cent. The bank at present is having a network of 150 branches all over the country as against just 21 branches in 1961.

The target for the current year is pitched high at 200 branches. It is encouraging to find that 75 per cent of the bank's branches are functioning in rural and semi-urban areas while 25 per cent of them are in urban and metropolitan areas. The bank has recently opened a foreign exchange department to deal on all foreign currencies and is at present conducting foreign exchange operations from seven

centres viz. Bangalore, Mangalore, Bombay, Madras, Cochin, Delhi and Hyderabad.

Bank of Baroda

Bank of Baroda's multi-service agency branch, providing a range of services to a spectrum of self-employed small borrowers was inaugurated recently in Bombay. The agency, described as the first of its kind in India, will provide integrated financial assistance as well as package of technical services such as procurement of raw materials, management of business and marketing of products. Finance is to be provided at a concessional rate of four per cent—two per cent below the Bank Rate—to certain "approved" categories of small borrowers. Apart from the concessional rate of interest easy repayment schedule will be worked out with due regard to the specific needs of various kinds of borrowers. The maximum loan to be disbursed under the scheme is fixed at Rs 50,000 while the minimum could be as low as Rs 150, depending upon the requirements of the borrowers and the nature of their problems.

To start with, the activities of the multi-service agency will be restricted to Bombay City and will gradually be extended to other centres such as Delhi, Kanpur, Ahmedabad and districts where the Bank of Baroda has been assigned the 'Lead Bank' role. Currently the bank had prepared schemes for 19 categories of self-employed borrowers.

National & Grindlays

In his annual statement Lord Aldington, Chairman of National and Grindlays Bank Ltd, has made a synoptic and an illuminating survey of the group's world-wide business activities. Adverting to India the chairman was happy to report that the bank's business

in India and with India during 1971 was not only well run but maintained as well. The Bank's deposits continued to maintain its rising trend. During the year a good number of additional sterling loan proposals to assist industrial development and commercial operations were considered but the schemes could not be finalised for a variety of reasons. The Merchant Banking Division is playing its useful role in advising a large number of top class industrial concerns and it has completed during the year several export finance arrangements while many others are under active consideration.

The year 1971, according to the chairman, proved to be a year of considerable consolidation within the Organisation throughout the gulf. In Far East the Dao Heng Bank in Hong Kong had a splendid year while in Europe, Banque Grindlay Ottomane S.A., reported marked expansion in its business. The sterling lending business of the bank in UK recorded satisfactory growth while its Eurocurrency operations continued at a high level.

The bank has reported encouraging working results during 1971. Its capital and reserves, including loan stock, was higher at £53 m. as against £50 m. in 1970 while shareholders' funds increased by £0.5 m to £38.6 m. Deposits stood at £884 m. and advances at £ 476 m. — the amounts being at the 1970 rate of exchange—as against £817 m. and £478 m. respectively in 1970. The consolidated profit after tax before exceptional items in 1971 moved up to £4,161,000 recording a handsome rise of £1,213,000 over the preceding year.

Blue Star

The directors of Blue Star Ltd have proposed to maintain the equity dividend for 1971

at 12 per cent on a higher capital resulting from the one-for-four rights issue.

With a smart rise in sales by about 15 per cent from Rs 8.39 crores to Rs 9.68 crores, the gross profit has advanced significantly by about 40 per cent from Rs 30.22 lakhs to Rs 42.42 lakhs. Out of the gross profit a sum of Rs 4.78 lakhs was appropriated to depreciation reserve as against Rs 3.88 lakhs in 1970 while the amount set aside to development rebate reserve was reduced by Rs 13,654 to Rs 64,511. Taxation claimed Rs 23.30 lakhs in 1971 as against Rs 14.94 lakhs in the preceding year. After adjustments a sum of Rs 13.93 lakhs was transferred to general reserve as compared to Rs 10.80 lakhs in the previous year. The proposed dividend will be paid out of the general reserve and it will absorb Rs 9.23 lakhs, Rs 1.70 lakhs more than in 1970.

News and Notes

Expansion and Diversification :

Estrela Batteries Ltd—the second largest manufacturer of dry batteries in the country—plans to expand its activities in a big way. Apart from its existing factory at Bombay the company intends to set up a new unit in Gujarat at a cost of Rs 4 crores. When in full production, the factory will be producing 125 million cells and the turnover is expected to be of the order of Rs 10 crores. The plant will be on stream by 1975.

The company which started manufacturing batteries in 1939 is now producing batteries worth Rs 7 crores annually. For the past 10 years it had technical collaboration with France's foremost battery maker, La Pile Leclanche, which ends in 1973.

Motor Industries Co Ltd—MICO—is embarking upon an ambitious expansion programme. While a part of the expansion will be carried out

in Bangalore, a new factory will be set up at Nasik to implement its other manufacturing schemes. The capacity for the production of all items except nozzles and nozzle-holders will be substantially increased in Bangalore, while the production of nozzles and nozzle-holders will be taken up at Nasik in order to achieve economies of scale in operations both at Bangalore and Nasik. The additional machinery and equipment required for expansion will cost about Rs 13.8 crores. The new investment in Bangalore will be about Rs 2.9 crores.

Baroda Rayon Corporation has received a letter of intent for increasing the rayon production capacity from 3000 tonnes to 6380 tonnes per annum. It has submitted the necessary collaboration proposals for consideration and approval of the government and the government's reply is awaited. The company has also received a letter of intent for putting up a soda ash plant with a capacity of 1.44 lakh tonnes per annum. It is also expecting to receive letters of intent for setting up a cellophane paper plant as well as for nylon tyre cord plant.

Ceat Tyres of India Ltd has completed substantial expansion of its tyre plant and it is operating at full capacity since the last quarter of 1971. It is now going ahead with the project for the setting up of a bicycle tyre plant at Nasik. The plant is expected to be commissioned by the last quarter of 1972. Meanwhile the company has applied to the government for an industrial licence for a tyre and tubes plant to be located in an underdeveloped area. The capacity of the plant will be four lakh automotive tyres and tubes a year. The application is under the consideration of the government.

Aruna Sugars Ltd has embarked on an expansion scheme for increasing the crushing capacity to 3000 tonnes daily from the existing level of 2000 tonnes per day. The expansion scheme is expected to cost

about Rs 97 lakhs and it will be financed by raising loans to the tune of Rs 80 lakhs from financial institutions, while about Rs 17 lakhs will be made available from internal sources. When the expansion is completed the factory will be able to crush about 4.5 lakh tonnes of sugarcane as against 2.7 lakh tonnes expected to be crushed this year. The current year's working results are so far satisfactory due to higher rate of crushing and with better recovery. It is hoped that with the increased crushing rate of 3000 tonnes per day and with a total crush of about 4.5 lakh tonnes the company's prospects next year are expected to be quite encouraging. With 3000 tonnes crushing capacity Aruna sugars—it is claimed—will be the factory having the highest crushing capacity in Tamil Nadu.

New Ventures

Manubhai Sons & Co is entering the field of printing machinery manufacture to produce offset rotaries, letter press rotaries and other types of machinery. It has signed a collaboration agreement with Veb Polygraph Leipzig of GDR to manufacture these types of machinery. A new company styled Maschinenfabrik Polygraph (India) Ltd has been formed and the factory will be located at Kolhapur. Production is expected to commence in 1974.

Jesons Electronics a new company incorporated in Delhi, is setting up a project at Ghaziabad, UP, to manufacture 60 million dry batteries annually. Financial and technical collaboration will be provided by Yai Dry Battery Company of Japan. The capital outlay on the project is estimated at Rs 185 lakhs including the foreign exchange component of Rs 44.25 lakhs.

National Machinery Manufacturers is embarking on a new venture for manufacture of machinery for synthetic fibres. Ready-made plant has been acquired from Hindustan Glass Works and Navin Glass Works. Machinery has started arriv-

ing at the factory site at Baroda and production is expected to commence by June this year. On achieving full production, the turnover is expected to be of the order of Rs 5.5 crores. The company also proposes to manufacture at this plant hydraulic infinitely variable motors and gear boxes. At its existing factory at Thana it has spent in 1971 Rs 18 lakhs in replacement and renovation and proposes to spend a crore of rupees in the next few years. It has plans to manufacture machinery for jute industry, for heavy duty canvass and for weaving cordroys. The turnover by 1975 is expected to rise to about Rs 18 crores, including about Rs 6 crores at Baroda.

Joint Ventures

Tabaldi, a government-owned engineering corporation in Sudan has approached Standard Batteries for its assistance for putting up a battery manufacturing unit in that country. Till the time the unit is set up in Sudan, battery components like plates, separators, hard rubber containers and other equipment for assembling 50,000 batteries per year will be exported by Standard Batteries to Sudan. The order valued at Rs 45 lakhs was recently secured by the company. Standard Batteries have also bagged an export order from Poland for the supply of 12,000 automotive batteries for 1972.

Mukand Iron has made considerable progress in the implementation of its first joint venture in Malaysia for setting up a steel foundry with a production capacity of 3,000 tonnes per year. While the government's formal sanction is awaited, the company is going ahead full steam with preparations to start production by the end of the current year or in early 1973. Mukand will own 35 to 40 per cent of the capital by supplying the necessary equipment.

New Issues

Atlas Copco (India), a wholly-owned subsidiary of Atlas Copco Aktiebolag, Sweden, will

be offering to the public shortly for subscription 2,89,000 equity shares of Rs 10 each at a premium of Rs 7.50 per share. In addition 32,090 equity shares of Rs 10 each at a premium of Rs 7.50 per share have been reserved for subscription by directors, employees and business associates who are Indian nationals. The issue, which is fully underwritten, is offered to the Indian public with a view to reduce the foreign share-holding to 60 per cent. The proceeds of the issue amounting to Rs 56.23 lakhs will be utilised for financing the future expansion programmes.

The company is manufacturing at its factory near Poona air compressors, rock drillers, pushers, lubrications, grinders and couplings. The company is doing reasonably well and the directors hope that the company will be in a position to declare a dividend of not less than 15 per cent on the increased capital during the current year, the proposed new shares being entitled to a 'pro rata' dividend for the year.

Chemopulp Tissues Ltd, promoted by Electrosteel Castings Ltd, will be offering shortly for public subscription 75,000 equity shares of Rs 10 each and 5,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each at par. The entire public issue is underwritten. The company has an authorised capital of Rs 25 lakhs and an issued, subscribed and paid-up capital of Rs 1.51 lakhs. The present issue is for Rs 18.49 lakhs of which equity shares of Rs 5.99 lakhs have been reserved for allotment to directors, their friends and associates.

The company is setting up a project for the manufacture of paper at Ghaziabad, UP, with installed capacity of 4.5 tonnes of MG paper per day. As per the present plans the company intends to produce 1,750 tonnes of tissue paper in different colours for which there is a large unsatisfied demand in the country. It is also esta-

blishing a separate unit for a rag pulp plant to meet a part of the pulp requirements.

Capital and Bonus Issues

Consent has been accorded to six companies to raise capital amounting to over Rs 14.98 crores. Following are the details.

Morris Electronics Private Ltd., Poona, has been given consent, valid for three months, to capitalise Rs 10 lakhs out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus share in the ratio of five bonus shares for every three equity shares held.

The Ahmedabad Mfg. & Calico Printing Co. Ltd., Ahmedabad, is granted consent to capitalise Rs 1202.85 lakhs; Rs 60,75,000 in ordinary shares, Rs 202.50 lakhs in eight per cent convertible bonds of Rs 100 each and Rs 939.60 lakhs in eight per cent redeemable bonds of Rs 116 each to be issued as credited fully paid-up to the shareholders of Bank of India Limited pursuant to the scheme of amalgamation approved by the high courts of Maharashtra and Gujarat. The order is valid for 12 months.

Shri Vasavi Parameswari Permanent Fund Ltd., Karur, has been given permission, valid for three months, to capitalise Rs 39,750 out of its general reserves and issue fully paid equity shares of Rs 25 each as bonus shares in the ratio of one bonus share for every equity share held.

The Standard Mills Co. Ltd., Bombay, is granted consent to capitalise Rs 200 lakhs in the form of 40,000 convertible bonds of Rs 500 each carrying interest at the rate of eight per cent per annum to be offered to the public through a prospectus for cash at par. The bonds will have certain rights attached to them for conver-

sion into equity shares of the company. The proceeds will be utilised for financing a part of the cost of expansion of the company's caustic soda production. The consent is valid for 12 months.

Larsen & Toubro Ltd., Bombay, has been accorded consent valid for 12 months to issue capital of Rs 50 lakhs in the form of equity shares of Rs 100 each to be subscribed privately for cash at par. The proceeds of the issue will be utilised for the promotion of a new company under the name of L. & T. Mcneil Ltd for the manufacture of tyre curing presses and other rubber processing machinery.

Alfred Herbert (India) Private Ltd., Calcutta, has been given consent valid for three months to capitalise Rs 15 lakhs 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 one equity share held and thereafter to issue further capital of Rs 20 lakhs in equity shares of Rs 10 each for cash at a premium of Rs five per share through prospectus within a period of 12 months. The proceeds of the cash issue will be utilised for providing part finance for a new project at Bangalore for the manufacture of rubber machinery.

Company Meetings

National Rayon Corporation Ltd.; Birla Matushri Sabhagar, 19, Marine Lines, Bombay-20; May 3; 3.30 PM.

Mysore Paper Mills Ltd.; New Hall, Nandi Hotels (P) Ltd, Bangalore-25; May 4; 4 PM.

Killick Nixon Ltd.; Killick House, Home Street, Fort, Bombay-1; May 5; 4 PM.

Gokak Mills Ltd.; Tata Auditorium, Bombay House, 24, Bruce Street, Bombay-1; May 5; 4 PM.

Interim Dividend

Glaxo Laboratories (India) Ltd, has maintained the gross interim dividend at 60P per share for the year ending June 30, 1972.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Pre-vious year
Higher Dividend			
Borax Morarji	Dec. 31, 1971	16	15
Industrial Chemicals	June 30, 1971	15	9
Vulcan-Laval	Dec 31, 1971	10	6
Indian Wood Products	Sept. 30, 1971	10	9
Lakshmi Machine Works	Dec. 31, 1971	12	10
John Fowler (India)	Dec. 31, 1971	15	12.5
Killick Nixon	Nov. 30, 1971	11.0	10.0
Same Dividend			
Kumardhubi Fireclay and Sillica Works	Dec. 31, 1971	20	20
United Motors	Dec. 31, 1971	10	10
Svadeshi Mills	Dec. 31, 1971	12	12
Ahmedabad Advance Mills	Dec. 31, 1971	12	12
Tata Mills	Dec. 31, 1971	6	6
Bombay Dyeing & Manu- facturing Co.	Dec. 31, 1971	13	13
Matchwel Electricals	Sept. 30, 1971	6	6
New Swadeshi Sugar Mills	June 30, 1971	12	12
Dalmia Cement (Bharat)	Dec. 31, 1971	12.5	12.5
Shama Engine Valves	Sept. 30, 1971	7.5	7.5
Reduced Dividend			
Ganga Sugar Corporation	June 30, 1971	10.0*	17.5
Neelamalai Tea & Coffee Estates	June 30, 1971	10.0	12.5
National Pipes and Tubes Co.	Sept. 30, 1971	Nil	4.0

*On increased capital.

COMPANY MEETING



The Vijaya Bank Ltd.

Regd. Office: Light House Hill Road, Mangalore-3.
Admn. Office: Race Course Road, Bangalore-1.

Statement by the Chairman Shri Mulki Sunder Ram Shetty

at the 40th Annual General Meeting of the Shareholders
of the Bank held at Mangalore on April 28, 1972

Ladies & Gentlemen,

It is my privilege today to welcome you to the 40th Annual General Meeting of the Bank. Our performance in the period under review has been creditable as will be seen from the figures before you. I take it that you have already read the Balance Sheet and Profit

Early in the year the setting up of a stable government at the centre, with a thumping majority for the ruling group in the general elections to Parliament was the big event in our political scene. Soon started the refugee problem by the influx of evacuees from East Pakistan culminating in a fourteen day war at the end of the



Sri Mulki Sunder Ram Shetty

and Loss Account for the year 1971.

The Economic Scene in 1971

In the year left behind, the political arena in the country was dominant, and replete with events, some of which led the country to the crest of history.

While the war with Pakistan left some small dents in our economy it also built up an image for us in the world of nations, created greater confidence in us and a new spirit to meet the emerging challenges. It must also be said to the glory of the nation that all political parties stood solidly behind the

government throughout this period of crisis.

There were natural calamities like floods and droughts in different states, including a devastating cyclone. The familiar features of inflation, rising costs, labour unrest and unemployment did however have their natural repercussions. The financial burden on our economy increased so heavily that additional taxation had to be resorted to by the government in the middle of the year. The dollar crisis and the consequent stir in the exchange market were dealt with by our government with an alert awareness of the international monetary situation. Exports were kept up and the foreign exchange reserve was satisfactory during the year. As the year progressed the economy showed distinct signs of slackening, with a pronounced slowdown in industrial production, but as a redeeming feature, the production of foodgrains was maintained.

It is against this background that we examine the performance of our Bank, a bank in the private sector working in close competition with the other larger banks spread all over the country.

The Banking System

The year 1971 was a fairly successful year of steady growth for all the banks. The average growth of deposits for all the banks in India together was 20.6% as against 16.4% in 1970. The number of branches increased to 12,985 from 11,184 in the last year. On an average 150 new bank offices per month were opened in 1971. The average population served by a branch of the bank declined to 42,000 in December 1971 from 52,000 in December 1970, and 65,000 in June 1969. The banks met their challenge of deposit mobilisation with added vigour to take the total deposits to Rs. 6,856 crores at the end of the year 1971. The credit needs of the priority sectors continued to get support from all the banks. The total advances of all banks

stood at Rs. 4,966 crores at the end of the year. The credit expansion in the banking system was only 11.5% in 1971 as against 23.1% in 1970. Unlike in 1970, deposits did not lag behind credit in 1971. The average credit deposit ratio was as high as 77.4% in 1971 but the bank borrowings from the Reserve Bank to meet credit needs were less than in the previous year.

The report of the Banking Commission set up in 1969 has already been presented to the Parliament. Further developments in the structure and organisation of banking in the country are awaited, depending on the extent of the government's acceptance of the Commission's recommendations.

Our Bank

The deposits of our Bank stood at Rs. 43.64 crores on December 31, 1971. The increase in deposits was 58% as against the average growth of 20.6% of all the banks. For us three successive years have been record years. To keep up the momentum was a big challenge. To have kept it was a proud achievement.

It is no small pride for us to give you a flash back. Ten years ago in 1961 our deposits stood at only Rs. 1.44 crores. In May 1962 your present Chairman took over as the Honorary Chairman of the Bank. Seven years later, in May 1969 when the Honorary Chairman was appointed as the full-time Chairman and Chief Executive of the Bank, the deposits were below Rs. 15 crores. In a few months, by 1969 December, it was Rs. 18.71 crores, an increase of 42% over 1968. In 1970 it was Rs. 27.52 crores, an increase of 47% over 1969. In 1971, it was Rs. 43.64 crores, an increase of over 58% over 1970, probably the highest among banks in the country. I repeat, it was a record for us. Our advances increased by 47% in 1971 and stood at Rs. 25.84 crores with the average credit deposit ratio in 1971 at 63.35%. As you will see from the

Balance Sheet, our working results were encouraging. Our gross earnings rose by nearly 53% and our net profit by about 75% to enable us to step up our rate of dividend this year to 12%.

We have opened 15 branches in the year 1971, taking the total number of branches to 141 at the end of the year. 75% of our branches are in the rural and semi-urban areas and 25% in urban and metropolitan areas. Today, we have over 150 branches. Our target for the year is 200 branches. Against 21 branches in 1961, you can imagine the long way that we have travelled these 10 years.

Current Year

The potential for further deposit growth through branch expansion still exists. But banks have now to go slow and be more selective in their approach to branch expansion. Unless a village or a town is a really potential centre, the banks should not venture into such places. Wastage of manpower and other resources has to be eliminated. Nevertheless, the Reserve Bank of India has programmed the opening of 5,000 branches, in the next 3 years which should work out at about 140 branches a month. In the face of this proposed massive expansion, to what extent an individual bank in the private sector can grow in the years ahead is a matter of guess. But from the growth achieved in the last few years I am as optimistic as ever. Let us hope for the best. It was not a mere expansion for us in 1971 but more a consolidation of our position, in centres where we had established earlier.

We obtained in the year under report a licence to deal in foreign exchange. We have opened a Foreign Exchange Department in our Bank to deal in all foreign currencies. Your Chairman went abroad to establish contacts with some of the foreign banks in the month of October 1971. The Bank has now account and agency arrangements with many of the leading banks in

other countries. The Bank is at present conducting foreign exchange operations from seven centres—Bangalore, Mangalore, Bombay, Madras, Cochin, Delhi and Hyderabad. More centres will be covered as and when it is deemed necessary.

Personnel

At the end of 1970 we had on our staff 1,462 persons of all categories. At the end of 1971 the strength was just 1,896, an increase of 30%. Our staff deposit ratio stood at 52 per crore of deposits at the beginning of the year. It has declined to 43 per crore at the end of 1971. Our working ratio of salaries and allowances to gross earnings declined from 33½% in 1970 to 29% in 1971.

Our growth is fast and the need for training our staff is engaging our attention. In addition to training them in our own Training Institute, we send some of our officers to courses conducted by the Reserve Bank of India and other training establishments in the country. Our Chief Accountant was at the Administrative Staff College, Hyderabad, for a short course on financial administration. We had sent one of the officers in our agricultural advance cell for a course on Farm Credit Management conducted by the Indian Education Committee, New Delhi. The 23-day course included 18 days tour of Thailand, Philippines, Japan, South Korea and Hong Kong. We propose to depute one of our senior managers to attend the International Banking Summer School in the United States and another offi-

cer to Germany for training in foreign exchange. We have plans to train more of them both in and outside India. On the initiative taken by the Reserve Bank of India, a combined staff training college is soon to be set up at Coimbatore for the non-nationalised banks in South India. It will interest you to know that your Chairman has been elected as the first Chairman of the governing body of the combined staff college.

In a developing institution, no single individual at any level is expected to shoulder the increasing demand for technical competence. What we have yet to do therefore is a further stream-lining of our administration in keeping with current management thinking. The pattern of banking has changed. As I said a year or two ago, the old concepts in the management of men, money and material are being pushed out of vogue by the rising tide of social and scientific forces.

What is demanded of banks is a high degree of resilience in set up, staff and structure to meet the changing concepts and conditions. The new trends and techniques call for enterprise and expertise at every level. We have to grow our own executive timber. We hope to start a department for management development to develop our own personnel to occupy managerial and executive posts. The purpose behind is to keep well trained men readily available to fill up posts. We must have the right men at the right time in the right place, individuals developed by us with a sense of pride in the

organisation and a feeling of growing participation in the progress. We are a bank predominantly youthful in its staff structure with a good spicing of age and maturity at the superstructure. It is only natural for us to grow and grow we must.

Our Thanks

Now let me pay my tributes to our esteemed members of the Board of Directors. My colleagues on the Board gave me their unstinted co-operation. Very sincerely I thank all of them and also the members of the Local Advisory Committees for their unfailing support.

My thanks are due to the Secretary, other Executives, officers and the staff at the Administrative Office of the Bank for their devotion to duty throughout the year. The untiring efforts of group managers, branch managers, other officers and the staff have contributed greatly to our deposit growth. I am deeply appreciative of their dedicated efforts and enthusiasm. I do thank one and all of them.

I take this opportunity to express my gratitude to the Bank's customers and well-wishers for their valuable help, co-operation and understanding at all times.

To you, our shareholders, I am extremely grateful for the confidence reposed in me and my colleagues on the Board.

Thank you.

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

EASTERN ECONOMIST BUDGET NUMBER

As in previous years, the Special Budget Number presents an analysis of budget proposals and a study of the budget documents in their larger economic context as well as in their specific details. The Special Number includes all the relevant budget literature and statistical tables. It also carries a section of Special Articles covering fiscal and monetary issues. Priced at Rs 5 per copy (postage extra) copies of this number are on sale with leading booksellers or direct from:

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RECORDS AND STATISTICS

The World's Workers in 1971

FOR THE world's workers, the economic slowdown of 1971 meant spreading unemployment and an increase in consumer prices, says Rosalie Ducommun of the International Labour Office.

The trend was noted in varying degrees both in the industrialised countries (though their real wages rose generally) and in the developing regions, which were already suffering from unemployment and underemployment of a chronic type.

The 1971 employment curve in the industrialised countries tended to flatten out: in some countries it stopped rising altogether, or took a downward turn. Unemployment rates and consumer prices sometimes rose to a marked degree. However, wage increases exceeded consumer price rises almost everywhere.

Little information was available on employment and wages in most developing countries. But their unemployment and consumer prices, of which somewhat more is known, both rose faster in 1971 than in the preceding year. Unemployment and underemployment, affecting a large part of the working-age population, remain among the gravest problems in the developing countries.

These are some of the main trends emerging from statistics collated by the International Labour Office, which has recently published its 1971 Year Book of Labour Statistics.

general situation

Employment continued to increase in 1971 in most of the countries for which information was available, though at an even more sluggish pace than in 1970, when a slowdown had already been noted. In one country in four, overall employment actually fell. One country in three had a drop in the number of employees in manufacturing.

Unemployment was on the increase in two out of every three of the 50 or so countries for which statistics were available. It grew in practically all the industrial

countries, where it often reached the highest level for years — and in some cases the highest since the end of the Second World War.

Decelerating growth of industrial production often led to dismissals affecting primarily foreign workers, women and older wage-earners; young people about to take up work faced shrinking prospects. Moreover, social problems arising from the regroupment of enterprises often affected the whole of the local population and not simply those dismissed.

Consumer price increases in 1971 were often much greater than those observed in preceding years. The rate of increase slowed down a little in the second half of the year in several countries, however.

Money wages in manufacturing increased in all the countries for which data were available. Although consumer price increases were accelerating, money wages went up still farther in most cases. Thus real wages improved almost everywhere and, in about two countries out of three, workers in manufacturing benefited from an increase of 5 per cent or more.

increased employment

Employment continued to increase in 1971 in the great majority of countries which supplied data to the International Labour Office, but generally at a slower rate than in 1970.

The general level of employment rose in 12 of the 17 countries for which information was available. Only in Israel, Malawi and Yugoslavia, however, did the number of working people increase by more than 4 per cent during the latest 12-month period.

In four countries (Austria, Canada, Norway and Poland), the rate of increase was between 2 and 4 per cent. In the United States the general level of employment, which had risen little since the second quarter of 1970, went up in the second half of 1971; in November 1971 it exceeded by 1.9 per cent the level of

November 1970. The increase consisted mainly of service and professional workers, while the number of blue-collar workers fell by some 350,000 between October 1970 and October 1971. In Australia and Japan the general level of employment rose by about one per cent, and in the Federal Republic of Germany it went up by less than 0.5 per cent.

Slight reductions in the total number of employed persons were noted in Italy and Sweden from the summer or autumn of 1971. In the United Kingdom, where the total number of employed persons had been falling since 1966, there was a reduction from March 1970 to March 1971 of 1.8 per cent — the greatest annual fall of the past 20 years.

fall in farm labour

In the countries under review, slower growth or reduction of the general level of employment was mostly due to a fall in the number of workers engaged in agriculture, often of those in mines, sometimes of those in construction, and occasionally those in manufacturing. The fall in employment in agriculture was particularly sharp in Japan where, in July 1971, the number of persons engaged was 1,260,000 fewer than in July 1970. Some 960,000 of those who left agriculture had been unpaid family workers, and 170,000 had been self-employed peasants; two-thirds of the leavers went over to the service sector. However, in some industrialised countries including Canada, Italy and the United States, the number of persons occupied in agriculture stopped falling, or increased, over the latest 12-month period for which figures were available. This change in a basic trend was probably a temporary one and can be attributed chiefly to the deteriorating employment situation in other sectors.

Information was available on employment in manufacturing in 29 countries and territories. It showed that the increase over the latest 12-month period exceeded 5 per cent in Greece, Hong Kong, Malawi and Rumania. The increase ranged from 3 to 5 per cent in Austria, Israel, Republic of Korea, Norway, Republic of South Africa and Yugoslavia, while it amounted to between 1 and 3 per cent in Australia, Bulgaria, India and Poland. The smallest increases, of less than one per cent, were noted in Ireland, Italy and Puerto Rico as well as in France and the United States, two countries where a year-end increase compensated for a decline at the end of 1970 and the beginning of 1971.

There were reductions in employment in manufacturing over the latest 12-month period in 10 countries (Canada, Denmark, Federal Republic of Germany, Hungary,

Japan, Philippines, Sierra Leone, Sweden, Switzerland and the United Kingdom). In Canada and Hungary the reduction was of less than 1 per cent; the same applied to Japan in October 1971 compared with October 1970, despite an average increase of 2 per cent during the first nine months of 1971. There was a 1 per cent decline in the Federal Republic of Germany, Philippines and Switzerland (Swiss manufacturing industries showed a fall in employment for the seventh year running). Reductions of 2 to 4 per cent were noted in Denmark, Sierra Leone and Sweden. In the United Kingdom the number of workers engaged in manufacturing fell by 5.3 per cent from October 1970 to October 1971. The number of employees involuntarily working reduced hours increased considerably, since the hours not worked for this reason (1,250,000) were three times greater in September 1971 than in September 1970; more than 300,000 workers were no longer doing overtime.

unemployment spreading

As employment growth was slowing down, unemployment was spreading, particularly in the second half of 1971. It had already been on the increase in some 20 countries toward the end of 1970. Among the 50 countries for which figures were available, 32 recorded an increase in unemployment for the latest 12-month period. It rose in practically all the industrialised countries, sometimes sharply. As in 1967, the rise in unemployment was delayed or diminished in several countries by the halting of immigration or even the sending home of foreign workers.

In several European industrial countries and in the United States, unemployment rose faster among women than among men.

The greatest increases in unemployment were recorded in Guatemala, New Zealand and Sweden, where the number of unemployed roughly doubled; and in Denmark, Finland, Federal Republic of Germany, Mauritius, Netherlands and the United Kingdom, all of which had an increase in unemployment of more than 40 per cent during the last 12-month period for which figures were available. There were noticeable increases in a dozen other countries, including Australia, Chile, France, Ghana, India, Poland and Spain. Smaller increases were observed in about 10 countries, including Austria, Belgium, Ceylon, Japan and the United States.

However, unemployment level data showed that those out of work represented less than 2 per cent of the total labour force in about half of the countries

which supplied information on this subject, and that the rate of unemployment exceeded 5 per cent in only six countries (Canada, Chile, Ireland, Puerto Rico, United States and Yugoslavia).

In the Federal Republic of Germany the number of unemployed rose from 129,000 in November 1970 to 208,000 in November 1971. The United States, with an average of 5.9 per cent, had the highest unemployment rate observed for 10 years. In France, the number of registered unemployed reached 395,000 at the end of November—the highest level recorded since the forties. In the United Kingdom the increase in unemployment which started in July 1969 was intensified towards the end of 1970 and at the beginning of 1971; the number of workless had almost reached 1,000,000 in December 1971.

Available figures indicate a fall in unemployment in 15 countries, six of them in Asia. Among the 15, the reduction was large in Greece, Guyana, Iceland, Pakistan and Yugoslavia. In Canada the number of unemployed in December 1971 was slightly below that of December 1970; but for 1971 as a whole, unemployment averaged 6 per cent, a rate not observed since 1961. In Italy, the figure for July was less than 600,000, the lowest rate for this month since 1967, but partial unemployment increased.

consumer prices

Data from 117 countries and territories show that the rise in consumer prices continued in 1971 in all parts of the world, and that two countries in three had a faster rate of increase than in 1969 or 1970. Eleven industrialised European countries recorded consumer price increase of more than 5 per cent in the latest 12-month period, compared with six countries in 1970 and with only three countries in 1969.

The increase exceeded 10 per cent in 21 countries and territories, including Brazil, Chile, Republic of Korea, Uruguay and Republic of Viet-Nam — and in these five countries, increases of more than 10 per cent were observed for the eighth year running.

The greatest increase was recorded in the Khmer Republic, where prices almost doubled between September 1970 and September 1971. In Argentina, where the rate of increase averaged 10 per cent in 1969-70, consumer prices started to rise more rapidly from October 1970; they were 30 per cent up for each month from May 1971 on their level 12 months previously. In Chile and Republic of Viet-Nam, however, consumer price rises for the last 12 months for which details were

available were less than 20 per cent, compared with more than 30 per cent in 1970.

Increases of between 5 and 10 per cent were recorded in 32 countries and territories, including seven in Africa, six in America, four in Asia, 12 in Europe and three in Oceania; among them were Australia, Finland, France, Federal Republic of Germany, Japan, Netherlands, Peru, Republic of South Africa, Spain, Switzerland and United Kingdom. Prices went up by 3 to 5 per cent in 32 countries, including Bolivia, Canada, People's Republic of the Congo, Greece, India, Indonesia, Italy, Morocco, Syria and the United States. Seventeen developing countries and Hungary had consumer price increases of 1 to 3 per cent, and the increase was less than 1 per cent in five countries and territories (Iceland, Hong Kong, Lebanon, Mexico, Upper Volta).

Lower consumer prices were noted in nine countries. During the latest 12-month period the reduction was of less than 1 per cent in Czechoslovakia, Malta and Poland; of about 1 per cent in Ivory Coast, Liberia and Somalia; of more than 2 per cent in Libya; and of more than 5 per cent in Ethiopia and Sierra Leone.

money wages and real wages

Regular series of statistics on wages are available from only about 30 countries, and in a number of these cases the information is limited to the processing industries and to the first half of the year.

Money wages rose in the latest 12-month period in all the countries for which figures are available, and the rate of increase was generally faster than in 1970. In most countries the rate of increase was higher in manufacturing than in the non-agricultural sectors as a whole, and almost everywhere women's average wages rose proportionately more than those of men.

The greatest increases were noted in the countries where consumer prices also advanced rapidly. Despite the price increases, real wages (or money wages corrected for price variations) in manufacturing rose in 24 of the 27 countries for which information was available. The rate of increase was more often higher in the first half of 1971 than in the second half.

The largest rise in real wages was observed in New Zealand, the only country to achieve an increase of more than 10 per cent. In 16 countries (Australia, Canada, Japan, Mexico and 12 European countries) average real wage increases in the processing industries ranged between 5 and 10 per cent. Increases of from 2 to 5 per cent were recorded in seven countries, including Czechoslovakia, Netherlands, Sweden and United States.

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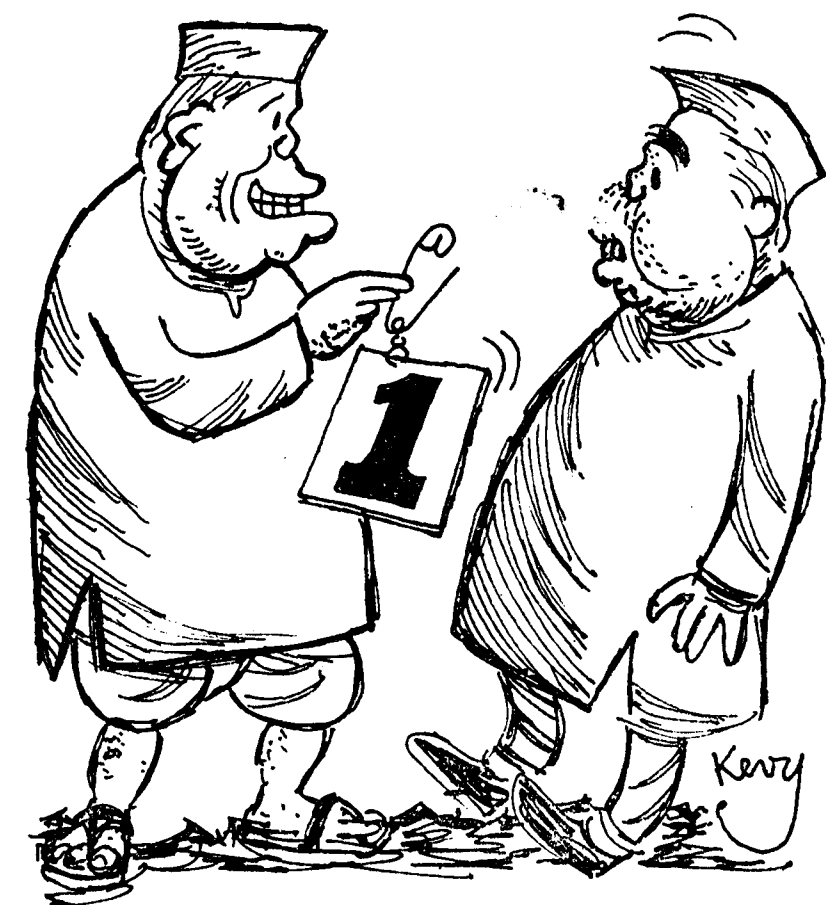
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Not even a quorum

EVER SINCE the last general election, when the ruling party was returned to the Lok Sabha with a massive majority, the quality of parliamentary activity has kept deteriorating at a frightening pace. This, however, cannot be attributed wholly to the fact that the governing party so decisively dominates the legislature in the numerical sense. Quite some years after Independence, the Congress party used to enjoy an overwhelming superiority of numbers in Parliament. Nevertheless the proceedings of Parliament had a certain vitality which is now lacking. What has made for this disagreeable difference is not the small size of the opposition parties but the fact that these parties are in a demoralised condition.

In the earlier years, the opposition parties had a certain self-confidence and some of them even had the exhilarating feeling that the future belonged to them. Today the opposition groups are not only an uncertain or anxious lot but are also a frustrated crowd. They have become so diffident that they seem to have given up all hopes of being able to exploit their presence or opportunities in Parliament to the advantage of their respective parties. All this appears to be particularly true of the other Congress. But the Swatantra party too is in the throes of emotional disintegration. As for the Jana Sangh, Mr Atal Behari Vajpayee strives hard to be politically alive but even he is heard or heard more from outside Parliament than inside. As for the parties of the Left, the CPI has the advantage of being in an unwritten coalition with the ruling party at the centre and is therefore in a position to bide its time, while the other wing of the communist movement is still picking up the pieces after the shattering blow it had received from the electorate in West Bengal.

Perhaps the most disquieting aspect of the political prostration of the democratic parties in the opposition is that they feel themselves driven to steal the ideological or tactical clothes of the ruling party. The other Congress for instance has lost the respect of the people as a result of the opportunist compromises it has been permitting itself on the issue of amendments to the Constitution. The Jana Sangh, for its part, is forfeiting the trust of the public because of its clumsy efforts to outbid the ruling party in the matter of socialist reforms relating to property rights. The Swatantra party has no doubt managed by and large to stick to its principles, but even in this case its Grand Old Man, Rajaji, almost gave the show away when, recently, in a moment of anguish, he suggested that the party might perhaps give itself a new name in the hope of winning a new lease of life. It follows that Parliament will never again begin to function as it should unless and until the opposition parties are able at least to take up the task of re-establishing their respective political identities.

All this, however, cannot absolve the ruling party of the responsibility it too has for the dispirited functioning of Parliament. The Prime Minister, on a recent occasion, claimed that she was under no obligation to ensure that the opposition was in sufficient strength in the Lok Sabha. Mrs Gandhi was clearly side-tracking the issue. The precise charge against her style of government is that, through the procedures and manner of her functioning as the head of the administration, she is fast turning the parliamentary form of government into a presidential type. It has now become very obvious indeed that the Council of Ministers, which is collectively responsible to Parliament, is no longer the *de facto* policy-making or decision-making authority in the government. The policy options are discussed and lines of action mapped out by the Prime Minister in consultation with her advisors outside the regular proceedings of the Council of Ministers. If one or more of the ministers happen to be among these advisors, it is not because they are ministers but because they happen to enjoy the confidence of the Prime Minister in a special sense. This explains why Mrs Gandhi has been so casual about the quality of individual ministers or indifferent about filling vacancies in the Council of

eastern ECONOMIST

MAY 12, 1972

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Ministers. Once this body has become an institution of secondary importance in the Prime Minister's scheme of things, the spirit of collective responsibility of the cabinet to Parliament necessarily gets enfeebled. From this it is an easy transition to the proceedings in Parliament or Parliament itself coming to be taken not too seriously in New Delhi and consequently the country at large. That this is not an uncharitable analysis is indicated by the fact that the Minister for Parliamentary Affairs found it possible to declare in the Lok Sabha the other day that it was no special responsibility of the ruling party, however big its majority might be, to maintain a quorum in the House. Mr Raj Bahadur was no doubt well within his rights to ask that the opposition parties too should co-operate, but he certainly was not justified in suggesting that the ruling party, which had 362 members in the Lok Sabha, could not be held to account when it had repeatedly failed to ensure the attendance of even as few as 52 members, the minimum required for a quorum, so that Parliament could transact the business on its agenda. This minister has certainly not enhanced the dignity of his office in the eyes of the public by taking up the position he did.

Eastern Economist 25 Years Ago MAY 16, 1947

The United States Government under pressure adopted an early removal of several controls on the internal economy of the country. It was hoped that freedom from the shackles imposed during the war would be a great impetus for increased production and reaching higher levels of production than ever before. This complacent attitude has been so much belied, prices shooting up further and further, that it is already being argued if recession, which is generally taken for granted is inevitable, may not come upon the country sooner rather than later, and with a steeper fall in prices than was at one time expected. American price level has after the World War I been of immense importance to the world economy as a whole, but has never been so much important and determining as now and will certainly be in the future.

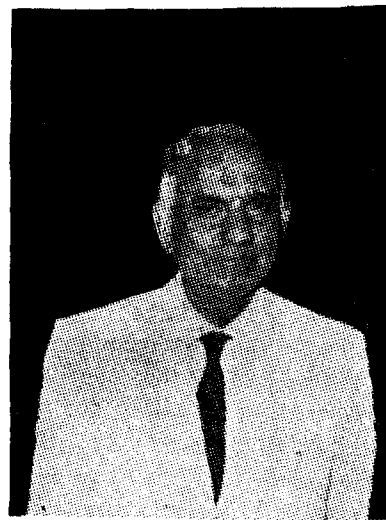
LOKANATHAN

DR P. S. Lokanathan passed away on May 5 in Madras. He died in the fullness of years—he was 78—and also in the fullness of achievement. Lokanathan was the founder-editor of *Eastern Economist*. Indeed he had sown the seeds and nursed the growth of many institutions, national or international. He was the first Executive Secretary of the Economic Commission for Asia and the Far East (ECAFE), and he was also the founder Director-General of the National Council for Applied Economic Research in New Delhi. Many other organisations—the Indian Council of World Affairs, the Indian School of International Studies and the National Productivity Council, to mention a few — owe much to his solid participation. His were thus a creative temperament and talent.

It would be true to say that *Eastern Economist* made him nearly as much as he made, *Eastern Economist*. He no doubt already had a distinguished academic past when he undertook to launch *Eastern Economist* early in 1943. His definitive study of the managing agency system in his best known work, *Industrial Organisation in India*, again, had won him considerable reputation both at home and abroad as a serious investigator of the economic processes and institutions of industrialization. All the same, it was his editorship of *Eastern Economist* which first gave him those significant opportunities that helped him to become a vital personality in national and international discussions of the economic issues which India faced in the years that were crowded into the eve of its independence.

The first issue of *Eastern Economist* was brought out on May 21, 1943. Lokanathan and his original editorial team had little or no experience of active journalism. Their greatest collective asset was a shared enthusiasm and a common faith in the national impor-

ance of their task. His colleagues drew their inspiration and sense of confidence from him, while he himself had been similarly motivated by the great trust which Mr G.D. Birla had placed in him and the tremendous freedom of editorial judgment and discretion which Mr Birla gave him in the conduct of this journal. From 1943 to 1947, when he left the editorship of *Eastern Economist* to become Executive Secretary of the newly constituted ECAFE, Lokanathan enjoyed this great advantage of being



trusted and respected by the man who had chosen him to pioneer a new quality of economic journalism which would integrate the political aspirations of our people for freedom from foreign rule with their economic aspirations for the industrialization of the country.

Lokanathan had given generously to the national and international community in many fields of endeavour. His contributions were wide-ranging and many close colleagues or other co-workers must be able to discuss various aspects of his personality or work. Here it is about Lokanathan as the first editor of *Eastern Economist*, which was fortunate enough to have him lead and guide it in its formative years, that I may write with some appropriate-

ness. Lokanathan was not a natural journalist, financial or other. He was not a particularly elegant writer. He had no penchant for the phrase that tells and, having told, lingers in the memory. He was, however, a writer who communicated always easily and often forcefully because what he had to say was almost always so important that how he said it became a matter of secondary interest. If his style had any distinction it was the sincerity that he breathed into it, a sincerity which was often underlined by an outburst of genuine emotion or even sentiment. Lokanathan was a liberal economist who had as little use for the ideological excesses of the Left as he had for the narrow capitalism of a rentier economy. Indeed he was passionate about a grand design of development for the people of India in all the diversities of their social and economic conditions or problems.

For our editorial team, he was a teacher only for part of the time, but he was a leader all the time. We learnt from him day after day and what was really important in this was that we learnt how to think, not what to think. The daily editorial conferences in those days of *Eastern Economist* were exciting intellectual exercises. There was always a free exchange of views and a truly co-operative effort to plan each issue in such a way that the journal carried a step forward its purpose of promoting consciousness and spreading interest among the people in the development of India at a time when the nation's first priority was necessarily independence but whose basic necessity was to prepare itself for the economic challenges and opportunities that independence would bring.

It was a great experience indeed to have worked with him on this journal and it is a privilege to carry on, however inadequately, a tradition which has now become immortal with his passing away.

V. BALASUBRAMANIAN

Houses for millions

THE SHORTAGE of houses in the country, both in the urban and rural areas — particularly of those required by the less affluent and weaker sections of society in the urban areas — has assumed alarming proportions. Conservative estimates put the backlog of housing construction at as much as 80 million units. Another two million dwelling have to be put up every year for meeting the needs of our growing population. Against this backdrop, the recent official seminar held in the capital on evolving a national policy on urbanisation and housing cannot be said to have been held a day too soon.

State activity in the housing sphere till lately had been confined, by and large, to the building of tenements for its staff, though for a few years soon after Independence, a sizeable number of dwellings had been built by the governmental agencies in several parts of the country to provide for the refugees who poured into the country after partition. Some housing construction in the governmental sector has also been undertaken at places where giant public sector undertakings have been set up and under the slum clearance schemes. Otherwise, the emphasis has been on private initiative to tackle the problem. During the sixties, whenever the necessity arose to prune planned programmes — after the conflicts with China and Pakistan — the axe fell heavily on such schemes as construction of houses. This curtailed the building activity of the state.

Efforts, of course, have been made by the state to assist house-building operations in the private sector through such measures as making loans available to the lower middle and middle income groups and provision of subsidy as well as loans to public limited companies for the houses to be built for their labour force. The progress of these schemes, however, as is well known, has left much to be desired. The continued stringency of building materials has been a big const-

straint on construction activity in the private sector. The rent control legislation has led to a deterioration in the structures to which it has been applicable. So, while on the one hand the construction of new houses has very much lagged behind the growing requirements, the life of the existing dwellings, on the other hand, has been shortened.

Further, no concerted attempts have been made at research to evolve expeditious methods of construction and to develop low-cost building materials. Barring some work having been done in the field of prefabricated houses, conventional methods of construction still continue to be followed by and large. The materials used too are mostly conventional. Not much publicity has also been given to the results of research and development. The successive imposts on building materials and the general inflationary tendencies in the economy have raised their prices to prohibitive levels. The municipal taxes have multiplied fast. The result is that private housing activity is now mostly confined to such houses which are expected to yield adequate return on investment. The rentals of these houses obviously cannot be within the reach of the less affluent and weaker sections of society.

With the view to tackling the problems in an organised way, the seminar made a large number of suggestions and called for a high priority to be given to house-building activity not only as a vital social overhead for growth and stability but also as a source of widely dispersed development. Some of the suggestions of the seminar apparently are wholesome. For instance, it has been rightly pointed out that the mere making available of developed land for building houses is not enough. This programme has to be supported by augmenting the supply of building materials at reasonable prices. The financial assistance programmes will also have to be strengthened along with the streamlining of the procedures for providing this assistance. The research and development effort, similarly, has to be intensified to find out new low-cost building materials. The rent control legisla-

tion has to be drastically modified so that the maintenance of existing houses can be properly looked after. Positive fiscal incentives are required to encourage private house-building activity.

The solution of the housing problem in the urban areas, especially in the metropolitan cities, however, requires another set of remedies, besides the above measures to encourage construction of houses in general. The seminar appropriately emphasised in this connection the need for spatial and regional planning. This should curb migration to cities. The dispersal of industrial projects away from the congested towns and cities could also be helpful; so also the identification and development of other growth points such as those in the irrigation command areas. These points can be developed as new urban centres as they can attract agro-based industries. The development of small townships in the vicinity of metropolitan cities has been suggested as another important step to solve the urban housing problem. A highly relevant point made in this connection was that, along with the development of these townships, cheap and expeditious transport facilities should be planned so that people can commute to their places of work without any difficulty.

Two other major recommendations of the seminar, adopted presumably at the suggestion of the government representatives participating in the seminar, however, can be expected to raise a good deal of controversy. These are: (i) the socialisation of all lands which in the foreseeable future are likely to be urbanised, and (ii) the abolition of free-hold ownership of all dwelling sites to be developed in the future.

In principle, there is a sound case for mopping up by the state of unearned gains from any source, including land, for the benefit of the entire community. But the trouble arises when the quantum of unearned gains is determined. The governmental calculations invariably are based on age-old concepts and formulae. They do not take into account the normal appreciation in assets because of the in-

flationary tendencies in the economy. Instances are not wanting of how, not to speak of the original land-owners, even the members of the co-operative societies whose lands were acquired by the Delhi Development Authority in the mid-fifties, did not get even the normal interest which could have accrued on their investments in the housing plots in these societies. The gross under-valuation by the governmental agencies of the crops to be shared by the land-owners and tenants in cases of dispute between the two is another classical example and these valuations are taken into account while determining the value of land acquired by the state.

The Constitution (29th Amendment) Bill currently before Parliament, which seeks to do away with the concept of market value for properties to be acquired is bound to make matters worse. It may be argued that the government will show due consideration to the small and less affluent land-owners while fixing the quantum of compensation. But can it be denied that governmental powers are misused under some pressure or the other? Pious intentions can never be a substitute for legal sanctions.

Further, there has to be a time-limit for the payment of compensation to the owners of acquired properties from the day the notification of the intention of the government to acquire the said properties is issued. The extent of land to be acquired too has to bear some relationship with the state plans for making use of the land. Otherwise, the sad experience of the capital city is bound to be repeated. The wholesale acquisition of land in Delhi in the late fifties was one of the main reasons for land values skyrocketing here.

Coming to the issue of free-hold ownership of dwelling sites, the substitution of this pattern of ownership by the system of leasing out of land will make the state a co-sharer in the appreciation in land values. But experience shows that this power is always used for the benefit of the state. The lease money is never decreased even if the expectations on which it is determined originally do not materialise

or the lessee suffers because of some subsequent decision of the government.

The municipal taxes too are an important component of a national housing policy. No doubt the municipal costs have gone up, thereby justifying an increase in the taxes on property. But should there not be a relation between the taxes realised by local bodies and the services rendered by them? There is a good case for a review of the entire tax burden on house-owners.

Some participants suggested at the seminar that public limited companies should be made interested in housing construction, especially for the weaker sections of society. In view of the present political atmosphere in the country, it is extremely doubtful that this proposal will be of much help in solving the acute housing shortage in the country. Admittedly, public limited companies are presently being kept outside the scope of urban property ceilings. But the way mechanised farms, orchards, plantations, etc., are being now treated despite the earlier assurances, can hardly encourage the formation of public limited companies for house-building purposes.

The way legislation on urban property ceilings is being proposed by some states is in itself likely to affect adversely housing construction for rental purposes. This will enhance the burden of housing construction on the state; every family cannot be expected to own its own house, especially in the big cities to which people throng for employment purposes. There is obviously a case for a thorough assessment of the impact of the legislation on urban property ceilings on housing development.

The call by the seminar for the preparation of a model municipal act for adoption by states, prescribing financial sources and executive powers, and the resort to the national building code evolved by the Indian Standards Institution, of course need to be endorsed. The ISI code, it claimed, can reduce construction costs substantially. Its large-scale adoption requires modification of municipal housing

specifications. This modification task needs to be completed expeditiously.

The present practice of the Delhi Development Authority of auctioning dwelling sites for the more affluent sections of society is a judicious one. This helps in generating resources for financing housing operations for the less affluent and

weaker sections. Here is an instance of the savings of the people being mobilised effectively for an important socio-economic purpose — an objective which is also successfully pursued by the Delhi Development Authority's scheme of inviting interest-bearing deposits from applicants for houses and flats built and sold by this organization.

hand, if the industrial policy is kept uncertain, it will give opportunity to the government to adjust it from time to time according to political (and personal) whims and fancies. So, though from the country's point of view, the Estimates' Committee's plea seems sensible, the Prime Minister may hesitate to accept it for political reasons.

The Estimates Committee has argued the case for continuity only in industrial licensing policy. But there is, surely, need for stability in other economic policies as well. Economic planning has little meaning if major policies are to be changed suddenly and drastically. There is no reason why the tax policies at least in regard to income-tax and corporation tax cannot be laid down for a five-year period, to be changed only when it becomes unavoidable due to unforeseen circumstances. As Mr N.A. Palkhiwala has observed in his book, *The Highest Taxed Nation*, "The rates and even varieties of our direct levies are nowadays like railway tickets, — good only for one journey in time, from the 1st April of one year to the 31st March of the next, and sometimes not even for the whole journey. Benjamin Franklin's observation that in this world there is nothing certain except death and taxes has passed into a byword. India has sought to match the inevitable certainty of the existence of taxes by incredible uncertainty as to their incidence and by kaleidoscopic changes in the legal provisions under which the levies are imposed".

Foreign trade is another major field where frequent changes in policy have been crippling the country's economic growth. There is no reasonable stability either in export policy or in import policy. The announcement of an export policy resolution has not been of much help to our businessmen to enter into long-term

export commitments. Apart from the uncertainties of the incentive schemes, there have been constant talks and threats of nationalising the export industries. Even major industries like jute and tea have to face continued uncertainty about their future role in the country's economy and export trade. In the import trade, canalisation has created almost chaos over a wide area, resulting in irregular and inadequate supply of raw materials which in many cases have also been much costlier than direct imports. Yet, year after year, more items are canalised in complete disregard of its impact on industrial production and foreign trade.

The Prime Minister has been recently stressing strongly the need for self-reliance. If this is to become a reality, economic policies ought to have some measure of stability. Industries cannot grow on the scale and the speed necessary so long as entrepreneurs are unsure of what is going to happen to them in the next few months, not to speak of years. Mrs Gandhi has been saying that she does not believe in nationalising industries indiscriminately. But such casual statements hardly carry conviction when the government has not hesitated even to amend the country's constitution as often as it wants to suit its political needs. It is bad enough that industries should be confronted with uncertainties in regard to the availability of railway wagons, electricity, and essential raw materials; and the situation becomes much worse when government creates confusion by constantly changing policies in regard to industrial licensing, taxation, foreign trade and also in other fields like labour legislation. If the government is really earnest in its intention to tackle grave problems like poverty and unemployment, it can no longer afford to go slow with industrial development. The Estimates' Committee's plea for stability needs to be considered seriously both by government and Parliament. But stability in economic policies will benefit the country only if they are soundly conceived and are not excessively influenced by ideology and subjected to political pressures as it has been unfortunately happening too often in the recent months.

Stable government, unstable policies

THE ESTIMATES Committee of the Lok Sabha, in its 19th report submitted on April 26, has criticised the frequent changes in the government's industrial licensing policy and has stressed the need for some stability in this matter. The committee has suggested that the policy should be for a minimum duration of five years, coinciding with the Plan, so that industry can have a span of assured development along pre-determined lines for sustained growth and production. It has recommended that the government should formulate and announce the licensing policy for the fifth Plan well before its commencement to attract most competitive applications for the issue of licences on merit.

The committee has cogently argued the case for ensuring stability in industrial policy. But it seems unlikely that the government will accept this sensible recommendation. The Economic Survey for 1970-71 said that "there has been throughout the year deeply felt concern over the pace of industrial growth". But there is little evidence yet of the government's determination to impart dynamism to industrial development. Mrs Indira Gandhi, in her speeches during the election campaigns, eloquently emphasised the need for stable governments at the centre and in the states. But the Prime Minister does not seem to appreciate the importance of ensuring some stability in industrial policies. She appears to think that though stability is essential, politically it is neither desirable nor practicable. To announce the industrial policy for as long as a five-year period will deprive the Prime Minister and her government of a powerful means of exercising patronage for political purposes. On the other



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POINTS OF VIEW

V. Balasubramanian

Not to be left out

WHILE ADDRESSING the fifth annual meeting of the Board of Governors of the Asian Development Bank in Vienna on April 21, India's Finance Minister, Mr Y.B. Chavan, made a reference to the need for the developing countries being enabled to protect their interests effectively whenever monetary and financial problems were internationally discussed and settled. His observation is rooted in the tragic experience of the countries of the Third World last year when the affluent nations got together and struck bargains about currency parities without caring in the slightest degree for the problems and difficulties of the economically weaker countries.

purchasing power reduced

As a result of the appreciation of the currencies of western Europe and Japan in terms of the US dollar, the poor countries found the purchasing power of their reserves reduced by more than US \$500 million. Again, while the affluent countries, with large stocks of gold held in their official reserves, were in a position to benefit substantially from the devaluation of the US dollar in terms of gold, the poor countries, since they do not hold much gold in their reserves, have not been able to secure any great relief in this manner. There is, moreover, the fact that the international monetary crisis of last year and the way in which the affluent countries got together to cope with this crisis to their own advantage have resulted in a worsening of the terms of trade of the poor countries most of which export primary commodities or semi-manufactured goods as a high percentage of their total commerce with the rest of the world. Above all, the poor countries, who have in no way contributed to the payment problem of the United States, have rightly resented the sweeping decision of the US government to make its import surcharge universally applicable during the period when negotiations were going on among the affluent countries to find ways and means of resolving the monetary crisis.

It is against this background that India's Finance Minister has asserted that it is in the interests of the poor and de-

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veloping countries of the Third World, to demand and secure an effective voice in international discussions or settlements of monetary and trade issues. This, indeed, has become particularly important and pressing because the affluent countries are tending increasingly to negotiate international monetary issues among themselves and outside the forum of world organisations such as the International Monetary Fund.

Fortunately, even in the affluent countries, there are powerful currents of liberal opinion which are now coursing in favour of the poor or developing countries being given their legitimate share in shaping international monetary and trade policies. Speaking at a symposium on International Economic and Business Cooperation in Tokyo on April 14, Mr Olivier Long, the Director General of GATT, dwelt with understanding on the desire of the developing countries to have a clearer view of their own role and expectations before committing themselves to an opinion on current moves for a new round of negotiations for the reduction of tariff barriers across the world.

important stake

The Managing Director of the International Monetary Fund, Mr Schweitzer, addressing the United Nations Conference on Trade and Development now in session in Santiago, has acknowledged the important stake which developing countries have in the preservation of an orderly system of trade and payments. He also commented, on the whole favourably, on the point made in the report of the UNCTAD Secretariat to the present conference that a suitable machinery should be created for the developing countries being represented effectively in the processes of decision-making. Earlier, also at Santiago, Dr Mansholt, President of

the EEC Committee, was refreshingly outspoken about the raw deal which the developing countries had received as a result not only of the international monetary crisis of last year but also of the manner in which that crisis was settled by the affluent countries. He, in fact, suggested on behalf of the EEC Commission that, at the next allocation of the Special Drawing Rights in the IMF, a special allocation might be made for the developing countries for the specific purpose of compensating them for the loss in the purchasing powers of their reserves.

united effort

It is possible that before UNCTAD III winds up, the developing countries will have succeeded in committing the industrially advanced countries to the principle that the Third World must be duly represented in decision-making processes relating to international monetary and trade problems. Mr Chavan's statement in Vienna is indication enough that the government of India is fully co-operating with other developing countries in Asia, Africa or Latin America towards the achievement of this purpose. That this united effort will succeed need not be unduly doubted. The international community is not lacking in leaders who now recognise that world economics is too serious a matter to be left wholly to a trade union of rich nations.

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MAY 12, 1972

UTI comes of age

R.V. Murthy

HAS THE Unit Trust of India (UTI) come into its own? Is there scope for further growth of the UTI in particular and of the Unit movement generally? Whether strictly appropriate or not, these two questions were raised at a function, held in Bombay recently, to bid farewell to Mr R. S. Bhatt, the first chairman of the UTI who has just retired. In view of this, it is perhaps as well to take stock of the origin and growth, as also the present position of the UTI, if only to appreciate what has been handed to Mr James Raj, who will henceforth control the destinies of this twin-baby of Mr P. C. Bhattacharyya's financial statesmanship (the other being the Industrial Development Bank of India—IDBI). Incidentally, by some curious concatenation of circumstances, both Mr Bhatt and Mr Raj happen to have graduated from the same private sector financial institution—Industrial Investment Trust—to take over as chiefs of the UTI.

confusion persists

According to "the worm's eye-view" of Mr S. D. Deshmukh, Executive Trustee of the UTI, "there is still a great deal of scepticism and some confusion about our operations.... In certain quarters the confusion still persists. Our country is a vast one and, despite the able direction Mr Bhatt was able to give and the gigantic efforts he has put in, one cannot claim that units have become a household word". Laudable though such a claim may be as healthy ambitions go, one must wait a long long while for its fulfilment, that is until investors in India generally become sophisticated enough to assess the superior worth of units *vis-a-vis* other forms of investment. But the process has definitely begun and Mr Bhatt has indeed blazed the trail.

Whilst paying tributes on behalf of the trustees of the UTI to Mr Bhatt, Mr H.T. Parekh, Chairman of the Industrial Credit and Investment Corporation of India (ICICI), recalled how the UTI came into being. The country's economy, he said, had shown clear signs of fumbling towards the early sixties and a push was needed if it was to move forward. It is in this context, he added, that the setting up of the UTI was conceived, and we owe it to Mr P.C. Bhattacharyya, then Governor of

the Reserve Bank of India, for promoting this as well as the IDBI. The creation of these twin institutions is certainly "an example of financial statesmanship of a high order".

Although simultaneously conceived, the chances of success of the two were not identical. For, while the success of the IDBI seemed more or less evident, the future of the UTI, at any rate at that point of time, was far from clear. For one thing, it depended upon public response for its success; secondly, it was a new type of Unit Trust, and that too one that was being set up in the public sector. Furthermore, the experiment was surrounded with various uncertainties associated with the prevailing economic situation. Notwithstanding these initial handicaps—doubts, confusion and uncertainties—as Mr Parekh put it "the UTI has been a great success, far beyond my expectations—as is evidenced by the fact that it has collected about Rs 100 crores as private savings from over 300,000 unit-holders during the brief period of its existence of eight years".

The following table shows the annual sales and repurchases of the UTI units since July, 1964 :

Sales and Repurchase by UTI

(In crores of rupees)

Year	Sales	Repurchases
July-June		
1964-65	19.14	0.40
1965-66	2.15	1.09
1966-67	9.24	1.99
1967-68	15.34	1.22
1968-69	17.16	1.67
1969-70	22.83	2.03
1970-71	17.99	3.19
1971-72	12.62	2.11
(upto 31-3-72)		
TOTAL	116.47	13.70

(The net sales upto March 31, 1972, thus aggregated Rs 102.77 crores).

The first dividend distribution by the UTI was in 1964-65, when it was 6.1 per

POINTS OF VIEW

cent and this was raised to 8.0 per cent in 1970-71.

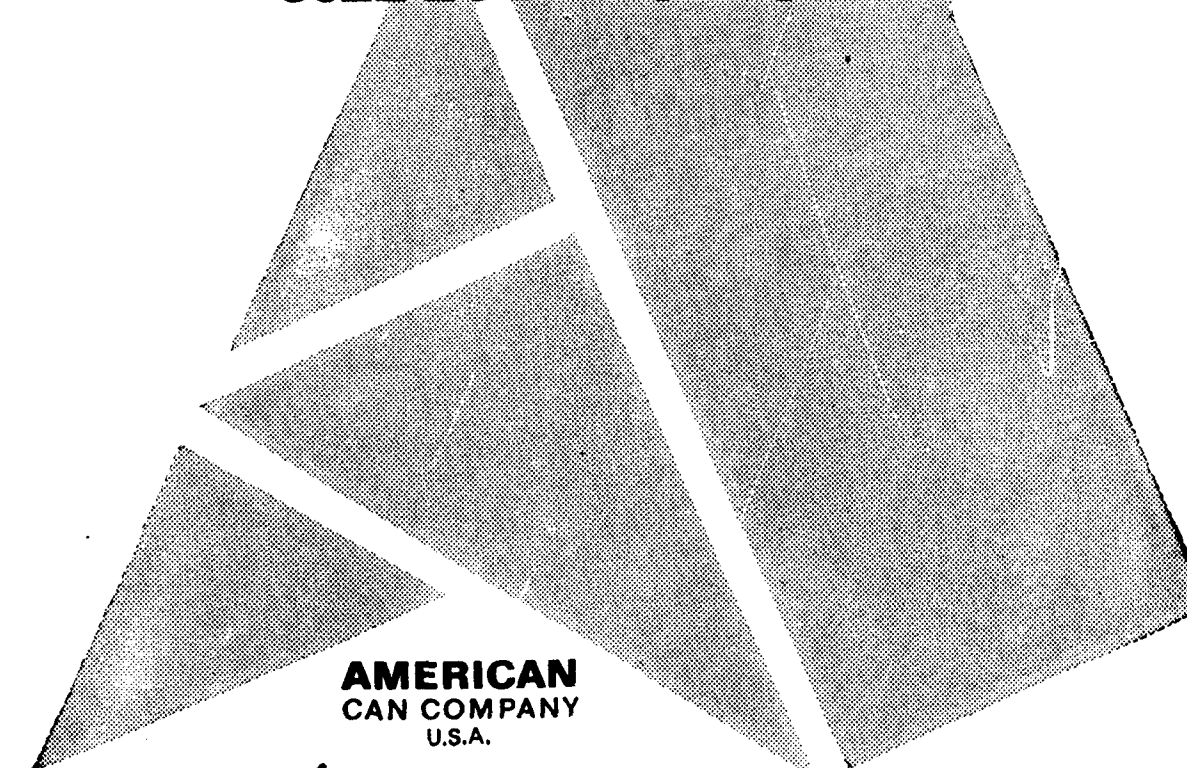
It is easy to point to the declining sales and rising repurchases over the past three years, that one notices in the aforesaid table, but, as Mr Bhatt pointed out to newsmen on the eve of his retirement, this was but a reflection of the state of the stock markets in India. He, however, hoped, on the basis of the conditions obtaining today, that there would be soon a reversal of the trend.

Whether this is a great success story or not is a matter of opinion, but there is no gainsaying the fact that the UTI has come to stay. Thanks to his accumulated experience in different but, in a sense, allied lines, Mr Bhatt has found no difficulty either in convincing unit-holders about the safety and integrity of the funds or in bringing home to industrialists that the co-operation of the Unit Trust would strengthen the financial basis of the country. Even more than this, he knew how to invest wisely, especially in these lean years which would have tried the talent of anyone not so fully conversant with the stock markets as Mr Bhatt. As Mr Parekh recalled, the UTI then "lent a major support to the investment market without which it is difficult to see how the stock market could have survived".

Indian model

The unit trust concept, as everyone knows, is not indigenous; it has been copied from the UK, but, like the ingenious Japanese, Mr Bhatt has transformed his exotic model into something wholly Indian. Mr Deshmukh instanced the face value of units, pricing policy and income-distribution policy of the UTI to highlight the special contribution of Mr Bhatt. He thus pointed out how, unlike what we have in India, units in the UK or other foreign countries do not have a face value. Under Indian conditions, Mr Bhatt rightly felt, having an instrument without face value would be regarded as too sophisticated. Again, whereas the price of units goes up and down in accordance with the changes in the market value of securities in other countries, Mr Bhatt managed to prevent the value of the UTI units from falling below their face

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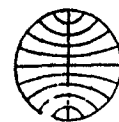
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value. And this was achieved too by taking steps to ensure that security prices did not dip below the face value subject to limitations imposed by the Unit Trust of India Act. Thirdly, whereas, in the west, Unit Trust operations involve very considerable turnover of the portfolio evidently with a view to achieving capital appreciation, Mr Bhatt ruled out either the possibility or the desirability of placing similar accent on capital appreciation under Indian conditions. Surely these are among some noteworthy refinements.

Has the initial charm of units spent itself out? Is there scope for further growth of the unit movement in India? The answer to the former is in the negative, while

that to the latter is in the positive. Mr Parekh was positive that the Unit movement in India must continue to grow in the coming years. For with the Life Insurance Corporation (LIC) devoting an increasing proportion of its resources to economic welfare investments—"social infrastructure"—he felt, the growing corporate sector must needs look to individual savings for increasing support. One obvious form of these savings is purchase of units, and the UTI is a means by which the public can participate indirectly in industrial investment. Talking of the potentiality of the UTI, Mr Parekh pertinently drew attention to the comparative rates of growth of bank deposits, LIC's investible funds and of the UTI. He noted

how, while deposits with commercial banks have been increasing at the annual rate of over Rs 1,000 crores and the LIC's investible funds have been growing at the rate of over Rs 250 crores a year, annual collections of savings by way of unit have yet to exceed Rs 25 crores. Fortunately, the mantle has fallen on the capable and competent shoulders of Mr Jame Raj. As a former Deputy General Manager of the ICICI, a former Vice-President of the International Finance Corporation, a former Chairman of Glaxo Laboratories Ltd. and erstwhile Chairman of the Industrial Investment Trust, he brings to his new office a rich and varied background of investment, industrial and financial experience.

LIC : from strength to strength

Sagittarius

THE LIFE Insurance Corporation has made such impressive progress in the past two years that it has been possible to achieve an increase of nearly 60 per cent in respect of new business to Rs 1,651 crores in 1971-72, a growth rate which has not been achieved in any earlier period since the corporation came into being. This performance should be considered significant as it not only testifies to the success attending the efforts of the management to underwrite a larger volume of business but also underlines the vast potentialities that exist in the rural and urban areas for further growth.

heady growth

In former years, either the management could not successfully tackle the outstanding problems or the situation was unyielding as even a target of Rs 1,000 crores was difficult of attainment in the stipulated year and was reached only some years later, in 1969-70. Thereafter, heady growth has been recorded and the new chairman, Mr K.R. Puri, must be feeling happy that he is in a position to fix an ambitious target of Rs 2,150 crores for 1972-73.

It has been explained that this rate of growth is aimed at in order to bring about a doubling of new business to Rs 4,300

crores and make available the benefits of insurance to a large number of policy-holders. Towards this end, it is gratifying to note that the rate of increase in the number of policies to 19 lakhs from 16.16 lakhs in 1970-71 is more than the increase in the volume of business. This is not exactly a favourable development immediately from the point of view of the corporation as a larger volume of work will be involved in servicing policies which have a lower average value than in the previous year.

benefits appreciated

It must be pointed out, however, that, from the angle of promoting new business in the future, the large base now being created will be very helpful. No details are available about the number of policies relating to entirely newcomers or whether larger business was secured from the rural areas. But the data that may be made available after some time should clearly indicate that the bulk of new business was on account of newcomers and the benefits of insurance are being appreciated even in new areas.

While the western region has again accounted for the largest volume of business, the largest number of policies is claimed by the southern region. What is,

however, more important from the point of view of the corporation is the emergence of some encouraging trends in the central region. With the special emphasis on promoting business in the rural areas and the strengthening of the field staff in backward regions, the increase in new business in the coming years can be easily of the order visualised.

group insurance

While much hard work will be involved in issuing new policies to those in the low income or the lower middle income group, the corporation has been specialising in group insurance. This form of risk cover does not involve any additional commitment for the participants concerned but helps them to derive greater advantage out of social welfare schemes like gratuity and superannuation. This way funds are utilised for providing sizable cover with only a slight decline in the rate of return on investment that would otherwise have accrued. It is also learnt that some state governments are inclined to extend the benefits of insurance to weavers and others in the decentralised sector by subsidising to a certain extent the premium that would have to be paid in respect of members of co-operative societies. These new experiments linking savings in unit and bank deposits with insurance should

also open up new fields for insurance though the schemes have not yet gained the necessary popularity.

The spread of the insurance habit among new sections of the population will certainly bring to the families concerned a greater sense of security. So long as the insurance cover is not on a large scale and the risk provided is considered valuable by the dependents of the insured, the cost of protection, which is heavy now, may not be a great deterrent to the further expansion of business. The Life Insurance Corporation, however, should not exploit its monopolistic position and refuse to heed the suggestions made by policy-holders and others for making insurance more attractive than it is now.

In view of the spread of risk over a large body of policy-holders, the improvement in the mortality rate and also the opportunity for securing a higher yield on freshly invested funds, the management should make a sincere effort to reduce substantially the overall and renewal expense ratios and augment net and gross incomes. Even a half per cent saving in the renewal expense ratio can add significantly to valuation surpluses.

real satisfaction

There will also have to be streamlining of the methods of servicing policies as in the context of new developments without complete mechanisation and computerisation, the desired level of efficiency and reduction in expenditure cannot be achieved. Only if the general impression gains ground that insurance is worthwhile also as an investment, the full potentialities for mobilising resources for Plan purposes cannot be exploited. The policy-holders will feel really satisfied only if there are larger bonuses and reduced premiums. Even if the latter were not possible there should immediately be an increase in the bonuses on all classes of policies.

The scope for adding substantially to the

assets of the LIC has already vastly improved. Even in the past few years assets have more than doubled and these grew in 1971-72 by Rs 299 crores to perhaps around Rs 2,300 crores. It is quite probable that the growth in assets in 1972-73 will be easily Rs 350 crores. This assured availability of funds will encourage the central and state governments and the public bodies, to draw up their borrowing programmes in a bold manner. Fresh investments in government securities in the past year were Rs 136 crores and in bonds of state electricity board Rs 11 crores. The corporation alone could thus make available to the different classes of borrowers more than 25 per cent of the net amount borrowed through loans and bonds in 1971-72. The state electricity boards and the municipalities have also benefited immensely through direct loans. Liberal encouragement has besides been given to housing schemes.

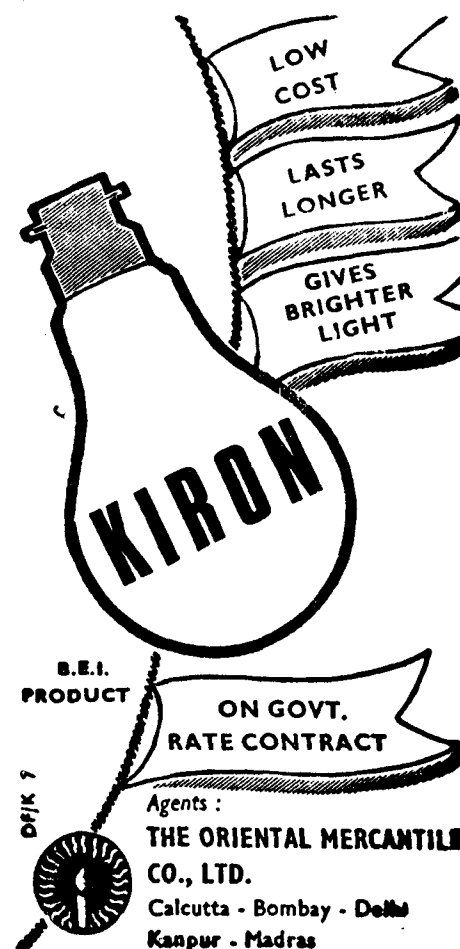
huge increase

It will be interesting at this stage to speculate on what the extent of additions to the assets of the corporation will be after the target of Rs 4,300 crores in respect of new business had been reached. The annual increase in assets by 1974-75 can easily be Rs 600 crores which, with the possibility of additions to deposits of scheduled commercial banks being of the order of Rs 2,000 crores by that time, will enable the public sector to proceed on the basis of an availability of fresh resources of over Rs 1,200 crores annually. There is also bound to be a big increase in the amounts to the credit of provident fund accounts. This clearly underlines the fact that institutional savings and the monetisation of incomes can be useful in formulating bigger plans. Actually, in respect of the current year the central government need not worry at all about the availability of financial resources for stepping up its Plan outlay by Rs 601 crores. The target for net borrowing of Rs 215 crores for the centre and of Rs 109 crores for the states in 1972-73 can be easily exceeded and the total borrowing

POINTS OF VIEW

effort in 1971-72 which was considered exceptional on account of the emergency, can be easily surpassed.

The special significance of the record volume of business written by the corporation and the spectacular growth in bank deposits should not, therefore, be missed. The co-operative sector also can be expected to make its own contribution with a continuing improvement in agricultural production. So far no special effort has been made to examine critically the progress of co-operative credit societies and land mortgage banks. If the activities of all these agencies can be closely co-ordinated and novel schemes are formulated, the process of institutionalisation of savings may be hastened with far-reaching consequences.



FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi, Saturday.

THE LOK Sabha this week raced through budgetary demands of three more ministries — (i) the Ministry of Defence, (ii) the Ministry of Labour and Rehabilitation, and (iii) the Ministry of Steel and Mines. The demands for grants of the Ministry of Petroleum and Chemicals were also deliberated upon, but these could not be adopted as the minister looking after this portfolio could not complete his reply.

The main highlights of the debate on the demands for grants of the Ministry of Steel and Mines were (i) the widespread deep concern over the continued losses in the public sector steelworks, (ii) the need for augmenting the supply of steel in the country not only by improving the utilisation of the existing capacity but also through augmenting the capacity by setting up new plants as well as by expeditiously expanding the existing ones, and (iii) the trenchant criticism of the highly unsatisfactory performance of such projects as the heavy engineering complex at Ranchi. Some leftist members called for the nationalisation of the entire steel and the coal industries. They also assailed the steel distribution policy. The proposal to form a holding company for steel plants came in for criticism by some others. The likely delay in the commissioning of Bokaro steel works was also adversely commented upon. Fears were expressed that the government might further raise steel prices.

not up to mark

In his reply to this debate, the Minister for Steel and Mines, Mr Mohan Kumaramangalam, conceded that the performance of the public sector steel plants had not come up to the promises he had made last year and that these steelworks would again be incurring a sizeable loss (about Rs 20 crores) for 1971-72, but expressed the hope that the situation would improve substantially this year as a result of the measures initiated recently. He attributed the last year's loss to the roof collapse at Rourkela (which resulted in a loss of production of about 350,000 tonnes), the rampant labour indiscipline at Durgapur

(which caused the plant to lose one million man-hours) and the serious trouble in coke ovens at Bhilai.

Mr Kumaramangalam appealed to all concerned to help in improving industrial relations at Durgapur in particular and at the other steelworks in general. A Soviet expert, he disclosed, had been invited to suggest measures to improve the performance of coke ovens at Bhilai. As a long-term measure, additional coke oven batteries, he further revealed, had been planned at Rourkela and Bhilai. About Bokaro, he said that a set group of workers was constantly engaged in twisting the arm of the management and the government at crucial junctions.

co-ordinating activities

The minister expressed the hope that the proposed holding company for steel plants would help in raising production by co-ordinating the activities of all connected with steel-making in the country. All that the government sought to achieve through this holding company was the introduction of better methods of production and ensuring of proper functioning of the steel industry. The company he stressed, would not interfere in the day-to-day functioning of the steel plants.

In an attempt to allay the fears about rise in steel prices, Mr Kumaramangalam said that there was no such proposal under the consideration of the government at present. The prices of steel in the country, he added, compared favourably with the international prices. If the steel plants' capacity utilisation could be raised to 85/86 per cent, the cost of production could be brought down substantially. This could help in lowering steel prices.

The minister informed the House that the performance of the other public sector units under the charge of his ministry, including the Ranchi Heavy Engineering complex, was showing improvement. He ruled out the nationalisation of all coal mines. The Deputy Minister for Steel, Mr Shah Nawaz Khan, revealed that it had been established that some 50 coking

coal mines abandoned by the original owners still had about 350 million tonnes of this type of coal.

The labour policies of the government came under scathing attack during the debate on the demands for grants of the Ministry of Labour and Rehabilitation. While the rightist members of the House felt that not much was being done to curb labour indiscipline, the trade unionists who participated in this debate accused the government of being soft towards employers. The present policy of the union government, they alleged, was "anti-labour", "pro-capitalists" and "bankrupt". The public sector enterprises, they further pointed out, were outpacing the private sector in flouting labour laws. Pleas were made for workers' participation in management and for expeditious implementation of the recommendations of various wage boards. The recommendations of these wage boards, it was stressed, should not be tampered with under pressure from employers.

moratorium on strikes

There was no unanimity among labour leaders on the call of the President and the Prime Minister for a moratorium on strikes and lockouts. It was emphasised that only fundamental changes in labour laws and uniform legislation for the whole country could usher in industrial peace. A good deal of concern was expressed over the growing unemployment in the country as well as the expanding prices spiral. The Bombay labour leader, Raja Kulkarni, outlined his concept of "industrial self-government" under which elected representatives of workers and other concerned groups would be given decision-making powers on issues like production and distribution of profits. The defaults in the depositing of employers' contribution to the provident funds of the employees too came in for a good deal of criticism. The cause of women workers was championed by several members.

Replying to this debate, the Minister for Labour and Rehabilitation, Mr R.K. Khadilkar, indicated that the government

proposed to stiffen the law against defaults of payment by employers of their contributions to the employees' provident funds. He also announced that the Industrial Disputes Act would soon be extended to the employees in hospitals and universities. The government, he further stated, proposed to bring forth in the near future a comprehensive bill on industrial relations to cover all the crucial labour issues that had defied solution over the years. He expressed satisfaction at the three important trade union centres in the country having covered a good deal of ground in regard to the above comprehensive bill. Some issues, however, still remained to be sorted out, he added.

centre's difficulties

Mr Khadihar pointed out that the centre's difficulty in handling labour problems was that under the Constitution labour was a concurrent subject and states shared the responsibility of implementing the labour laws. The general economic situation in the country, which was beyond the control of the Labour Ministry, also had its impact on industrial relations. The government, Mr Khadihar added, had yet to take a final decision on the wage board system.

Vociferous pleas were made by the leftist members of the House during the discussion on the budgetary demands of the Ministry of Petroleum and Chemicals for the takeover by the government of the three private oil companies operating in the country. They alleged that these companies were charging too high a price for crude supplies and were repatriating huge funds out of their earnings in this country. It was suggested by these members that we should enter into direct negotiations with the oil producing companies for the import of crude oil. That these comments were politically motivated should be evident from the fact that the crude oil prices charged by these companies are much lower than what the Madras refinery has to pay for its crude supplies to the Natural Iranian Oil Company and its collaborators. If the legitimate profits earned over the years by these companies are being repatriated, there cannot be any objection to it as the future growth of these companies has been stalled with the result that they cannot plough back their profits into their operations. The efforts of the union government to have direct contracts for crude supplies with the oil producing countries, it may also be pointed out, have not yet succeeded.

Many members expressed dissatisfaction over the pace of oil exploration in the country. Some expressed the view that

the working of the Ministry had suffered in the recent past because of too frequent changes of ministers. The controversy over the supply of official files to the Takru Commission, which is looking into the pipelines "scandal" of the Indian Oil Corporation, figured prominently in this debate. The high prices of drugs came in for sharp criticism. The slow pace of growth in the fertilizer industry's output too was adversely commented upon.

The most important point made by the Minister in charge of the portfolio of Petroleum and Chemicals, Mr H.R. Gokhale, in his reply to this debate was that a scheme had been finalised recently for raising the production of crude oil by the Oil and Natural Gas Commission to eight million tonnes per annum by 1978 and further to 13 million tonnes a year by 1983. The present known reserves of the ONGC, it is thought, would yield these quantities.

Earlier, replying to the debate on the demands for grants of the Ministry of Defence (reported briefly in this column last week), the Defence Minister, Mr Jagjivan Ram, reiterated that "the developments in the international situation do not warrant any change in our present (nuclear) policy, which is to utilise nuclear energy for peaceful purposes only". He, however, indicated that the Atomic Energy Commission, which had drawn up proposals for a programme that included the development of 2,700 MWs of nuclear power by 1980, was studying the technology to conduct underground nuclear explosions for peaceful purposes.

close watch on Pakistan

Mr Jagjivan Ram assured the House that a close watch was being kept on the acquisition of arms and equipment by Pakistan as well as on the training and deployment of its forces. Beyond this, he preferred not to say anything on Indo-Pakistan relations in view of the proposed summit talks between Prime Minister Indira Gandhi and the Pakistan President, Z.A. Bhutto. He made several pertinent observations about the attitude of certain great powers which, he thought, were interested in maintaining tension on the subcontinent. The extension of the operations of the US Seventh Fleet to the Indian Ocean, he added, was a matter of great concern to us.

Within the constraints imposed by technology and finances and the imperative need of a frontal attack on poverty, the Defence Minister stated, the three defence services would be strengthened and their tactical power improved. The role-on five-year Plan for defence production, he

said, was being up-dated in the light of the changes in strategy and technological environments. The emphasis of this Plan was on making the country self-reliant in defence production at the earliest. The first indigenously made Leander class frigate, INS Nilgiri, Mr Jagjivan Ram disclosed, would join the Western Fleet before the monsoons. Steps were also being taken to increase the ocean surveillance capacity. In regard to the Air Force, the ground observation system, he said, was being strengthened in the light of the lessons of the last Indo-Pakistan conflict. Efforts were also being made to remedy the deficiency of deep penetration air strike capability.

better service conditions

Referring to the service conditions of defence personnel, Mr Jagjivan Ram revealed that the government was reviewing the terms of engagement and retirement of these personnel in view of the improvement in public health, higher expectancy of life and the longer period and enhanced cost of training. The pay and allowances of the defence personnel had been raised. The recommendations of the Pay Commission, he hoped, would provide for a reasonable basis for the future pay and pension structure of defence personnel. Mr Jagjivan Ram also disclosed that plans were being drawn up to settle ex-servicemen in Arunachal and the Andaman and Nicobar islands. He further dwelt at some length on the steps being taken for the placement of those disabled in the last war with Pakistan as well for the welfare of the families of those who laid down their lives in the defence of the country. Referring to the prisoners of war issue, he regretted that while Pakistan prisoners of war in India were being treated fully according to the Geneva Convention, the Indian prisoners in Pakistani hands were not being looked after equally well.

Earlier intervening in the debate, the Minister of Defence Production, Mr V.C. Shukla, revealed that the government had decided to enter the export market in respect of defence items in a big way. Already some defence products, he said, were being exported to friendly countries in consultation with the Ministry of External Affairs (last year these exports aggregated to about Rs 2.70 crores). A public sector organisation was now proposed to be set up for accelerating the exports of defence items. This, along with the production of some items for civilian use, whenever possible, he felt, would enable full utilisation of the defence production capacity which in times of peace had otherwise to remain idle to an appreciable extent.

Will rich uncle Rip van Winkle wake up?

Josselyn
Hennessy

London.

WHAT PRICE THE DOLLAR?

BAD TIMES are more often associated with good in short than in profuse supply. So what about dollars of which the supply exceeds the demand? This is a state of affairs almost incomprehensible to the man in the street. For example, despite the UK's readiness to do so, she cannot repay her debts to the International Monetary Fund right now simply because the Fund shies away from more dollars! It is already stuffed with more non-convertible dollars than its rules permit.

What is sauce for the monetary goose could be sauce for those central bank

accepted as the strongest of all industrial countries.

rich uncle short of cash

In terms of its international balance-sheet, it is true, the USA is insolvent; the cash that it holds covers scarcely a fifth of the corresponding short-term liabilities to foreign central banks, but when, however, the long-term foreign credit balances of the American economy are included, the picture changes radically: the USA then appears as a rich uncle who just happens to have run short of small change. West Germany by comparison is like a less affluent nephew who, thanks to a favourable jackpot, has his pocket stuffed with cash, both his

will make themselves felt in due course, although it is likely to take more than twelve months for these efforts to be reflected as visible and sustained successes in the US balance of foreign trade. For the UK the consequence of, what even Left-wing economists now admit to have been, the Labour government's clumsily forced devaluation of the pound in 1967 only became apparent two years later. Moreover, a glance at the statistics shows, that the USA can point to far more stable price levels in the postwar years than many industrial countries.

an invitation to learned readers

The Intelligence Department of the Berliner Handels-Gesellschaft Frankfurter Bank takes the view that the USA owes the loss of its position in the ranks of countries geared to stability (a) to the protagonists of the new school of economics who moved into the White House under President Kennedy and who, despite their claims, did not know how to control the boom that they had unleashed, and (b) to the financial burdens of the Viet Nam war which simultaneously began to escalate at a rate as unforeseen as it has proved economically and psychologically disastrous. I should be interested if some of our learned readers would take advantage of our correspondence columns to air their views on point (a) above, about which there seems to me much to be said for and against.

Even at the present time, wages and prices are rising more slowly in the USA than in most other industrial countries, despite the very easy money policy of recent months. After long stagnation the economy has begun to pulsate once more. Existing capacities should ensure appreciable improvement in profit margins without serious new price increases. The comparatively high stocks of goods particularly dependent on imports are hardly likely to lead to prematurely fast rise in imports, and the export incentives should ensure at least some recovery in exports. But in order to ensure a return of confidence in the dollar I don't see how the USA can avoid taking steps to restore its balance of payments by acting on capital transactions. In this sector, rapid and convincing successes are both important and

WINDOW ON THE WORLD

ganders who, since August 15, 1971, have to decide whether to continue to buy dollar. At that time President Nixon had suspended not only the gold exchange obligation but also the convertibility of the dollar into any other currency. Since then the *de jure* convertibility of the erstwhile Almighty Dollar has been limited to the possibility of changing a ten-dollar note into two five-dollar bills. The US dollar, however, remains the most important international means of payment for two reasons. The first is that there is no equivalent major substitute currency which could take over the job that the dollar still does. To abandon the dollar as a trading currency is conceivable only over a longer period. Although the second reason has been pushed into the background at times during the last few months of crisis it is there just the same: the American economic potential is still

own and borrowed, and is leading an unearned gay life on the strength of it.

It is clear that, in terms of foreign trade, rich Uncle Sam has lived far beyond his means during the postwar years. His foreign investments in trade and industry were glaringly disproportionate to his overall economic savings, yet—and this is frequently overlooked today—all the time our over-confident Uncle has been drawing returns worth \$11,000 million a year from these foreign investments.

It is relevant to recall that the United States is making consistent efforts to reduce, step by step, the financial burden of its overstrained political influence throughout the world. At the same time it is working to improve its foreign trade position. Apart from a number of measures to promote exports, the effects of the monetary realignment in December

possible without endangering the economic revival. The raising of the rate on treasury bills and the increase in prime rates by leading banks are the first steps towards this.

"benevolent indifference" ?

Yet the dollar still remains vulnerable. What is needed is an additional (administrative) corset. The US government must declare its readiness to restore as soon as possible the dollar's full convertibility. America's "benevolent indifference" towards the monetary worries of its partners has devastating repercussions and any change which showed that the USA takes the needs of others into consideration would also be in her own interests. To continue the present policy would force America's partners, particularly the Europeans, purely for reasons of self-preservation to find a monetary solution which would necessarily be inimical to the dollar, harmful to world trade and therefore disadvantageous to all internationally trading countries.

The USA must know that the Europeans will not help it out by an indefinite period of floating, or by further revaluations of their currencies. Early in March the French Minister of Finance, Giscard d'Estaing, spoke for Europe when he uttered a warning to a meeting of American businessmen about this, but at the same time he added a conciliatory note by saying that the Americans could not by themselves bear the cost of a return to partial convertibility of the dollar. The Europeans would shoulder part of this burden.

The French Minister's offer is perhaps the last chance to avoid worldwide disintegration. Now it's Washington's move! Wake up Rip van Winkle!

II

Dollar Convertibility

The latest issue of the Economic Bulletin (which the authoritative Deutsches Institut für Wirtschaftsforschung, 5 Koenigin Luise Str. West Berlin 33, so kindly sends me for your benefit) offers (1) a thoughtful round-up of the historical background leading to much the same conclusions reached above by the Berliner Handelsgesellschaft Frankfurter Bank (which I have paraphrased in my own language) and (2) a complementary analysis of future possibilities.

The balance of payments of individual countries and country-groups reveal the extent of disequilibrium in 1971, a year

that saw the most serious international monetary crisis since World War II.

The USA's balance of monetary movements presumably closed the year with a deficit of around \$30,000 million. Official results were, at the time of writing, available only for the first three quarters. The broadly dispersed accumulation of foreign exchange in the rest of the world was almost exclusively in dollars. The dollar purchases of these countries' central banks in 1971 amounted to \$28,000 million (1970: \$7,300 million). The flow of dollars continued even subsequent to the US government's currency measures of August, 1971.

causes for purchases

A number of causes were behind the jump in dollar purchases by the central banks in 1971. For the first time in the twentieth century there was a deficit in America's balance of trade, which slipped \$5,000 million in one year. The invisible balance, on the strength of sharply increased return on capital, presumably showed a higher surplus than in 1970. This, however, was far from compensating a \$4,500 million deterioration in the visible balance. The deficit in the goods and services balance was furthermore accompanied by a sharp increase in the export of long-term capital in rising direct and portfolio investment. The deficit in the basic balance, in 1970 only \$3,000 million, rose to around \$12,000 million in 1971. Augmenting the basic deficit, investment in short-term debt also rose sharply. This mostly involved dollars which commercial banks and firms cashed in at central banks. This and, to a certain extent, the export of long-term capital arose from speculation against the dollar inevitable in such circumstances.

The other industrialised countries attempted gradually to lessen the influx of dollars, primarily by floating their currencies. Anxious, however not to see their exports of goods and services constricted to the degree necessary to eliminate the US balance of payments deficit and, for this reason, only gradually permitting a revaluation of their currencies, these countries, with few exceptions, had no choice but to continue buying dollars.

The devaluation of the dollar finally achieved with the realignment in December, 1971, when compared to other industrial countries, was approximately 11 per cent (in terms of all currencies there was only an 8 to 9 per cent depreciation as many developing countries chose to retain the old dollar parity). Decisive here was the US government's willingness after long reluctance to lower the dollar's

gold value by 8.6 per cent.

Despite this dollar devaluation, which largely corresponded to general expectations, speculation against the dollar has not ceased for two reasons. First, the US balance of goods and services closed 1971 worse than expected, causing doubts as to whether the negotiated parity change can effect a sufficient improvement. These doubts are strengthened by the comparative business cycle conditions between the US and western Europe which, at present, cast a shadow over US foreign trade prospects. While real GNP in the USA has risen to 6.5 per cent (current annual rate), a rate of about 3.5 per cent prevails in the other industrialised nations. There will, therefore, be no rapid expansion of imports by these countries over the short term, and this will prevent an expansion of US exports to the extent hoped. US imports, on the other hand, will rise above desired levels. (On this point the DIW differs from the Frankfurter Bank).

III

Was the Re-alignment Sufficient?

A change in this unfavourable business cycle will occur only when an upswing begins in western Europe and Japan, but the Deutsches Institut thinks that this is hardly to be expected before the second half of 1972. Only then does the Institut believe that it can be seen whether the realignment was sufficient to solve the US balance of payments problem. Assuming about \$3,000 million per year to be a "normal" level for US transfer payments and adding another \$4,000 to \$5,000 million for the export of long-term capital, a surplus of from \$7,000 to \$8,000 million would have to be achieved to avoid further outflow of dollars. The realignment thus can be regarded as a success only if the American balance of goods and services is improved by about \$8,000 million. If the considerable dollar liabilities are to be gradually reduced, an even greater surplus must be achieved.

Another cause of continuing speculation against the dollar is the failure to deal with problems pertaining to the restoration of the dollar's gold convertibility at the monetary conference in Washington. Private propensity to accumulate dollars is therefore diminished, but the dollar flow will increase as long as the US balance of payments is in deficit. It is thus obvious that without a solution of convertibility in the near future, speculation about the dollar's future must continue. This is particularly true in view of the interest rate gap between the USA and Europe, which reinforces the flight from the dollar. Not

only would this gap have to be eliminated, but tipped significantly in the opposite direction, before private persons would be sufficiently attracted to dollar investment in the absence of dollar convertibility.

Dollar convertibility, however, will hardly be possible before a reserve medium is available against which dollars can be traded. Present US holdings of gold and foreign exchange are not sufficient, even at the new exchange rates, to underwrite dollar convertibility as long as the dollar itself must perform the functions of reserve currency. Were dollar convertibility to be reintroduced under present conditions, enormous dollar holdings by foreigners, which have arisen through US payments deficits in the postwar years, would force the US to a devaluation. Exchange-rate revisions would then again be necessary. The problem of providing the world economy with a stable reserve medium would remain.

An expansion of Special Drawing Rights at the International Monetary Fund as an artificial reserve currency can be carried out only by international agreement. A reform along these lines is still opposed by

some countries, which view the transformation of dollar holdings into SDRs as simply pouring the international liquidity created with the dollar glut from an old bottle into a new one. In addition they fear that SDRs could provide an added impulse to future international inflation.

It seems that these countries favour a solution which would once more increase the importance of gold. But, argues the DIW, the gold supply and annual production of gold even after the realignment and resultant higher price of gold, are insufficient to cover international requirements for reserve currency. The price of gold — in terms of all currencies — would have to be raised drastically in terms of the dollar; to free the USA of dollar liabilities, the price of gold would have to be increased many times over. Only then could all dollars presented to US central bank be converted into gold instead of SDRs.

Subsequent to a monetary reform giving a larger role to SDRs, the other industrialised countries could co-operate on a consolidation of US dollar liabilities in order to prevent excessive conversion of the

foreign dollar holdings into SDRs. A portion of their short-term dollar credit might be converted into long-term credit with the stipulation that amortisation of this consolidated debt would be gradual and dependent on the balance of payments situation.

In the absence of either such a consolidation of dollar liabilities, or a broadening of SDRs, or — in the final analysis — a sharp increase in the price of gold, the non-American industrialised countries will have to learn to live with sharply increased dollar reserve at their central banks.

Non-American central banks must furthermore be prepared to absorb additional dollars or to provide some other form of standby credits in order that the USA should not be forced back on damping measures at a time when the degree of capacity utilisation of labour is still too low. Support for the dollar through a hard-currency loan, similar to that extended to Britain in past years, would be preferable to a further inflation of the dollar supply. The USA could then wait until economic conditions are such as to reinforce rather than counteract the improved competitive-

LAGAN LEADS

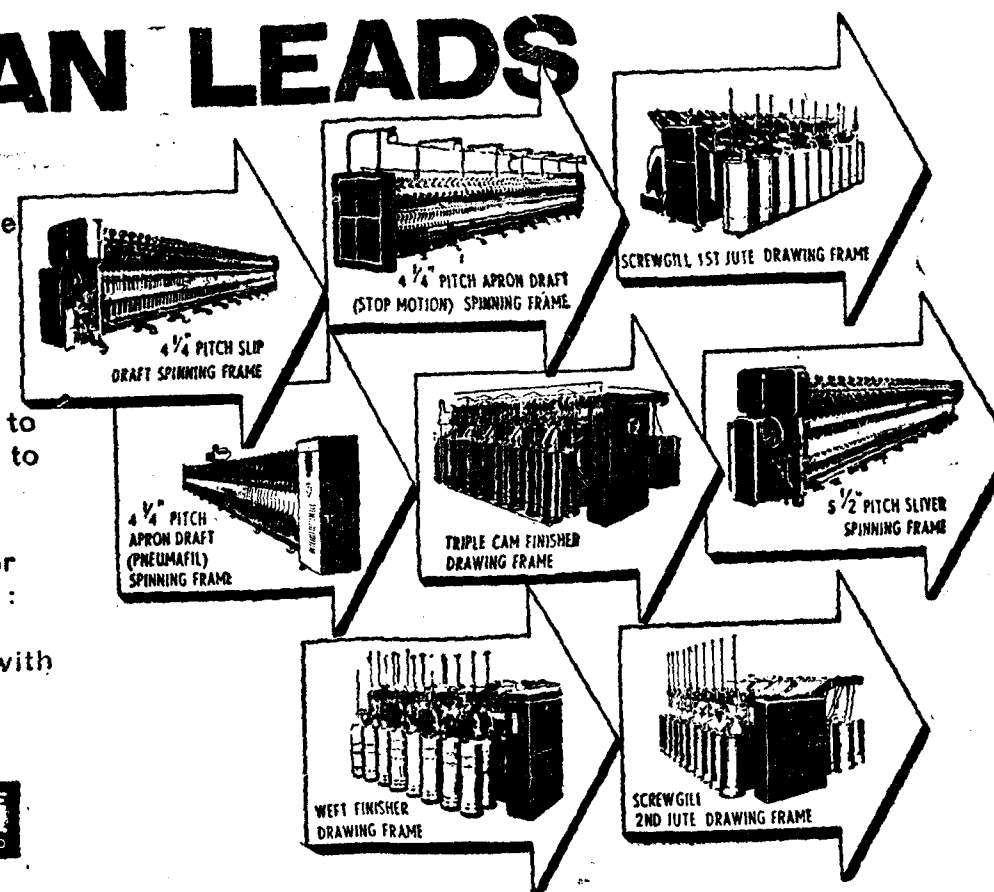
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ness gained with the realignment.

Such, stop-gap assistance should not, however, divert attention from the overdue basic reform of the international monetary system. The decisive task is the replacement of the dollar, and eventually gold as well, with a stable medium for international payment which would provide an accounting unit against which all na-

tional currencies would be measured. Once the dollar is relieved of its reserve function, the USA would be forced, like other countries, to set the dollar exchange rate in keeping with balance-of-payments requirements. The expectable changes in the dollar rate then would not disturb the entire monetary system.

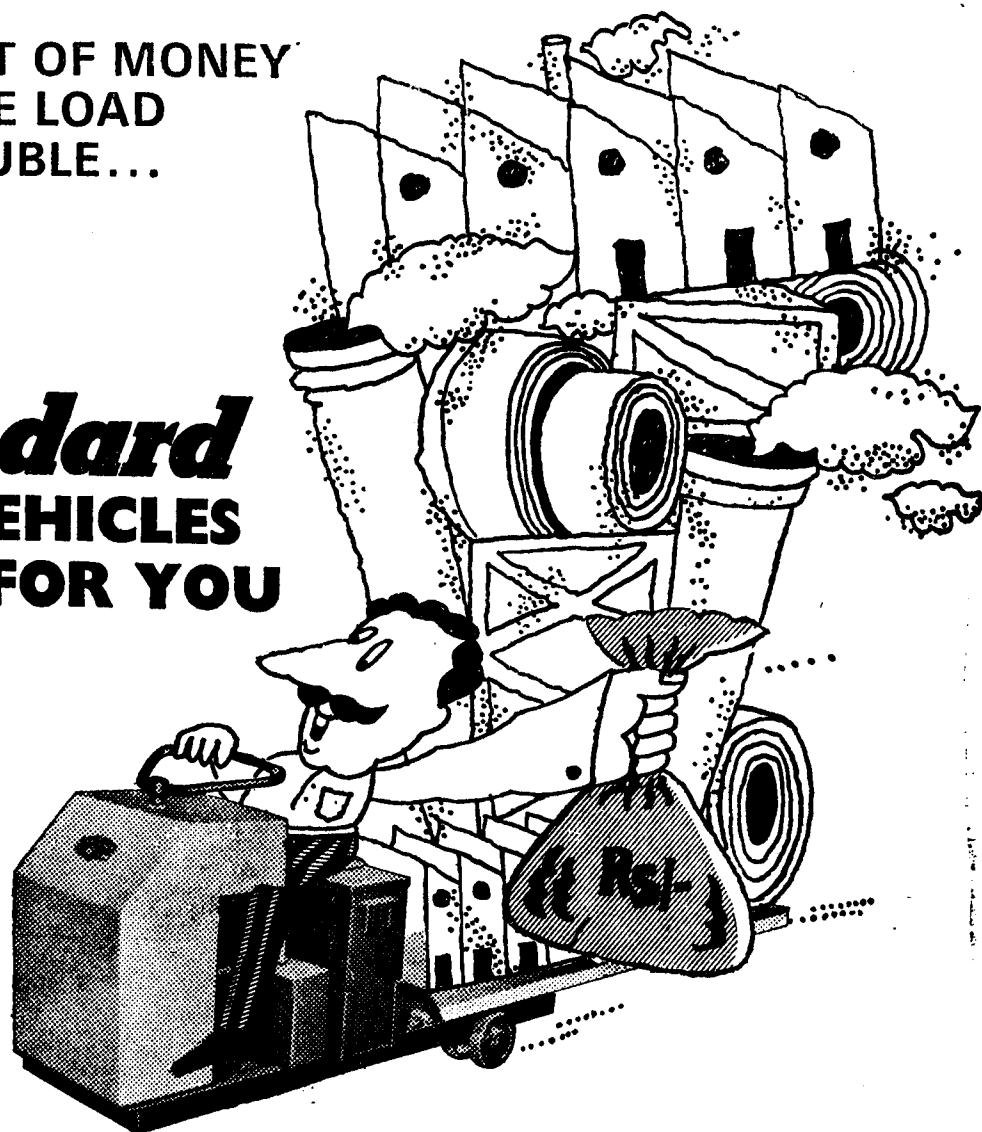
Sources and acknowledgements: The fore-

going summarises views recently set forth in the Berliner Handels-Gesellschaft Frankfurter Bank's fortnightly letter and the Deutsches Institut für Wirtschaftsforschung's Monthly Economic Bulletin. These institutions can, however, hardly be held responsible for the translation of their economic jargon into what I guess it to mean, nor for my interspersed comments, based on a variety of sources.

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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.

UNTAS-STA. 15-200

It is a curious fact of

Indo-American relations that, barring the short period when Lal Bahadur Shastri was at the helm of affairs in New Delhi, the political understanding or even the personal respect between President and Prime Minister had always been less than perfect. That, presently, there is no love lost between the White House and I, Safdarjung Road is known widely enough. Nevertheless there is surely a close resemblance between Mr Nixon's style of government and Mrs Gandhi's. Both draw heavily on personal advisors not merely for advice or information but also for planning strategy or making decisions. If Mr Nixon has Dr Kissinger, Mrs Gandhi currently has Mr D.P. Dhar. If Dr Kissinger is a scholar by profession, Mr Dhar is a scholar by preference and it is certainly no accident that the scribes in the press have lately been working over-time to publicize Mr Dhar's love of literature, particularly Urdu poetry.

Dr Kissinger is reputed to be very much a ladies' man and this aspect of his personality has been lavishly detailed and discussed in the American Press. The newspapers and periodicals in our own country have so far not deployed their investigative resources or gifts, such as they are, in this area of reporting. Whether Mr Dhar feels or has reason to feel thankful for this small mercy I do not profess to know. "Ariel", in his column in *The Sunday Standard*, however, recently made a casual reference to Mr Dhar's love of the good things of life. This cryptic observation, coming as it does from Mr Frank Moraes, may perhaps be readily taken to imply that Mr Dhar is a connoisseur of a certain famous product of Scotland for which there is a very strong global market. But, then, Mr Dhar may be a teetotaler for aught I know, in which case Mr Frank Moraes may perhaps be a little more explicit when he next does his stint for *The Sunday Standard*.

The politics of West

Bengal may become stabilised sooner than the politics of some of its public men. Take, for instance, Mr Siddhartha Shankar Ray. It is possible that he has to live down some of his professional past for the sake of much of his political

present. Even so he could surely have been less exhibitionistic in going through such purification ceremonies as he may consider necessary or rewarding. As it is, the ostentatious way in which he has gone about convening a meeting of his cabinet to discuss the all-important question of his and his colleagues' social relations with the so-called monopoly houses and the flamboyant manner in which he has been proclaiming for the benefit of all and sundry the earth-shaking event that his cabinet, in its virtuous wisdom, has decided that the Chief Minister and other ministers of the West Bengal government should not have any social relations with the businessmen in question is a very sad instance of the collapse that is taking place in the standards of our public life thanks to the politics of commitment. Mr Ray ought to be a man of some intelligence; otherwise, he could not have been making big money in the legal profession, although it is true that he had immense inherited advantages. Being a reasonably intelligent man, then, Mr Siddhartha Shankar Ray should certainly have known that the Buddha-like pose that he is now striking is more a reflection on him than on the monopoly houses against whom he has announced his social boycott. There is the story, for instance, of a certain lady of pleasure, who suddenly saw Light. When, one fine morning, she stood up and declared that she had decided to be a woman of virtue, even those who had not heard about her before naturally began speculating about what she had been up to all along.

Our national genius is a great one for creating one class of sinners after another. Now the high priestess of our national destiny and the numerous pujaris of varying ranks who trail after her seem to have decided to create yet another class of sinners or social outcasts. There is no doubt an act on the statute book about monopolies and restrictive trade practices but even this act has not declared that the so-called monopoly houses as such constitute a criminal tribe. Why then should the Chief Minister of West Bengal take it upon himself to offer gratuitous insult to some of the citizens of this country who are in no way inferior in civic status to Mr Ray or his fellow politicians. Surely no one of any sensibility could have been so

wanton in his indulgence in unwarranted offensiveness.

If Mr Ray or his fellow ministers, for reasons of their own, do not want to be seen in the company of this business man or that on social occasions, he or they are certainly free to please themselves. But, even then, is it absolutely necessary that they should play so openly to the gallery? There could be, of course, a section of the public which may be taken in since it is certainly possible for politicians to fool some people for some time. But there is surely a much larger section of the public in West Bengal and outside which must think only poorly of ministers who consider their reputations to be so brittle that they must be protected from temptations or suspicions in as ostensible manner as possible. Not long ago, there were regal men in this country who were not afraid to insist on the world judging them on their own terms. They could afford to do so, because they were no small men. They too had heard that Caesar's wife must be above suspicion. But they also knew that this did not mean that Caesar's wife should stand in the market square wearing a chastity belt and little else.

The way the tragic inci-

dent in which a schoolboy died in the capital after eating opium preparation was reported in some of the local newspapers raises the question whether the press is far too liable to yield to the temptation to suppress some of the relevant particular or even the main facts for reasons which have nothing to do with sound professional reporting. *The Indian Express*, *The Times of India* and *The Hindustan Times* duly informed their reader that the boy was suspected to have died after taking some drug or "trip pill". But, while *The Indian Express* and *The Times of India* also said that the boy was studying at Modern School, *The Hindustan Times* spoke only vaguely of "a local boarding school". As for *The Statesman* it not only did not identify the school but it also had its staff reporter narrating a meandering tale about the boy having eaten somewhere and about "symptom indicating food poisoning". The Delhi edition of *The Statesman* has a much smaller circulation than the Delhi edition of *The Hindustan Times* or *The India Express* which means that *The Statesman* could (and does) put this edition "to bed" somewhat later than the other papers. Its staff had therefore that much more time at its disposal to do this story. I cannot therefore be pleaded that the incompleteness or the misleading nature of the report was due to the pressure of the press deadline.



MOVING FINGER

CENTRAL BANK BALANCE SHEET AS

CAPITAL AND LIABILITIES										Rs.	Ps.	Rs.	Ps.	
31st December, 1970														
Rupees														
1. CAPITAL :														
4,75,14,600	Paid-up Capital (wholly owned by Central Government) ..												4,75,14,600.00	
2. RESERVE FUND AND OTHER RESERVES :														
7,67,88,080	Reserve Fund										8,25,88,079.54			
50,00,000	Contingency Fund										53,29,770.96			
2,54,241	Special Reserve										—			
2,25,000	Development Rebate Reserve										1,50,000.00			
3,63,700	Capital Suspense										3,63,700.00			
3,61,519	Share Premium Suspense										3,61,519.25			
530	Shares Forfeited										—			
8,29,93,070													8,87,93,069.75	
3. DEPOSITS AND OTHER ACCOUNTS :														
2,80,33,82,267	Fixed Deposits and Cash Certificates										3,43,62,34,094.47			
1,48,97,64,300	Savings Bank Deposits										1,80,82,94,243.74			
1,34,03,67,795	Current Accounts, Call Deposits, Contingency Accounts, etc. (including Staff Gratuity Fund Rs. 1,51,50,000.00)										1,58,45,49,725.81			
5,63,35,14,362													6,82,90,78,064.02	
4. BORROWINGS FROM OTHER BANKS, AGENTS, ETC :														
		In India				Outside India								
	(1) Secured :	Rs				Rs								
21,88,50,000	(a) By part of investments and bills per contra	8,91,50,000.00				—								
	(b) In respect of borrow- ings (secured by part of advances per contra) from :—													
	(i) The Industrial Development Bank of India	2,33,91,224.00												
3,86,21,224	(ii) The Agricultural Refinance Corporation	61,66,090.00												
10,46,240	(iii) Other Financial Institutions	1,85,00,000.00												
52,66,840	(2) Unsecured	1,90,42,908.66				27,35,945.15								
26,37,84,304		15,62,50,222.66				27,35,945.15						15,89,86,167.81		
8,08,08,084	5. BILLS PAYABLE												9,41,32,856.57	
6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE AS PER CONTRA :—														
40,79,58,877	(i) Payable in India										40,14,67,316.34			
4,33,15,104	(ii) Payable outside India										4,53,53,773.35			
45,12,73,981													44,68,21,089.69	
										Carried over	..	..	7,66,53,25,847.84	

OF INDIA AT 31ST DECEMBER 1971

PROPERTY AND ASSETS										Rs.	Ps.	Rs.	Ps.	
1st December, 1970														
Rupees														
1. CASH :														
55,13,59,667	In hand and with Reserve Bank and State Bank (including foreign currency notes)												56,34,95,061.98	
2. BALANCES WITH OTHER BANKS :—(On Current Accounts) :														
1,72,29,910	(i) In India										1,70,94,706.22			
1,03,01,808	(ii) Outside India										1,22,67,846.08		2,93,62,552.30	
2,75,31,718														
88,00,000	3. MONEY AT CALL AND SHORT NOTICE												80,00,000.00	
4. INVESTMENTS : (at below Market Value)														
1,51,20,98,211	(i) Securities of the Central and State Governments and other Trustee Securities										1,76,66,00,785.08			
—	Treasury Bills of the Central and State Governments										—			
		Fully Paid				Partly Paid								
		Rs.				Rs.								
		(a) Preference 86,27,703.26				—								
		(b) Ordinary 2,64,71,271.50				96,19,631.30								
		(c) Other Classes 57,798.75				—								
4,41,79,494		3,51,56,773.51				96,19,631.30				4,47,76,404.81				
2,81,77,163	(iii) Debentures or Bonds										2,67,18,752.03			
9,39,908	(iv) Other Investments										4,52,610.00			
—	(v) Gold										—		1,83,85,48,551.92	
1,58,53,94,776														
5. ADVANCES :														
(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)														
(I) Loans, Cash Credits, Overdrafts, etc :														
3,04,25,09,912	(i) In India										3,42,15,39,305.78			
	(includes an amount of Rs. 4,80,57,314/- relating to medium-term advances in respect of which finance has been obtained from the Industrial Development Bank of India, the Agricultural Refinance Corporation and other Financial Institutions as per contra).													
1,36,76,254	(ii) Outside India										91,67,419.44		3,43,07,06,725.22	
3,05,61,86,166														
(II) Bills Discounted and Purchased :														
84,70,66,889	(i) Payable in India*										1,24,12,72,021.36			
10,53,55,127	(ii) Payable outside India**										9,95,56,759.92	1,34,08,28,781.28		4,77,15,35,506.50
95,24,22,016														
4,00,86,08,182														
*Includes Rs. 2,25,00,000/- under Bill Market Scheme of Reserve Bank of India per contra.														
**Includes Rs. 5,25,00,000/- under Pre-Shipment Credit Scheme of Reserve Bank of India per contra.														
										Carried over			7,21,09,41,672.70	

CENTRAL BANK BALANCE SHEET AS

CAPITAL AND LIABILITIES		Rs.	Ps.	Rs.	Ps.
Brought forward		..	..	7,66,53,25,847.8	
7. OTHER LIABILITIES :					
16,01,29,211	Branch Adjustments ..	14,81,66,458.18			
1,48,60,878	Amount owing to Subsidiary Company (including on their Clients' Account) ..	1,65,56,812.90			
9,08,507	Unclaimed Dividends ..	8,78,165.20			
53,68,582	Rebate on Bills Discounted ..	53,80,154.43			
37,92,778	Amount payable to Central Government (Net surplus for the year 1970 period from 19th July 1969 to 31st December 1969)	—			
18,50,59,956				17,09,81,590.71	
8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS AS PER CONTRA					
31,03,87,994				36,15,34,746.01	
9. PROFIT AND LOSS :					
2,07,91,537	Balance as per last Balance Sheet ..	—			
2,07,91,537	Profit for the year ..	2,88,55,512.06			
Less : Appropriations :					
41,58,307	Transferred to Reserve Fund ..	58,00,000.00			
1,34,00,000	Provision for Bonus to Staff including Diamond Jubilee Bonus ..	1,97,00,000.00			
1,75,58,307		2,55,00,000.00			
32,33,230	Balance to be transferred to the Central Government ..			33,55,512	
10. CONTINGENT LIABILITIES :					
		Rs.			
4,39,24,584	(i) Claims against the Bank not acknowledged as debts (including claims at London Branch—See Note (5))	4,43,11,008.52			
93,31,193	(ii) On Investments in partly paid shares	1,10,63,342.50			
67,85,94,642	(iii) On Letters of Guarantee on behalf of Constituents (including Rs. Nil on behalf of officers)	64,38,27,389.22			
30,80,91,495	(iv) Liability on account of outstanding Forward Exchange Contracts	31,02,75,338.33			
10,99,11,812	(v) Liability on Bills of Exchange Re-discounted	11,94,06,020.68			
7,05,85,69,581	Carried over			8,20,11,97,696	

OF INDIA AT 31ST DECEMBER 1971

PROPERTY AND ASSETS		Rs.	Ps.	Rs.	Ps.
Brought forward		..	..	7,21,09,41,672.70	
Particulars of Advances					
3,27,33,86,904	(i) Debts considered good in respect of which the bank is fully secured ..	3,60,81,66,499.15			
18,50,94,318	(ii) Debts considered good for which the bank holds no other security than the debtors' personal security ..	21,29,28,850.85			
55,01,26,960	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors ..	95,04,40,156.50			
—	(iv) Debts considered doubtful or bad not provided for ..	—			
4,00,86,08,182		4,77,15,35,506.50			
64,83,940	(v) Debts due by officers of the bank or any of them either severally or jointly with any other persons ..	95,24,548.85			
—	(vi) Debts due by companies or firms in which the directors of the bank are interested as directors, partners or managing agents, or, in the case of private companies, as members ..	—			
64,83,940	(vii) Maximum total amount of advances, including temporary advances, made at any time during the year to directors or managers or officers of the bank or any of them either severally or jointly with any persons ..	95,24,548.85			
1,10,07,707	(viii) Maximum total amount of advances, including temporary advances, granted during the year to the companies or firms in which the directors of the bank are interested as directors, partners or managing agents, or, in the case of private companies, as members ..	1,32,03,881.12			
40,79,58,877	(ix) Due from banks ..	40,14,67,316.34			
4,33,15,104	6. BILLS RECEIVABLE BEING BILLS FOR COLLECTION AS PER CONTRA :	4,53,53,773.35		44,68,21,089.69	
45,12,73,981	(i) Payable in India ..				
31,03,87,993	(ii) Payable outside India ..				
7. CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS PER CONTRA :					
8. LANDS AND BUILDINGS :					
		Bank Premises	Investment in Properties	Non-Banking Assets acquired in satisfaction of claims	
Cost as per last Balance-Sheet	2,24,43,883.84	—	6,83,891.34		
Less—Adjustments during the year	—	—	5,83,893.34		
	2,24,43,883.84	—	99,998.00		
Add—Cost of Additions made during the year	6,56,769.85	—	—		
1,75,01,286*	2,31,00,653.69	—	99,998.00		
— +	53,57,770.46	—	9,999.85		
4,72,766+ +	1,77,42,883.23*	— +	89,998.15 + +		
1,79,74,052			1,78,32,881.38		
			Carried over	..	8,03,71,30,389.79

OF INDIA
AT 31ST DECEMBER 1971

Rupees	PROPERTY AND ASSETS	Rs.	Ps.	Rs.	Ps.
	Brought forward	..	..	8,03,71,30,389	79
	9. FURNITURE AND FIXTURES —				
4,84,80,474	As per last Balance Sheet	..	..	6,09,97,987	48
1,25,17,514	—Additions less Sales made during the year	..	..	1,25,72,293	24
6,09,97,988				7,35,70,280	72
2,51,88,088	Less—Amount written off to date for Depreciation	..	..	3,04,12,949	22
3,58,09,900				4,31,57,331	50
	10. OTHER ASSETS :				
10,00,000	Shares (Partly paid) of the Central Bank Executor and Trustee Co. Ltd. (Subsidiary Company) at Cost	..	..	10,00,000	00
2,20,93,832	Interest accrued on Investments	..	..	2,35,45,976	00
2,18,76,850	Income-tax paid in advance	..	..	3,10,01,850	00
33,91,500	Share Application Moneys	..	..	2,76,30,750	00
1,30,67,130	Sundry advances, Deposits, Stamps, Stationery, Home Saving Safes, Safe Deposit Boxes, etc.	..	..	3,77,31,399	34
7,05,85,69,581				12,09,09,975	34
	TOTAL RUPEES			8,20,11,97,696	63

CENTRAL BANK

Statement of Profit and Loss Account for

	EXPENDITURE	Rs.	Ps.	Rs.	Ps.
Previous year Rupees					
20,48,46,814	1. Interest paid on Deposits, Borrowings, etc.				
15,96,06,426	2. Salaries and Allowances	19,19,32,457.63		25,20,71,835.90	
71,91,636	Contributions to Provident Fund	79,73,407.88			
—	Bonus to Staff	—			
16,67,98,062				19,99,05,865.51	
20,621	3. Directors' Fees and Allowances	47,843.05			
—	Committee Members' Fees and Allowances	377.60		48,220.65	
20,621					
1,29,60,934	4. Rent, Taxes, Insurance, Lighting, etc.			1,54,19,817.23	
1,78,181	5. Law Charges			6,33,840.49	
46,33,069	6. Postage, Telegrams and Stamps			61,68,864.77	
2,37,550	7. Auditors' Fees :				
1,10,500	To Statutory Auditors (including Branch audit fees)	3,42,000.00			
	To Branch Auditors	2,08,000.00			
3,48,050				5,50,000.	
3,29,396	8. Depreciation on Banking Company's Property	3,54,786.79			
5,88,784	Repairs to Banking Company's Property	1,99,688.39			
5,07,606	Other charges on Banking Company's Property	3,37,344.39			
41,26,801	Depreciation on Furniture and Fixtures	52,25,841.91			
55,52,587				61,17,661.48	
78,73,062	9. Stationery, Printing and Advertisements, etc.			88,89,784.28	
—	10. Loss from sale of or dealing with non-banking Assets				
1,38,25,919	11. Other Expenditure			1,79,66,332.67	
2,07,91,538	12. Balance of Profit subject to Bonus to Staff			2,88,55,512.06	
43,78,28,837		TOTAL RUPEES		53,66,27,735.04	

Previous Year Rupees	Notes : (1) Particulars of remuneration paid to the Custodians :	Rs.	Ps.
60,000	(i) Salary	46,369.91	
6,600	(ii) Allowances	6,773.95	
5,000	(iii) Contribution to Staff Provident Fund	3,864.08	
—	(iv) Bonus	—	
71,600		57,007.94	
30,400	(v) Leave pay, allowances etc. to ex-Custodian	—	
1,02,000		57,007.94	
11,14,753	(2) *Salaries and Allowances include Rs. 22,16,131.25 being bonus paid for previous years in excess of the provision made.		
	(3) Advertisement expenditure incurred during the year Rs. 8,88,264.01.		

AUDITORS' REPORT TO THE PRESIDENT OF INDIA

1. We have audited the attached Balance Sheet of Central Bank of India as at 31st December, 1971 and also the Profit & Loss Account of the Bank for the year ended on that date annexed thereto, in which are incorporated the returns of 152 Branches audited by us, 308 Branches audited by other auditors, 5 Branches in Pakistan for which unaudited returns as at 30th June, 1965 have been incorporated and the unaudited returns in respect of 545 Branches not visited by us.

2. The Balance Sheet and the Profit and Loss Account have been drawn up in Forms 'A' and 'B' respectively of the Third

OF INDIA

the year ended 31st December, 1971

INCOME

(less provision made during the year for bad and doubtful debts and other usual or necessary provisions)

Previous Year Rupees		Rs.	P
37,29,34,500	1. Interest and Discount	46,44,09,432.6	
6,29,32,731	2. Commission, Exchange and Brokerage	7,03,12,725.6	
17,38,785	3. Rent on Bank's Premises (excluding Rent on Premises used by the Bank) ..	19,05,576.7	
—	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)	—	
—	5. Net Profit on Revaluation of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account) ..	—	
2,22,821	6. Income from non-Banking Assets, and Profit from sale of or dealing with such Assets	—	
43,78,28,837	TOTAL RUPEES	53,66,27,735.04	

B. N. ADARKAR

Custodian

TOTAL RUPEES	53,66,27,735.04
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V. M. BHIDE
BRIJRAJ NARAIN
A. H. ELIAS
M. NARASIMHAM
G. B. NEWALKAR

Directors

P. KRISHNA IYER
Officer on Special Duty
B. S. MUNSHI
Chief Accountant.

In terms of our report of even date attached
HARIBHAKTI & CO.
FORD RHODES PARKS & CO.
LOVELOCK & LEWES
Chartered Accountants.

BOMBAY, 20th April, 1972.

Schedule to the Banking Regulation Act, 1949. Accordingly, they disclose such matters as were required to be disclosed in the case of banking companies prior to nationalisation by virtue of the provisions of the said Act as read with the related provisions of the Companies Act, 1956. Subject to the limitations of such disclosure and on the basis of the audit indicated in the first paragraph, we report that—

(a) In our opinion and to the best of our information and the explanation given to us and as shown by the books of the Bank:—

(i) the Balance Sheet read with the notes thereon is a full and fair Balance Sheet containing the necessary particulars and it is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank as at 31st December, 1971, and

(ii) the profit and Loss Account read with the notes thereon shows a true balance of profit for the period covered by the Account;

(b) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;

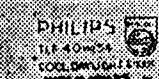
(c) The transactions of the Bank which have come to our notice have been within the powers of the Bank;

(d) The returns except for Pakistan Branches—See Note (2) received from the branches of the Bank have been found adequate for the purposes of our audit.

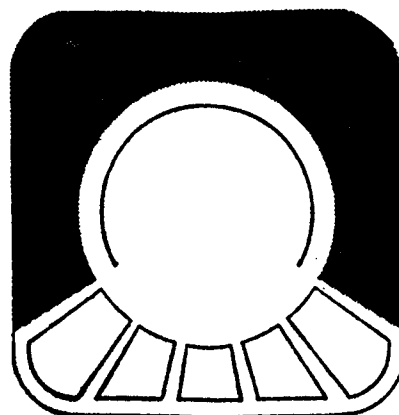
HARIBHAKTI & CO.
FORD RHODES PARKS & CO.
LOVELOCK & LEWES
Chartered Accountants.

BOMBAY, 20th April, 1972.

PRESENTING THE LIGHT FANTASTIC!



The PHILIPS *TLE* Reflectalite a tubelight with a built-in reflector.



A brilliant new concept.
The TLE 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 TLE 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 TLE 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 TLE 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
TLE
Reflectalite**



PH.1337A

When a better lamp is needed, Philips make it.

PHILIPS INDIA LIMITED

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UNCTAD III

THE DISCUSSIONS at Santiago moved at a slow pace in the third week of deliberations. The suggestion by the United Nations that the industrialised countries should step up the volume of their assistance and should ease the debt-servicing burden came in for severe criticism by the UK. The British delegate Mr D. Williams expressed doubts regarding the ability of the donor countries to increase their assistance to developing countries. In the case of Britain, he was not sure if official assistance could be raised to 0.7 per cent of its Gross National Product in 1975. If the developing countries were in poor condition in regard to servicing their debts, they themselves had to blame for it, according to the British delegate. Mr Williams was of the view that the progressive softening of loan terms was becoming the most positive aspect of loan-granting.

The Chinese delegate Mr Yen Chia-Hua said that his government was opposed to the political pressure that the lender states exert over the borrowers which, in turn, tended to increase the earnings of the developed countries. When economic aid was given, the sovereignty of the country that received benefits should be respected without seeking any privileges of any kind, added Mr Yen Chia-Hua. China's Deputy Foreign Minister, Mr Chou-Hua-min, criticised both the USSR and the USA. He said that China was opposed to "the one or two super-powers that subject the countries of Asia, Africa and Latin America, as well as other regions of the world, to aggression, subversion, expropriation, intervention and vexations."

Mr H. Lal, India's Foreign Trade Secretary, urged the international community and financial institutions to help the land-locked countries to create an infrastructure and adequate systems of transport and communications to solve the problems faced by them. He said

that India had provided resources to assist the development of its land-locked neighbours and that it would offer its fullest co-operation to any project framed in that direction.

As the third week of the discussions at Santiago was approaching its close, signs of a split in the group of "77" was witnessed in regard to the list of the 25 less developed nations. The list drafted earlier had been termed as "unjust" by Latin American representatives. It was suggested that the criteria should be altered so as to include the Central American Republics, Ecuador and Bolivia.

A Canadian proposal to enhance the volume of multilateral aid was described as the most enlightened measure on development aid suggested so far at the Conference. Canada had proposed that the annual flow of total multilateral aid should be increased from the current level of \$1,500 million to \$2,000 million.

Power Development

The Ministry of Irrigation and Power has appointed a 28-Member Working Group for formulating proposals for the power development programme for the fifth Plan period. Headed by the secretary to the Ministry of Irrigation and Power, Mr B.P. Patel, the Working Group will include senior officials of the Central Water and Power Commission and concerned central ministries and departments, chairmen of the five regional electricity boards and the Director General of Technical Development. After assessing the future

power demand in the five regions in the light of industrial and other targets, the Group will suggest tentative power targets for 1983-84 as well as the most economical combination of hydro, thermal and nuclear generation programmes.

Five Study Groups have been formed for assisting the Working Group. They will carry out studies in depth on (i) load demand; (ii) planning power generation; (iii) system planning; (iv) rural electrification; and (v) management in regard to equipment, materials and personnel.

Sugar

New Tariff Value : The government of India revised the tariff value of crystal sugar produced in vacuum pan factories from Rs 190 to Rs 200 per quintal with effect from the midnight of April 30/May 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 the government for distribution to domestic consumers at fair prices or for meeting other emergent needs will continue to be assessed on the basis of a value of Rs 135 per quintal.

Fall in Production : Large-scale diversion of sugar-cane and a bad crop in the northern belt brought down production in sugar mills in the season that ended with March, according to the Indian Sugar Mills Association.

Though the mills offered Rs 10.13 a quintal, sugar cane growers were attracted by the gur and khandasari manufac-

turers who offered more in western Uttar Pradesh.

The total sugar production in the six months of October-March was 2,807,000 tonnes against 3,085,000 tonnes produced in the same period last season. The mills produced 492,000 tonnes in March this year against 682,000 tonnes in March last year.

Exports were also less this season because of the lower international quota. They totalled 63,000 tonnes this season which was less than the exports of last year by 94,000 tonnes. Despatches for domestic consumption rose slightly from 1,880,000 tonnes to 1,991,000 tonnes.

The factories held a stock of 2,158,000 tonnes on March 31, 1972 whereas their stock on the same day last year was 3,132,000 tonnes.

Companies Act

The central government has, by three notifications published in the Gazette of India Extraordinary dated April 24, 1972, amended the schedule of fees payable under the Companies Act, 1956, for filing returns/documents, etc., with the Registrar of Companies for making applications for obtaining the approval, sanction, condonation of the central government and for filing appeals before the central government under Section 111(4A) of the Companies Act, 1956.

The new rates of fees took effect from May 1, 1972 and all returns, documents, etc., filed with the Registrar of Companies or applications, appeals, etc., preferred before the central government on and after that date should be accompanied with the fees as are payable as per the new rates.

Summary Assessments

The Finance Minister, Mr Y.B. Chavan, told Income-Tax Commissioners, gathered in the capital for their annual conference, that they should take vigorous and effective

steps to combat tax evasion. The conference discussed the entire gamut of tax administration. The topics for discussion included the Wanchoo Committee's report, steps for combating tax evasion and strengthening the enforcement machinery, building up proper expertise on prosecution, introduction of permanent account numbers to each tax-payer and reduction of tax arrears.

Referring to the problem of tax arrears, the Finance Minister said it was gratifying that the arrears brought forward on April 1, 1971, had been reduced by about Rs 250 crores during 1971-72. The department should, however, take timely steps to enforce the collectible demands. Coercive steps should be taken, if necessary, to collect taxes from affluent defaulters like film artists.

The conference decided that the bulk of the tax returns should be brought within the scheme of summary assessments. These assessments are completed on the basis of the returns filed by the tax-payers without requiring them to appear before Income-Tax Officers. The conference also noted that the scheme of summary assessments could be effective only if it was accompanied by the full vigour of penal provisions in cases of tax frauds. It was decided to pick up a small percentage of cases for detailed scrutiny; if any fraud was detected, the tax-payers would be prosecuted. The powers of search and seizure under the tax laws will also be increasingly used to unearth concealment of income and wealth.

The allotment of a permanent account number to each tax-payer throughout the country will be completed by the beginning of next month. This will help link up all papers relating to a particular tax-payer and thus ensure proper maintenance of records.

Cases of foreigners, foreign enterprises and Indian enterprises having foreign collabora-

tion will be centralised with selected income tax officers in Commissioners' charge. These cases involve fairly complicated issues and are important from the revenue point of view. The conference decided to increase the strength of tax recovery officers in order to tackle the problem of tax arrears more effectively.

Sillimanite

In pursuance of the declared policy of the government to extend the role of the public sector in the export trade of the country, it has been decided to canalise the export of sillimanite of all grades and varieties through the Minerals and Metals Trading Corporation of India Ltd, New Delhi, with effect from April 29, 1972. Sillimanite is an important mineral used in the production of special purpose refractories.

White Oils

A process for the manufacture of white oils has been developed at Indian Institute of Petroleum, Dehradun. The process is available with the National Research Development Corporation for marketing.

Improvement of Slums

The Ministry of Works & Housing has sanctioned Rs 17.63 lakhs to Bombay and Hyderabad under the newly introduced central scheme for environmental improvement in slum areas. Bombay will get Rs eight lakhs to carry out improvements in 31 slums in the city, the total cost of which is expected to be Rs 31.04 lakhs. Hyderabad will receive Rs 9.63 lakhs out of Rs 38.42 lakhs for three schemes in Hyderabad/Secunderabad.

Environmental improvements to slums normally consist of providing water supply including drinking water taps, sewers, storm water drains, community baths and latrines, widening and paving of existing lanes and street lighting. Only such slum areas will be selected where water, electricity and

sewer mains are available on their periphery. Initially 11 cities having population of over eight lakhs have been selected. They are Calcutta, Greater Bombay, Delhi, Madras, Hyderabad, Ahmedabad, Bangalore, Kanpur, Poona, Nagpur and Lucknow.

Escorts Tractors

Escorts Tractors Ltd is the recipient of a loan of Rs 90 lakhs from the USA. The loan agreement was signed in the capital on May 4, by Mr Howard E. Houston, Minister-Director, United States Agency for International Development (USAID), and Messrs Rajan Nanda, Managing Director, and C. K. Hazari, Director, of Escorts Tractors Ltd.

Escorts Tractors Ltd is an affiliate of the Ford Motor Company of the United States. Its Rs 10-crore tractor plant, located at Faridabad in Haryana, will be completed in three 12-month phases by 1973. With the completion of the first stage last year, the first Ford tractors rolled off the assembly line.

As much as 50 per cent of the value of the tractor is now accounted for by parts produced in India. Eventually, almost all tractor components will be made in India. Only a few sophisticated components not produced in the country will be imported.

The Escorts tractor project which will be capable of producing 6,000 units a year, will ultimately help this country save as much as Rs 15 crores in foreign exchange every year.

The loan has been received from the sales proceeds of agricultural commodities supplied to India under the US Public Law 480 (Food for Peace) Programme.

TV Stations

Information and Broadcasting Minister Mrs Nandini Satpathy stated in the Parliament recently that the government had planned to set up television stations in all the

state capitals in the next few years. She said the Bombay television station was expected to be commissioned in October, 1972, and the Calcutta TV station in March 1974. She further said that the coverage of the Bombay station, including that of the relay station at Poona, would be 36,500 square kilometres. The Calcutta station would serve people in 18,000 square-kilometre area.

India-USSR Air Services

Talks between India and USSR on civil aviation matters concluded in the capital on April 26, with the signing of protocol on development of air services between the two countries. The national air carrier of the USSR, Aeroflot, is at present operating three flights a week via Delhi and one via Calcutta with traffic rights and one transit service. Air India operates two flights per week via Moscow. Air India and Aeroflot are operating flights under a revenue pooling agreement, whereby all revenues earned by the two airlines from the carriage of direct passengers, cargo and excess baggage between India and USSR are pooled in accordance with average tariffs agreed between the airlines.

Indo-Soviet Trade

India's demands for increased supplies of fertilizers, non-ferrous metals and newsprints have been met in the Indo-Soviet trade protocol for 1972. The Foreign Trade Ministers of the two countries, Mr L.N. Mishra and Mr Nikolai Patolich, signed the document in Moscow on May 5. The protocol envisages sale of up to Rs five crores worth of Soviet tractors to India as a prelude to co-operation in building Indian capacities in tractor manufacture.

Both countries have agreed to set up a joint committee of the two ministers and officials to further expand trade. This year's target is Rs 500 crores with the turnover expected to exceed the 1970 volume by 30 per cent. Zinc and copper are

among items India will get in large quantities this year. The copper quota has been increased nearly four-fold—from 400 to 1,500 tons. The newsprint quota exceeds 50,000 tons. The Soviet Union will also supply over 200,000 tons of fertilizers. Yet another item included in the protocol is kerosene, of which the Soviet Union will supply 500,000 tons.

India will increase consumer items in its exports to the Soviet Union, including garments, hosiery and cosmetics. The value of cosmetics alone is to be over Rs eight crores. Industrial items in the list include garage equipment, accumulators, power cables, wire ropes, chemicals and paints.

Gold-Dollar Parity

The US Treasury has officially notified the International Monetary Fund regarding the new parity of \$38 an ounce. The new parity which is higher by three dollars was rectified by Congress in March this year following December's international monetary agreement. The new rate came into force on May 8, 1972.

Vanaspati Prices

Prices of vanaspati have been reduced by 10 paise per kg. in all the zones in view of the fall in the prices of groundnut oil in recent weeks. These reductions have been effected after adjusting the increase in packing costs. The revised prices will take effect from May 8.

According to a press note the maximum retail prices of vanaspati will be as follows:

Zone	16.5 Kg Rs	4.0 kg Rs	2.0 kg Rs	Loose per kg Rs
North	80.96	21.64	11.34	4.91
South	79.90	21.38	11.21	4.84
East	81.35	21.74	11.38	4.93
West	79.78	21.35	11.19	4.84

EASTERN ECONOMIST

SISMA Opposes Price Control

The Vice-President of South Indian Sugar Mills Association, Mr P. Maruthai Pillai, told newsmen here recently that his association was strongly opposed to the demand of some sections of the sugar industry in UP and Bihar for the control of sugar prices in the southern region, including Maharashtra, and lifting of the control on north Indian mills. No doubt, the north Indian sugar industry's cost of production, he said, had been adversely affected by the short duration of the season and the competition for cane supplies from gur and khandasari manufacturers. The correct way of alleviating its distress was to provide some concession in excise duty. The imposition of price control on the production of a section of the industry, he pointed out, would not only be discriminatory but would also lead to a setback to this section's production. He wanted a uniform policy for the entire industry. He, however, did not have any objection to fiscal relief being provided to those units which suffered from special disadvantages.

Quality Control

Over 100 new items were brought under the Compulsory Quality Control and Pre-shipment Inspection Scheme during 1971-72. These items include: transmission line towers, aluminium chloride, barium chloride, calcium carbonate, potassium permanganate, zinc sulphate, a number of jute products, coriander, frozen lobster tails etc. More than 570 items have been brought under this scheme since the incep-

tion of the Export Inspection Council, some eight years back.

The Council, which met in the capital on May 5, under the chairmanship of Mr V. Shankar, reviewed various schemes of Compulsory Quality Control and Pre-shipment Inspection under operation. It was disclosed that the government of India has approved a scheme, recommended by the Council, for assaying of articles and jewellery made of gold. This scheme, which is likely to come into force from July 1, 1972, contemplates hall-marking of gold articles indicating the purity of gold on the pattern being followed in the UK.

The Members of the Council were informed that arrangements have already been initiated by the Council to enable the fish exporters to meet the requirements laid down under the proposed US Fish Inspection Bill. This envisages strict bacteriological standards and sanitary and hygienic conditions in fish processing units.

Gratuity Law

A higher ceiling on the amount of gratuity payable to industrial employees and more stringent penalties for employers who fail to pay gratuities are among the major recommendations of the Lok Sabha Select Committee on the Payment of Gratuity Bill. The committee has, however, suggested that an opportunity should be given to the employer to prove before a court that the gratuity rule was contravened without his knowledge, consent or connivance, and that he "used due diligence on his part to enforce the Act." The bill provides for a gratuity payment system for employees of factories, mines, plantations, oil-fields, ports, shops and other establishments.

To provide an incentive to employees to work beyond 30 years of service, the committee has urged that the ceiling on the amount of gratuity payable to an employee should be raised from 15 months' wages to 20 months' wages.

The committee has held that gratuity should be forfeited if an employee is dismissed for an offence involving moral turpitude, provided that the act constituting such an offence is committed in the course of his employment.

While ruling that periods of illegal strikes should not count as part of continuous service, the committee has held that "lay off" periods should be considered as part of continuous service. For persons employed in seasonal work, the committee has suggested that employment for 75 per cent of the working days at an establishment during a season should be deemed equivalent to continuous service. The qualifying period of five years' service has been endorsed as minimum for gratuity payment. But the committee has held that there should be no minimum qualifying period in cases where an employees' service is terminated by death or any disablement because of an accident or disease, as against the limitation of the proviso to 'total disablement' in the original bill.

Names in the News

Air Marshal Y V. Malse, Air Officer-in-charge of Maintenance at Air Headquarters, has been appointed Deputy Chief of the Air Staff in place of Air Marshal H.N. Chatterjee who retired in March. Air Marshal Yeshwant Vinayak Malse (50) will be in charge of Air Force operations. He joined the Air Force in 1940 and saw action during the Second World War in Burma. He was a member of the high-powered joint planning committee set up to draw a blueprint for the country's defence requirements after the Chinese operations in 1962. In 1964 he took over as Air Officer Commanding-in-Chief, Eastern Command. He was made Air Marshal in August, 1969. He is a winner of the Param Vishisht Seva Medal.

The International Development Research Centre, Ottawa, has announced the award of

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Research Fellowship to Professor M.L. Dantwala, chairman of the Department of Economics at the University of Bombay. Professor Dantwala will spend his tenure as research fellow, which begins in July this year, in undertaking a study "In Search of a Better Understanding of the Problems of Poverty in Rural India". Together with one or two other senior scholars, Mr Dantwala plans to study at all levels from the Secretariat in New Delhi to the villagers who are supposed to have benefited.

Mr Kisan Mehta, 45, who heads the Indian business of Coca-Cola has been appointed Vice President and Area Manager. Mr Mehta is the first Asian to be named Vice President of this global company.

Mr James Samuel Raj took over the chairmanship of Unit Trust of India (UTI) from Mr R.S. Bhatt on May 2, 1972. Mr Raj, who has been the Managing Director of the Industrial Investment Trust Ltd, will be full time chairman of UTI.

With effect from May 1, 1972, four new Trustees have been appointed by the Reserve Bank of India on the Board of Trustees of the UTI under Section 10 (b) of the Unit Trust of India Act, 1963. Their names are: Dr V.V. Bhatt General Manager, Industrial Development Bank of India; Mr V.G. Rajadhyaksha, Chairman, Hindustan Lever Ltd; Mr M.V. Arunachalam, Managing Director, Carborandum Universal Ltd; and Mr C.P. Mukherjee, Senior Partner, P.K. Mitra & Co.

The following were elected office bearers of the Public Relations Society of India (National Council) at the Annual General Meeting held recently at Bangalore: President — Mr Gyan Haksar (Easun); Vice-President — Mr Sanat Labiri (Dunlop).

Mr Kamalnayan Bajaj, Congress leader and industrialist, died in Ahmedabad on May 1, after a heart attack. He was 60. He was son of Mr Jamnalal Bajaj, an associate of Mahatma Gandhi. He was associated with the Bajaj Electricals, Bajaj Auto, Mukand Iron and Steel Works and Batala Engineering Works.

The Congress president, Mr D. Sanjivayya, died on May 7, at his residence in the capital, following a heart attack. He was 51. In 1953, he became Minister for Planning, Labour

and Public Health in the Andhra Cabinet under Mr T. Prakasam. Later he was Minister for Transport, Taxes, Law and Co-operation under Dr B. Gopala Reddy. From 1956 to 1960 he was Minister for Co-operation, Social Welfare and Religious Endowments under Mr N. Sanjiva Reddy. He became the Chief Minister of Andhra Pradesh and continued in that post till March 12, 1962. He was Congress President from June 6, 1963 to January 6, 1964. On January 24, 1964, he was sworn in as the youngest member in the central Cabinet incharge of Labour and Employment. He was Minister for Industry in Mrs Indira Gandhi's Cabinet in January 1966. On Feb., 18, 1970, he was sworn in as Minister for Labour and Rehabilitation. After the mid-term poll to the Lok Sabha last year, he succeeded Mr Jagjivan Ram as Congress President.

COMPANY AFFAIRS

Bharat Commerce

BHARAT COMMERCE and Industries Ltd has suffered a slight setback in its working during the year ended December 31, 1971, with sales declining from Rs 19.17 crores to Rs 18.50 crores and gross profit moving down to Rs 69.75 lakhs from Rs 155.35 lakhs in 1970. Acute shortage of raw materials, staple fibre in particular, has hampered the operations of the company during the year. The situation became almost critical when the supply was completely stopped due to the closure of the wood pulp plant of the largest manufacturer of staple fibre in the country. This led naturally to under-utilisation of capacity in all the four plants. Apart from dearth of essential raw materials, other factors such as sluggishness in the off-take of blended fabrics and escalation in costs of production and wages over which the company had no control have also affected adversely the working of the company during the year. However with the easier availability of staple fibre and polyester fibre and diversion of part of the plant capacity on cotton spinning and a slightly encouraging trend in the off-take of products, a distinct improvement in sales and profits is expected during the current year.

Despite the steep fall in profits the directors have maintained the equity dividend at 12 per cent. Out of the gross profit, a sum of Rs 53.29 lakhs was set apart to depreciation reserve as against Rs 54.03 lakhs in 1970 while the allocation to development rebate reserve was enhanced by Rs 0.73 lakh to Rs 4.73 lakhs. An amount of Rs 4.99 lakhs was provided for gratuity as against Rs 26.74 lakhs in 1970 while directors'

remuneration absorbed Rs 80,731 as compared to Rs 1.39 lakhs in the preceding year. No allocation has been made for taxation as against Rs 37.00 lakhs earmarked in 1970. This leaves a profit of Rs 5.94 lakhs as compared to Rs 32.19 lakhs in the previous year. With the addition to excess provision for taxation written back of Rs 1.43 lakhs, the amount available for appropriation comes to Rs 7.37 lakhs which has been transferred to general reserve out of which dividends—equity and preference—amounting Rs 22.56 lakhs will be paid.

Hindalco

Aluminium as a power-intensive industry is heavily dependent on an uninterrupted supply of power for its successful operations. Hindustan Aluminium Corporation's production, for instance, would have easily crossed the 80,000-tonne mark but for the 25 per cent power cut enforced by the UP State Electricity Board (UPSEB) during Jan.-June 1971. The uncertain power supply position, aggravated by and on by the arbitrary power cuts imposed by the UPSEB under the pretext of inadequate rainfall and the consequent imposition of exorbitant tariffs for the reduced power supplied, is causing very much embarrassment to the company as disruption in power supply is leading to dislocation of production schedules and consequent loss of revenue. The management, the directors stress in their annual report, is contesting such unjustifiable and wayward actions of the UPSEB as being against the specific provisions of the long-term agreement entered into by the two parties. Though it was

mutually agreed upon to refer the matter to arbitration the UPSEB, strange to say, has issued a notice threatening to cut the power supply. The unreasonable attitude and militant posture of the UPSEB has compelled the management to move a writ petition in the high court and obtained a court order staying such action by the UPSEB. The matter, according to the directors' report, is pending before the Allahabad High Court. The UPSEB has also refused to renew the agreement which provides for the supply of additional power in the case of an emergency and shutdown of any of the Renuagar thermal units for repairs. In this case too the management had to move the matter to the court to obtain an interim order to the continuance of power supply. As aluminium industry has gained national importance, it is desirable that an amicable settlement is reached between the UPSEB and the company in the absence of an assured supply of power the vastly expanded capacity built up at a great cost cannot be effectively utilised.

Escorts

Impressive rise in sales, handsome increase in reserves, and further diversification in production range are some of the creditable achievements of Escorts Ltd during the year ended December 31, 1971. Sales continued to advance at an accelerated pace and a new record was set up during the year with the crossing of Rs 40-crore mark thereby excelling its performance in the previous year by as much as Rs 1.12 crores. The contribution of tractors towards sales volume was quite significant. Although

the company succeeded in selling 8994 units, tractor sales would have been appreciably higher but for the imports of fully built-up tractors authorised by the government which forced the company to curtail production. However with the price increase on tractors allowed by the government in February 1972, the company was able to effect marked improvements in product range and launch a new tractor — Escort 3036 — with water-cooled engine and with the addition of several new features. It is heartening to note that the company's all other product lines too have maintained their uninterrupted record in progress both in sales and profitability. Further with the introduction in the near future of a new sports model of Rajdoot motorcycle, a significant step up in production of scooters and with the rising demand for yellow-line industrial equipment, loaders and tuggers in particular, an encouraging rise in turnover and profits is expected during the current year. The company has earned a profit of Rs 70.97 lakhs as compared to Rs 101.75 lakhs in 1970. The profit has been arrived at after providing Rs 90.42 lakhs to depreciation, Rs 66 lakhs to taxation and Rs 120.01 lakhs towards interest charges as against Rs 92.10 lakhs, Rs 77 lakhs and Rs 73.96 lakhs provided respectively in the preceding year. The directors have recommended a dividend of 11 per cent on equity shares. It is expected that a part of the dividend will be free of tax under Section 80 of the Income-Tax Act. This will absorb Rs 45.69 lakhs. After payment of this dividend the general reserves would stand at Rs 173.01 lakhs.

Hindustan Lever

The directors of Hindustan Lever Ltd have proposed a higher final equity dividend of nine per cent for the year ended December 31, 1971 as against eight per cent paid for 1970. With the interim dividend the total distribution for 1971 comes to 15 per cent as against 14 per cent declared for the previous year. The company's

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net profit, which suffered a sharp setback in 1970 owing to substantial increase in raw material costs, has recovered to Rs 2.75 crores from Rs 2.39 crores in 1970. The profit is arrived at after making provisions for capital expenditure on scientific research, transfer to development rebate reserve and taxation. The company's sales soared to Rs 134 crores from Rs 119 crores in 1970, while its earnings from exports improved by Rs 74 lakhs to Rs 5.52 crores. The results for the current year will depend significantly upon the outcome of discussion with the government in regard to prices of products which are subject to price control.

Enfield India

Enfield India Ltd has reported significant improvements in sales and profits during the year ended December 31, 1971. With a good demand for motorcycles and a pick-up in the offtake of agro-industrial engines, there was a smart rise in turnover to Rs 7.29 crores from Rs 6.41 crores in 1970. The output of motorcycles was higher at 10,954 units as against 10,408 and the turnover of this division increased to Rs 5.27 crores from Rs 4.93 crores. A further increase in production and turnover is expected during the year. Encouraged by the working results directors have recommended a higher equity dividend of 12 per cent as against 10 per cent paid in the previous year.

Out of the gross profit a sum of Rs 20.91 lakhs was set aside for depreciation and Rs 3.65 lakhs for development rebate reserve as against Rs 20.26 lakhs and Rs 3.10 lakhs provided respectively in 1970. There is no liability towards taxation as before while general reserve was allotted with Rs 8.50 lakhs as compared to Rs nine lakhs in the preceding year. A sum of Rs 3.45 lakhs has been earmarked for payment of bonus relating to previous years as against no provision in 1970.

The company is launching

on a ambitious expansion programme and it has already received the government's sanction for enhancing the capacity from the existing level of 11,000 vehicles to 30,000 vehicles. It is proposed to expand the capacity of the Tiruvottiyur factory, near Madras, to 16,000 units from 11,000 units by installing balancing equipment. A loan of Rs 30 lakhs has been obtained from the Industrial Finance Corporation. The remaining capacity of 14,000 motorcycles will be taken up at the new factory under construction at Anaikaripatki in Ramanathapuram district, Tamil Nadu. This site has been selected in order to take advantage of the concessions granted by central and state governments for starting the venture in a backward area. It is expected that the Ramanathapuram unit alone will be able to increase the turnover up to Rs four crores when in full production. Financial arrangements for implementing these schemes have been successfully completed.

News and Notes

Expansion and Diversifications

Kothari Sugars and Chemicals Ltd has received a licence for setting up a new sugar factory in Siruguppa, Bellary district, Mysore state, with a crushing capacity of 1500 to 2000 tons per day. Contract for purchase of land, machinery and erection of building have been placed and the factory is expected to go into production in October-November 1973. The cost of the project is in the region of Rs 3.6 crores and it will be financed through the share capital Rs 80 lakhs while the balance of Rs 280 lakhs will be raised from internal sources and by way of borrowings from banks and financial institutions. The directors have decided to issue right equity shares at par to the existing shareholders in the ratio of one share for every equity share held and such of those shares as are not taken by the existing shareholders will be offered to others. As a majority of the new licences are given to the

co-operative sector, only very few factories are currently being established in the corporate sector. Hence such of those factories as Kothari which have been able to get licence should have very good prospects. The company has also other plans for putting up a distillery and other chemical manufactures, in course of time which should add to the diversification of production and increase the profitability of the company.

Polson Ltd is planning to diversify its lines of manufacture. A beginning has already been made with the acquisition of controlling interest in Amba Tannin and Pharmaceuticals Ltd of Kolhapur. The company, which has become a subsidiary of Polson from January 1972, is engaged in the manufacture of tannin powder from myrobalam fruit which is used for curing and preserving leather and as an anti-corrosive to prevent the formation of scales in boiler tubes. This factory which was set up in 1950 at Amba is one of the three units manufacturing tannin in the country. The three units are unable to meet the country's needs and hence about Rs 4.5 crores are spent on importing this commodity. Polson expects that Amba Tannin will now be able to expand its operations on a fairly large scale so as to meet the local demand.

New Ventures

Kothari (Madras) Ltd which has been formed by the merger of three plantation companies, namely Blue Mountain Estate and Industries Ltd, Waterfall Estate Ltd and Balmadies Plantations Ltd and two textile units namely Kothari Textiles Ltd (Mills Nos I and II) and Adoni Spinning & Weaving Company Ltd, is now venturing into new fields of manufacture. The company has already received a licence for manufacturing a wide range of electronic components and it has also plans to set up a unit for the manufacture of automobile batteries including industrial train lighting cells and nickel-

cadmium batteries in collaboration with a German firm for which it has received a letter of intent. There is also a proposal to go in for the manufacture of various plastic items such as rigid PVC pipes, films, containers and heavy duty bags of various specifications as also calendered plastic materials and printed plastic materials. Besides, the company has plans to promote a project jointly with the Gujarat Industrial Investment Corporation Ltd (GIIC) which holds a letter of intent for the manufacture of truck and automobile tyres. All the four projects will be located at Baroda. The cost of electronics project is estimated at Rs 50 to 100 lakhs and that of the battery undertaking at about Rs two crores and plastics venture at Rs two to three crores. The capital outlay on the tyre project is placed around Rs 14 crores.

The total turnover of the company is of the order of Rs 16 crores and the profit is about 90 lakhs. An interim dividend of 10 per cent has been declared for the current year and the directors hope to pay a final dividend of 10 per cent for the year ending August 31, 1972. The management hopes to pay a dividend of 10 per cent on the increased capital in the immediate future.

Graphite India Limited is setting up a factory at Bangalore at a cost of Rs four crores for the manufacture of graphite electrodes, anodes and other graphite products. To finance this project it is proposed to issue new equity shares at par for Rs 25.84 lakhs. Convertible debentures for Rs 1.20 crores carrying an interest of 8.5 per cent will also be offered for being taken up by institutional investors. The terms of the issue of debentures include an option to convert 20 per cent of the face value of each debenture into equity shares. A loan of Rs 88.70 lakhs also will be obtained from ICICI to meet the cost of imported equipment.

S.R.P. Tools Ltd has entered a new era with the signing of a

collaboration agreement with Mitsubishi Heavy Industries Ltd. Under this collaboration, technical know-how from Mitsubishi Industries will be available for manufacturing solid hobs pinion type gear shaper cutters, broaches and shaving cutters of all dimensions. Mitsubishi is a pioneer in this field and S.R.P. Tools will have the proud privilege of being the first unit to undertake the manufacture of these tools in the country.

Joint Venture

The Textile Machinery Corporation (Texmaco) has bagged an order worth Rs 2.5 crores against global competition for the fabrication, supply, and erection of steel works and cladding to Malaysia. Texmaco, it is significant to note, had quoted four per cent lower than Hitachi of Japan and two per cent lower than a Malaysian firm.

New Issues

Punjab Tractors Ltd, a new venture in the joint sector, will soon be approaching the capital market with an issue of Rs 93.50 lakhs consisting of 6,35,000 equity shares of Rs 10 each and 30,000 cumulative redeemable preference shares of Rs 100 each. The company, which has been promoted by the Punjab State Industrial Development Corporation, is setting up a project for the manufacture of 'Swaraj' 20 and 30 HP tractors at Mohali, near Chandigarh. The 'Swaraj' it is claimed will be the first tractor to be made with entirely indigenous technology developed by the Central Mechanical Engineering Research Institute to meet local farming conditions. The installed capacity in the first phase will be 5000 tractors and it will be raised subsequently to 12,000 tractors. Construction work has already commenced and the first tractor will be rolled out of the assembly lines in the first quarter of 1973. The cost of the project is estimated at Rs 3.70 crores.

Jotindra Steel and Tubes will soon be in the market to raise

about Rs 40 lakhs in equity and preference shares to meet a part of the cost of its Rs one-crore project for the manufacture of steel tubes and pipes. The company has set up a most modern tube mill at Faridabad with an annual capacity of 46,000 tonnes and it has built-in capacity for further expansion. The first stage of the factory has been completed and the company has already commenced production of tubes and pipes of sizes ranging from 1.25 to 6 inches. In order to complete the range of all sizes, the company is putting up another mill for the manufacture of tubes and pipes ranging from 0.5 to 2.5 inches. The cost of the project is proposed to be met by the share capital of Rs 50 lakhs made up of Rs 37.5 lakhs in equity shares of Rs 10 each and Rs 12.5 lakhs in 9.5 per cent cumulative redeemable preference shares of Rs 100 each, a long-term loan of Rs 48 lakhs from IFC and Rs two lakhs from internal sources.

Rathi Ispat is offering 200,000 equity shares of Rs 10 each and 5,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each at par to the public for subscription. The proceeds of the issue will provide a part of the finance required for installing a second ten-tonne steel melting electric arc furnace at its factory at Ghaziabad, the first ten-tonne electric arc furnace being commissioned in September 1971. The delivery of the second furnace has started and it is expected to be on stream some time next month. The cost of the project is estimated at about Rs 130 lakhs. The results of operation of the plant since September 1971 are quite encouraging and the directors are hopeful that the company will be in a position to declare a dividend from the very first year of its operations.

Jay Electric Wire Corporation, is setting up a tungsten and wire project at Bangalore in technical collaboration with Westinghouse Electric Corporation of the USA. The plant will have an annual capacity

of 60 million metres of tungsten wire and 30 million pieces of tungsten coiled coil filaments. To raise resources for financing a part of this Rs 85-lakh project the company will soon be in the market with a public issue of Rs 35 lakhs in equity shares of Rs 10 each. If all goes well the plant is expected to be on stream within six to eight months.

In Brief

Volta Ltd has received the consent of the Controller of Capital Issues for the issue of rights shares in the ratio of one new share for every five shares held at a premium of Rs 50 a share.

Tube Investments of India propose to issue debentures of Rs 1,000 each carrying an interest of 8.5 per cent for a total amount of Rs one crore. These

debentures will be placed privately with the institutional investors. The company has under active consideration the installation of a third tube mill at its factory at Avadi. With this, the factory would be reaching the licensed capacity

Company Meeting

The annual general meeting of the Ahmedabad Advance Mills Ltd, originally scheduled to be held on May 16, 1972, will now be held on May 31, 1972 at 4.00 P.M. in the Bombay House Auditorium, Bruce Street, Bombay-1.

Interim Dividend

After a lapse of three years Kothari Sugars and Chemicals Ltd has returned to the dividend list with the announcement of an interim equity dividend of six per cent for the year ending August 31, 1972.

Dividends

Name of the Company	Year ended	(Per cent)	
		Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Multimetals	Oct. 1971	17.5	4.0
Sardesai Brothers	Dec. 1971	10.0	6.0
National Organic Chemical Industries (NOCIL)	Dec. 1971	5.0*	..
Khandelwal Udyog	Dec. 1971	5.0*	..
South India Viscose	Dec. 1971	16.0	12.0
Same Dividend			
Roneo Vickers India	Nov. 1971	10.0	10.0
Travancore Cements	Dec. 1971	6.0	6.0
Sivananda Mills	Dec. 1971	10.0	10.0
Durbhanga Sugar Co.	Aug. 1971	Nil	Nil
Caledonian Jute Mills	Nov. 1971	10.0	10.0
Reduced Dividend			
Ogale Glass	Dec. 1971	Nil	6.0
Haileyburia Tea Estates	Dec. 1971	8.0	10.0

*Maiden dividend.

GUEST KEEN WILLIAMS LIMITED

Statement by the Chairman, Mr. K. C. Maitra, on the occasion of the Forty-second Annual General Meeting held in Calcutta on the 5th May 1972.

It is my pleasant task to welcome you to this 42nd Annual General Meeting of your Company. The Annual Accounts and Directors' Report have been circulated and with your permission I shall take them as read.

Board of Directors

Mr. A. H. Sethna who joined the Board on 12th June, 1964 has resigned from it on 30th December, 1971 on his retirement. I must add, however, that this association with the Sankey Electrical Stampings part of the Company is longer, going back to April 1961. Throughout this time, his knowledge and experience of the Steel Industry were of great assistance to the Board, and on your behalf and mine I would like to place on record our great appreciation of the services rendered by him during his long association with us.

I have also to report to you the resignation of Sir Henry Wilson Smith, KCB, KBE, Deputy Chairman of our associated company in U.K.—Guest Keen & Nettlefolds Ltd. Although Sir Henry only joined our Board in June 1970, his interest in our affairs has been continuous throughout his service with GKN, and we have greatly benefited from his mature counsel and experience. Again on your behalf and mine I would like to place on record our great appreciation.

It gives me pleasure to wel-

come to our Board Mr. S. K. Nanavati, whose appointment as a Director from 4th February, 1972 is noted in the Directors' Report. I am also glad to tell you that Mr. H. S. Killick, M.C., TD., one of the Executive Vice-Chairmen of Guest Keen & Nettlefolds Ltd., joined the Board of Directors from 30th March, 1972. Your Company is indeed fortunate in obtaining the services of men of this calibre and distinction.

Operations During 1971

The Directors' Report circulated to you has already covered the salient features of the 1971 results, and I need not repeat them here. But I cannot let the achievement, for the first time, of Rs. 50 crores turnover pass without a special mention. I shall at the end of my statement, as is customary, thank the members of the GKW team at all levels for its contribution during the year; but I think you would wish me to make special reference to this landmark—such figures are only achieved when the whole of our strength is pulling in the same direction. As it happens, achievement of Rs. 50 crores comes almost exactly 50 years after Henry Williams (India) Ltd. set up its first manufacturing activity in Calcutta in 1922. This Private Company later grew and became associated with Guest Keen & Nettlefolds Ltd., U.K. in 1934 leading eventually to the public company of Guest Keen Williams Ltd., in 1956.

The contribution to the Indian economy, to employment, and to indigenous availability of needed materials and products, brought about by this combination of private enterprise and association with one of the world's great international companies, is obvious. It is our earnest hope that it can long continue to thrive and to grow.

The area where we are most disappointed with our performance is export. I am glad to be able to tell you that we have booked some good orders already in 1972, although price competition in export markets is, if anything, fiercer than last year. We should be able to hold our position, but we have much further work to do in order to get our exports back on to a growth track.

I would also like to comment on the apparently high liquid resources we are maintaining. I do not think it is sufficiently realised how the combination of inflation, high tax rates, and growing volume of business, place heavy demands on resources. For example, the book value of our stocks at 1st January, 1972 was Rs. 14.26 crores. If this year we hold merely unchanged volume, but suffer 5% inflation, the value of stocks will rise by Rs. 71 lakhs. To finance this from internally-generated resources requires a pre-tax profit of about Rs. 2.1 crores. If one couples this purely inflationary impact, with the need to achieve expansion in real volume and re-equipment of

our fixed capital base, the pressure on funds is obvious.

Bonus Issue

Before I begin to speak on 1972 and the future, I must give the shareholders a piece of disconcerting news. You will recall that, at an Extraordinary General Meeting held in November 1971, it was decided that an application should be made to Government to permit a 1 for 2 issue of Bonus Shares by capitalising the entire amount standing to the credit of the Share Premium Account, and some of the General Reserve. By an order received shortly after the Directors had signed their Report, the Government has turned down the request for bonus issue on the ground that Rs. 1.11 crores of the total Share Premium Account was "created by consideration other than cash," which they do not permit to be capitalised. This policy of Government raises important points which affect both our Company and yourselves as shareholders, for it effectively freezes a part of our Share Premium Account for many years to come. We are carefully examining the matter and, for the moment, I would request you to bear with us till we come to some definite conclusions. I couple this with an assurance that it is still our wish to effect a bonus issue on the best basis we can devise consistent with Government policy.

Current Prospects

Looking back, the recession

of 1966-67 affected all industry. Your Company had to go out of the dividend lists in respect of its operations in 1967 and 1968: although we traded at a profit, it was all wiped out by the heavy interest charges on borrowings at that time. In 1969 and 1970 we came back into profitability, coupled with rigid control on assets to restore the healthy liquid position I have already referred to. Last year we moved forward again and we were able to support the higher activity levels with internally-generated funds.

In 1972, we expect further turnover increase (and indeed, sales in the first four months are ahead of the equivalent period of last year although not as much as we would have liked). But costs are also rising; in particular, in the Emergency Budget last December increases in excise duties and regulatory duties were announced. In view of the general economic situation, and the Government's wish to maintain the price line, we decided to absorb these extra costs at that time. The main budget in March further increased the same duties, and whilst on certain products we have been obliged to raise our prices, we are still absorbing a substantial portion of the combined impact.

Meanwhile, it is common knowledge that the rate of growth in industrial production has markedly slowed down over the last 12 months, although one must hope that the increased Plan expenditure also included in the Central Budget will help to stimulate a faster rate. If we are to make a contribution to holding the price line against inflationary cost pressures, an expanding economy is vital—particularly in a company like ours, supplying materials and components to the manufacturing industry. Equally vital is the need to ensure that expansion is not disrupted by industrial strife—certain of our major customers are currently suffering from this canker, and it has materially affected our sales to date.

Against this background, the

problem of 1972 may be summarised by saying that we have to run quite fast just to stay where we are, and maintain the 1971 profit figures. I believe this to be possible; but to achieve further profit improvement we need very substantial increase in our turnover, and that in turn would require a marked surge forward in the economy as a whole.

The Economic Climate

At this point, I would like to make some of the more general observations which Chairmen are customarily permitted on these occasions. They tend to display a certain sameness, one to another, and to repeat the words of leaders, politicians, and other pundits. This year, more than ever, it is difficult to avoid this repetition. National events in the last twelve months have been so total in their impact upon the life of the country, so demanding of effort from its people and its institutions, and have wrought such a drastic change both in our present situation and our possible future, that comment on other matters runs the risk of triviality by comparison.

When I last addressed you, the most massive popular vote in a free democracy had installed a Central Government with overwhelming strength in the Lok Sabha. Within days of its installation it was faced with a crisis on our Eastern border which, although external in its source, was immediately internal in its impact through one of the greatest refugee movements ever seen. For nearly nine months we vainly sought the peaceful solution we would have so much preferred; but circumstances imposed on us military action, carried out by our armed forces with surgical precision. A new nation was born, essentially out of its own strength—particularly strength of national purpose, and therefore looking to us not as a parent but more as a godfather. We gladly accept the role, cherishing and supporting the independence of Bangladesh by giving political, moral and

economic support insofar as that country itself determines what it would wish to have. Finally, in March the electorate gave a further mandate in the States to the leadership which has seen us through such a difficult year.

These are great events in the life of a nation. They have given rise to a sense of unity and purpose which, if constructively put to work in the national interest, can yield a rich harvest within the framework of a stable Government. The ways in which we seek to use this new-found strength in pursuit of our national objectives, are commonly expressed in certain slogans which, by constant repetition, attain the status of inviolable truth. But the danger of adopting a slogan as an inviolable truth is that we cease to think. It is always easier to repeat a cliché, parrot fashion, than it is to think about problems more fundamentally; this easy road is a luxury which no nation, and particularly its leaders, can afford. As Bernard Shaw said "The golden rule is that there are no golden rules". Moreover, there is also a tendency that, where a rule has been devised in pursuance of a particular policy objective, it becomes sacred even though in a particular application the rule may achieve results quite opposite to the policy it was intended to support. This is a characteristic of bureaucracy everywhere—it "works to rule" in a quite literal sense, for this is the way the elected political authority seeks to exercise its political will through the administrative machine.

Let us examine for a moment one of the most popular ideas of the day, namely the need for self-reliance. As a target to be set in front of the country, it is in many ways eminently desirable. There is no reason why we should depend on others for what can be achieved by our own material and human resources. We must resist the tendency to rush for outside help at the slightest provocation and to ignore or condemn whatever can be done indigenously. However, it

would be wise to remember that in this century technological developments have been taking place (and still continue to take place) at such a rapid pace that no country, however advanced, is or will ever be completely self-reliant in the absolute sense. Even countries like America, Great Britain and France have all in the last five years had balance of payments crises leading to devaluation: in our struggle to raise our exports and control our imports, we keep company with the most developed of countries.

Thus self-reliance is not an absolute goal, it is relative to the standards of living which we wish to secure for our people. We could be self-reliant today: there is no absolutely essential requirement—essential, that is, for supporting life for our people—which is not either already indigenously produced or obtainable within the limits of our existing foreign exchange earnings. But a self-reliant India on this basis would also be a poorer India—self-reliance under these terms means quite simply "cutting our coat according to our cloth". Surely, we should aim higher than this!

I believe it would be particularly misleading to take self-reliance as an overriding objective in the sphere of fixed capital formation. The capital needs of India are probably greater than those of any other nation in the world. It has been said that if we achieve 6% per annum compound economic growth rate, allowing for the expected growth in population, it will take us 20 years to double the per capita income of our people. Twenty years from now, that will still condemn many to grinding poverty by any standards, and many more to poverty by the standards which will then exist in most of the rest of the world.

The cure does not lie wholly within our borders. To what extent can we honestly ask millions of people, who have so little, nevertheless to save—to forego marginal improvement

in their current condition in return for future benefit? Yet if the State generates revenue surplus to fund State Capital Investment, this is financed by savings of the people: even if private industry generates its own surplus, it comes ultimately from the prices paid for its products, paid by the people's ultimate users of the goods they make. India currently has a low rate of capital formation as a percentage of Gross National Product, and although politicians and economists are fond of saying it should be raised they rarely draw attention to the consequence of such a policy—that we should spend less on current consumption!

This is indeed a cruel dilemma—more investment we must have to achieve 'Garibi Hatao' in the future, but if the cost is less consumption now, that is 'Garibi Bachao'. Surely, the solution—in this context, a good socialist solution—would be to attract to this country capital from those people and nations that have far higher margins between current wealth and current need; who have, therefore, both a greater propensity and a greater ability to save and invest. The rich nations of the world have a huge capital market, India has a huge capital need. Surely our policy should be such as to encourage world capital to invest in India.

Assistance from the outside world can take two forms. The first is official aid from Governments and from institutions such as the World Bank. Here, the cliché is "aid without strings", which carries the implicit assumption that no aid carries no strings. In practice, no aid would carry the string of unabated poverty. By all means we should reject strings which defeat our national objectives, debilitate our attitude to hard work, or violate our international conscience; on the other hand why should not we continue to welcome, as we have done in the past, development assistance the fruits of which have been so obviously not to our detriment.

The aid contribution from

official sources is comparatively well known. It is perhaps less well known that the flow of funds from private sources in the developed countries to the developing is almost as great as the total official aid. In 1970, according to provisional World Bank figures, the net flow of private funds was \$ 6.4 bn compared to the official flow of \$ 8.3 bn. This huge source of wealth is one from which India should seek at least her fair share. It is sad that by a combination of tax structure, specific restrictions, and interminable procedures making a mountain of every molehill, India presents to the world capital market one of the least attractive investment propositions.

Finally, let me make one comment on the ideal of distributive justice. I use the word ideal deliberately, because I genuinely believe that we must aim for it. It is taken to mean *inter alia* that the proportion of total production resources held in the State Sector, or in the Small Scale Sector, should grow as compared to the proportion held by established companies like ourselves. If we are allowed to grow at the maximum rate which we can achieve, in support of the objectives of increased employment and attack on poverty, and if the State Sector and the Small Scale Sectors grow faster, we would wholeheartedly

applaud. But if the rate of growth in the State and Small Scale Sectors is inadequate, and re-distribution is achieved by holding down companies like us to a still more inadequate rate of growth, this will merely re-distribute stagnation! The percentages may look better on paper, but will the people really benefit?

All our social objectives, however well meant they may be and however appalling are the problems they are designed to cure, fail if there are not economic resources to carry them out. I am well aware that there are problems and difficulties in the course I have been advocating, particularly the need to ensure that we do not leave to future generations a burden of debts which they cannot support. But I believe most sincerely that alternative policies to those currently in favour must be constantly reviewed, otherwise they go by default. More than anything else, what I am pleading for is a result-oriented pragmatic approach to our economy, and a rejection of unthinking adherence to clichés or slogans. In such a result-oriented pragmatic approach, we would eagerly wish to join; for we believe that in the future, as in the past, we can echo the proud words of Othello—"We have done the State some service, and they know it".

Our Associates

A highlight of the year to date has been the visit in February of Sir Raymond P. Brookes, Group Chairman, and Mr. J. F. Insch, Deputy Chairman of Guest Keen & Nettlefolds Ltd., U.K. This visit gave concrete evidence of the importance which our associates attach to our affairs, and their presence with their charming ladies was a great pleasure to us. We are currently fortunate in having in our midst Mr. H. S. Killick, whose appointment to our Board I have already referred to. In the opposite direction, GKN continue to receive our people for training in their Works in U.K., as well as rendering valuable technological assistance.

Conclusion

It remains for me to thank our employees for their continued cooperation. All of them have had to work under somewhat difficult conditions, particularly during the last war with Pakistan. It is to their efforts that we owe the improved working of the company already achieved, and I am quite sure we will not be lacking in their support for our plans to move ahead in the years to come.

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

EASTERN ECONOMIST BUDGET NUMBER

As in previous years, the Special Budget Number presents an analysis of budget proposals and a study of the budget documents in their larger economic context as well as in their specific details. The Special Number includes all the relevant budget literature and statistical tables. It also carries a section of Special Articles covering fiscal and monetary issues. Priced at Rs 5 per copy (postage extra) copies of this number are on sale with leading booksellers or direct from:

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

RECORDS AND STATISTICS

Industrial Production in 1971

INDUSTRIAL production which recorded an annual rate of growth of 7.1 per cent in 1969 showed signs of deceleration in 1970. The rate of growth during that year was only 4.8 per cent. This trend became more pronounced during 1971 and, on the basis of the index for the first nine months of 1971, the growth rate was 2.2 per cent only.

An analysis by major industrial groups reveals that there was a marked decline in cotton textiles (-7.9 per cent), leather and fur products (-15.2 per

cent) and transport equipment (-11.9 per cent). The decline in non-electrical machinery was nominal. On the other hand, there was a marked improvement in several groups of industries such as wood and cork manufactures (+29.4 per cent), electrical machinery (+13.4 per cent), metal products (+10.3 per cent), rubber products (9.3 per cent), petroleum refinery products (+7.2 per cent), non-metallic minerals (+7.9 per cent), chemical products (+7.1 per cent), electricity generated (+7.0 per cent) and beverage and tobacco

(6.2 per cent). In some other groups of industries also there was a marginal increase below five per cent.

Although the official index is not available for the period after September, 1971, provisional output data in respect of a number of industries are available for the full year 1971. Industries that have recorded creditable increases in production include machine tools, diesel engines (stationary), scooters, three-wheelers, moped, typewriters, flour milling, bleaching powder, automobile

tyres and tubes, tractor tyres and tubes, blasting explosive, T.V. sets, vanaspathi, soap, jute manufactures, aluminium ingots, aluminium conductors, phosphatic fertilizers, nitrogenous fertilizers and liquid chlorine.

Industries that have maintained a fair rate of production include newsprint, rubber chemicals, polyester fibre, nylon filament yarn, soda ash, caustic soda, petroleum refinery products, electrical, steel sheets and automobiles.

Production of Industries in 1970 and 1971

Sl. No.	Name of Industry	Accounting Unit	1970			1971			Remarks
			No. of units	Installed capacity	Actual production	No. of units	Installed capacity	Actual production	
1	2	3	4	5	6	7	8	9	10
INDUSTRIAL MACHINERY									
1. Boilers (Industrial and Power)	Rs. Lakhs	14	1,150	3,093	13	1,150	3,900		
			plus 1.3 MKW			plus 1.3 MKW			
2. Sugar Mill Machinery	"	16	2,100	1,463	16	2,100	1,660		
3. Cement Mill Machinery	"	10	2,300	841	10	2,600	380		
4. Drilling Equipment	"	10	300	204	11	477	160		
5. Printing Machinery	"	5	86	33	6	96	35		
6. Conveyors & Wagon Tipplers	"	16	864	789	16	864	950		
7. Reduction Gears including Marine Gears	"	13	400	547	13	562	600		
			plus 1,500 Nos.			plus 1,600 Nos.			
8. L.P.G. Cylinder & Valves & Regulators.	"	6	245	460	8*	349	400		*This includes 3 units which have been registered for statistical purpose.
9. Dairy Machinery	"	3	257	247	3	257	343		
10. Agricultural Sprayers & Dusters	"	3	725	246	3	725	315		
11. Asbestos Cement Product Plants	"	1	280	54	1	280	36		

1	2	3	4	5	6	7	8	9	10
12. Industrial Filters & Centrifuges	Rs. Lakhs	5	201	205	6	218	225		
13. Industrial Screens	"	5	224	90	5	224	106		
14. Electroplating Equipments	"	2	40	41	2	41	34		
15. Food Processing Machinery including Bottling Machines and Feed Mill Plant	"	7	96	62	7	96	75		
16. Rubber Machinery	"	2	58	15	2	58	21		
17. Impregnating & Coating Plants and Coil Winding Machines	"	1	25	30	1	25	47		
18. Oil and Gas Firing Equipment	"	5	100	70	5	100	70		
19. Industrial Drycleaning & Laundry Equipments	"	1	80	30	1	80	22.5		
20. Ceramics Machinery	"	1	12	6	1	12	7.9		
21. Paint & Varnish Machinery	"	4	24	11	4	24	16		
22. Spray Drying & Evaporating Plant	"	1	—	27	1	—	7.07		
23. Packing Machinery	"	1	—	—	1	—	20		
24. Tea Processing Machinery	"	6	230	118.89	6	250	95.93		
25. Weighing Machinery	"	4	450	226	5	450	263.85		
26. Tobacco Processing Machinery	"	1	36	32.48	1	36	42.9		
27. Leather & Footwear Machinery	"	20	95	30.16	—	155	25.18		
28. Oil Mill Machinery	"	10	127	100	10	127	65.41		
29. Rice Mill Machinery (Modern & Conventional)	"	4	10.12	213	4	1,012	189.92		
30. Pulp & Paper Machinery	"	13	606	340	13	656	516		
31. Mining & Coal Washery	"	9	963	215	9	3,000	411		
32. Steel Plant Equipment	"	2 Separate capacity of steel plant is not available	1,160	2		N.A.	1,628		
33. Chemical & Pharmaceutical Machinery	"	53	1834 lakhs plus 400 tonnes plus to be fixed	1,700	57	2,740	1,833		
34. Building & Road Construction Machinery	"	17	547.73	132.68	14	557.23	142		
35. Metallurgical Machinery	"	14	N.A.	636.41	14	N.A.	706		
36. Bread & Biscuit Making Plant	"	1	12	10.57	1	12	1.0		
37. Rayon Plants	"	4	N.A.	120.01	4	N.A.	144		
38. Air Separation Plants	"	2	305.67	—	2	305.67	5.84		

TOOLS & ABRASIVES

Group I-A									
1. Machine Tools	Rs. Lakhs	76	6,500	2,900.44	74	6,700	3,523.35		
Group I-B									
1. Machine Tool Accessories	"	16	140	191.66	17	160	505.30		
2. Wood Working Machine Tools	"	4	35	7.88	4	35	8.83		
3. Portable Tools	"	7	315	260.73	6	290	246.74		
4. Other Metal Working Machine Tools	"	6	200	107.23	8	220	208.10		
5. Plastic Working Machines	"	3	283	261.92	2	280	297.25		
Group I-C									
6. Furnaces	"	14	650	267.30	14	670	547.72		
7. Gas Welding & Cutting Equipment	"	3	109	86.26	2	104	113.06		
8. Electric Welding Machine	"	2	70	66.05	2	70	100.25		
9. Others (Re-rolling Mills etc.)	"	4	97	7.06	4	97	86.74		

1	2	3	4	5	6	7	8	9	10
10. Grinding Wheels	Kgs.	4	59,40,000	60,61,704	5	61,20,000	81,59,652		
11. Coated Abrasives	Reams	3	2,72,000	1,62,206	3	2,72,000	2,04,165		
12. Steel Files	Th. Nos.	6	10,100	12,927	6	10,100	14,138.2		
13. Twist Drills	"	7	10,060	10,074.4	6	9,940	7,863.3		
14. Reamers	Nos.	14	2,88,000	1,82,353	16	2,87,900	1,70,687		
15. Threading Tools	"	10	28,07,000	25,61,803	13	30,01,000	28,22,158		
16. Milling Cutters	"	16	4,20,000	3,17,354	18	4,35,900	3,38,884		
17. Bandsaw Blades (W)	R.M.	5	12,05,000	8,56,330	5	12,05,000	1,97,855		
18. Handsaw Blades (M)	R.M.	4	11,35,000	13,97,761	4	11,35,000	13,41,700		
19. Hacksaw Blades	Th. Nos.	6	41,000.0	20,296.5	6	46,400.0	26,335.9		
20. Tungsten Carbide (Tips)	Kgs.	4	1,70,000	1,45,724	4	1,70,000	93,714		
21. Lathe Tools (Tools) Bits	Nos.	10	10,01,000	8,01,034	10	1,01,000	9,63,451		
22. Diamond Drill Bits	"		45,000	21,975	5	45,000	30,654		
23. Tungsten Carbide- Tipped Tools	"	6	7,26,000	7,32,673	6	7,26,000	10,91,144		
24. Broaches	"	1	2,400	4,053	1	2,400	5,401		
25. Measuring Tapes	"	2	30,03,000	9,94,956	2	30,03,000	23,03,688		
26. Industrial Machine Knives	"	5	7,00,000	2,06,002	6	8,00,000	2,53,420		
27. Forged Hand Tools	Rs. Lakhs	8	364.40	547.17	8	376.40	643.10		

LIGHT ELECTRICAL INDUSTRIES

1. G.L.S. Lamps	Nos.	11	83.35	10,39,24,600	11	83.35	11,12,18,640		
	M. Nos.					M. Nos.			
2. Fluorescent Tubes	"	7	8.20	1,04,82,500	8	9.20	1,11,51,910		
3. Miniature Lamps	"	7	33.80	4,00,07,550	7	33.80	4,08,18,264		
4. Electric Fans	"	16	18,15,600	15,73,610	16	18,15,600	19,09,614		
5. Stampings & Laminations	M.T.	2	39,700	33,238	2	40,200	34,058		
6. Dry battery cell	M.H. Nos.	6	479.0	492.1	7	539.0	569.9		
7. Storage Batteries	Lakh Nos.	7	10.68	11.58	7	12.6	11.52		
8. Domestic Refrigerators	Th. Nos.	6	37.8	66.8	6	108.3	87.01		
9. Room Air Conditioners	"	7	28.28	17.04	7	32.28	21.6		
10. Industrial Air Cond. Refrig. and Air control Equipment	Rs. Lakhs	19	1,400.0	786.0	22	1,600.0	1,120.0		
11. Air Conditioning & Refrig. Controls	"	4	100	48.3	4	100	83.0		
12. Sealed Compressors	Th. Nos.	3	65.6	26.8	3	65.6	32.2		
13. Room Air Coolers	"	2	20.0	19.1	2	25	—		
14. Industrial Cooling Towers	Rs. Lakhs	3	150.0	145.6	3	150	177.0		
15. Flash Light Cases	Lakh Nos.	3	82.8	115.8	3	82.0	130.3		

HEAVY ELECTRICAL INDUSTRIES

1. Electric Motors	H.P.	20	2,568,960	2,844,474	20	2,561,960	5,365,432*	Decrease in
2. Transformers	KVA	23	6,265,000	7,608,623	23	6,265,000	8,689,922	production
3. Motor Starter	Nos.	11	377,764	510,810	11	377,764	392,665	has been
4. Elec. Steel Sheets	M.T.	1	18,000	34,787	1	18,000	37,025	due to lack
5. Switchgear & Control Gear	Rs. Lakhs	40	—	Rs.1,246.45	39	—	2,151.78	of demand.
6. Cables and Wires (AIR & PVC Cables)	K.M.	26	814,232	422,973	25	869,200	490,988	
7. ACSR & AAC Winding Wires	M.T.	33	97,830	65,000	34	100,000	71,635	
8. (a) Barmelled Wires (b) Paper Cotton Covered Wires & Strips	M.T.	29	27,308	16,193	29	17,509	18,969	

1	2	3	4	5	6	7	8	9	10
9. Paper Cables.	Insulated Power K.M.	7	8,360	2,403	7	8,360	2,177*	*PILC Cables are being substituted by PVC Cables. The production for these cables will go on decreasing while PVC Cables production will correspondingly increase.	
10. Bare Copper Conductor	M.T.	4	14,427	735	4	14,200	860		

HEAVY ENGINEERING INDUSTRIES

1. C.I. Castings & Alloy Iron Castings	Tonnes	43	2,54,000	80,000	47	3,28,600	1,14,500		
2. M I Castings	"	14	22,260	15,600	11	22,100	24,000		
3. S G Iron Castings	"	13	8,808	1,450	10	7,838	2,300		
4. Steel Castings & Alloy Steel Castings	"	42	1,37,470	52,000	42	1,37,470	56,000		

INSTRUMENTS

1. Industrial Process & Control Instruments	Rs. Lakhs	9	1,292.00	572.00	9	1,292.00	676.79		
2. Scientific, Surveying, Optical & Mathematical Instruments	"	12	375.00	256.76	12	375.00	241.40		
3. Water Meters	Nos.	6	3.5 lakhs	1.60 lakhs	6	3.5 lakhs	1.65 lakhs		
4. Medical & Surgical Instruments	Rs. lakhs	7	300.00	113.74	8	350.00	162.29		
5. X-Ray & Electro-medical Equipments	"	5	265.00	150.83	6	315.00	254.56		
6. Photographic & Photocopying Instruments	"	2	45.00	38.85	3	63.00	47.08		
7. House Service Meters	Nos.	15	Sp. 16.27 lakhs PP 4.30	19.44 5.69	15	Sp 16.27 lakhs PP 4.30	22.04 6.45	Single-phase	
8. Electrical Measuring Instruments	Rs. lakhs	8	250.00	136.43	9	265.00	236.34		
9. Component Industry : (a) Industrial Jewels	"				1	50.00	0.05	Industrial Jewels	
(b) Bimetal Contact	"				1	50.00	65.29	Bimetal contact	

HEAVY MECHANICAL INDUSTRIES

1. Transmission Towers	Tonnes	14	93,100	47,545	14	93,100	62,025		
2. Black & Galvanised Steel Pipes and Tubes for Water Structural etc.	"	14	4,83,960	215,578	14	6,01,460	218,348		
3. E.R.W. Tubes	"	6	50,400	32,656	6	53,400	31,921		
4. Seamless Steel Tubes	"	1	39,600	29,254	1	39,600	34,303		
5. Wire Ropes	"	9	36,240	20,145	9	36,240	19,977		
6. Bright Bars	"	9	57,500	46,294	10	64,500	54,161		
7. Welding Electrodes	Million R.M.	20	497	316.76	20	497	326.49		

1	2	3	4	5	6	7	8	9	10
8. Lifts	Nos.	4	910	474	4	910	626		
9. Pen Stocks	Tonnes	4	13,500	7,164	4	13,500	8,273		
10. Railway Wagons	Nos. in terms of 4 wheels.	16	32,819	10,489	16	32,819	7,759		
11. Slotted Angles & Cold Formed Sections	Tonnes	5	12,300	3,762	5	12,300	4,368		
12. Large Dia. Pipes	"	5	13,820	8,343	5	13,820	9,064		
13. Steel Doors, Windows & Rolling Shutters	"	3	847	2,821	3	847	1,959		

LIGHT MECHANICAL INDUSTRIES

1. Bicycle Complete	Lakh Nos.	9	21.05	20.94	10	33.32	18.64		
2. Bicycle Parts	"	31	—	—	31	—	—		
3. Ball & Roller Bearings	Million Nos.	7	15.89	17.50	7	18,91,452	19.00		
4. Steel Balls	Hundred Nos.	4	82,87,200	1,71,30,200	5	98,81,280	1,27,39,521		
			plus 35 tonnes			plus 35 tonnes			
5. Data Processing Machines	Nos.	2	11,689	4,926	2	11,689	5,890		
6. Auto Leaf Springs	Tonnes	12	39,010	28,172	12	41,650	30,886.76		
7. Industrial Coil Springs*	"	3	1,530	724	3	2,450	1,010		
8. Sewing Machines	Nos.	5	4,93,000	1,77,961	5	4,93,000	3,37,632		
9. Typewriters	"	4	86,400	38,525	4	86,400	43,62		
10. Duplicators	"	2	7,500	3,370	1	10,100	4,65*	(Actual)	
11. Addressing Machines	"	1	870	673	1	870	837*		
12. Sewing Machine Needles	M. Nos.	2	8.4	12.29	2	14.4	13.22*		
13. Zip Fasteners	Lakh Metres	1	29.3	36.20	2	29.3	29.05		
14. Umbrella Ribs	Doz. sets	1	7,40,000	5,46,422	1	7,40,000	4,96,873		
15. Wire Gauge & Wire Nettings	M. Tons	4	2,426.25	1,179.98	4	2,426.25	875.481		
16. Crown Corks	M. Tons	2	705.60	1,224.786	2	705.60	1,394.644	(Actual)	
17. Hurricane Lanterns	M. Nos.	5	3.17	3.543	5	3.17	2.982		
18. Time Pieces	Lakh Nos.	7	12.80	7.03	7	12.80	7.40		
19. Watches	"	2	6.70	4.66	2	6.70	4.75		
20. Collapsible Tubes	M.Nos.	6	134.09	304.56	6	152.09	332.18		
21. Clocks	N.s.	4	155,000	1,00,345	4	1,15,500	1,13,902	(Actual)	
22. Agricultural Implements	M.T.	25	26,196.5	20,064	28	35,621.5	20,000		
23. Agricultural Machinery	M.T.	8	2,179	2,385	8	4,071	3,340		
24. Oil Barrels	M.T.	7	67,778	36,732	7	67,778	46,365		
25. Small Drums	M.T.	22	13,622	7,500	22	13,622	7,988		
26. General Line in Containers	M.T.	28	75,090	62,149	28	75,090	62,740		
27. O. P. Lamps	Nos.	1	65,000	50,000	1	65,000	40,873		
28. Stoves :									
(i) Pressure type	Nos.	2	35,000	17,800	2	35,000	21,141		
(ii) No. pressure type	Nos.	2	1,62,000	3,90,000	2	1,62,000	3,37,812		
29. Calculating Machines	"	1	12,500	8,490	1	12,500	9,326		
30. Expanded Metal	M.T.	1	1,440	736	1	1,440	581.82		
31. Grinding Media	M.T.	6	18,743	14,480	7	19,723	16,471		
32. Building Hardwares	M.T.	9	5,454	2,047	8	50.30	27.41		
33. Steel Furniture	M.T.	13	42,312	279,952	14	42,729	34,546		
34. Industrial Roller Chains	Rs. lakhs	4	130.00	120.16	5	145.00	145.30		

CEMENT, ABSESTOS AND CARBON PRODUCTS

1. Cement	M.T.	50	17.36	13.034	50	19.39	14.93		
2. A.C. Sheets and ACC	Tonnes	9	5,61,000	2,97,453	9	5,61,000	3,25,097		
3. A.C. Bldg. Pipes	"			14,095			8,683		
4. A.C.P. Pipes	"			49,580			52,680		
5. A. Tex. Prod. Pack, Yarns & Matt	"	3	1,932	1,628	3	1,932	1,415		
6. A. Joint & Limp Sheets	"	2	2,800	2,229	3	3,160	5,572		
7. A. Mill Boards	"	1	500	460	1	500	400.5		

1	2	3	4	5	6	7	8	9	10
8. Ferrobestos Sheets			1	100	13.6	1	100	0.72	
9. Profax/Fabre			1	2,000	1,157	1	2,000	1,103.7	
10. Cinema Arc Carbon & Process Carbons	Million pairs	2		7.2	6.18	2	7.2	8.014	
11. Cal. Pet. Coke	Tonnes	1		6,500	73,669	1	65,000	70,871	
12. Pencils	Lakh Gross	3		8.4	6	3	8.4	5.44	
13. Midget Electrodes	Mill. Pcs	1		250	291	1	250	336	
14. Graphite Electrodes and Anodes	Tonnes	1		5,400	4,160	1	5,400	3,901	
15. Electrode Paste		1		15,000	5,800	1	15,000	8,577	
16. Carbon Blocks		1		80	42	1	80	61.2	
17. Thermolites						1	4,200	1,018.4	

CERAMICS, GLASS WARE & ALLIED INDUSTRIES

1. Refractories	Tonnes	43	10.96 Lakhs	7.45 Lakhs	43	10.96 Lakhs	7.85 Lakhs		
2. Glazed Tiles		4	8,240	19,639	4	21,120	20,642		
3. Insulators H.T.		7	16,200	17,865	7	20,560	13,640		
4. Insulators L.T.		13	10,832	2,259	13	8,500	1,420		
5. Sanitaryware		12	17,970	12,762	9	17,060	14,361		
6. Stoneware Pipes		11	63,000	19,790	13	74,464	34,612		
7. Stoneware Jars		9	8,290	4,728	8	6,290	5,885		
8. Crockery		17	28,825	17,459	15	25,344	8,036		
9. Enamelware	Thousand Pcs.	6	30,000	16,500	7	30,030	20,747		
10. Synthetic Stones	Kg.	1	21,600	22,225	1	21,600	24,217		
11. Glass & Glassware	Tonnes	47	4,25,000	2,60,000	48	4,29,000	2,90,000 (Estimated)		

PAPER INDUSTRY

1. Paper & Paper Board	Tonnes	57	7,68,000	7,59,258	59	8,82,000	7,74,759		
2. Newsprint		1	75,000	37,341	1	75,000	40,081		
3. Pulp		2	87,000	78,738	2	87,000	53,994		
4. Paper Grade Pulp		1	21,500	23,316	1	21,500	22,230		

TIMBER INDUSTRY

1. Plywood	Mill Sq. Mtr.	28	23,650		30	26,123			
(i) Teacheat				3.172			6.00		
(ii) Commercial				15.704			22.00		
2. Hardboard	M. Tons	3	34,500	22,166	3	34,500	20,000		
3. Insulation Board		1	6,000	1,635	1	6,000	2,100		
4. Particle Board		8	44,900	7,689	8	44,900	9,000		
5. Safety Matches	Mill. Gross Boxes of 50 stk.	6	29,770	33,034	6	29,770	32,000		
6. Cork Products :									
(a) Stoppers	Mill Gros.	2	1,380	1,772	2	1,380	1,500		
(b) Discs	Nos.	2	4,500	9,336	2	4,500	6,500		
(c) Sheets	Mill. Sq. meters	2	1,305	1,142	2	1,305	1,400		

LEATHER INDUSTRY

1. Vegetable Tanning of Hides	Cow Hides	9	21.66 lakhs	9,68,969	9	21.66 lakhs	9,93,242		
2. Chrome Tanning of Hides	Hides	9	21.40 lakhs	13,14,740	9	21.40 lakhs	11,49,085		
3. Western Type of Leather Footwear	Pairs	8	87.55 lakhs	77,11,322	8	138.47 lakhs	81,10,177		
4. Indian Type of Leather Footwear.	Pairs	8	Depends upon demand	77,39,154	8	Depends upon demand	78,33,528		
5. Picking Bands	Kgs.	5	5,01,360	1,20,680	5	5,01,360	1,23,678		

1	2	3	4	5	6	7	8	9	10
6. Leather Beltings	Kgs.	5	210,000	79,363	5	210,000	60,686		
7. Glue	Kgs.	3	2,820,000	2,160,078	3	2,820,000	2,721,285		
8. Myrobalan Extracts	Tonnes	2	7,404	613	2	7,404	1,077		
9. Cotton and Hair Beltings		2	216	40.61	2	216	47.08		

RUBBER GOODS

1. Giant Tyres	Nos.	8	20,35,000	20,92,631	8	22,00,000	22,50,582		
2. Giant Tubes		8	20,35,000	17,06,741	8	22,00,000	20,38,778		
3. Aero Tyres		1	12,000	7,002	1	12,000	12,186		
4. Aero Tubes		1	5,000	968	1	5,000	3,450		
5. Motor Cycle Tyres		7	2,00,000	1,65,891	7	2,00,000	1,79,257		
6. Motor Cycle Tubes		5	2,00,000	1,94,419	5	2,00,000	2,07,140		
7. Scooter Tyres		8	4,50,000	4,37,289	8	4,50,000	4,75,261		
8. Scooter Tubes		6	4,50,000	3,26,314	6	4,50,000	3,85,599		
9. Cycle Tyres		11	2,43,86,000	2,09,88,524	11	2,43,86,000	1,91,88,628		
10. Cycle Tubes		11	2,22,00,000	1,58,40,564	13	2,22,00,000	1,24,19,003		
11. ADV Tyres		7	1,62,000	1,76,386	7	1,75,000	1,95,761		
12. ADV Tubes		6	1,80,000	1,90,670	6	2,00,000	2,27,911		
13. Tractor Tyres		6	1,60,000	1,86,466	6	1,60,000	2,12,387		
14. Tractor Tubes		5	1,65,000	1,81,236	5	1,65,000	2,04,892		
15. Camel Back	M.T.	11	13,330	13,643	11	13,330	14,502		
16. Motor Tyres	Nos.	8	10,00,000	9,65,571	8	10,00,000	12,01,760		
17. Motor Tubes		7	10,00,000	10,19,118	7	10,00,000	12,50,431		
18. Dipped Rubber goods	Lakh Nos.	3	2,216	902	3	2,216	1,770		
19. Contraceptives	Mill pieces	2	325	55.3	2	325	98.6		
20. Cab Tyres	Meters	2	20,000	5,602	2	20,000	3,531		
21. Radiator Hoses	Nos.	7	5,23,000	4,70,279	7	5,23,000	4,99,762		
22. Fan Belts		6	2,60,000	23,41,287	6	6,90,000	1,23,661		
23. Springs & Compound		6	6,90,000	1,21,401	6	6,90,000	1,23,661		
24. V. B. Hoses		8	11,50,000	7,73,336	8	11,50,000	10,56,036		
25. All types of hoses	Meters	16	78,40,000	52,10,696	16	78,40,000	5,19,608		
26. Industrial V Belts	Nos.	5	@	24,43,774	5	@	32,19,351		@Combined capacity for Fan and V Belts

27. Off the road Tyres		3	13,500	9,710	3	13,500	13,751		
28. Off the road Tubes		3	13,500	9,551	3	13,500	10,924		
29. Sponge Rubber	M.T.	4	1,022	1,125	4	1,022	998		
30. Ebonite Sheets, Rods & Tubes	Kgs.	7	37,400	7,759	7	37,400	2,394		
31. Proofed Fabrics	Meters	10	29,00,000	23,02,418	10	49,00,000	30,05,025		
32. Footwear	M. Pairs	14	55	44.8	14	55	42.57		
33. Rubber Conveyor Belting	M. Tons	4	3,100	2,276.97	4	3,100	2,659.95		
34. Transmission Belting		5	4,200	2,818.94	5	4,200	2,815.77		

COSMETICS AND TOILET PREPARATIONS

1. Soap	Tonnes	44	2,17,822	2,32,400	44	2,17,822	2,70,813		
2. Glycerine		20	18,236	9,841	20	18,236	9,606		
3. Metallic Stearates		5	1,125	282	6	1,125	208		
4. Fatty Acids		10	37,050	19,156	10	37,050	20,270		
5. Synthetic Detergents		5	47,580	31,386	5	47,580	50,000		
6. Carboxy Methyl Cellulose		2	3,900	4,388	2	3,900	4,433		
7. Textile Auxiliaries		13	30,759	18,626	13	31,749	22,625		
8. Resin Finishes		7	9,236	8,267	8	9,836	8,564		
9. Tooth Powder	Kgs.	5	10,58,900	4,88,000	5	10,58,900	8,15,000		
10. Tooth Paste		8	40,50,860	48,64,000	8	40,50,860	50,33,000		
11. Talcum Powder		16	64,28,000	34,91,798	11	64,28,000	35,43,000		
12. Face Powder		11		14,202	12		53,098		
13. Face Cream		13	11,33,000	7,53,000	14	11,33,000	8,48,000		

1	2	3	4	5	6	7	8	9	10
FOOD PROCESSING INDUSTRIES									
1. Biscuits	M. Ts.	30	77,700	62,440	31	94,200	63,823		
2. Confectionery	"	24	42,300	15,655	22	37,152	16,567		
3. Flour Milling	"	140	43,26,432	24,29,000	143	44,11,956	23,12,032		
4. Cigarettes	M. Pcs.	13	57,688	62,200	13	57,688	65,801		
5. Breakfast Food									
(a) Corn & Wheat Flakes	M. Ts.	1	900	384	1	900	375		
(b) Processed Pearl Barley	"	3	5,328	2,308	3	5,328	1,800		
(c) Processed & Rolled Oats	"	1	2,100	360	1	2,100	350		
6. Malt Extract	"	2	4,800	2,650	2	2,800	3,550		
7. Gaur Gum	"	5	26,100	18,901	5	26,100	16,216		
8. Fruit & Vegetable preservation	"	22	78,107	23,310*	22	78,107	24,433*		
								*This includes Synthetic preparation.	
9. Meat products	"	4	1,600	499	4	1,600	525		
10. Filter rods for Cigarettes	"	1	720	786	1	900	900		
11. Aerated Water	100 Bolts.	35	1,790	1,04,84,293	35	1,790	1,05,39,866		
12. Protein Isolates	M. Ts.	1	1,500	168	1	1,500	219		
13. Open Top Sanitary Cans	"	8	49,151	20,339	8	49,151	25,461		
14. Liquid Glucose	"	5	41,450	20,213	5	54,500	20,110		
15. Dextrose Powder	"	2	24,658	10,820	2	30,600	11,237		
16. Chocolate/Coca Powder									
(a) Chocolate	"	3	1,608	1,001	3	1,608	801		
(b) Drinking Chocolate	"	3	—	1,011	3	—	1,348		
(c) Coca Powder	"	3	642	66	3	642	40		
17. Sweetened Condensed Milk	"	4	10,800	5,206	4	12,200	8,350		
18. Infant Milk Powder	"	5	19,233	15,677	8	20,983	16,591		
19. Milk Powder	"	9	17,610	6,677	10	20,318	11,768		
20. Malted Milk Food	"	7	10,667	10,603	8	13,667	12,030		
21. Starch	"	8	2,05,500	78,802	1	1,68,690	93,213		
22. Weaning Foods	"	2	620	679	2	810	1,005		
23. Instant Tea	"	2	512	306	2	512	259		
24. Instant Coffee	"	2	1,664	1,200	2	1,664	1,586		
25. Modified Milk for Infants	"	2	546	789	2	852	764		
26. Industrial Enzymes	"	1	7,300	1,141	1	7,300	533		
27. Ice Cream	1000 Litres	6	7,995	3,146	6	7,995	3,364		
28. Sorbitol/Mannitol	M. Ts.	1	1,200	742	1	1,200	1,036		

MISCELLANEOUS CHEMICALS**I. Basic Electroplating Salts.**

1. Nickel Sulphate	Tonnes	8	1,660	630	8	1,660	470
2. Nickel Carbonate	"	4	58	22	4	58	5
3. Nickel Chloride	"	7	223	95	7	223	73
3. Chromic Acid	"	5	1,125	578	5	1,125	550

II. Heat Treatment Salts.

1. Cyanide Type	"	3	1,800	720	3	2,760	820
2. Non-Cyanide Type	"	4	900	879	3	2,460	660
3. Tempering Salts	"	1	100	73	1	100	36

III. Water Treatment Salts

1. Sodium Hexameta-Phosphate	"	1	720	487	1	720	403
2. Alfloc Powder	"	1	608	506	1	608	450
3. Sodium Tri-Poly-Phosphate	"	1	12,500	9,136	1	12,500	13,432
4. Sodium Aluminate	"	2	1,620	796	2	1,620	860

		2	3	4	5	6	7	8	9	10
Foundry Chemicals										
1. Fluxes	Tonnes			1	1,680	806	1	1,680	780	
2. Binders	"			4	9,080	2,550	4	4,480	3,210	
3. Dressings	"			2	500	565	2	500	620	
4. Exothermics	"			1	1,410	363	1	3,400	900	
Misc. Compounds	"			1	120	280	1	480	350	
Fluxes										
1. Gas Welding	"			3	408	16	3	408	70	
2. Submerged Arc Welding	"			2	460	204	2	850	197	
Barium Salts										
1. Barium Nitrate	"			3	1,740	554	3	1,740	1,430	
2. Barium Carbonate	"			2	1,800	797	4	6,120	2,640	
Misc. Chemicals										
1. Activated Bleaching Earth	"			1	3,648	2,809	1	3,648	2,450	
2. Rare Earth Chloride	"			1	4,200	3,734	1	4,200	4,000	
3. Potassium Permanganate	"			2	1,950	1,211	2	1,920	940	
4. Galex Sulphite Dye	"			1	7,200	9,281	1	10,200	9,200	
5. Calcium Carbonate	"			4	11,620	14,805	4	16,620	13,618	
6. Potassium Chlorate	"			3	5,574	5,325	3	5,574	6,634	
7. Sodium Chlorate	"			1	1,000	910	1	1,400	766	
8. Hydrogen Peroxide	"			1	3,800	3,600	2	4,550	3,212	
9. Sodium Perborate	"			1	600	550	1	625	567	
10. Borax	"			1	17,000	12,314	1	17,000	10,164	
11. Boric Acid	"			1	3,000	1,318	1	3,000	2,295	
12. Fluore Carbon	"			1	1,200	740	2	2,700	1,047	
13. Sodium Thio-Sulphate	"			6	3,000	2,200	6	3,084	1,860	
14. Sodium Sulphite	M. T.			5	2,200	1,400	5	2,200	1,100	
15. Sodium Bisulphite	"			5	2,180	1,800	5	2,180	1,500	
16. Sodium Meta-bi-sulphite	"			3	203	181	3	181	200	
17. Potassium Meta-bisulphite	"			2	20	22	2	15	11	
18. Sodium Sulphide (Iron free grade)	"			2	3,750	1,100	2	3,200	1,138	
19. Bromine	"			1	324	256	1	380	244	
20. Bromides (Inorganic)	"			1	432	269	1	400	193	
21. Phosphorous Trichloride	"			2	600	768	2	1,100	882	
22. Aluminium Chloride	"			2	5,000	7,885	2	8,200	8,430	
23. Synthetic Cryolite	"			2	4,790	3,728	2	4,790	31,68	
24. Aluminium Fluoride	"			1	1,500	2,178	2	2,490	3,372	
25. Sodium Fluoride	"			1	500	Nil	1	500	70	
26. Hydro Fluoric Acid	"			1	4,500	4,040	2	6,158	3,962	
27. Chloro Methenes (Ethylene Dichloride, chloroform, Carbon Tetra Chloride etc.)	"			3	8,350	5,102	3	8,350	5,728	
28. Sodium Silico Fluoride	"			3	2,264	400	3	524	413	
29. Plasticizers	Tonnes			5	16,200	11,898	7	33,750	15,997	
30. PVC Resins	"			4	43,700	38,678	4	44,800	41,658	
31. Polyethylene (low density)	"			2	19,000	23,316	2	19,000	26,283	

1	2	3	4	5	6	7	8	9	10
AGRO INDUSTRIES									
1. Agriculture Tractors	Nos.	5	25,200	19,931	6	32,200	16,443		
2. Power Tillers ..	"	1	1,000	361	1	1,000	146		
3. Petrol Dispensing Pumps ..	"	1	2,400	2,427	1	2,400	1,875		
4. Agricultural Discs ..	"	2	3,00,000	79,699	3	4,00,000	1,06,242		
5. Combine Harvesters, Power Harrow, Fertiliser Distributor	"	1	600	13	1	600	265		
			600	205		600	Nil		
			600	65		600	Nil		
6. Petrol/Kerosene Oil Engine	"	5	61,600	20,755	6	86,600	27,748		
CONSTRUCTION EQUIPMENT									
1. Loco/Diesel Shunters	Nos.	1	148	32	1	148	11		
2. Road Rollers ..	"	6	1,520	335	6	1,520	338		
3. Forklift Trucks ..	"	7	—	543	7	—	847		
4. Mobile Cranes ..	"	1	188	70	1	188	60		
5. Shovels/Excavators ..	"	2	100	90	2	150	96		
6. Crawler Tractors ..	"	3	600	249	3	600	238		
7. Dumpers	"	2	150	68	3	250	68		
8. Scrapers	"	2	50	33	2	75	47		
9. Air Compressors ..	"	11	7,734	6,793	11	8,668	5,061		
INDUSTRIAL EXPLOSIVES									
1. Blasting explosives ..	Tonnes	2	43,000	28,530	2	47,000	32,319.4		
2. Safety fuse	Mill. Coils	2	15.09	14.07	2	14.10	8.1		
3. Detonators	M. Nos.	2	168	97.25	2	168	106.74		
4. Detonating fuse ..	M. Metres	1	6.1	6.76	1	9 M. Metre	5.4		

RECORDS AND STATISTICS

Editor : R. V. MURTHY

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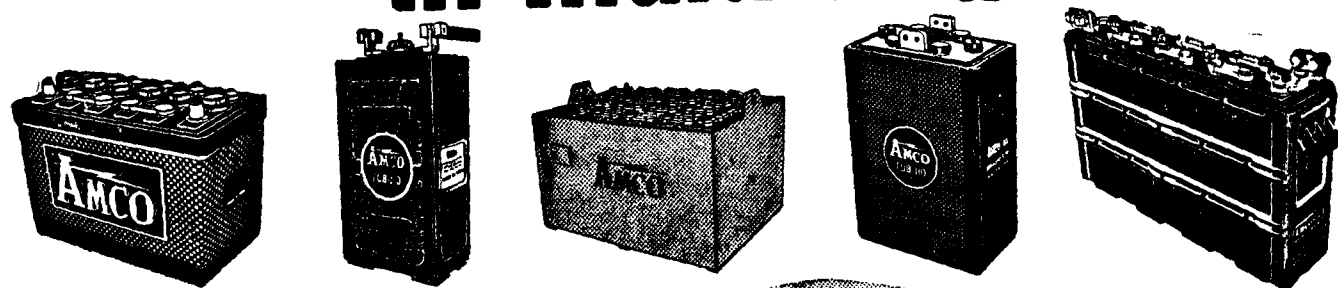
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EASTERN ECONOMIST

Towards Stagnation?

THE INTOXICATING victory of the Congress Party under the leadership of Mrs Indira Gandhi, first in the Lok Sabha election and then in the recent state assembly elections, has caused a certain rigidity in the attitude of the ruling group which is likely to do considerable harm to our economy in the coming years. The result of the ban on the expansion of the activities of big business houses has already been witnessed in the stagnation of industrial growth. Alas! this has not caused as much concern at the centre as it would have in earlier times.

The sharp increase in foodgrains production and the recent upturn in cotton output have created conditions which have generated momentum for growth despite the failure on the industrial front. However, it seems that the current thinking in the Congress on land ceilings is likely to cause stagnation in agriculture also. Already reports have been received that in some areas the landlords are dismantling their tubewells in order to be able to retain larger land holdings when the proposed laws in this regard come into force. The loose talk regarding ceilings on land holdings has naturally caused panic among farmers having large holdings. The current year is proposed to be celebrated as the silver jubilee year of independence, but the new trends in economic thinking in the country are hardly conducive to faster growth. In fact, the measures already taken or proposed to be taken in the name of eradication of poverty are likely to undo a part of the gains which have already been achieved.

The foodgrains surplus which this country has been able to generate during the past four years is due by and large to the efforts of farmers who have relatively bigger farms and also the resources to make use of the inputs such as improved seeds, fertilizers, pesticides and improved agricultural implements. Once this class is eliminated after the implementation of the proposed land reforms and the agricultural economy passes through a lean year, the cushion which has been available to us through the labours of this class of farmers will be denied to us. Consequently, the crisis in a lean year would tend to accentuate.

Not that this argument has not been presented to the Congress leaders; in fact, all these facts were put before the nine-member high level committee appointed by the Congress leaders' conference and this committee is reported to have agreed to make a marginal distinction between the land assured of perennial irrigation from government sources and the land irrigated from private sources. The committee has also expressed concern at the reported dismantling of tubewells by some farmers. But it seems that this committee also is in favour of only making a small distinction between the two types of land and the land reforms revolving around the formula of 10 to 18 acres of irrigated land per family of five are likely to be pushed through in one form or the other.

The redistribution of surplus land in this way is likely to hurt the current onward march of the agricultural economy. With slowdown in industrial expansion and application of brakes on agricultural growth, the economy might come to a halt within a couple of years.

The expansion in the tertiary sector, especially in the urban areas, is proposed to be curbed by the ceiling on urban property. Current thinking in different Congress-ruled states is in favour of imposing a ceiling of Rs two lakhs per head or Rs five lakhs per family on urban properties. Such a ceiling is bound to cause an upheaval in urban land and property values. This again is bound to give a shock to the urban economy which might disrupt regular channels of business and trade for some time. It is hard to believe that the persons at the helm of affairs in the country do not understand the implications of the various measures under consideration. The marked accent on distribution tends to show as if this country has made tremendous progress and that the era of distribution must start here and now. During the past two-and-half decades all that we have been able to achieve is to increase our gross national product by a little more than 100 per cent, which, on the average, has given a rate of rise of about one per cent per annum on per capita basis. This is not a rate of progress in which one can take pride. There was need for laying stronger foundations for economic growth before we started applying the brakes through our socialistic zeal. Will the new power elite be willing to ponder over the consequences of the prevalent ultra-socialistic thinking?

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Doubling steel production : how?

THE FAILURE of the Planning Commission and the central government to formulate in time a correct policy for developing the steel industry is bound to cost the country dearly in terms of a huge avoidable drain of foreign exchange resources and a serious holdup of the implementation of Plan schemes if the requisite supplies of steel are not available. Even now, the lessons of 1971-72 have not been properly understood and there is as yet no clear comprehension of the serious situation that will arise in the early years of the fifth Plan in regard to the availability of steel if immediate measures are not adopted to increase steel output regularly on a defined basis.

It is true that there were exceptional developments in the past year and it was not possible to raise output substantially because of the loss of one million man-days in Durgapur on account of labour trouble, the difficulties experienced in Bhilai due to the shortage of coke oven gas and the roof collapse in Rourkela. Even so, with a slight improvement in operating efficiency in the latter half of 1971-72 and the fairly good performance of the two units in the private sector, steel output was marginally higher at 6.3 million tonnes of ingots against 6.17 million tonnes in 1970-71.

As there was a sharp increase in the demand for steel and exports of engineering goods also had to be increased, it became necessary to incur heavy expenditure on imports of steel of different categories which are roughly estimated to have cost Rs 243 crores. In the absence of details relating to categorywise imports it is difficult to say what exactly the quantum of imports of mild steel is. It can however be roughly estimated that these imports were 1.1 million tonnes, the imports in April-September 1971 being 5.5 lakh tonnes. The actual quantum may be even higher at 1.2 million tonnes if it is remembered that there were larger imports in the closing months of the last financial year.

Allowing for exports of about two lakh tonnes and assuming that total availability was 5.8 million tonnes, actual consumption of mild steel in different forms was probably 5.6 million tonnes. The question is what should be the assumptions regarding growth in consumption in the coming years with an acceleration of Plan outlays? It will be justifiable to presume that this growth will be at least 20 per cent annually till 1978-79. This will

require an output of at least 15 million tonnes of finished steel by that year calling for the creation of an installed capacity of at least 23 million tonnes of ingots against the goal of 19 million tonnes now proposed. What is even more important is the availability of new capacity for commercial production regularly in order to bring about a sustained growth in indigenous production of steel.

This aspect of the problem has not however been correctly understood and it is only now dawning on the minds of the planners and the union Minister for Steel and Mines that greater priority will have to be accorded to the implementation of expansion schemes of the existing units in order to make scarce financial resources go a longer way and achieve also a quicker increase in steel production.

As matters stand, in 1972-73, the output of finished steel may not increase to more than 5.4 million tonnes while consumption would have risen to 6.7 million tonnes. This would mean that imports will have to be on an even larger scale in the current year especially as it is proposed to step up exports of engineering goods by 50 per cent in order to achieve the target of Rs 200 crores. It will be wrong therefore to expect that there can be a cut in imports of steel with an increase in indigenous production by 7.5 lakh tonnes of finished steel. These imports would have to be much higher at two million tonnes if there was a static level of production. It is hoped to achieve an output of 7.2 million tonnes of ingots by helping all the steel plants to operate at an average of 80 per cent of rated capacity. The additional output however will have to be accounted for mainly by the three public sector plants though the Asansol plant of Indian Iron and Steel Co. Ltd. also will have to make its own contribution.

While the situation may be managed in the current year with better operating efficiency and a higher level of imports, serious difficulties will be experienced in raising output further through higher efficiency and after overcoming teething troubles of newly installed plant and machinery at Bokaro. On the basis of existing plans, an installed capacity of 10.7 million tonnes of ingots may become available in 1973-74, 12 million tonnes in 1974-75 and 13.1 million tonnes in 1975-76.

It is not possible to anticipate at this stage what the growth in installed capacity will be after 1975-76 as even without unexpected delays in constructing the Visakhapatnam and Vijayanagar steel plants fresh capacity may not be available earlier than 1979-80. It can therefore at best be expected that only the increase in

consumption will be taken care of by rise in level of internal production and imports cannot be displaced significantly with a better use of existing and new capacities. An import bill of over Rs 200 crores annually in respect of steel promises therefore to be a regular feature. Indeed, there will be a compulsion to double these imports in the last three years of the fifth Plan if immediate steps are not taken to implement expansion schemes.

Mr Mohan Kumaramangalam has stated the obvious by pointing out that it is advantageous to implement expansion schemes instead of concentrating attention on the construction of new plants other than those proposed in Andhra Pradesh and Mysore. There is a compulsion to implement the expansion schemes of Bokaro and Bhilai because of the heavy expenditure already incurred on the creation of many facilities. The availability of the capacity of four million tonnes at Bhilai has been already taken into account.

However if the expansion of capacity of Bokaro to 5.5 million tonnes of ingots in three stages is taken into account, the whole work should be completed in a five-year period. There will still be a gap of seven million tonnes of ingots which can be filled only if there is a doubling of the capacity of Tata Iron and Steel Co. Ltd to four million tonnes and of that of Indian Iron and Steel Co. Ltd to two million tonnes. There will also have to be a doubling of the capacity of the Durgapur and Rourkela units to yield another 3.5 million tonnes. At present only the first stage expansion of the Asansol plant is under consideration.

It will therefore be clear that the requirements of the fifth Plan can be ensured only if the capacities of all the major units in the public and private sectors are increased on an emergency basis and the construction of steel plants also is taken up at regular intervals. A decision in regard to the location of new units in Orissa and Madhya Pradesh may have to be taken up after two or three years as perspective planning would compel advance action in regard to the creation of new capacity by entirely new units early in the fifth Plan in order to ensure continuity of production on a growing basis in the sixth Plan.

It will also have to be examined how the construction period of expansion and new schemes on hand can be shortened by laying emphasis on import substitution in respect of steel making machinery on a pragmatic basis. Since heavy expenditure will have to be borne on imports of steel all the time, there is considerable force in the argument of the Mysore government for speeding up the implementation of new

schemes with the use of imported machinery where it is clear that through such a procedure it would be possible to shorten the period of construction and displace its imports of steel significantly. Major

decisions have therefore to be taken without delay and on the basis of scientific estimates a suitable pattern of production should be evolved for more than doubling capacity in the fifth Plan period.

Jute under pressure

SOON AFTER signing the tripartite agreement between employers in the jute industry, the central trade unions, and the government of West Bengal on May 7, at Calcutta, Mr Siddhartha Shanker Ray, the Chief Minister, said that the government had not let down the workers or the industry and that they wanted it to survive and flourish. The next few months would reveal to what extent the new wage burden, amounting to Rs 20 crores per year, would affect the competitive capacity of the jute industry. Two days prior to the signing of the agreement, the Indian Jute Mills Association issued a statement, pointing out that an increase in the wage bill by as much as 25 per cent at one stroke would cause "an irreparable long-term damage to the industry's export prospects by crippling its competitive strength vis-a-vis synthetics and the Bangladesh jute industry". The Association expressed the hope that the government and the workers would weigh all aspects of the wage question and would not blunder into placing on the industry a permanent cost burden, misled by a single year's profits which were purely temporary and adventitious.

But the industry's arguments did not seem to make any impression on the trade union leaders or on the government. They had already made up their mind that the jute industry must be compelled to pay substantially higher wages, irrespective of its present financial position and future prospects. And, frankly, the industry had no other option but to yield. Mr Siddhartha Shanker Ray revealed that on the morning of May 7, he telephoned a solicitor and asked him to persuade his clients—the jute magnates—to agree to the payment of a basic minimum wage of Rs 235 per month; and he thanked the solicitor (whom he did not name) for his part in the negotiations. By making this disclosure Mr Ray perhaps wanted to tell the public that the credit for this agreement should go to him also and not merely to his Labour Minister and the labour leaders!

The jute industry has been highly labour-intensive, the labour cost being about 26 per cent compared to five to

ten per cent in engineering. In the last three years, the costs of production have sharply increased on account of stores, electricity, raw jute, and the payment of higher wages, dearness allowance and bonus. In 1971 the dearness allowance was increased on two occasions, once by Rs 12 and again by Rs 4.80 per month. But when a decline in the cost of living index called for a reduction in the dearness allowance by Rs 9.20 per month in the middle of 1971, the industry agreed, at the request of the union Labour Minister, not to cut the DA. Now with the powerful backing of government, the industry has been compelled to increase its annual wage bill by Rs 20 crores from the present level of Rs 90 crores.

The agreement, indeed, represents a big triumph for the workers. The Indian Jute Mills Association has explained that the average monthly wage in the industry will now be about Rs 275 per worker. But with the payment of gratuity at four per cent, bonus at seven per cent, contribution to the provident fund at eight per cent and other fringe benefits, the cost per worker to the company will go up by another Rs 80 a month, making a total of Rs 355. Some workers will now have to pay income-tax. It is estimated that the average cost of converting raw jute into fabric will increase by about Rs 170 a tonne. The Indian Jute Mills Association has expressed the hope that the workers will exert themselves to increase production to the rated capacity of every machine. How far will this hope be realised? A similar sentiment was expressed in August 1969 when the jute industry conceded an increase of Rs nine crores in the wages after a prolonged strike. But in April 1971 at the annual meeting of the IJMA, the president complained that since January 1970 while the cost of conversion of raw jute into jute goods had increased by Rs 173 per tonne, in the same period labour productivity had declined by 10 to 15 per cent due to a steady fall in efficiency. In April this year, the IJMA bemoaned the continued decline in productivity and referred to the "intense inter-union rivalries leading to various acts of indiscipline and a large number of general strikes". In this background, it remains to be seen to what extent the workers will respond by improving efficiency and discipline.

The jute industry has been saddled with fresh and heavy burdens at a time when

the competition from Bangladesh has been resumed and the threat from synthetics has been intensified. It is true that our total jute exports in 1971 increased to a little over 732,000 tonnes from 549,000 tonnes in the preceding year. But it is worth recalling that between 1963 and 1967, our annual exports averaged about 850,000 tonnes which was 16.1 per cent more than that was exported in the last year. It is also pertinent to remember that between 1968 and 1971, the share of jute in the total primary backings in the USA declined from 81 per cent to 63 per cent while the share in the secondary backings fell from 71 per cent to 66 per cent. Already, non-jute backings account for about 35 per cent of the market. The government, industry and workers therefore can no longer afford to ignore these realities.

One of the immediate tasks before the government should be to provide the jute mills with electricity adequately and without interruption. For more than two years now, the industry has been plagued by frequent and drastic cuts in power supply, resulting in huge loss of production, estimated at 20,000 tonnes valued at Rs seven crores in 1971. In the current year also, the industry continues to suffer from prolonged load sheddings. If the West Bengal government cannot provide power to all industries, it should at least exempt the jute industry from the cuts in view of its unique role in the country's economy and export trade. Apart from power, attention has to be given to other urgent problems like the provision of sufficient bank credit, finance for expediting the schemes of modernisation and availability of raw jute at economic prices.

The government of West Bengal and Mr Siddhartha Shanker Ray in particular may feel gratified at the fact that soon after coming into power, they have been able to win the goodwill and gratitude of the workers in the jute industry. It will be hardly surprising if workers in other industries also start asking and agitating for higher wages. (The workers in the jute mills situated in Andhra Pradesh, Bihar, Uttar Pradesh and Madhya Pradesh have already demanded the extension of the Calcutta agreement to them). In the negotiations between the jute mills and the trade unions, the industry's capacity to pay did not seem to figure at all. In the last few years, most industries in West Bengal especially in the engineering group have been passing through a critical phase due to the scarcity of raw materials and bank credit and other causes. About 300 units still remain closed while many are in the sick category. In this background, will not an indiscriminate increase in wages serious-

ly affect industrial growth of West Bengal? The per capita annual earnings of persons employed in factories and earning less than Rs 400 per month in West Bengal were Rs 2245 in 1968 compared to Rs 1180 in 1958, an increase of ninety per cent in ten years. Few will grudge the payment of higher wages and amenities to workers so long as the industries concerned are in a position to bear the financial bur-

HEC : A sorry tale

THE 18TH report of the Committee on Public Undertakings (CPU) relating to the affairs of Heavy Engineering Corporation Ltd (HEC) makes sad reading. It shows that large sums of public funds have been unnecessarily wasted because of bad—nay, callous—management.

On March 31, 1971, the paid-up capital of HEC was Rs 100 crores and loans to the extent of Rs 61.22 crores had been contracted. Against the total capital of the order of Rs 161 crores the losses incurred by the end of 1970-71 had risen to Rs 73 crores which were nearly three and a half times more than what had been expected by HEC and the Ministry of Steel and Mines. The process of incurring losses has, however, not ended. A forecast prepared by the management of HEC indicates that further losses of the order of Rs 23.5 crores are likely to be incurred during 1971-72 and 1972-73. If past estimates are any guide in this regard, it is safe to presume that the volume of actual losses would be much higher. It follows that by the end of the current financial year, the whole of the paid-up capital of this public sector undertaking would be completely wiped out. On top of that there does not seem to be any possibility of reaching a breakeven point at an early date. The Ministry of Steel and Mines has estimated that income and expenditure of HEC might balance in 1974-75.

Many are the causes which have brought HEC to its present pitiable condition. The most important in the opinion of the CPU is the absence of an organizational set-up. Also, no firm market surveys were undertaken in order to determine possible trends in demand. Consequently, even now HEC has not received any firm orders on long-term basis with the result that production plans on an assured and rational bases cannot be chalked out.

The HEC exhibited undue haste in taking on the manufacturing operations without acquiring worthwhile machinery for costing its operations. In a majority of cases, its cost of production exceeded the

den involved. But if it is the stand of the West Bengal government (as reported to have been stated by its Labour Minister, Dr Gopal Das Nag) that the minimum wage in the organised sector should be the same, irrespective of the nature of the industry or the capacity to pay, it is doubtful if the economic revival of West Bengal can gather any momentum in the near future.

sale price making the accumulation of losses inevitable. The CPU has pointed out that "low productivity, high cost of materials and wage rise without commensurate rise in productivity" are some of the reasons which resulted in inflated costs. This state of affairs had continued year after year because the corporation had not followed any proved costing system. It had not prepared any accounting manual and had no detailed cost estimates before undertaking a job. Moreover, no job analysis had been undertaken to fix the "norms for labour requirement". No wonder that HEC landed itself in a financial mess.

It seems that the HEC project was conceived by absent-minded bureaucrats in the Ministry of Steel and Mines; that is why it took the corporation and the steel ministry about ten years "to finalise the capital estimates of the various projects of HEC." Amazingly the estimates for township of HEC and "common charges have not as yet been finalised. The CPU is, therefore, justified in expressing resentment at this inept handling of the affairs of a public sector undertaking costing the exchequer crores of rupees. The committee has rightly stated that, "it is unfair to the Parliament and to the country to make them commit to a project on a piecemeal basis from year to year without giving a true and realistic picture of the final cost of the project". A similar warning was given by the Estimates Committee in 1963-64 in its 51st report when it emphasised that "total commitments on such projects should be prepared as realistically as possible in the beginning and should be available to government and Parliament before a project is approved so that there is proper and effective control on the finances of the company". The manner in which HEC has been run clearly shows that this public sector undertaking and the Ministry of Steel and Mines have scant respect for the opinion of the parliamentary committees.

The cost of construction of the project increased mostly due to delays in its erection and commissioning. The gestation period proved to be unusually long. On top of that, HEC continued to revise its built-up capacity from year to year because the project report had not given any indi-

cation in this regard. The CPU has now suggested that "the project reports for plants to be set up in future should indicate the gradual build-up of the capacity from year to year." It is high time that the corporation makes up its mind about the eventual sizes of its various divisions. If it continues to be indeterminate in its approach to this question even after 13 years of its inception, then the prospects of its ever becoming a viable unit are remote.

The most scandalous element in the working of HEC is the extremely low capacity which has been used so far. Only 10 to 25 per cent of the capacity of the plant has so far been utilised. Organizational failures necessitated the "off-loading" of some orders for heavy structurals, castings and forgings to ancillary industries and sub-contractors. In other words, the mismanagement of the affairs of HEC has gone to such pathetic limits that the corporation finds it difficult to execute even the limited volume of orders received by it. The HEC is also responsible for holding up the progress of the Bokaro Steel Plant as it was not able to meet in full the orders for equipment and machinery required for it. Even the recommendations of technical experts to improve the working of the Foundry Forge Plant have not, according to the CPU, brought about any worthwhile improvement in working.

A peculiar feature of the working of HEC has been its amateurish handling of the manpower problem. In some vital sections, there is dearth of workers while in others—especially at the headquarters—there is a glut. The CPU rightly saw little justification for 385 officers and nearly 3,000 supporting staff for the headquarters' organisation while the design section—a key part of the Heavy Machine Building Plant—had only 191 officers as against the sanctioned strength of 555. Again, in the Foundry Forge Project, as many as 653 officers have been employed against the requirement of 545. Also, in the Heavy Machine Building Project, there is an excess of 42 officers. Obviously, there is sufficient room for cutting out dead wood in most of these divisions so as to bring about economy in expenditure.

The absence of co-ordination which has been witnessed in the affairs of HEC is indeed alarming. Sadly the CPU has noted that "spares worth more than two crores of rupees were received much before the receipt of plant and equipment for which the spares were required". The spares were allowed to rust in the stores till the plant and equipment arrived. It meant unnecessary blocking of capital and consequential financial loss. In short, HEC seems to be dogged by a number of deficiencies whose list is long. It is perhaps competing with some others in the public sector to be declared as the worst public sector undertaking!

Foreign aid and economic development

R. L. Pitale

THE IMPORTANCE of foreign aid as a factor in economic development has been increasingly recognised. However, there are extreme differences of views about the role or importance of foreign aid in economic development. Attempts have been made to explore the possibility of economic development without foreign aid such as the Svadeshi Plan enunciated as an alternative course of economic development. At the same time, there are others who advocate free flow of foreign aid to bring about early take-off of the developing economy.

Hence a quantitative analysis, free from any political consideration, is needed to arrive at the proper appreciation of the role of foreign aid in economic development.

The objective of this article is to present such a quantitative analysis with reference to India. Many empirical investigations have been carried out by the economists to find out the effect of foreign aid on economic development. One of the studies points out that "significant increase in per capita income depends largely upon availability of external resources." However, OECD Development Review (1968) states that "there is no significant correlation between GDP growth and official per capita aid receipt." The World Bank Report also testifies that the relationship between foreign exchange availability and economic growth appears to be weaker than between exports and growth.

In the quantitative analysis relating to India, only government to government aid has been taken into account excluding food aid and private business investment. Moreover, the structure of foreign aid is not dealt with, though ultimately the effectiveness of foreign aid in the long run depends upon its structure.

In finding out the relationship between

The author, who is in the Indian Economic Service, desires that it should be clearly understood that the views expressed in this article are his personal views.

foreign aid and economic development, it is not logical to relate foreign aid to national income directly. Foreign aid gets integrated in the growth process of an economy through its effect upon investment. Foreign aid is used in the first instance to import capital goods, raw materials and services. This adds to investment in the economy and through investment it helps in raising national income. Thus it is through investment that foreign aid affects national income.

In arriving at the quantitative analysis some assumptions have been made.

Assumptions

1. $S = I$: Saving equals investment. S =Saving, I =Investment,
2. $I = f(M, R, P_n)$, M =Imports, R =Rate of Interest, P_n =Net Profit.

Investment is the function to imports, rate of interest and net profit. R and P_n are assumed to be constant.

3. $M = f(E, F)$ E =Export, F =Foreign Aid

Import is the function of export earnings and foreign aid.

$$4. Y = f[I(M)]$$

As exports depend on various factors, E is excluded and imports getting into investment financed by foreign aid are taken into account. We can write:

$$5. Y = f[I(F)]$$

6. Foreign exchange rate is given and is constant.

7. Availability of domestic goods is constant.

Quantitative Analysis

In the quantitative analysis presented here, the data relates to the period 1955-56 to 1964-65.

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TABLE I

Net Domestic Product, Net investment and Foreign Aid

(Rs crores)			
Year	Net Domestic Product (1960-61 prices)	Net Investment (1960-61 prices)	Foreign Aid
1955-56	11096	1161	35.31
1956-57	11672	1809	67.12
1957-58	11388	1217	155.07
1958-59	12285	1442	248.68
1959-60	12533	1428	197.20
1960-61	13380	1733	217.32
1961-62	13891	1868	250.60
1962-63	14177	1940	321.58
1963-64	15000	2198	404.91
1964-65	16090	2504	505.50

Sources :

1. Tiwari S.G.: Some Aspects of Economic Growth in India; 1950-51 to 1964-65. Paper read at Bangalore Conference 1968.
2. C.S.O. Capital Formation in India; 1960-61 to 1965-66.
3. C.S.O. Estimates of National Product: 1960-61 to 1967-68.
4. Finance Ministry, Govt. of India; Economic Survey: 1967-68 Table 7.1 P. A65.

In this analysis, one-year time lag has been assumed between investment and national income. It differs between different sectors and within a sector from industry to industry. Therefore, for the sake of simplification, time lag of one year is assumed. Similarly, time lag between foreign aid and investment is also taken as one year.

The results of the quantitative analysis in terms of absolute figures and in terms

of log-linear method of regression are as follows:

1. Absolute figures: (Rs crores)

$$(a) Y = 7793.57 + 3.397 I_{-1} \quad (1.099) \quad r = 0.75 \quad \text{St. T.} = 3.070$$

$$(b) I = 1787.66 + F_{-1} 3.658 \quad (0.99) \quad r = 0.81 \quad \text{St. T.} = 3.695$$

II. Log-linear Method:

$$(a) \log Y = 2.53 + 0.439 \log I_{-1} \quad (0.040) \quad r = 0.978 \quad \text{St. T.} = 1.458$$

$$(b) \log I = 3.035 + 0.163 \log F_{-1} \quad (0.076) \quad r = 0.63 \quad \text{St. T.} = 2.151$$

$$\text{Thus } Y = f(I_{-1}) \dots (1)$$

$$I = f(F_{-1}) \dots (2)$$

Explicit form of the function (1) can be written as:

$$\log Y = \alpha + \beta \log I_{-1} \dots (1a)$$

$$\text{Similarly } \log I = a + b \log (F_{-1}) \dots (3)$$

From these equations, brief explanation of the model can be given as:

Differentiating log Y with respect to

Log I_{-1} we get:

$$\frac{d \log Y}{d \log I_{-1}} = \frac{I_{-1}}{Y} \dots (4)$$

$$\text{or } \frac{dY}{dI_{-1}} = \beta \left(\frac{Y}{I_{-1}} \right) \dots (5)$$

In order to get a trend figure, we can take arithmetic mean of Y and I denoting the same as $\bar{Y}$ and $\bar{I}$ and replace them in place of Y and I_{-1} respectively.

$$\frac{dY}{dI} = \beta \left(\frac{\bar{Y}}{\bar{I}} \right) \dots (6)$$

Similarly

$$\frac{d \log I}{d \log F_{-1}} = \frac{F}{I} \cdot \frac{dI}{dF_{-1}} \dots (7)$$

$$\text{or } \frac{dI}{dF} = \left(b \frac{I}{F} \right) \dots (8)$$

$\bar{F}$ Arithmetic mean of foreign aid received during this period.

Therefore, adding the above two equations (i.e. 6 and 8) we can write:

$$\frac{dY}{dF} = \frac{dY}{dI} \cdot \frac{dI}{dF} = f \dots (9)$$

f = denoting change in Y for a unit change in F.

The results of the quantitative analysis in terms of linear analysis give the coefficient (or elasticity) for investment and foreign aid. Using above equations, we get the following results:

cient (or elasticity) for investment and foreign aid. Using above equations, we get the following results:

$$\frac{dY}{dI} = \beta \left(\frac{Y}{I} \right) = 0.439 \left(\frac{14145.5}{2362.7} \right)$$

$$= 0.439 (6)$$

$$= 2.634$$

$$\frac{dI}{dF} = b \left(\frac{I}{F} \right) = 0.163 \left(\frac{2362.77}{210.88} \right)$$

$$= 0.163 (11.2)$$

$$= 1.82$$

$$\frac{dY}{dF} = \frac{dY}{dI} \cdot \frac{dI}{dF} = f = 2.634 \times 1.82 = 4.795$$

Thus we can say that on an average a unit increase in foreign aid leads via investment to an increase in national income by 4.8 units. Of course, this relationship is based on the assumptions mentioned already.

The foreign aid as percentage of national income on an average during these years was 1.4% $\left(\frac{210.88}{14145.5} = 1.4\% \right)$.

Given this proportion of foreign aid in

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national income, 1.4% of foreign aid will bring about $(1.4 \times 4.8) = 6.72\%$ increase in national income. However, a certain percentage of national income is required for debt repayment and debt-servicing. In India, considering this to be nearly one per cent of the national income, we find that, with foreign aid as 1.4% of the national income, the increase in national income will be 5.72% $(6.72 - 1)$.

The quantitative analysis detailed above has its own limitations but it tries to show that, given the assumptions, foreign aid helps in raising national income. If its proportion in national income is less, its impact on national income is bound to be less significant. In the countries where foreign aid formed a large and substantial proportion of investment and imports, it has affected the national income significantly. Take, for instance, the case of Greece. "In Greece, import surplus (financed by foreign aid) was 24% of GNP, 78% of imports and nearly 100% of investment".³ Thus much depends upon the volume of foreign aid and its proportion in national income, imports and investments.

The above analysis also depends upon the implicit assumption that contribution of the agricultural sector to the national income is constant or that it does not drastically change. In a developing country like India, agricultural sector still contributes a substantial proportion (nearly 40 to 45%) to national income. Thus if due to droughts or floods agricultural sector fails to contribute to national income, the national income will decline in spite of the increase in foreign aid. Hence, the structure of national income and contribution of each sector to it is of great significance and cannot be overlooked in any study of the relationship between foreign aid and its contribution to national income. However, in this analysis it is implicitly assumed that the proportion of contribution of agricultural sector to national income remains constant and hence a normal period free from drought and recession (1955-56 to 1964-65) was chosen.

Thus, foreign aid not only supplements domestic savings but also helps in bridging the trade gap which helps in realising the productive capacity of the economy. In India foreign aid will play an important role because even if a saving-investment gap may not exist, a trade gap will continue because of the increased requirement of maintenance and raw material imports. The recent ECAFE Report on trade gap analysis regarding India, points out that

"the functional* relationship between income and consumption indicates that the potential for mobilising domestic resources is increasing in India with rising net domestic product. . . . At a uniform growth rate India will always start with a deficit in savings to be met by foreign savings, and end up with a non-utilisation of potential domestic resources because of the dominance of trade gap. . . . As income and saving potential grows, it is no longer needed to meet savings gap. . . . The major obstacle to growth is the essen-

*Log $C = 0.19195 + 0.89377 \log X_n$ $r = 0.9957$
C = Consumption.
 X_n = Net domestic product.

tial capital goods and raw materials needed from foreign countries. The situation then calls for increased foreign aid, as also fresh efforts to expand exports and for increased import substitution."⁴

In view of this, foreign aid has a effective role to play in the overall process of economic development and its importance cannot be minimised by emphasising non-economic considerations.

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2. OECD Development Assistance Review.

3. Irma Allemen and Chenery: Foreign Aid and Economic Development. The case study of Greece, Review of Economics & Statistics, Feb. 1966.

4. UN--ECAFE: Feasible Growth Rates and Trade Gap Projections in the ECAFE Region: Developing Programming Technique Service: No. 70.

Towards greater economic independence

S. P. Mandelia

THE YEAR 1971 proved to be a very significant one in the history of our country and in fact, in the annals of democracy in the world. The year proved to be unique, because it saw the principles of human dignity, liberty and democracy more firmly established and courageously upheld in India. What was supposed to be a poor and helpless country of 560 million people, emerged as a strong nation, ready and willing to sacrifice everything for its beliefs and lofty principles. This phenomenon gave a jolt to those nations who had hoped to dictate the "Do's" & "Don't's" to this country on the strength of the economic aid they gave. Their experience had all along shown that economic aid could be used as a very convenient and effective political tool to bring 'erring' poor countries down on their knees. But to their great disappointment, nothing like that happened in the case of India and it is determined to achieve greater economic independence.

The rich nations have grossly underestimated the resilience and the will of the Indian people to make the necessary sacrifices for achieving the goal of economic independence, for we realise that our political freedom is not safe as long as economic independence is not achieved. Only if the militarily powerful nations leave the Indian sub-continent alone and do not foment trouble to grind their own axe, India can peacefully settle down to achieve this task in a few years' time. There is no

doubt left about its capacity to do so but it needs to be left alone with its neighbours to work out a plan of lasting peace and faster economic progress for all.

1971 was the year of destiny for India. Besides the emergence of a strong government at the centre, the military victory over Pakistan and the liberation of Bangladesh, the year 1971 was also marked by our decision to stop the imports of foodgrains. For the first time since independence, the country became self-sufficient in food. This also helped to improve the balance of payments. Unfortunately, the year was also marked by a very great increase in unemployment — over 22 per cent, and a very low rate of growth in the industrial sector — less than 1.5 per cent in the first five months of 1971-72. New capital issues in 1971 were the lowest in the last six years and only 50 per cent of that in 1967. The number of new enterprises floated in 1971 was also very small. The rate of savings was lower last year at 8.6 per cent as against 11.15 per cent in 1965-66. Although the country did well on the export front, imports for development have been rising. The adverse gap in trade balance, which was reduced to Rs 90 crores in 1970-71, has again gone up to Rs 200 crores.

The protectionist attitude of some countries and the enlargement of the EEC are also causing some concern to developing countries such as India. It is in this con-

text that the Prime Minister has called for greater regional co-operation among Asian countries. A time has come when these countries should help each other develop so that their exploitation by the rich countries is brought to an end and a relationship of partners in development is fostered. Imports will also have to be reduced to the bare minimum and exports as well as import substitution will have to be boosted.

But these are stupendous tasks. If India is to play an important role in the sub-continent and in Asia, it will have to tackle these problems fast and effectively. Any delay or indecision can only harm our national interests. Co-operation and help from all the sections of the society will have to be enlisted, if progress in the true sense is to be achieved. The twin tasks of helping Bangladesh rebuild its economy and continuously reducing our own economic dependence on others, must be achieved simultaneously and at the earliest.

Foreign aid is mainly in the form of long-term loans which are to be repaid with substantial interest. Most of this aid is tied and we are obliged to buy our requirements from the creditor country at its own quoted prices, which are invariably higher by 25 to 50 per cent compared to these for purchases against free foreign exchange. Other terms and conditions—like compulsory shipping of more than 50 per cent of the exported goods in

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the creditor country's ships—are also quite pressing for the debtor country.

A study of the inflow of foreign aid during the last four years gives us the picture in the table below :

Since food imports have now been stopped, stoppage of foreign aid would mean a net loss of about Rs 235 crores per year in foreign exchange. It is in this context and the need for additional foreign exchange for strengthening our defence and for rebuilding Bangladesh, that an all round effort is to be made to reduce our dependence on foreign aid.

The shortfall in foreign exchange could be made up partly from the country's foreign exchange reserves, partly from higher exports and partly from reducing imports. Quite a sizeable part of raw material imports goes into the production of luxury or semi-luxury goods. The present pattern of consumption will, therefore, have to change if more savings and investment are to be generated. It has been found that there has been a definite co-relation between an increase in aid and a decline in domestic savings. In fact, foreign aid is being increasingly used for covering the gap in domestic savings.

breaking the circle

The government is now determined to make genuine self-reliance a reality. For this the production pattern would be restructured with the greatest emphasis on essential consumer goods and investment goods, which are necessary for generating employment and for defence. But the country will have to break the circle of low savings, low rate of growth in industrial production, high unemployment and widening trade deficit. The time to attempt a positive and massive thrust to break this circle was never so appropriate as now. The new mood of the nation to go to any extent to ensure greater economic independence and self-reliance for the country's economy should be constructively canalised. There is hardly any

doubt in the minds of the people today that the country can live without foreign aid. Bold statesmanship on the economic plane could definitely bring about results as spectacular as it did on the political plane.

challenging task

The business community will have to be prepared to face and overcome the difficulties which may come in its way as a result of such a bold policy. This would be a small price to pay for the economic independence the country would enjoy in the end. Some dependence on imports may be unavoidable but over-dependence on external aid is degrading and dangerous. It breeds complacency, and saps the will to work hard for cost reduction. Our cost of production is consequently higher and the exports suffer. Besides, dependence on aid for import of raw materials and/or spares also accounts for higher inventories and higher costs. In fact, if India could bid freely in the world market for the goods obtained with this aid, the actual outlay of foreign exchange might only be half of the net external aid. The Prime Minister has, therefore, rightly called upon the nation to make a Silver Jubilee Year of our political emancipation as the year of self-reliance in the economic field.

Positive steps are now being taken to see that industrial production increases at a much faster rate. A growth rate of 10 per cent per year is thought to be quite feasible and within our capacity. Such a tempo would generate more resources for further growth. The recent decision of the government to allow expansion in 54 selected industries is a step in the right direction. The Prime Minister has also asked all the concerned ministers to speed up the growth of the industrial sector by utilising idle capacity in key industries like steel, fertilisers and engineering industries and by creating additional capacities in these and others. It is now realised that the general slack in industry is not due to the unrealistic weights used in the official index, but due to the shortage of raw cotton, declining steel production, capacity constraints in

some industries and demand constraints in some others, and of course, labour unrest. In fact the mid-term appraisal of the fourth Plan admits that "the poor record of overall industrial growth is largely the result of stagnation or even decline in the output of a few major industries, especially textiles, steel and transport equipment". With this realisation and with a more bold and realistic policy, industrial growth will no doubt be hastened. However, the speed of action is extremely important here as time is the essence of the whole process. The legitimate demand for greater social justice must be met without undue delay and for this the process of industrial development must be accelerated. It is a matter of great satisfaction that the Prime Minister is reported to have asked her colleagues in the ministry that "delays and procedural wrangles should not be permitted to affect the country's development".

boosting savings & investment

Besides the twin tasks of import substitution and export promotion, all possible steps must be taken to boost the rate of savings which is at a very low level at present. The Finance Minister has recently said that the low rate of industrial growth was mainly due to low investments. The general level of savings must be raised if our efforts towards economic independence are to succeed. The Finance Minister also admitted that it was difficult to inject buoyancy in the private sector unless public investments surged forward. By way of generating more resources the country will have to tap those sources of revenue which have remained untapped so far. Besides, industrial units in the public sector will have to yield more returns by increasing managerial efficiency and reducing costs. The question of cost reduction is extremely important if we wish to compete successfully in world markets.

It is feared that some steps taken by the government towards liberalisation of industrial policy may not make such impact on the industrial scene. The most crucial question which must be asked in this context is whether a given measure would really push up investment and result in larger output at the fastest possible speed. The present policy of fragmentation of capacities in various industries, therefore, needs to be closely re-examined. Similarly investments in research and development (R & D) must be encouraged for making them more attractive to the private sector. Only with increased R & D and development of indigenous techniques with high labour content, can we hope to

achieve self-reliance and increased employment.

The real test of self-reliance is not only import substitution but rising exports of those finished products and raw materials which we have been importing so far. The reduction of cost and promotion of greater managerial efficiency, therefore, become two extremely important tasks.

It is now being realised that although foreign aid has enabled us to undertake various projects and programmes, it unfortunately also bred a tendency to depend upon foreign technology for everything and thus created a sense of complacency in the Indian farmers as well as entrepreneurs. India would have become more self-reliant

and definitely more self-respecting, had foreign aid not been so eagerly sought. It is true that at the time of a very critical food supply position in the country, food imports under foreign aid programmes helped us to tide over the difficulty. But it also remains a fact that scarcity arose in the first place only because we had neglected our agriculture and agricultural pricing policy. If we had taken care of these, we would not have been forced to import foodgrains.

However, the nation has now awakened to a new sense of self-respect and self-reliance and is willing to make the necessary sacrifice. This does not mean discarding all foreign aid. We shall accept aid from friendly countries, aid without strings and after ensuring that it would not

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be used as a political leverage. But the true strength to face great challenges can come only from our resilience and willingness to change our strategies of economic growth in general and export promotion in particular, to suit the new national requirements. Changes are called for in industrial development policy, research and development promotion measures and export strategy to cultivate new markets, for both traditional and non-traditional products.

Furtherance of the goals of social justice are not incompatible with a pragmatic policy of faster industrial growth. But the correct mix must be found soon. At this juncture of our national economy, we can hardly afford to lose another day.

Ceiling on land holding

M. L. Singh

THE PROGRAMME of imposing a ceiling on land a family or a person can hold and the distribution of the excess land among the landless and small landholders is acclaimed as the most appropriate fiscal measure for reducing intra-farm income inequality and attaining the long cherished goal of social justice. The programme figured in the election manifesto of ruling Congress party in the last parliamentary and recent assembly elections and received wide support. In the past, the ceiling measure gave rise to more serious debate than any other measure, as it was concerned with the question of right of private property. The programme was never taken in right earnest because of the stiff opposition from the big farmers who commanded rural votes. The government never wanted to incur the displeasure of this class and ceiling acts were made deliberately evasive to suit their convenience. The delaying and avoiding tactics were followed to allow them enough time to make the transfer of their lands in the names of their kith and kin. After the passing of the 25th Amendment to the Constitution, which makes it free from legal complications and the formation of favourable ministries in the states for which the central government was anxiously waiting, the decks have now been cleared for the speediest and smooth implementation.

The ceiling programme has been justified from the point of social justice as well as growth. The rural income is more unevenly distributed, as it is evident from the data on income distribution

and personal consumption expenditure. Thus, weighted average income per capita per day in 1960-61 turned out to be 35 paise for 87 per cent of rural population, while it stood at 233 paise for the rest of the population¹. Similarly, while 42 per cent of rural population, with their per capita monthly expenditure of Rs 15 at 1960-61 prices, lived in abject poverty and were not able to meet consumption at minimum caloric requirement, 6.4 per cent of rural population had a per capita monthly expenditure of more than Rs 43.²

Inequality is simply a matter not of income but of the means of production. The genesis of the rural income inequality lies in the uneven distribution of land which is the main source generating rural income. While 73.76 per cent of rural households having their operational holdings below five acres account for 19.82 per cent of total cultivable land, 4.46 per cent of them with holdings above 20 acres account for 35.35 per cent of the cultivable area.³ It is this great inequality of land ownership which year after year has created the gap between the rich and the poor. It lies at the root of the rural inequality and political power, as the rural society develops on the ground of feudal society. It has created the differential capacity of the big and the small farmers to make investment and benefit from the new farm practices. While the big farmers because of their greater resource base and access to the institutional facilities have reaped greater fruits of the HYV programme, the small farmers have

lagged behind due to the lack of the necessary resources. This has all the more accentuated the rural income inequality in the recent years. The income of the big farmers has increased considerably because of their disproportionately larger share in the total marketable surplus of agriculture and rising terms of trade for agriculture in recent years.⁴ The big farmers have accumulated more and more investible surplus and in turn have been able to adopt more HYV programme. On the other hand, the resource constraints have prevented the small farmers from taking advantage of the new farm technology. The production on the small farms is not enough to meet farm family consumption, which means that majority of the small farmers are indebted⁵ and a considerable part of their income every year goes to the repayment of loans.

The small farmers also lose to the big farmers in two ways. Firstly, majority of the small farmers are the net buyers of foodgrains and as the prices of foodgrains are rising, the earnings of these farmers pass to the big farmers who have large marketable surplus. Secondly, as the small farmers are indebted, in case of their inability to repay the loans, they sell their lands. In Punjab it has been seen that big farmers with 100-150 acres of land increased the size of their farms by 40 per cent between 1960-61 and 1967-68. Most of the addition took place through purchase.⁶

The welfare of the agricultural labourers has remained static in spite of the

Inflow of foreign aid

Item	(Rs crores)			
	1967-68	1968-69	1969-70	1970-71
I. Gross aid (excluding food aid)	866	717	711	670
II. Total debt servicing	333	375	412	435
III. Net aid inflow (exclusive of food aid)	533	342	299	235

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rise in agricultural production. The wage rate for the labouring class in most states has remained constant and the share of the wage in agricultural produce has declined.⁷ The reduction of income inequality has been one of the basic objectives of the Plans, but inequality has got accentuated and more and more benefits of development has accrued to a small number of the rich class. Thus P. Bardhan⁸ estimates that between 1960-61 and 1967-68, the percentage of rural population below poverty line increased from 37 to 73. It is now strongly believed that so long the means of production i.e. land is not properly distributed, it is difficult to achieve social justice in rural areas by any other fiscal discipline. Thus, there is a justification for the ceiling measure from the point of view of social justice.

justification of programme

But can we justify this programme from the point of view of growth also? Below are some arguments on the basis of the farm management studies:

- (1) The productivity per acre is greater on the small than on the large farms.
- (2) The employment per acre is a decreasing function of the size of farm.
- (3) The intensity of cropping decreases as the size of farm increases.
- (4) The proportion of area irrigated and the investment per acre is greater on the small than on the large farms.

One is, therefore, apt to conclude that the ceiling measure is desirable from the growth point of view, as it will lead to a more intensification of land, create more production and labour employment and solve the problem of rural unemployment. These points, however, need not overlook certain facts which are concealed in the farm management studies and are very useful in judging the relative efficiency of the small and large farms. The efficiency of the farm can be judged on the basis of the following criteria.

(a) Output per unit area (O/A), (b) Employment per acre (E/A), (c) Output per unit labour applied (O/L) and (d) Output per unit of input used (O/I).

From the points of view of O/A and E/A ratios, the small farms, no doubt, can be called more efficient, but this refers to the static efficiency on the basis of given resource allocation. From the point of view of dynamic efficiency and future growth rate of output, the O/I and O/L ratios must be taken into account. The O/A and E/A ratios are greater on the small farms, because these farms use more

farm resources per acre including family labour—a paid out factor—and carry production upto the point where the marginal productivity of paid out resources is less than acquisition cost of factor or even zero. Such a situation can be justified in a backward agrarian economy, on the assumption of zero opportunity earning of the farm fixed factors. Some economists justify the static efficiency of the small farms on this assumption. They take into account only the cash expenses on the farms and exclude the value of the paid out factors. In their opinion, the quantum of outturn is vital in an over-populated country where the resources may not have their opportunity costs. Thus, A. K. Sen⁹ justified small farms on the ground that gross output is greater that way. It is, however, an error to assume zero opportunity cost of the fixed factors including labour. The family farm labour may not have private cost, but it involves cost from the point of view of the society. The family labour has its own cost of consumption, so that the opportunity cost of this factor is the cost of consumption. The return of this factor must equal at least this cost.

incurring loss

But, if we take all the inputs which go in production, family labour evaluated at the ruling wage rate, the majority of the small farms will be found to incur loss. The surplus on these farms turns out to be negative. On the other hand, profit per acre on the large farms is positive and it increases with increase in the size of farm. The O/I and O/L ratios on these farms are greater. Table I shows that small farms do not produce sufficient to meet their family consumption requirement. This signifies that the return per family labour has been forced lower than the acquisition cost of family labour. Small farms apply excess of family labour in the quest for maximisation of production which is possible if marginal productivity of labour is zero or less than the acquisition cost. Productivity per unit labour applied is much less on small than on the large farms. The farm management studies of UP show that the return per day of family labour on the farms of less than five acres turned out to be lower than the wage rates for casual and permanent farm labourers.

The existence of a phenomenon of marginal productivity less than the ruling wage rate is a form of disguised unemployment and the lack of gainful employment opportunity for farm labour. The ceiling measure will provide such employment of labour. The real solution of rural un-

employment must lie in the provision of employment of labour at marginal productivity not less than the acquisition cost or the ruling wage rate.

The efficiency of a farm should be judged not by the possession of the farm resources but by their efficient utilisation. The small farms are not viable units to give a better utilisation of available resources, particularly of the fixed factors, such as family labour, bullock power and the capital assets, which are the major constituents of the farm inputs in a traditional agriculture. There exists a considerable degree of under-utilisation of these resources on small farms. Large farms, on the other hand, have the economies of scale and give a better utilisation of their fixed factors. There is a significant reduction in bullock and labour charge per acre on these farms. Thus the farm management studies of West Bengal¹⁰ reveal that an acre of cultivated land is looked after by 2.21 earners on the smaller farms as against 0.21 earners on larger farms. This signifies an excess dependence of family labour and under-utilisation of this factor on the small farms. According to the farm management studies of UP, the number of draught cattle per acre farms of less than 2.5 acres was 0.75 as against 0.18 on the farms above 25 acres. A pair of bullock commanded 2.8 acres on smaller farms as against 11.8 acres on larger farms. This shows the under-utilisation of bullock labour and higher cost per acre of bullock on the small farms. According to the same source, the cost per working day of bullock labour turned out to be Rs 6.51 on smaller farms as against Rs 2.61

TABLE I

Farm Business Income and Family Consumption by Size of Holding

Size (acres)	Farm business income	Family consumption	Surplus or deficit
Below 5	365	654	-289
5-10	868	960	-92
10-15	1111	1080	+31
15-20	1684	1364	+320
20-above	3290	1974	+1316

Source: Studies in Economics of Farm Management in UP, Combined Report for the Years 1954-57, Directorate of Economics and Statistics, Government of India, 1963.

on larger farms. Table II shows that bullock charge is the single most important factor for the much higher cost on small farms and large farms have lower cost because of the economies of scale.

Thus the scope for fuller utilisation of fixed resources is greater only when the farm is fairly large.

An argument often advanced in favour of small farms is that investment per acre is relatively much greater on these farms. Thus the farm management studies of UP show that fixed investment (other than land) per acre on small farms was twice the investment per acre on large farms. But this is a misleading argument. The per acre investment on bullock on small farms is twice as high and investment per acre on farm building is thrice as high as on large farms. This difference is mainly on account of the economies of scale. A greater investment per acre on these items do not help raise productivity on small farms. If anything, it represents the greater under-utilisation and wastage of resources on these farms.

Large farms make investments more on the key inputs, such as tubewells, pumpsets, improved implements, fertiliser and HYV seeds which have greater potential to raise agricultural productivity than the traditional inputs. Investment on these items raise the O/I ratio and lowers cost on the large farms. Small farms, on the other hand, make investment mostly on the traditional inputs whose marginal productivities have been reduced so low that farmers have little capacity and incentive to invest. It is under the new technology that the importance of key inputs has very much increased, but even in the pre-HYV period to which most of the farm management studies are related, it was found that big farmers spent more than small farmers

on the key inputs. Thus according to the farm management studies of West Bengal, although investment per acre on improved implements was poor in whole of the area under study, small farms used less costly implements and were not capable of increasing farm efficiency.¹² Similarly, the farm management studies of UP conclude that small farms were poorly equipped with modern implements, so that the desired level of efficiency could hardly be reached on these farms.¹³

A study¹⁴ in the context of HYV shows that 70 per cent of small farms invested on the traditional inputs like construction and repair of wells, livestock and farm building. On the other hand, big farms spent 67 per cent of their investment amount on the acquisition of modern implements. The livestock happened to be the most important and improved implements the least important item of investment on small farms, although investment per acre on these farms turned to be relatively greater. By investing more on modern inputs, large farms have been able to generate more income and investible surplus. On the other hand, small farmers are forced into the vicious circle of poverty, indebtedness and generate negative surplus. Thus, according to NCAER,¹⁵ 62.62 per cent of the rural households in the lower income groups had negative saving in the mid-sixties. The statistics collected by a team of economists in collaboration with the Economics and Statistical Department of the Haryana government¹⁶ reveal that in a progressive state like Haryana, 27.8 per cent of the cultivating households who had their holdings of less than five acres were constantly under debt and their annual deficit was Rs 669. Another 29.1 per cent of the cultivating households with their holdings between 5 and 10 acres had annual deficit of Rs 485. On the other hand, big farmers with their holdings above 30 acres had large annual savings

TABLE II

Distribution of Cost Per Acre on Input Factors—Survey Sample 1955-57.

Inputs	(Amount in Rs)					
	Below 5	5-10	10-15	15-20	20 & above	Average
Total inputs	175.3	216.4	194.3	190.1	155.4	201.6
Bullock labour	140.0	96.3	81.7	80.4	62.9	88.7
Unkeep of implements	20.0	13.4	11.8	10.4	8.5	12.3
Human labour	55.3	51.8	48.1	48.6	41.4	48.7

Source: Op. cit., p. 70

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to make investment. A study by Francine Frankel¹⁷ shows that small farmers are handicapped in respect of essential factors and that they have no necessary resources to invest in indivisible inputs for profitable adoption of new technology. An overwhelming majority of the cultivators having uneconomic holdings of two to three acres have been able to increase per acre yield from application of small doses of fertilisers, but aggregate gains in production have been insufficient to create capital surplus for investment. Only a small percentage of cultivating households above 10 acres have been able to mobilise surplus capital for investment. Farmers with 20 acres and more have made the greatest investment by mechanising farm operations to take up double or multiple cropping.

As the small farmers are deficit producers, the marginal propensity to invest on small farms must naturally be lower than that on the large farms. The average cash expenditure per acre of HYV paddy is Rs 390 as against Rs 52 only of ordinary paddy.¹⁸ Even if the HYV technology has been adopted on small farms, the per acre cash expenditure on these farms has been much less than that on the large farms.¹⁹ Moreover, the percentage of self-financed cash expenditure varies from 10 on the farms below 2.5 acres to 92 on the farms above 25 acres.²⁰ This shows that small farmers cannot take up HYV, unless they are provided with a large amount of credit.

For the adoption of HYV technology, the provision of assured irrigation is essential. But the percentage of assured irrigated area to total area is relatively much less on the small than on the large farms. The small farms rely more on well irrigation, whereas large farms get irrigation more from tubewells. A study is Nainital shows that small farms did not have assured irrigation, whereas large farms has assured irrigation through tubewells and pumping sets.²¹ Tubewells irrigation is 1/3 less costlier than well irrigation,²² besides it provides assured irrigational facilities. The cost of irrigation through bullock driven buckets is so high that growing HYV is not profitable.²³

Thus, it is obvious that ceiling on land holding will depress the rate of investment by redistributing land from those who have better capacity to invest to those who lack necessary resources. The measure will be detrimental, unless small farmers are provided with large credit.

Those who justify small farms base their argument on the farm management stu-

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dies which say that productivity per acre is relatively greater on these farms. We must, however, note that most of the farm management studies relate to the old technology under which small farms give higher return per acre by making greater use of the traditional inputs, such as human labour and bullock power. Under the new farm technology, the importance of these inputs as output-raising factors has very much dwindled. More outturn is now obtained by greater use of the key inputs, such as HYV seeds, fertiliser, tubewell irrigation, improved implements etc. which have much greater yield-raising potential than the traditional inputs. Since large farms use more of these inputs, they have been able to give higher outturn per acre in spite of less inputs per acre than the small farms.

Several studies reveal that the percentage of area under HYV is relatively much greater on large than on small farms. Thus, in Nainital district, the proportion of area under HYV paddy was 50 per cent on the large farms as against 28 per cent on the small farms.²⁴ A study in two blocks of Saran district (Bihar)²⁵ shows that the participation in the HYV programme was 26 per cent among the farmers in the lowest size group as against 60 per cent among the farmers in the highest size group. The adoption of the recommended level of technology was the lowest among the small farmers. Only 32 per cent of farmers with their holdings less than five acres used recommended doses of fertiliser as against 100 per cent on large farms. Working in the six villages in Raipur, an IADP district from 1964-65 to 1968-69, it was found that the rate of participation in HYV increased from 15 per cent to 43 per cent on small farms, from 33 per cent to 87 per cent on medium sized farms but from 33 per cent to 96 per cent on large farms.²⁶

yield differential

The Programme Evaluation Organisation (PEO) and the Agro Economic Research Centre (AERC) data confirm that there is a positive relationship between the proportion of the area under HYV programme and the size of the farm. In 17 out of 20 studies by AERC, the relationship between the percentage of area under HYV and the farm size was found to be significant.²⁷ Such a trend has reversed the yield differential between small and large farms from what the farm management studies report and the percentage of area under HYV was much higher on larger farms.

A study by P.K. Bhanja²⁸ shows that

gross output per acre of HYV paddy varied from 47 maunds on the larger farms to 23 maunds on smaller farms in Nainital district. Data collected by A.S. Kahlon of Ludhiana University²⁹ show that there is a positive relationship between the productivity per acre and the size of the farm, but negative relationship between cost per acre and per unit produce and the size of the farm. The production per acre of wheat varied from 20 quintals on small farms to 27 quintals on large farms. On the other hand, the cost per quintal wheat production turned out to be Rs 79 on small farms as against Rs 53 on large farms.

conflict of objectives

The analysis presented so far shows that there is a sound justification for the ceiling programme from the point of view of social justice. But there may be conflict between the objectives of growth and social justice. While we have reached the point in the country that we cannot now deny or delay social justice, the measures have to be taken to guard off the economic ills of the measure. The ceiling measure should not lead to creation of more un-economic holdings, as it will nullify the major impetus for technological advance and reduce capital accumulation and development. In the existing ceiling legislation, there is no provision for the floor or the minimum size of holding which can give efficient utilisation of resources, create productive employment, invest on modern inputs and raise production.

An alternative can be the management of the distributable surplus land through the co-operative organisation, by pooling of members' resources. This system of farming can mobilise more resources, invest on modern inputs and adopt modern practices. It will help achieve growth with social justice. The programme of co-operative management of surplus land obtained after ceiling was very much emphasised in the second five-year Plan but subsequently the emphasis subdued and with the success of HYV programme and the government seems to have dropped its involvement in the co-operative farming. If the co-operative system does not succeed, then second best alternative can be the provision of liberal credit to the beneficiaries of the ceiling measure. The custom service facilities can be provided through the village institutions like co-operative societies and panchayats, so that small and petty farmers who have no resources can take advantage of the modern practices and costlier equipments.

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FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi, Saturday.

THE LOK Sabha this week completed the second stage of the consideration of the central budget for the current financial year by adopting the budget demands of all the union ministries and departments. The demands for grants of as many as seven ministries or departments—(1) the Ministry of Foreign Trade, (2) the Ministry of Works and Housing, (3) the Ministry of Shipping and Transport, (4) the Department of Company Affairs, (5) the Ministry of Tourism and Civil Aviation (6) the Ministry of Health and Family Planning, and (7) the Ministry of Petroleum and Chemicals—were passed, after brief to detailed debates. The demands of those ministries or departments including the Ministry of Planning, the Ministry of Finance and the Departments of Atomic Energy, Electronics, Parliamentary Affairs and Supply, which could not be discussed for lack of time were adopted otherwise, as the guillotine on the second stage of consideration of the budget was applied yesterday evening. The third and final stage of budget discussion starts next week when the Finance Bill will be deliberated upon. The Rajya Sabha, which re-assembled after a short recess on Monday, February 8, discussed, among other things, the affairs of the Ministry of Industrial Development.

lack of growth

During the debate on the demands for grants of the Ministry of Foreign Trade, considerable concern was expressed over the lack of adequate growth in export earnings. Some members made anxious inquiries about the fixing of minimum price for raw jute. The leftist members of the House pleaded for more and more canalisation of exports and imports.

In his reply to the debate, the Minister for Foreign Trade, Mr L.N. Mishra, disclosed that the government had decided in principle to canalise the exports of textiles through public sector agencies. He regretted that the industry had not been able to meet export obligations in the case of a number of countries, particularly the United Kingdom and the EEC countries. Another significant announcement made by Mr Mishra was that the government would not hesitate to make it statutorily

obligatory on the part of textile mills to buy cotton from the public sector Cotton Corporation, if they did not voluntarily do so. In view of the increase in cotton output this year, which had resulted in a sharp fall in the cotton prices a few weeks ago, the government, Mr Mishra disclosed, was considering relaxation of credit curbs as well as abolition of the limits for the holding of cotton stocks by mills. Efforts would be made to step up the exports of surplus short staple cotton.

Referring to raw jute, the Minister assured the House that the question of fixing a minimum price for this commodity was being considered by the government. Mr Mishra stated that the India-Nepal Trade Treaty was working to the full satisfaction of both the countries. Efforts, he added, were being made to conclude trade pacts with a number of African countries. There was ample scope of the development in trade with Latin America, he opined.

trade deficit

Mr Mishra admitted that during the last financial year, our trade deficit had widened to Rs 249 crores. He estimated that the deficit in the current year also might be of the same order. The primary reason for this expansion in the trade deficit, he pointed out, was the larger imports of essential raw materials. A keen watch, Mr Mishra declared was being kept on export performance so that expeditious remedial steps could be taken whenever necessary in the interest of stepping up exports.

During the debate on the budgetary demands of the Ministry of Works and Housing, the Minister of State in this Ministry, Mr I.K. Gujral, shared the widespread concern among members over the growing shortage of houses in the country, both in the urban and rural areas. He, however, lay the blame for this unsatisfactory state of affairs on state governments. The most important announcement made by the Minister related to the provision of houses to government employees who would be retiring soon. He informed the House that a scheme was being drawn up under which a government employee could own a house as he

reached superannuation. Though the full details of the plan were not given out by Mr Gujral, he indicated that the employees would have to make some contribution while in service. Houses would be built for them by the development authorities. Banks and the Housing and Urban Development Corporation would be asked to lend some financial help. To begin with, 570 houses were proposed to be constructed under this programme in Delhi during the current year.

housing for Harijans

Mr Gujral also stated that the government was going ahead with the scheme to provide housing sites to Harijans and other backward sections of society in the rural areas. About urban housing, he opined that the problem could be solved only through drawing up a national urban land policy. He favoured socialisation of all urban lands. This, he felt, would enable the government to regulate housing activities in towns as well as assist in raising resources. As an example, he cited of the Delhi Development Authority which starting with a capital of Rs 5 crores had now built up a revolving fund of nearly Rs 90 crores. Nearly 43 per cent of the government employees, he said, had been provided official accommodation. The government, he added, would build 8,000 units, costing Rs 6 crores, during the current Plan for housing its employees.

During the discussion on the demands for grants of the Ministry of Shipping and Transport, while various members criticised the inadequate development of port facilities and the likely shortfall in the attainment of the fourth Plan shipping tonnage target, the Minister incharge of this Ministry, Mr Raj Bahadur, revealed that the traffic handled by the major ports of the country last year was an all-time record. The Shipping Corporation of India, he revealed, had last year made a profit of Rs 7.25 crores. He described Calcutta as a sick port which is losing nearly Rs 6 crores per annum. The deterioration of this port, which at one time was the biggest in terms of cargo handled, he opined, was because of two main factors: (1) the completion or near-completion of the steel plants in eastern India for

which equipment used to be imported through Calcutta; and (ii) labour trouble not only in the Calcutta docks but also in most parts of eastern India.

Mr Raj Bahadur assured the members from Orissa that neither he nor his Ministry was allergic towards the development of Paradeep port. This port, he said, was being developed to handle four million tonnes cargo annually, as against 2.5 million tonnes at present. He, however, pointed out that the development claims of other ports where traffic was increasing very rapidly, could not be ignored. The laying of the railway line between Cuttack and Paradeep, he added, was progressing satisfactorily. The Haldia dock system, the Minister hoped, would be completed by the end of next year.

benefits from Farraka

The benefits from the Farraka barrage, Mr Raj Bahadur said, would begin to accrue very soon as this barrage had already been substantially completed. Besides yielding other benefits, this barrage would minimise the silting of Calcutta port. Talking about the development of roads and highways, the Minister expressed the hope that 8,700 engineers would be employed in road-building alone.

The main highlight of the debate on the budgetary demands of the Department of Company Affairs was the plea of several members, belonging to both the opposition as well as the treasury benches, for the continuance of efforts to end concentration of economic power in the hands of a few industrial houses. Some members, however, expressed the view that this department was delaying the clearance of applications for industrial licences. A CPI member called for the nationalisation of audit.

In his reply to this debate, the Minister for Company Affairs, Mr K. V. Raghunatha Reddy, disclosed that the government had decided to keep a close watch on the working of large industrial houses; the officials of his department would inspect the affairs of the top 20 industrial houses at least once a year to ensure that no malpractices were committed by them. He further revealed that a few more business houses, which had amassed assets totalling over Rs 35 crores, would soon be included in the list of dominant undertakings. His department, Mr Reddy added, was contemplating several amendments to the Companies and the MRTP Acts to make the law dealing with private undertakings more effective. Legislation was also proposed to stop take-over of foreign-owned companies by big Indian industrialists. The Minister assured the House that the government was keen on

rooting out monopolies, but at the same time it did not want to do anything which might inhibit industrial growth. Therefore, a proper balance between the need to keep up the growth rate and to curb monopolies had to be struck.

Two important announcements were made by the Minister of Tourism and Civil Aviation, Dr Karan Singh, while winding up the debate on the demands for grants of his Ministry. The first was that the government had decided to set up a National Tourism Board to draw up a massive plan for developing tourism. The second related to the employees of the Indian Airlines Corporation and Air-India. The Minister announced that the government would soon review the entire wage structure in the civil aviation industry.

Dr Karan Singh appeared to be particularly worried about the labour trouble in Indian Airlines. This, along with the difficult time through which the IA passed last year because of high fuel costs, insurance against hijacking, drop in tourists traffic, etc., he pointed out, had led to this corporation incurring a sizeable loss. Air-India, on the other hand, received kudos from the Minister for its efficient functioning. Though this airline also had incurred a loss last year and might not show any profit this year, also, its losses, Dr Karan Singh opined, were due to factors beyond its control. These included the fall in tourist traffic as a result of the Bangladesh crisis and the underutilisation of the vastly expanded capacity of the airline through the purchase of jumbo jets. He, however, justified the purchase of four jumbo jets by Air-India on the ground that the airline had to compete with other international air corporations.

development of tourism

Dr Karan Singh revealed that the government proposed to make large investments on the development of tourism during the fifth Plan. By 1980, he hoped, we would be having one million international tourists visiting the country which would help in earning foreign exchange to the extent of Rs 200 crores annually. Currently, about 300,000 tourists, out of the nearly one crore who went round the world every year, came to India. He and his colleague, Dr Sarojini Maheshi, dwelt at some length on the steps which were being taken by the government to attract tourists. An ambitious plan, they pointed out, had been drawn up to augment hotel facilities in the country.

During the debate on the budgetary demands of this Ministry, a good deal of concern was expressed by members over

the deterioration in the working of the two airlines. Members also showed keen interest in the development of tourism in the country.

The lack of adequate medical facilities in the rural areas came in for sharp criticism during the debate on the demands for grants to the Ministry of Health and Family Planning. Several members also assailed the government for the failure to provide drinking water in all villages. The problem of water and air pollution as well as that of adulteration of food and drugs too figured prominently in this discussion. Complaints were voiced about many primary health centres not being manned by doctors.

pilot projects

In his reply to this debate, the Minister of State for Health and Family Planning, Mr D. P. Chattopadhyaya, shared the concern of members over the above problems, but pleaded that paucity of resources was a great constraint on tackling them fully. He announced that the government proposed to launch 29 pilot projects in different states through which efforts would be made to meet the health requirements by indigenous medicine systems. The practitioners of these systems of medicine would be given three to four months' intensive training to enable them to treat common ailments in villages and to identify complicated cases. If these pilot projects proved successful, the scheme would be introduced in the entire country in about four years at a cost of about Rs 180 crores.

The Minister countered the charge that a substantial number of primary health centres did not have doctors or were not manned by competent personnel. Out of the 5,131 such centres at present, he pointed out, only 179 were without doctors and the percentage was progressively going down. With a view to imparting mobility to medical graduates, the union government, Mr Chattopadhyaya observed, was keen on the creation of an all-India medical service. Only three or four states, he said, were not in favour of this proposal. He appealed to members to put pressure on these states so that they could also come round to the union government's view.

Referring to the problem of drinking water in rural areas, the Minister pointed out that the solution of this problem fully required nearly Rs 5,000 crores. This was apparently beyond the governmental means at present. He, however, stressed that the government was fully alive to the situation and was steadily raising the outlays on drinking water schemes.

Earlier, while completing his reply to

the discussion on the demands for grants of the Ministry of Petroleum and Chemicals, the Minister for Law and Petroleum and Chemicals, Mr H.R. Gokhale, declared that the foreign exchange allocation for crude imports by foreign oil companies operating in this country would not be increased. Efforts were being made to locate alternative sources of crude oil. To meet the growing demand for petroleum products in the country, the public sector refining capacity was being expanded. Mr Gokhale was non-committal on the question of the nationalisation of the foreign oil companies. Quoting the Prime Minister, Mrs Indira Gandhi, he said that the government was neither averse nor in favour of nationalisation; it took a pragmatic view of the issue whenever it came up. Referring to the repatriation of profits by oil companies, he stressed that the Reserve Bank of India had to submit to the ministry for its approval all proposals regarding remittance of profits abroad. The Minister rejected the suggestions that the Ministry of Petroleum and Chemicals was not cooperating with the Tekru Commission. At the request of the Commission, his Ministry, he said, had provided the assistance of two advisers. It can never be the intention of the government to scuttle the conduct of the inquiry referred to the Commission in a fair and just manner, declared Mr Gokhale. The government, he revealed, would endeavour to increase the share of Indian enterprises in the pharmaceutical industry.

highlights of debate

Among the important economic discussions held in the Rajya Sabha was the debate on the affairs of the Ministry of Industrial Development. The highlights of this debate were the widespread concern over the growing unemployment in the country, the tardy pace of development of backward areas, and continued shortages of most consumer items and persistent rise in their prices. A good deal of criticism was voiced over the lack of coordination between the various economic ministries. Some leftist members expressed the view that the Ministry of Industrial Development was not doing enough to curb monopolistic tendencies in the economy. Several others, however, opined that through its licensing procedure, the Ministry was retarding the industrial growth of the country and was also creating a new privileged class.

The Minister's reply to this discussion was more or less on the same lines as his address to the Lower House while winding up the debate on the budgetary demands of this Ministry. Mr Moinul Haque Chaudhury stoutly refuted the allegation that he had diluted the policy on mono-

poly houses and foreign collaborations. He emphasised that the larger industrial houses and foreign companies had been allowed to participate only in the core sector and that too on their merit alone. The interests of the small investors were being fully safeguarded. In fact, the government, he revealed, had decided to bring forward legislation to protect small-scale and ancillary industries through a package of measures. The measures would be based on the recommendations of a committee studying the subject. The minister reiterated that in case the licences issued were not utilised according to the schedules stipulated in them, they would be revoked.

land ceilings

The agricultural land ceilings issue figured prominently during the question hour in the Upper House. While Young Turks accused the government of diluting the Congress Party's promise in the election manifesto of imposing a ceiling of 10 to 18 acres on the holding of all lands for which irrigational facilities were available for producing two crops in an agricultural year, the Minister for Agriculture, Mr Fakhruddin Ali Ahmed, and his colleague, Mr A. P. Shinde, stoutly refuted the allegation. They pointed out that the Central Land Reforms Committee at its recent meeting had cleared the union government of all blame of distorting its recommendation. The CLRC, they said, had reiterated that the interpretation of union government of its (CLRC's) recommendation that the 10 to 18 acre ceiling was applicable only to lands for which irrigational facilities for growing two crops were available from government sources only was correct. The two ministries, however, revealed that in view of the controversy over the issue, the CLRC and the union Ministry of Agriculture had decided to refer the entire matter to the state chief ministers.

Replying to a discussion on the affairs of the Indian Council for Agricultural Research, which have come in sharp focus as a result of the suicide of a young scientist a few days ago, Mr Fakhruddin Ali Ahmed announced that a committee of scientists was being appointed to review the recruitment rules and promotion procedures of ICAR. He rejected the demand for the constitution of a parliamentary committee to inquire into the issue. He as well declined to associate members of Parliament with the proposed committee of scientists.

The Prime Minister, Mrs Indira Gandhi, told the Rajya Sabha during the question hour that a group of union ministers, which was considering the question of the diffusion of newspaper ownership, would

shortly submit its recommendations. The group consisted of Mr Mohan Kumaramangalam, Mr H. R. Gokhale, Mr Raj Bahadur, Mr Uma Shanker Dikshit, Mr K.V. Raghunatha Reddy and Mrs Nandini Sathpathi.

The Minister of State for Home Affairs, Mr K. C. Pant, informed the Upper House that the reactor of the second atomic power station in Rajasthan was expected to go critical towards the end of June. The Kalapakkam nuclear power station would go critical shortly thereafter.

A good deal of concern was expressed in both the houses over the escalation of war in South Vietnam. The naval blockade of North Vietnamese ports announced by the US President, Mr Nixon, and the air strikes at the China-North Vietnam rail link, it was felt, had grave international implications. The Minister for External Affairs, Mr Swaran Singh, informed the Rajya Sabha that India was in touch in regard to the Vietnam situation with many countries, including the USSR and the UK which were the co-chairmen of the 1954 Geneva Convention under which the International Control Commission for Vietnam, of which India is the chairman, was set up. Describing it as "very dangerous, very explosive", he called for extreme care and restraint in handling the Vietnam situation.

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Agriculture in German Democratic Republic

Dr K. J. Michalski

DURING THE past 26 years successful development of agriculture has taken place in the German Democratic Republic (GDR) which was engaged in socialist conversion of the agricultural conditions. We have now an efficient agricultural economy with 13 per cent of the total economically active labour employed in it. We have the most modern means of production. The application of the latest scientific knowledge ensures a high standard of living for the rural population. It provides a high degree of self-sufficiency in our country as regards foodstuffs and agricultural raw materials.

The socialist system of agriculture has ensured rapid increase in agricultural production, in transition to production me-

gradual transition to industrial-scale production methods.

By systematic mechanization it was possible to perform all heavy field operations such as ploughing, harrowing, sowing, fertiliser distribution, spraying etc. almost completely with tractors and modern implements.

A high degree of mechanization has been attained also in cattle rearing, notably in relation to milking and manure and dung removal as well as in fodder and storage economy. At present over 80 per cent of all cows are milked by machine. The erection of modern, automated large-scale installations for cattle industry is under way. Milk cattle yards for 2,000 cows,

education of the village children has been raised to that of the towns.

The process of agricultural development may be divided into four main phases:

1. The phase of the democratic land reform (autumn 1945).

2. The period of consolidation of the results of land reform and of the construction of a state sector of agriculture (1946-1952).

3. The period of co-operative-socialist conversion of present agriculture (1952-1960).

4. The period of transition of industrial-scale production methods on the basis of development of horizontal and vertical co-operation between the socialist farms and the processing industry (present phase).

The democratic land reform was accomplished within a few months. The land reform laws were decreed in the five "laender" of East Germany and all big estates with over 100 hectares were expropriated, and land was distributed to workmen, petty farmers and refugees. In this manner, 7,000 big estates with an area of 3.3 million hectares were expropriated within four months. The major part of this land (2.2 million hectares) was handed over in lots of five to eight hectares each to a total of 210,000 farm workers and refugee families. Further 120,000 families of petty farmers got additional land in order to make their farms viable. The remaining area (1.1 million hectares) was made available for the state farms, state-owned forestry enterprises and for gardens.

It was the task of the land reform commissions:

- to find out who has to be expropriated according to law.
- to inform the big land-owners of the expropriation.
- to confiscate land and make an inventory of the expropriated land.
- to examine candidates for allotment of land.
- to distribute land and equipment to new farmers.
- to help the new farmers in production and to promote co-operative work.

The second phase of the development

young cattle breeding plants for 5,000 animals, bull fattening plants with 14,000 places and poultry production plants with capacities of up to one million pieces are being erected.

After having received in the first few years considerable means of promotion and credits, the co-operative farms soon reached a state of stable profitability expressed by continuous rise in income of the co-operative farmers and by high rates of accumulation. While in 1964, 9.3 per cent of the total net income was accumulated with the coop. farm, i.e. added to the investment funds, this percentage rose to 19.5 per cent in 1965, 27.4 per cent in 1967 and 30.0 per cent in 1968.

At present over 80 per cent of all children in the rural districts attend a polytechnical secondary school. The previous backwardness of the rural school system has been overcome and the standard of

WINDOW ON THE WORLD

thods on industrial scale, in increasing its profitability and in raising the standard of education and living of the rural population.

Agricultural production has grown continuously and constantly as a result of the co-operative socialist conversion of agriculture ensuring a high per capita consumption and almost elimination of imports in this field.

The high level of consumption and the high percentage of domestic supplies—which is very rare for a densely populated industrial country—give proof that the peasantry enjoys very favourable production conditions and has a prosperous future ahead.

The formation of co-operative farms, moreover, has created favourable structural conditions for systematic mechanization of agricultural production and the

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of agriculture in the GDR (1946-1952) was distinguished by the systematic consolidation of the results of land reform, by the inauguration of a new democratic agrarian policy and by the erection of a state sector of agriculture. In this period no co-operative farms had come into being. The increase in agricultural production was achieved by state promotion of the individual enterprises of the "land reform" farmers and of all other working peasants.

Important measures of this period were:

—The foundation of the VdGB (Farmers' Mutual Aid Association) as a political mass organization of the working peasants and its subsequent unification with the co-operative movement. A strong farmers' union was created having at the same time a widespread network of co-op. societies of multi-purpose character at its disposal, which effectively supported the farmers in increasing production.

—In the framework of this programme the authorities succeeded in four to five years to provide sufficient houses, stables and barns for the farmers who had been given land under the land reform laws.

—The inauguration of a new agricultural credit policy and giving the working peasants in sufficient measure production credits for intensification of their enterprises through state or co-operative channels.

—The establishment of a state trading organization (VEAB) and the enlargement of the commercial activities of the co-operative societies with simultaneous introduction of fixed prices for agricultural products and inputs.

—The delivery of fertilizers, implements and machinery, of seeds, breeding stock etc. were increased every year and partly supported by government subsidies.

—Establishment of a network of 540 agricultural machine hiring stations owned by the state which helped the farmers to do the heavy field work (ploughing, mowing, threshing, transportation etc.).

—The establishment of 500 state farms (6-7 per cent of the total farmland), where seeds, breeding stock etc. for the peasants sector was produced and the training of apprentices was concentrated.

The third stage took place in a period of eight years (1952-1960). It was the result of a broad movement of the peasants, which began with the democratic land reform and was broadly developed by the erection of the state-owned machinery hiring stations, the nationally-owned

TABLE I
Number and Size of Agricultural Enterprises in the GDR in 1970

Type of enterprise	Number of enterprises	% of arable land*	average size per enterprise (ha)	Total number of workers/members per-enterprise	Average number of workers/members per enterprise
State farm	511	7.3	886	72,627	142
Co-op. farm total thereof	9009	85.8	—	890,521	—
Co-op. farm (type I+II)	3485	13.8	248	158,882	46
Co-op. farm (type III)	5524	72.0	819	731,639	132
Horticult. co-op.	346	0.3	60	24,572	71

*The remaining area is under the management of other socialist enterprises, private gardens etc.

Note: Tables I-VII have been compiled from the "Statistische Jahrbucher" of GDR published by the Staatliche Zentralverwaltung für Statistik."

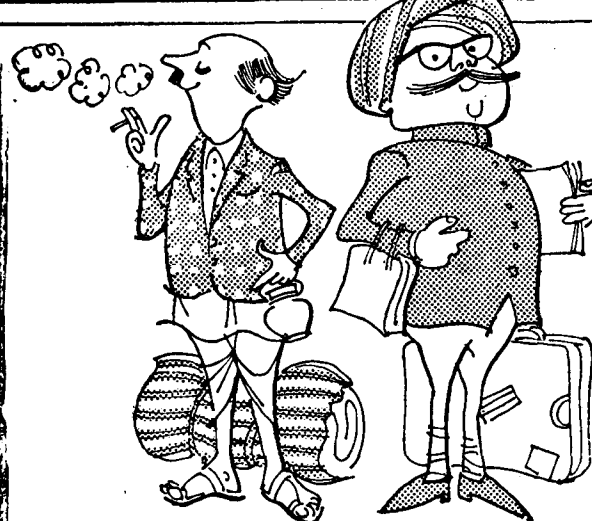
TABLE II
Development of Agricultural Production during and after the Co-operative Reorganization of Agriculture in the GDR (1952-1970)

	1952	1960	1967	1970	increase (%) 1970/1952
% of arable land † belonging to socialist enterprises	6.7	90.4	92.6	92.7*	—
Yields					
cereals 100 Kg/ha	24.8	27.5	31.8	28.2	14
oilseeds 100 Kg/ha	10.2	14.4	22.5	17.9	76
potatoes 100 Kg/ha	168.0	192.4	205.0	195.7	16
sugar beets 100 Kg/ha	293.0	287.6	332.6	320.1	9
milk per cow (Kg)	23.3	2761	3159	3314	44
milk total†† production (1000 t)	2690.5	4878.3	6203.3	6492.3	41
meat total†† production (in tonnes)	787.0	1062.5	1481.8	1559.8	98
eggs total†† production (in million)	314.3**	2176.3	2976.9	3504.8	1115
Number of Livestock					
cattle total number (1000)	3936.4	4675.3	5018.5	5190.2	32
pigs total number (1000)	9099.9	8316.1	9253.9	9683.6	6

†including pastures and meadows.

††production for the market only.

*The remaining area is under the management of other socialist enterprises, private gardens etc. **1950



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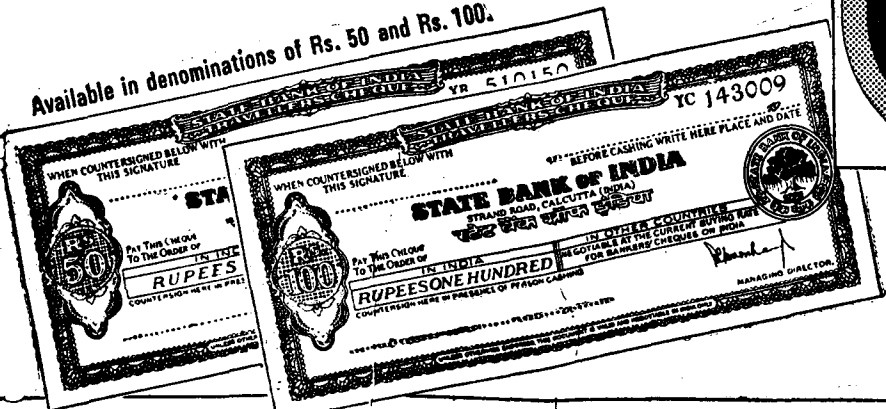
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farms, the VdgB as well as by intensive propaganda and persuasion activities among the farmers performed by all social and state organizations.

As a result of land reform of the many-sided measures of state promotion the wealth of a majority of the single farmer had grown fast. The medium size farmer had become the chief figure in the village. In view of the private-economic character of these farms the intended maximum increase of agricultural production would have resulted in a development of the medium farmers into big farmers with capitalist management. Urgent political reasons spoke in favour of the formation of co-operative farms. While before the establishment of co-operative farms there existed 788,500 single farms with an average size of 10.8 hectares, by the end of 1960 a total of 19,313 co-operative farms had been formed comprising all farmers of the GDR (961,539 members). Of these co-operative farms 12,908 (having 380,096 members) were of the types I and II, while 6,353 of them (having 581,443) members were of the type III.

farmer education

For the education of leading staff (co-operative farm chairman, production, managers, agronomists, engineers, economists) two special institutes of university character were established and the capacities of the other faculties of agricultural science were substantially enlarged. The number of university graduates for agriculture increased from 1,306 (1960) to 7,438 (1970)

The training of a sufficient number of middle personnel which is of the highest importance for the success of co-operative production was ensured by rapid broadening of technical college education and by the training of masters (diploma). The number of graduates from agricultural colleges rose from 5,768 (1960) to 28,313 (1970) while the number of "masters" increased in the same period from 10,412 to 47,135.

The unskilled workers are being superseded by skilled labour (specialists)— a process that had taken place in industry already many decades ago. Without having acquired basic knowledge in biology, in physics, electrical engineering, in mathematics and chemistry, without practical, technical knowledge, the co operative farmer cannot satisfy the requirements of modern mechanized co-operative production. In the GDR, therefore, the training of apprentices (2½ years) in modern apprentice boarding schools of the state farms and of co-operative farms was developed on

TABLE III
Per Capita Consumption and Domestic Supply of Animal Products in the GDR

Per capita consumption	1955	1960	1967	1969
meat and meat products (Kg)	45.0	55.0	61.4	65.0
milk (litres)	90.7	94.5	96.5	100.5
butter (Kg)	9.5	13.5	13.7	14.1
eggs and egg products	116	197	216	226
% of Domestic Supply*				
meat and meat products	89	89	93	94
milk	—	100	100	100
butter	91	81	93	88
eggs and egg products	90	98	98	100

*total consumption minus imports

TABLE IV
Machines in GDR Agriculture

	1960	1965	1969
tractors	70,566	124,259	145,838
arable land per tractor (ha)	90	48	40
combine harvesters	6,409	15,409	18,301
grain area per combine (ha)	360	143	123
potato harvester combines	6,386	6,843	10,023
potato area per combine (ha)	114	96	55
beet harvester combines	3,665	4,742	5,697
sugar beet area per combine (ha)	65	47	34

TABLE V
Mechanization of Harvesting Operations in GDR Agriculture (%)

	1958	1960	1966	1970
cereals harvested by combine	18.4	37.9	81.0	98.9
potatoes harvested by combine	6.8	24.6	41.4	76.7
sugar beets harvested by combine	18.6	46.1	84.0	91.4

TABLE VI
Rate of Accumulation in the Co-op. Farms of the GDR

	1964	1965	1966	1967	1970
accumulation M/ha	92	237	245	374	400 to 450
rate of accumulation*	9.3	19.5	19.8	27.4	30.0

* % of net income used for investments

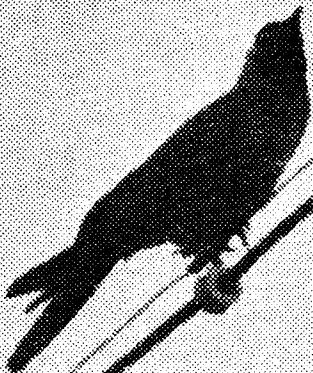
TABLE VII
Technical Training/Education of Coop. Farmers in the GDR

Standard of education/training	1960	1967	1970
university	1,306	4,407	7,438
college	5,768	19,852	28,313
diploma	10,412	29,349	47,135
skilled workers	22,356	216,666	427,923

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REGISTERED OFFICE : MAFATLAL HOUSE, BACKBAY RECLAMATION, BOMBAY-20, BR.

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The Company was incorporated on 25th January, 1892 with the object of carrying on the business of Spinning, Weaving, Manufacturing or Dealing in cotton or other fibrous substances and the preparation of dyeing, or colouring of any of the said substances and the sale of Yarn. Cloth or other manufactured fibrous products. The Company amended in 1965 the objects clause of its Memorandum of Association enabling it *inter alia* to carry on the business of the manufacturers of and dealers in Chemicals, Chemical compounds (organic and inorganic) in all forms and chemical products of any nature and kind whatsoever, and all by-products and joint products thereof, and other objects as set out in the Memorandum of Association.

The Company has obtained Licence No. L/19(1) (2) CH.II/SE dated 25th May, 1971 from the Government of India, under the Industries (Development and Regulation) Act, 1951 for substantial expansion in production of its existing Caustic Soda Plant to the extent of 17,330 Tonnes of Caustic Soda, 15,012 Tonnes of Chlorine and 5,000 Tonnes of Hydrochloric Acid respectively. Capital goods Import Licence No. P/C/2062637 dated 5-7-1971 for import of Plant, Machinery and Mercury has been issued to the Company, of the value of Rs. 111.49 lacs.

The Company has renovation and replacement programmes in its three Textile Units. The existing Looms, Ring Frames, Boilers and other various Machineries are being replaced and/or being acquired. Some of the buildings in the Textile Units are being renovated. A Welfare Centre for the employees of the Company is being constructed at Prabhadevi Road, Bombay.

Proceeds of the issue will be utilised for the substantial expansion of Caustic Soda Plant and renovation and replacement of machineries and buildings in the Textile Units.

LOCATION OF INDUSTRIES :

The Company has three Textile Units at—
(1) New Prabhadevi Road, Bombay-25,
(2) Tokersi Jivraj Road, Sewree, Bombay-15,
(3) Dewas, Madhya Pradesh and

Chemicals Factory at Thana-Belapur Road, Thana for manufacture of Caustic Soda/Chlorine, Hydrochloric Acid, Caustic Potash, Potassium Carbonate and Ethyl Chloride. The work pertaining to the substantial expansion of the Chemicals Factory at Thana-Belapur Road, Thana is going fast apace.

SHARE CAPITAL :

Authorised		Rs.
4,00,000	Equity Shares of Rs. 100/- each	4,00,00,000
6,000	Cumulative Redeemable 1st Preference Shares of Rs. 100/- each	6,00,000
6,000	Cumulative Redeemable 2nd Preference Shares of Rs. 100/- each	6,00,000
88,000	Unclassified Shares of Rs. 100/- each	88,00,000
TOTAL		Rs. 5,00,00,000
Issued & Subscribed Capital		
3,99,960	Equity Shares of Rs. 100/- each	3,99,96,000
6,000	Cumulative Redeemable 1st Preference Shares of Rs. 100/- each	6,00,000
6,000	Cumulative Redeemable 2nd Preference Shares of Rs. 100/- each	6,00,000
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Ghia Mansion, Carmichael Road, Bombay-26.

Industrialist—Director :—New India Industries Ltd., Mercury Paints & Varnishes Ltd., Indian Organic Chemicals Ltd., Shri Ambica Mills, Tata Mills Ltd., Investment Corporation of India Ltd. and other Companies.

SHRI KESHUB MAHINDRA

St. Helens' Court, Pedder Road, Bombay-26.

Industrialist—Director :—Mahindra & Mahindra Ltd., Turner Hoare & Co. Ltd., Otis Elevator Co. Ltd., Tata Iron & Steel Co. Ltd., Machinery Manufacturers Corporation Ltd., Western India Match Co. Ltd., and other Companies.

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3-A, Woodlands Apartments, 67, Pedder Road, Bombay-26.

Industrialist—Director :—The Phaltan Sugar Works Ltd., Bank of Maharashtra Ltd., Maharashtra State Financial Corporation, Kirloskar Electric Co. Ltd., Associated Cement Companies Ltd., Hindustan Sugar Mills Ltd., Lakshmi-Vishnu Textile Mills Ltd., and other Companies.

DR RUSTOM CAVASJEE COOPER

D-4, Palacimo, Silver Oaks Estate, B. Desai Road, Bombay-26.

Professional—Director :—Coorla Spg. & Wvg. Co. Ltd., Shree Ram Mills Ltd., Bayer (India) Ltd., Lakshmi-Vishnu Textile Mills Ltd., Cellulose Products of India Ltd., The Phaltan Sugar Works Ltd., Amar Dye-Chem Ltd. and other Companies.

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22. Jamnadas Khusaldas & Co., Stock Exchange Bldg., Dalal Street, Bombay-1.
23. Bharat Bhushan & Co., H-45, Connaught Place, New Delhi-1.
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6. Messrs. Dhirajlal Maganlal Sons, Stock Exchange Building, Apollo Street, Bombay-1.

7. Messrs. Batlivala & Karani, Union Bank Building, Dalal Street, Bombay-1.
8. Messrs. Lewis & Jones, Bank of Baroda Bldg., Apollo Street, Bombay-1.
9. Messrs. Navalchand T. Shah & Co., Union Bank Building, Dalal Street, Bombay-1.
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15. Jamnadas Morarji & Co., 5A, Hamam Street, Bombay-1.

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2. Kantilal Chandulal & Co., Manek Chowk, Ahmedabad.
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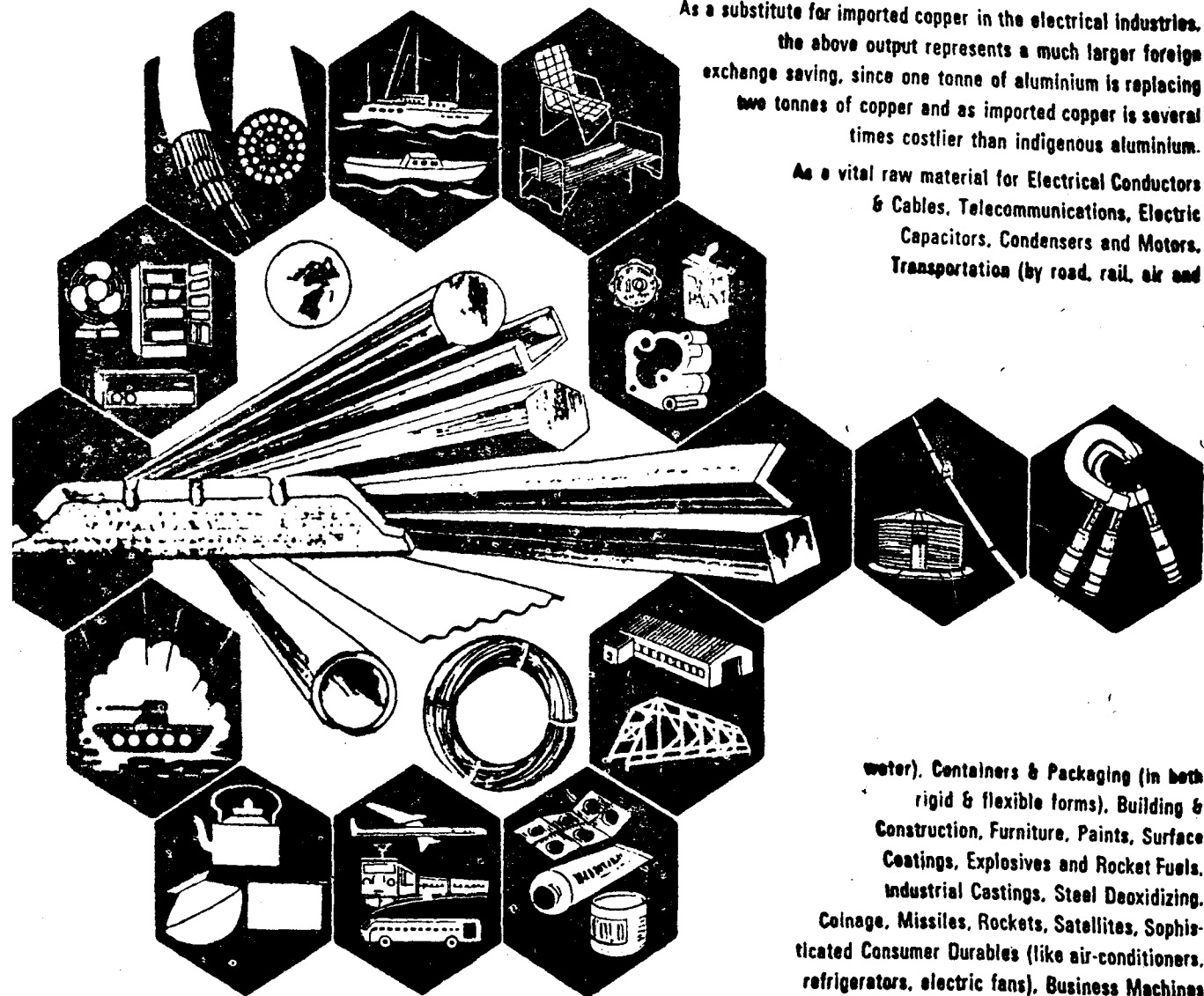
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a broad basis while at the same time adult farmers and farm workers were comprehensively trained as "skilled labour". In this manner the number of specialists (skilled labour) rose from 22,356 (in 1960) to 427,923 (in 1970). Now more than 60 per cent of all co-operative farmers of the GDR have had technical training.

The fourth stage of the development of agricultural economy is characterized by the development of comprehensive co-operation between the socialist farming enterprises and the plants of the foodstuffs industry as well as by the switching to industrial-scale production methods in agriculture.

Despite their relatively large size and economic strength, single co-operative farms are no longer able now to erect, by their own strength, modern large-scale plants (cattle rearing, land improvement), to buy big machinery complexes and to use them rationally, to perform the specialization of production that is possible and necessary today, and to ensure optimum

working and living conditions for their members.

The development of large-scale co-operative relationships between the enterprises of agriculture and the foodstuffs industry is, therefore, a necessary process that is caused by the growth of the agricultural productive forces and the necessity of progressive concentration and specialization of agricultural production resulting therefrom.

When co-operative unions of several farm enterprises with plants of the processing industry and of trade companies are formed, a long-time production and delivery agreement is concluded on contract basis for definite products (e.g. animals for slaughter, milk, potatoes, vegetables etc.). On the basis of such contracts the participating agricultural enterprises carry out their specialization, and make use of their production means on a co-operative basis. The chief problems are:

—The elaboration of rational economic

relationships within the co-operative unions and associations.

—Further development of the now existing production means and of the present technologies aiming at higher yields at a minimum of cost (e.g. maximum possible elimination of manual labour also with beets, potatoes, vegetables and in cattle rearing) in order to intensify the industrial character of agricultural production.

—Further raising of the level of qualification of the workers in agriculture and propagation of the latest scientific knowledge by a broad system of adult education

—Improvement of the working and living conditions of the rural population with the aim of gradually overcoming the still existing differences in this respect between the towns and villages.

—Perfection of economic collaboration of the farming enterprises and the processing industry with the aid of raising the level of quality of the products offered

Awaiting enlarged market

E. B. Brook

Vienna

LIKE MANY about to enter on a new association and face a fresh set of circumstances the countries of western Europe and across the Atlantic are becoming more individually defensive as west Europe's wider union within the Common Market draws nearer. Old methods are being given a new examination, old liberties scrutinised to make sure they are not letting in unthought of dangers: The General Agreement on Tariffs and Trade (GATT) is to be overhauled, EFTA reformed as a smaller body and the Market itself will undertake a thorough machinery overhaul when the political heads of the states forming it meet in Paris next October.

The next few months will show how wide the expansion of the Market will be. Britain has been taken into the Market with parliamentary techniques bordering on roller-coasting and no one doubts that many British people are uneasy and anxious about the whole business. There is no referendum for them; of the three states currently consulting public opinion directly the Irish Republic is the only one almost certain to vote affirmatively. For once, and briefly, no one will love the Irish more than the British government. But Norway and Denmark are much less certain to be affirmative but, even so, no one really doubts that the Ten and not an Eight will come into being at the opening of next year. But if either Norway or

Denmark should vote negatively in their referendums the diminished EFTA will be very pleased to continue their membership.

One factor making for nervousness about the new circumstances is the opportunity it will give for further big-business mergers. Across the Atlantic, Canada is introducing plans to tighten controls over business take-overs: benefit to Canada will be the sole criterion by which Ottawa will judge all proposed outside capital initiative. While the main target of this new Canadian policy is United States' big business, which now holds 80 per cent of all foreign holdings in Canada, there is a wary eye also for the British and the French.

Elsewhere, in Europe, legislation is being put through to avoid excessive foreign influence in industrial capital, in banking and banking policy and in movement of capital. Austria has recently imposed a low limit for conversion of foreign money into schillings — about £400 a time—a move aimed primarily at influence from the USA and Federal Germany. The Swiss have also shown nervousness in refusing to agree to alter at all materially their banking methods.

While Brussels, with expressed support from London, Bonn and The Hague and more covert support from Rome, appears

to keep its end up against the claims of Paris to be the political, as distinct from the administrative, capital of the enlarged Market, some other doubts are being voiced.

No one has ever thought much about the European Parliament at Strasbourg —although this headquarters is in France, de Gaulle studiously ignored it and Pompidou shows little interest in the fact that the Market's parliament meets in his Republic. The European Parliament has, so far, little influence but this circumstance is likely to change once four countries with strong parliamentary traditions and sharing a concept of parliamentary democracy join the Market. But the technique of electing the European Parliament's members indirectly—they are elected by the national parliaments of Market member states — is unlikely to satisfy for very long the British, Danish or Norwegians. They will also face the problem of deputing such of their own members who are willing to be abroad, away from their home parliaments and away from their constituencies for a long time: such men may not be numerous and may not be the best material the national parliaments could send.

The Treaty of Rome envisages "a uniform method of direct election" of national representatives to the European Parliament at Strasbourg but this, also,

according to the Treaty, is not to be instituted unless and until there is a unanimous vote of the Market's Council of Ministers and, even so, such a vote can only make recommendations.

One device to provide reasonably good national representation at the European Parliament without weakening representation and expression of opinion in the home parliaments is to give national MPs elected to Strasbourg the right to vote by proxy at home during their absence. Proxy votes in any parliament are not a popular idea and do not recommend themselves to either political or constitutional circles. But this and one or two other new constitutional devices are being considered and discussed in the present and potential Common Market countries. If the enlarged Market is to prove a success acceptable to the nations composing it as well as their governments, better representative manpower will have to be sent to the European Parliament and Strasbourg will have to move up several notches not only in international regard but in public awareness. Almost everybody in Europe knows about Brussels but few are aware of, fewer care about, what goes on in Strasbourg.

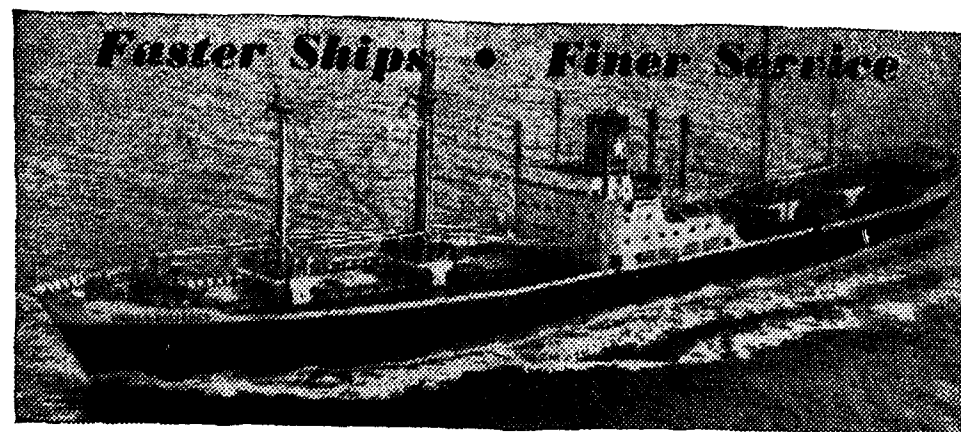
The crucial date of the Market's enlarge-

ment is now less than eight months ahead: allowing for the summer holidays there are not more than five working months left to get details worked out sufficiently to ensure that the huge enlarged machine takes over smoothly. There will probably be delays in some sectors, especially over international trade. The Americans are unlikely to be ready to begin the essential round of world trade talks before 1974, a year or more after the Market has been enlarged. The effect of this delay will be to make doubtful the durability of the preferential agreements negotiated between the Market and many African and east Mediterranean states and now, with more difficulty, with some remaining EFTA members. The USA is sharply opposed to any preferential agreements anywhere on principle and in practice. For this reason, the US-Market discussions, when they get finally fully under way, will be a contest between the preferential areas idea and the creation of a world free trade area in which west Europe could find itself in a minority.

The setting up of a 20-nation committee, including representatives of the industrially-developing countries, to plan, within the IMF, a world currency reform may help to create compromises that could

lead to closer agreement on a new world economic and trading order. But these monetary discussions will themselves be of a mammoth nature, are unlikely to begin before next year and could last till near the end of the decade. Also, although the group of twenty will make the decisions on any final agreement, it still appears likely that a small steering committee will be necessary to run the negotiations and to meet American objections that the group is already weighted heavily in favour of the Common Market.

As the date for the Market's enlargement approaches it is clear that this increased unity of western Europe is only one facet of a very involved change in world political and economic situations. There is growing emphasis on economic and fiscal differences between the nations on the east of the Atlantic and the USA. The USA appears to be looking increasingly away from its competitor western Europe towards east Asia and to east Europe also. Thirdly, there is the growing influence of eastern Europe as a catalyst in west Europe's politics and economics, a fact which the politicians are slower than governments and much slower than business and commercial interests to realise and acknowledge.

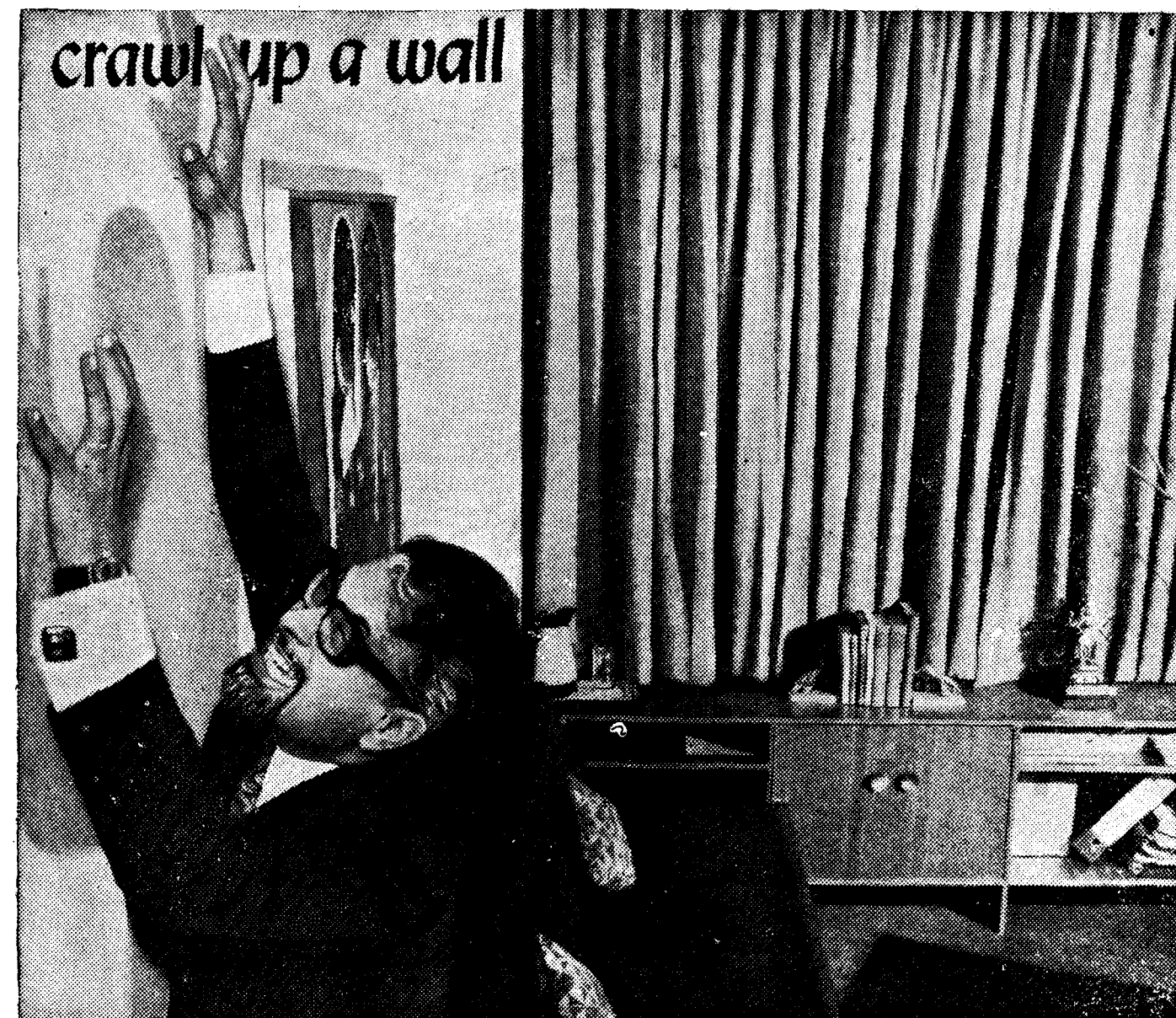


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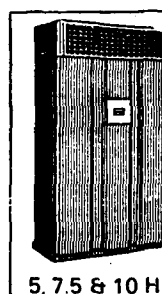
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Nobody really knows

very much about those dark-grey hours through which a man or woman passes before he or she chooses to die by his or her own hand. Even suicides noted do not help much. More often than not, they tell only what its author wants to tell himself—or the world. In this twilight of unsure communication, what seems a little less uncertain than all else is that a man or a woman most probably never ends his or her life for any single, specific reason. The will to live is so powerful at all times that at no time can it be demolished except by an avalanche of numerous emotions or a massive landslide of accumulated physical pressures or both. If there is an exception to this rule, it may be found only in the case of mentally abnormal or otherwise grossly inadequate individuals who instinctively find an escape in the act of dying.

The late Dr Vinod H. Shah of the Indian Agricultural Research Institute, Pusa, is said to have committed suicide because of intolerable frustrations in his professional career, the precipitating factor being a selection committee passing him over for the post of professor of agronomy. In the testament of unfaith he has left behind as a suicide note, he has spoken eloquently of man's vileness to man, but he has also expressed a sneaking hope that, by giving up his life, he might be helping other scientists to get better treatment.

At the risk of being misunderstood or even called names, I would submit that there must be much more to Dr Shah's suicide than the motive or motives suggested or stated for it. For obvious reasons, I would prefer not to speculate further about this, but it is significant that he chose one of the most painful ways that there are of killing oneself. Here is, surely, an act of exhibitionistic sado-masochism in the act of hanging oneself, the grim psychology of which has to be fully explored and investigated before the totality of the context or the circumstances of this suicide can be as-

certained or justly pronounced upon.

Meanwhile Dr Shah's tragic death has naturally given rise to a demand that the government should inquire into the affairs of the IARI and, in particular, probe into allegations of favouritism, nepotism or other unfair practices in appointments or promotions. I have no difficulty in agreeing to this proposition and would in fact proceed to suggest that such investigations should be conducted periodically in respect of all other similar institutions. At the same time I have nothing but contempt for the jackals of our political jungle which (repeat *which*) have been unscrupulously exploiting the Pusa tragedy for their own private or political purposes.

The sensational aspects

of the episode apart, Dr Shah's suicide note has cast doubts about the quality of science scholarship at the IARI or the objectivity of the research work which is being carried on under its auspices. This is the issue which the Director of the IARI ought to concern himself most with. Dr M. S. Swaminathan's leadership of the new agricultural technology has been so brilliantly vindicated by results in the fields that he owes it to himself to face this challenge to his professional integrity with the utmost courage and candour. He would of course be strengthening his specialist position very considerably if he would refrain from committing himself to such *obiter dicta* as his notorious assertion that the new farm technology is neutral to scale. As an agronomist, he has no particular qualification to pronounce on this question which calls for a good deal of deep economic analysis.

I may recall here that when Mr C. Subramaniam met a small group of journalists in New Delhi soon after he had assumed office as the Chairman of the National Commission on Agriculture, one of the emphatic observations he made was that the new farm technology was neutral to scale. Whether this is a piece of wisdom which Mr C. Subramaniam had received

from Dr M.S. Swaminathan or *vice versa* it would surely be interesting to inquire into. In any case the Director of the IARI will have only himself to blame if people were to suspect that he is perhaps not slow to lend the authority of his scientific personality or record to maxims which, while being of doubtful scholarship, could be of obvious political convenience.

One of the more intri-

guing features of the editorial coverage of Dr Shah's suicide or its implications by our leading newspapers was the holy horror which one leader-writer after another had expressed at the alleged sins of the IARI in the matter of appointments and promotions. If one were to let oneself be impressed by all this piety, one might well be led into believing that, in the newspapers themselves, there is always perfect justice in recruitment or promotions, that only merit is rewarded and the right man always selected or seconded for the right job. The truth, however, could be that there is as much frustration per square yard of office space among journalists as there may be among scientists in the IARI. Some time back, a leading daily, I may mention here, daily went about raiding the senior staff of its contemporaries for no better reason than that it had money to throw about, with its editor maintaining for all and sundry to hear that 9 per cent of its existing staff was worthless.

I would also remind our leading newspapers that, not long ago, when a certain young man, who was working as a junior scientific officer at BARC in Bombay was brought to New Delhi and appointed as a Special Science Advisor in the Prime Minister's secretariat (so that he could be near his father who is a favourite at Mrs Gandhi's court) there was a front-page news story in one of the dailies, hailing the event as a first step towards a breakthrough on the nation's science front. No leader-writer had then suggested that this act of favouritism or nepotism might have run the risk of precipitating a mass suicide of scientific officers in BARC or other similar establishments. The truth is that there is a frightening amount of hypocrisy in the country and this is nowhere in ampler evidence than in the press or among the politicians. If frustrated careers are in themselves a compelling reason for suicide, Mr Uma Shankar Dikshit may soon be relieved of one of his ministerial appellations since the population problem would be regulating itself.



MOVING FINGER

Power

PRELIMINARY PROPOSALS for power development in the fifth five-year Plan, drawn up by the Ministry of Irrigation and Power, envisage the raising of the installed generating capacity in the country to 41.5 million KW by 1978-79. Construction of additional 37,450 circuit kms of transmission lines, electrification of 1,31,000 more villages and energisation of 2.5 million irrigation pump-sets are also proposed.

According to present indications, the installed capacity expected to be achieved by 1973-74 is 20.2 million KW and concerted efforts are being made to commission another 0.8 million KW of capacity by March 1974. The present proposals therefore amount to doubling the installed capacity during the fifth five-year Plan. It is also proposed to initiate advance action on additional generation schemes, which will have to be taken up during the fifth Plan for affording benefits during the sixth Plan, particularly its early period.

An important objective during the fifth Plan would be removal of region-wise and state-wise imbalances in power development and reduction in disparity of tariffs prevailing in various power systems.

The proposals were discussed at a two-day meeting of the chairmen of State Electricity Boards in New Delhi from May 10, 1972.

The assessment of the future power requirements are based on the broad indications available in the development programme in the various sectors of the economy during the fifth Plan period and the detailed studies undertaken by the Ministry of Irrigation and Power and the Central Water and Power Commission. For instance, the growth planned in the industrial sector, which accounts for about 70 per cent of the total energy requirement, is eight to ten per cent as against six per cent actually achieved so far.

Generation: Energy generation in the country increased at

TRADE WINDS

the compound rate of 11.8 per cent during the fifties as well as the sixties; from 6.6 billion kwh in 1960-61 and 61.2 billion kwh in 1970-71. Taking into account the accelerated tempo of industrial growth envisaged, the increasing power demands in the agricultural sector and the impact of the extensive rural electrification programme for the fifth Plan, a growth rate of 12.5 per cent a year would not be too optimistic. Based on this, the total energy generation required during 1978-79 has been assessed at 15.8 billion kwh. The corresponding peak load demand has been assessed at 29 million KW, of which 27.7 million KW will be in utilities and 1.3 million KW in non-utilities. The power generating programme for the fifth Plan has to be geared to meet these requirements adequately.

The addition of 21.8 million KW to generating capacity during the fifth Plan would comprise 6.7 million KW from continuing fourth Plan schemes, 7.8 million KW from proposed extensions at developed sites and 7.3 million KW from new generation schemes.

Of this, again, 11.8 million KW would be thermal, 1.4 million KW nuclear and 8.6 million KW hydro capacity.

Transmission: A special feature of the transmission system envisaged is the establishment of a broad 400 KV network to facilitate transmission of large blocks of power not only within states but also across state and regional boundaries. This would pave the way for the ultimate realisation of an All India Power Grid. The distribution network to carry power to the ultimate

consumers has also been provided for.

By 1969-70, about 38000 circuit kws of 110 KV and, 121 KV lines and 11,000 circuit kws of 220 KV lines had been constructed. To be able to cope with the additional power likely to become available by the end of the fifth Plan period, it would be necessary to add about 16,400 circuit kws of 220 KV lines and 7,300 circuit kws of 400 KV lines, over and above the additions to 66 KV and 110 and 132 KV network.

Under the proposals investment in transmission and distribution, which has so far been about 41 per cent of that in the generation sector, would be raised to 50 per cent. This increase is considered necessary for increasing the security of supply, promoting integrated operation, boosting the rural electrification programme and reducing transmission and distribution losses.

Rural Electrification: Against the fourth Plan target of electrifying 50,000 villages and energising 12.5 lakh irrigation pumpsets, achievement is expected to be electrification of 74,255 villages and energising of 14.7 lakh pumpsets. The higher achievement is mainly because of Rs 40 crores of additional funds provided by the Rural Electrification Corporation and a further sum of Rs 75 crores being provided by the financial institutions. State Electricity Boards are also expected to provide for an expenditure of Rs 351 crores against the Plan outlay of Rs 294.69 crores.

It is proposed to provide a sum of Rs 15 crores for electrification of Harijan Basties in the fifth Plan period. A sum of Rs five crores has been sanc-

tioned for this purpose for the last three years of the fourth Plan.

Electronics

The Electronics Commission has decided that the licensing of additional capacity for the manufacture of TV sets should be based on the guideline that there is no need for any foreign collaboration or know-how for the manufacture of TV sets in India. Other guidelines are: No TV sets with foreign brand names should be allowed to be manufactured and no licences need be given to companies with foreign equity holdings, 50 per cent or more of the total capacity should be sanctioned to units in the small-scale sector and here preference would be given to qualified engineers, scientists and consortia of small-scale units and reasonable capacity would be licensed to public sector undertakings, both central and state and those involving State Industrial Development Corporations. This is stated in the report of the Department of Electronics for 1971-72.

The Commission has also decided to set up, from time to time, expert technical panels to examine various questions relating to specified areas in electronics. So far, four such technical panels have been constituted covering electronic desk calculators, ferrites, semi-conductor devices and glass bulbs for television and such applications.

The panel on Electronic Desk Calculators has submitted its report. The other three panels have still to complete their work. Several other panels are shortly to be set up.

Set up in February 1971, the Electronics Commission has had six meetings during the year under review. The Commission has been charged with full responsibility to review the entire field of electronics with regard to research, development and industrial operations, with full authority to formulate policies in this field and to direct implementation, on sound technical and economic principles, of all measures, both promotional and regulatory that are necessary for the

country to attain self-reliance in the shortest possible time and in the best possible manner.

At present the Commission is involved in making an assessment of the present requirements and those over the future (during the next 5-10 years) in all sectors of electronics including equipment, components and materials. It is also making an assessment of the imports of all types in the field of electronics of the installed capacities, of letters of intent issued and of intrinsic manufacturing capabilities in the public and private sector and the future plans thereof over the next few years. Also the Commission is to determine the manner in which additional manufacturing capacity should be generated in the public sector and the private sectors.

Evaluation committees were set up by the Department of Electronics for carrying out an analysis of the computational demands for various application areas in different regions of the country: Bangalore, Calcutta, Delhi, Kanpur and Madras. An Evaluation Committee for examining the in-house computer requirements for the Atomic Energy Commission at Bombay which could also partially meet the requirements of the region till regional facilities get established was also set up.

The recommendations of these committees are being considered on an integrated basis, so as to arrive at decisions relating to the setting up of regional centres in the phased manner based on national priorities and availability of funds.

Assistance under the United Nations Development Programme (UNDP) has been sought for the proposed regional centre at Delhi, one computer at Bombay and the proposed regional centre at Bangalore for the period 1972-74, and these are on the list of approved projects in India's UNDP Country Programme.

Mini-computers represent one of the very significant development in the field of computers in the last two years. They have an important role

to play in the area of commercial and educational usages and replace the older unit record equipment. A panel to study the role of mini-computers in the Indian environment and to recommend a programme for building up this facet of industry in the country is being set up.

In keeping with the policy of encouraging indigenous design and production in the field of computers with a view to achieving self-reliance, a proposal from the Electronics Corporation of India Ltd, for the manufacture of small to medium sized-computers — the TDC-16 and TDC-32 machines — has been approved by the Electronics Commission.

As regards Research and Development, the Electronics Commission has already decided that specialised area where massive R & D effort is required should be selected, and an all-out effort made to undertake development of these areas within the shortest possible time. During the year 1971-72, funds to the extent of Rs 3.49 crores have been disbursed for R & D. During the financial year 1972-73, funds to the extent of Rs 3.50 crores have been provided for undertaking development, among others, for computer development, projects in progress and sanctioned by the earlier Electronics Committee; computer peripherals; electronic instrumentation; materials and components (including modern crystal growth facilities, semi-conductor memory systems, light emitting diodes, liquid crystal displays, magnetic materials).

Atomic Energy

An around progress in all the projects in hand and in the planning of major projects envisaged in the 10-year Profile have been reported in the annual report of the Department of Atomic Energy for 1971-72.

All construction work on Unit I in the Rajasthan Atomic Power Project has been completed and commissioning activities are in full swing. In Unit II, all major civil works,

including prestressed concrete domes, have been completed and installation of nuclear and conventional components is in progress. Unit I of the Rajasthan station is expected to become "critical" around June 1972, while Unit II will become "critical" in March 1975.

Commissioned in October 1969, the Tarapur Atomic Power Station (TAPS) generated 4,590 million units of electricity and earned a gross revenue of over Rs 25 crores. The station operated with high efficiency till March 1971, earning a working profit of Rs eight crores and a net surplus of Rs one crore after meeting interest dues and apportionment to reserves.

In the succeeding 12 months, the TAPS earned an operating profit of over Rs two crores only, the decrease being mainly attributable to an extended shut-down of one of the units due to special problems noticed during the first refuelling outage and a turbine overhaul on the other unit.

At the Madras Atomic Power Project, designs for civil structures for the sea water system, i.e., submarine tunnel, off-shore intake, pump house, conduits, seal-well and outfalls, etc. and the vapour suppression system, shield wall between reactor boilers and primary pump in the reactor building, and various auxiliary cooling systems inside the reactor building, have been completed. Work has also been taken in hand for construction of the reactor and turbine buildings of Unit II of the station.

New Nuclear Power Stations: A Site Selection Committee was appointed in September 1970 to examine suitable sites for new atomic power stations in the northern, western and southern electricity regions. The report of the committee on the northern region has been received and a decision regarding a new atomic power station in the region will be taken shortly.

Construction work on the Variable Energy Cyclotron at Calcutta is making progress. The Cyclotron will be a mo-

dern research facility for high quality work in nuclear physics. Because of its high beam intensity, it can produce a variety of isotopes, which is not possible in nuclear reactors. The proposed facility will provide new opportunities for research workers from the universities and other institutions in the country which by themselves may not be able to set up and operate a large and complex machine of this type.

Work on electro-thermal process for phosphatic fertilizers was initiated. Suitability of commercially available Indian phosphate rocks and other raw materials is being studied for the process. Design and project work on 600 KW capacity electro-thermal phosphorus plant is in progress to develop indigenous technical know-how and support the development of commercial phosphorus plants in the near future.

Nuclear Medicine: Clinical nuclear medicine, training of medical personnel in the use of radioisotopes, and application of radioisotopes in medical research form the major responsibilities of the Radiation Medicine Centre (RMC) of the Bhabha Atomic Research Centre. During the year, the RMC investigated about 5,000 patients with radioisotopes, some of whom were also given radiotherapy.

At the Tata Memorial Hospital which forms a part of the Tata Memorial Centre (TMC), Bombay, clinical research studies on treatment methods (surgery, radiation and chemotherapy) to improve the survival rate of cancer patients have been actively pursued. A programme to use cryosurgery techniques in the treatment of cancer is under way.

Anti-Cancer Properties of Indigenous Plants: The screening programme for detecting anticancer properties of indigenous plants has given some useful results. Out of 500 species of plants screened so far, Six plant extracts have shown good anti-cancer activity in experiments, isolation and characterisation of active principles is in progress.

In the field of Dental re-

earch, a project of the Tata Institute for the follow-up of individuals examined three years ago in the rural areas of five districts of Andhra Pradesh, Bihar, Gujarat and Kerala, is in progress. The second follow-up of the individuals is complete and a third follow-up is being conducted in three areas. The response in the second follow-up varied from 64.8 per cent to 79.2 per cent in different districts.

The Directorate of Radiation protection of the department is responsible for implementing a country wide Radiation Hazards Control Programme. The DRP is responsible for assessing radiation doses received by personnel using radiation sources in various fields such as agriculture, industry, medicine and research. During the year its film badge service covered a total of 24,000 workers from 1,600 institutions. The corresponding figures for the preceding two years are 21,000 and 1,400 respectively. With the recent promulgation of the 'Radiation Protection Regulations 1971' this service will soon cover all radiation workers in the country.

Space Technology: Development activities in connection with Satellite Launch Vehicle-3 in the areas of propellants, nozzles and motor chambers, control systems, telemetering and tracking, are in different stages. Besides other basic facilities which are already operating, a propellant fuel complex is being built at Thumba. The unit is expected to go into production by the middle of 1973.

With the commissioning of this complex, India will be considerably free from dependence on outside sources for basic fuel requirements of high energy propellants for rockets and space vehicles. The complex will produce high energy fuels like polysulphides, polyurethanes polybutadienes etc., and plasticisers, catalysts and stabilisers — items which are not readily available in the country.

The Thumba Equatorial Rocket Launching Station launched

a total of 129 rockets upto March 31, 1972. Of which 66 carried scientific experiments while 63 were test rockets. The rockets sent up include Soviet built M-100 meteorological rockets, Nike-Apache rockets, Rohini-100, Rohini-125 and Manaka-I rockets, Dual Hawks, British-made Skuas and Petrels etc. The scientific rocket experiments for the study of the equatorial ionosphere, the electrojet, and the neutral upper atmosphere were conducted with payloads developed and fabricated at the Physical Research Laboratory at Ahmedabad.

Besides Satellite Instructional Television Experiment, the Indian Space Research Organisation proposes to collaborate with NASA on the use of the latter's planned experimental earth resources technology satellite for multi-disciplinary investigations; the proposal envisages the study of pictures taken by the satellites, for application in the fields of oceanography, hydrology, geology, cartography, forestry and agriculture. Pictures from the first satellite ERTS-A are expected to become available in July 1972. ISRO proposes to act as a catalyst to enable Indian scientists to study the imagery thus obtained.

Taxes Bill

The Lok Sabha's select committee has proposed that the provision for acquisition of immovable property should include not only property transferred by sale but also transfers by way of exchange. In making the recommendation in a report presented to the House on May 10, the committee has said that unscrupulous persons could otherwise easily circumvent the acquisition by paying the consideration for the transfer of the immovable property, partly in cash and partly in kind or wholly in kind.

The observations are made on the Bill to amend the Income-Tax Act, 1961, the Wealth Tax Act, 1957 and the Gift Tax Act, 1958. The com-

mittee has also suggested guidelines on the basis of which references could be made of the valuation of any capital, asset or property to a valuation officer. The guidelines would become necessary in its view "to avoid arbitrariness on the part of the tax authorities in making such references."

Pact on Space Research

India and the Soviet Union signed an agreement in Moscow on May 10, which is expected to take Indian space research effort to a quantitatively new stage. Prof M.G.K. Menon, head of the Indian Space Research Organisation, signed the agreement for India and Academician M. Keldysh, President of the USSR Academy of Sciences, for his country.

Bombay TV Studio

The television studio in Bombay installed by a team of West German engineers has been handed over to government of India. The studio, like the earlier one in Delhi, is a gift from West Germany.

Industrial Estates in Nepal

India and Nepal recently signed an agreement for establishing industrial estates at Nepalgunj in western Nepal and Dharan in the eastern part of the kingdom at a cost of Rs 40.31 lakhs. India will bear 90 per cent of the cost.

Devaluation

Jordan: The Jordanian dinar was devalued on May 10, 1972, by 8.5 per cent in line with the dollar.

Pakistan: The Pakistani rupee has been devalued. The new rate is 11 Pakistani rupees equivalent to one American dollar. Previously, one US dollar was equal to 4.75 Pakistan rupees. The decision came into force on May 11. The bonus voucher scheme has also been abolished. The decision to devalue the rupee was taken at a special cabinet meeting presided over by President Z.A. Bhutto and attended by governors

and chief ministers of the provinces.

Bank Rates

Pakistan has raised the Bank Rate from five to six per cent. The Finance Minister, Mr Mubashir Hassan, is reported to have said that adjustments would also be necessary in deposit and lending rates. The raising of the Bank Rate came along with the devaluation of the Pakistani rupee. According to Mr Hassan, a stringent credit and monetary policy would be followed and exports would be more free than ever. While commodities like steel billets and industrial raw material could be imported freely, non-essential and luxury goods would continue to be banned. Import duties had been revised on the basis of the new rate of exchange.

Japan: The government and the Bank of Japan decided on May 10 to lower the official discount rate of the Central Bank by 0.5 per cent to 4.25 per cent per annum. The measure is designed to stimulate business following a prolonged recession as well as to normalise the nation's system of money rates.

Names in the News

Mr R.O. Jackson, Chief Executive of Burmah-Shell in India since January 1968, who recently left for London to take up a senior appointment with the Royal Dutch Shell Group, is succeeded by Mr M.S. Patwardhan who will also be Chairman of Burmah Shell Refineries Limited. After completing his earlier education in Bombay, Mr Patwardhan went to Cambridge University where he did the National Sciences Tripos. He joined Burmah-Shell on returning from the UK in 1951. After holding various positions in Burmah-Shell in many parts of India, he was attached to Shell International Petroleum Company, London, in 1964 for one year. On his return to India in 1965, he was appointed a Director of Burmah-Shell Refineries Limited.

COMPANY AFFAIRS

Century

THE CENTURY Spinning and Manufacturing Company Ltd is participating in a joint venture for setting up a composite textile mill in Indonesia. The government has approved the proposal in principle. Negotiations are underway for finalising financial arrangements with international institutions. Meanwhile the company has submitted a series of schemes for starting of new industries in the country and they are being processed. The company is still awaiting the government's final decision for industrial licence to manufacture 30,000 tonnes each of chemical pulp and paper although the Monopolies Commission had recommended grant of a licence to the company a year ago. In the meantime the company is going ahead with the implementation of its cement project for which it has been granted recently a "Carry on Business" licence. Necessary land has been acquired and construction work is in progress. The plant will have an installed capacity of six lakh tonnes and is expected to go into production during the second half of 1973.

Zuari Agro

The water treatment plant of the giant fertilizer complex of Zuari Agro Chemicals at Sancoale, near Mormugao port will be on stream in course of this week while the whole fertilizer complex will be commissioned sometime in October, three months behind the original schedule. The plant was stated to be completed on a turn-key basis within 27 months from the signing of the contract by Toyo Engineering Corporation and according to that schedule it should have been completed by July this year. But for various reason

including labour unrest and the Indo-Pakistan war, work was held up for three months.

The plant when commissioned will be producing 280,000 tonnes of urea and 150,000 tonnes of compound fertilizers per annum, valued at Rs 45 crores. For its successful functioning it will be requiring annually 220,000 tonnes of naphtha, 90,000 tonnes fuel oil and 87,000 tonnes of phosphoric acid. Both naphtha and fuel oil will be supplied by the Indian Oil Corporation while phosphoric acid will be imported from Mexico for five years. There are still many hurdles to be crossed so that the plant can function on a sound and uninterrupted basis. For instance, the company is currently faced with a series of problems such as shortage of water supply, bottleneck in power and want of special facilities at the port for handling the massive quantities of imported phosphoric acid. Various ways and means are being explored by the company to overcome these temporary difficulties.

Birla Jute

The directors of Birla Jute Manufacturing Company Ltd have a proposal to issue and allot debentures of Rs 1000 each carrying an interest of eight per cent per annum payable half-yearly on March 31 and September 30 in each year and repayable at par on April 1, 1983 or at the company's option at any time after April 1, 1981 by giving not less than three months' notice. This allotment shall be effective from May 15, 1972. This is entirely a private issue.

Pfizer

With increasing demand for its products sales of Pfizer Ltd have recorded a handsome rise to Rs 20.84 crores from

Rs 17.34 crores in 1970 but net profit was only a shade higher at Rs 1.73 crores as against Rs 1.55 crores in 1970. The drastic reduction in a quite number of important products of the company as per the Drugs (Prices Control) Order on the one hand and a continuous escalation in costs of materials and other expenses on the other, have by and large been responsible for the decline in the rate of profitability of the company. The impact of these on the working of the company would have been more severe but for the sustained efforts made by the company to improve the operational efficiencies at all levels to cut down costs and to increase productivity. These savings, however, have a serious limitation as it cannot be reaped on a continuing basis. Yet another factor which helped the company to neutralise the adverse effect of the Drugs (Prices Control) Order was the inventory of imported raw materials held by the company prior to the enforcement of the Pooled Prices Scheme which were procured at comparatively lower prices. This again was only a temporary benefit for 1971.

The company's plant at Chandigarh worked at rated capacity and the basic manufacturing facilities for broad spectrum antibiotics were helpful in maximising production. It was, however, not possible to utilise fully the capacity of the plant for turning out chlorpropamide, an essential drug, to the desired extent because of difficulties in matching imported raw materials. The performance of the company on the export front is quite encouraging. During 1971 exports touched figure of Rs 61.9 lakhs and the earnings from these exports have considerably assisted the com-

pany to improve its overall performance. The company has received the consent of the Controller of Capital Issues to capitalise a sum of Rs 97.74 lakhs out of the share premium account and Rs 60.72 lakhs out of general reserve for issuing bonus shares in the ratio of two shares for every five equity shares held.

Industrial Cables

Sharp upswing in sales and profits, spurt in export earnings and diversification in product range are some of the significant achievements of Industrial Cables (India,) Ltd during the year ended October 31, 1971. Despite fierce competition in international markets, magnificent efforts made by the company enabled it to fetch record earnings in exports amounting to Rs 138.28 lakhs (f.o.b. value) as compared to Rs 92.12 lakhs in 1969-70. Exports in terms of gross value, including incentives, aggregated Rs 201.79 lakhs and it represented 51.26 per cent of the total turnover — a commendable achievement indeed by any standard. It is worth mentioning here that the company's efforts on the export front has amply been rewarded as witness in the bagging of the Certificate of Merit for the outstanding export performance last year. Today it enjoys the proud privilege of being the largest exporter of engineering goods from Punjab and perhaps of being the largest exporter in underground paper insulated cables. What is more the company has recently been recognised as an export house.

Consistent with its tradition of product diversification and expansion, the company has for instance, proposes to set up a steel wire manufacturing unit in Haryana. The letter of intent has already been received and the project is in the process of implementation. The company has also to its credit a COB licence for the manufacture of AAC and ACSR conductors. Besides it has received a letter of intent for the manufacture of grooved contact wires (trolley wires) and it is proposed to undertake this project at Rajpura. Efforts are also being made by the com-

pany to obtain a licence for the manufacture XLP cables and to set up an aluminium rolling mill for aluminium rods. Negotiations are underway for obtaining technical know-how for XLP cables. The government's policy in regard to change over from PILC cables to PVC cables and XLP cables up to 11 Kv due to import substitution has adversely affected all the PILC cables units in the country but the company has taken appropriate steps to utilise the idle capacity for exports.

In spite of adverse circumstances such as acute shortage of essential raw materials, power bottleneck and a host of other factors the company was able to make striking improvements in its performance during the year under review. Sales, for instance, soared to Rs 3.94 crores from Rs 3.17 crores while net profit swelled to Rs 87.1 lakhs from Rs 8.24 lakhs in 1969-70. Out of the net profit a sum of Rs 1.05 lakhs was transferred to development rebate reserve, Rs 80,000 for taxation and Rs 6.86 lakhs to general reserve. The directors have declared an equity dividend of 10 per cent and it will be paid out of the general reserve. Keeping in view the rapid development of local skills and know-how the company has made a notable contribution of about two per cent of the turnover during the year to a research foundation recognised by the CSIR for research and development of cable technology.

Guest Keen

In his annual statement to the shareholders of Guest Keen Williams Ltd the chairman, Mr K.C. Maitra has focussed attention to the difficulties experienced by the engineering and other industries in raising output to the desired level and in preserving of the profit margins. Many leading manufacturers are finding themselves in such an awkward situation even with fairly large volume of orders in hand. Hence it is felt that a sustained increase in production as well as turnover can only be achieved if there was no serious hold-

up of operations in the industrial sector particularly due to labour unrest. Companies, especially enterprises such as Guest Keen Williams which is supplying materials and components to a host of manufacturing companies will be able to excel its performance of 1971 if its customers were in a position to implement their schemes without interruption and maintain also their output at a high level. Besides it is apprehended that just for retaining the earnings even at the 1971 level in the current year there will have to be a larger turnover as the new imposts imposed by the government in interim as well as regular budgets have resulted in escalation of costs and the impact has to be absorbed by the company without passing on the incidence of these levies fully to the customers. Apart from the difficulties experienced in maintaining of profit margins, it is also emphasised that there will have to be larger generation of internal resources for meeting the increasing working capital requirements resulting especially from further escalation in costs of materials and components. It is however, expected that Guest Keen Williams will be able to repeat its performance of 1971 or even surpass it in the absence of untoward developments.

The year 1971 was a landmark in the history of the company. Sales for the first time crossed the Rs 50-crore mark and the company is proud of its magnificent achievement.

Its performance on the export front in 1971 was, however, not encouraging. As regards issue of bonus shares the chairman stated that the government turned down the company's request for issue of bonus shares on the ground that Rs 1.11 crores of the total share premium account was created by consideration other than cash and hence it cannot be capitalised.

News and Notes

Expansion and Diversification

Tata Mills Ltd: has plans to produce new varieties of non-woven disposables by installing additional machinery worth Rs 30 lakhs. It is also planning to set up a strip mill to produce flat steel-products in coil form by the use of scrap and sponge iron. This venture, which would be a major diversification project outside the textile field, will involve a capital outlay of Rs 10 crores with a foreign exchange content of Rs 4.3 crores. This plant will be located in Chanda district, a backward area in the state of Maharashtra.

New Ventures

Trimurti Agrochemicals Corporation is venturing into a new project for the manufacture of complex fertilizers by wet chemical granulation process at Mangrol in Junagadh district of Gujarat. The company will include in its range of production ammonium polyphosphate and other types of high-

ly concentrated fertilizers. The plant will have a capacity of 50,000 tonnes per annum. Initially the company will manufacture fertilizers for groundnut, cotton, wheat, rice, plantations and sugarcane. All infrastructure facilities have been managed and land has already been acquired from the state government. The process has been obtained from Tennessee Valley Authority of the USA. Special arrangements have also been made with the TVA for technical consultancies. With the chemical wet process the company is hopeful of cutting down costs of production resulting in handsome profit margins. The capital outlay on the project is estimated at Rs 75 lakhs. To meet a part of the cost of the project the company will be offering shortly to the public for subscription equity shares worth Rs 14 lakhs.

The di-ammonium phosphate project of **Dharamsi Morarji Chemicals** claimed to be one of the largests of its kind in the world, has been cleared by the Central Public Health Engineering Institute in regard to its location at Sheva in the Konkan region of Maharashtra. The company is now negotiating with CIDCO which had raised an objection against the location of the project on grounds of pollution. If land becomes available the project would be completed by the end of 1974. The giant-sized nature of the project would necessitate the setting up of quite a large number of ancillary industries in the neighbourhood

The DMC might avail of some of these opportunities.

Ronald Steel and Rubber Industries has received a letter of intent to manufacture with foreign collaboration 36,000 metres of steel cord conveyor belting. The company has also been permitted to manufacture 36,000 metres of fabric conveyor belting in nylon, polyester fibre and cotton duck. This 1.60, crore project will be located at Itarsi in Madhya Pradesh. The plant is expected to go into commercial production in May 1974.

Joint Ventures

Jagatjit Cotton intends to invest Rs 90 lakhs in the share capital of Guptalone Ltd which holds an industrial licence for setting up a plant near Ludhiana for the manufacture of nylon filament yarn with a daily capacity of three tonnes. Possibilities are now being explored for establishing the new plant at the site of Jagatjit's present complex at Phagwara or as close to it as possible. This joint venture would be beneficial to both the companies as for instance, the polyester and nylon yarn to be produced by the new undertaking could well be utilised by Jagatjit for blending and processing by carrying out suitable modifications in the respective divisions while Jagatjit will provide Guptalone distribution and marketing expertise. As the present paid-up capital of Guptalone is only Rs 10 lakhs, it has to raise an equity capital of Rs 2.36 crores through subscription to implement its project. It has approached Jagatjit to subscribe to the equity capital to the tune of Rs 90 lakhs.

New Issues

Alfred Herbert (India) Ltd which has long been engaged in marketing and rendering of technical services of imported and indigenous machine tools and industrial machinery now proposes to diversify its activities by taking up the manufacture of various types of machinery in technical collaboration with a British firm. The company will include in its production range

intermixes, shear strip type tyre presses, tube presses for automobiles and trucks and bicycles tyre and tube presses and several other types of machinery. As the products which the company proposes to manufacture have not been locally manufactured so far it is expected that the internal demand will far exceed the production planned by the company. In view of the wide gap between supply and demand the company does not envisage any difficulty in marketing its products. The factory to be put at Bangalore is expected to be commissioned by the end of 1973.

To raise resources for implementing this project the company proposes to issue two lakh equity shares of Rs 10 each at a premium of Rs 5 a share. Out of these 10,000 shares have been reserved for subscription by the Indian Directors and the employees of the company. The remaining, 1,90,000 equity shares of Rs 10 each are being offered to the public for subscription at a premium of Rs 5 per share. The list for the fully underwritten issue opens on May 24 and will close on June 5 or earlier but not before May 29. With the proposed public issue the Indian participation in the company's equity capital amounts to 40 per cent. The directors hope to declare a dividend of 10 per cent for the current year.

Standard Mills Co. Ltd is offering 40,000 (eight per cent) convertible bonds of Rs 500 each at par for public. The list for the fully underwritten bond issue will open on May 24 and close on May 31 or earlier but not before May 27. The full amount is payable on application. Bond holders opting for conversion between July and December 1976 will be allotted for each bond of Rs 500, one equity share of Rs 100 each at Rs 375 and a sum of Rs 125 in cash. However, if the company issues before December 1976 bonus shares on a one-for-four basis, the bond holders who opt for conversion will get one equity share for every bond of Rs 500 and an amount of Rs 200 in cash. The bonds are being issued to raise

a part of the resources required for implementing the expansion programme of the chemical unit and modernisation and renovation of its three textile units.

Mohatta Chem will be approaching the capital market shortly by offering for public subscription 65,000 equity shares of Rs 10 each at par and 3,900 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each at par. The company has an authorised capital of Rs 50 lakhs — Rs 10 lakhs in preference shares and Rs 40 lakhs in equity shares — and an issued capital of Rs 17 lakhs consisting of Rs 4 lakhs in preference capital and Rs 13 lakhs in equity shares. Of these, equity shares worth Rs 6.50 lakhs will be taken up by the promoters and directors while preference 'A' shares of Rs 10,000 will be allotted to SICOM for preparing the feasibility report. The company proposes to set up a plant at Roha in Kolaba district of Maharashtra for the manufacture of formaldehyde. The company has entered into

an agreement with Indoc Berolina Industries, Private Ltd, Bombay, for the supply of plant and machinery. The plant is expected to go on stream within 18 months of the date of placing of orders for machinery. The capital cost of the project is estimated at Rs 62.51 lakhs and it will be financed through the share capital of Rs 17 lakhs, bank borrowings of Rs 5.51 lakhs, unsecured loans of Rs three lakhs and Rs 37 lakhs as term loan from SICOM.

Company Meetings

Hindustan Aluminium Corporation Ltd; Birla Matushi Sabhagar, 19, Marine Lines, Bombay-20; May 19; 4 P.M.

Mysore Lamp Works Ltd Old Tumkur Road, Bangalore 12; May 18; 4 P.M.

Ceat Tyres of India Limited Bombay House, Bruce Street, Bombay-1, May 18, 4.30 P.M.

Hindustan Lever Limited Hindustan Lever House, 165/166, Backbay Reclamation, Bombay-20, June 8, 4 P.M.

Interim Dividend

Upper Doab Sugar Mills Ltd has declared a gross interim dividend of 10 per cent for the year ending September 30, 1972.

		Dividends	
		Equity dividend declared for	
Name of the company	Year ended	Current year	Previous year
Higher Dividend			
Emco Transformers	Sep. 1971	8.0	Nil
Shaw Wallace Company	Dec. 1971	27.5	18.
Travancore Electro Chemical Industries	Dec. 1971	14.0	10.
Modella Woollens	Dec. 1971	12.5	10.
Same Dividend			
Schrader-Scovill Duncan	Oct. 1971	25.0	25.
Alembic chemicals	Dec. 1971	12.0	12.
Texmaco	Dec. 1971	Nil	Nil
Gaekwar Mills	Dec. 1971	16.0	16.
Bombay Silk Mills	Dec. 1971	9.0	9.
Dharamji Morarji Chemical Co.	Dec. 1971	20.0	20.
Reduced Dividend			
Coimbatore Cotton Mills	Dec. 1971	9.0	11.
Shreeniwas Cotton Mills	Dec. 1971	8.0	10.
Brady Morri Engineering Company	Dec. 1971	5.0	8.

Eastern Economist 25 Years Ago

May 23, 1947

The Bill instituting Investigation Commission for enquiry into taxation on income as altered and approved by the Select Committee has emerged with important modifications in several respects. The report of the Select Committee was almost unanimous but for a solitary dissident, Mr P.J. Griffiths. Mr Griffiths asserts that he entirely disagrees with the changes made by the Select Committee. One wonders whether the leader of the European Group in the Central Assembly would stomach the prospect of an inquisition in his own country by a commission invested with such drastic, unlimited and harassing powers as those proposed

in the original Bill. The Bill as modified by the Select Committee has been passed by the Legislature. The duties of the Income-tax Investigation Commission are: (1) to investigate and report to the Central Government on all matters relating to taxation of income with particular reference to the adequacy of the existing law and procedure for preventing evasion of assessment and collection of taxes and (2) to investigate specific cases of evasion referred to it and to report on them to the Central Government. The second object appears to be the predominant function of the Commission as disclosed by the whole trend of the Bill.

RECORDS AND STATISTICS

Report of Ministry of Petroleum & Chemicals: 1971-72

INDIA PRODUCED 7.2 million tonnes of crude oil in 1971—4,00,000 tonnes more than in the previous year, according to the Annual Report of the Ministry of Petroleum & Chemicals for 1971-72. The production of refined petroleum products increased to 19.6 million tonnes in 1971 compared to 18.5 million tonnes in 1970.

During the period under report, production activities of the Oil & Natural Gas Commission, a public sector organisation and the principal agency for exploration and production of oil in the country, were stepped up both in the eastern and western regions and the rate of production was increased from 10,000 tonnes per day in March 1971 to about 11,157 tonnes per day in December. 1971. During the period April-December, 1971, a total of 2.99 million tonnes of crude oil was produced and despatched from the oil fields of the Commission in Gujarat and Assam. Since its inception and up to the end of December, 1971, the commission had produced

and sold a total of 22.2 million tonnes of crude oil.

The Commission drilled 48 wells with a total metreage of 81,593 in Gujarat, Assam, Rajasthan, Cauvery Basin and Jammu & Kashmir, taking the number of wells drilled from its inception to 930, of which 504 were oil-bearing, 70 gas bearing, 22 water injection and 252 dry wells; 82 were under test.

Exploratory drilling was accorded high priority by the Commission with a view to discovering new hydrocarbon-bearing structures. Drilling of 10 wild-cat wells at Dalvade, Daswara, Deodar, Kanka, Ambala and Indrora in Gujarat; Banamali in Assam; Saliangalam and Dandanallur in Cauvery Basin and Surinsar in Jammu & Kashmir was continued during the year, said the report.

Off-Shore Drilling

The Commission, according to the Report, was now undertaking in a big way exploration for oil in the off-shore areas. Detailed seismic survey of offshore areas along the western coast had already commenced to pinpoint locations for drilling in deep waters. A self-propelled jack-up type drilling platform for the purpose was expected to be delivered to the Commission by the end of 1972.

A landmark in the development of pipeline technology in the country was the completion of Kalol-Nawagam pipeline to transport oil from the North Gujarat oil fields to Koyali Refinery. The pipeline was designed and executed with wholly Indian know-how and personnel.

During the year, the Hydro-

carbon (India) Private Limited, a subsidiary company of the Oil & Natural Gas Commission earned foreign exchange worth Rs eight crores from the sale of 0.931 million tonnes of crude oil. Hydrocarbons (In-

dia) Private Ltd, held 1/6th share in the Iranian Marine International Oil Company operating in the Persian waters of the Gulf. It struck oil in Rostum and Raksh fields in commercial quantities which

PRODUCTION OF CRUDE OIL

		('000 tonnes)		
Year		1969	1970	1971
Quantity	.. ..	6723	6809	7185
Percentage increase over previous year	.. ..	+14.8	+1.3	+5.5

REFINERY CRUDE THROUGHPUT

		('000 tonnes)		
Year		1969	1970	1971
Quantity	.. ..	17495	18459	19588
Percentage increase over previous year	.. ..	+8.7	+5.5	+6.1

ALL INDIA CONSUMPTION OF PETROLEUM PRODUCTS

		('000 tonnes)		
Products		1969	1970	1971*
L.P. Gas	.. ..	126	166	202
Gasolines	.. ..	2057	2308	2673
Kerosenes	.. ..	3652	3952	4189
High Speed Diesel oil	.. ..	3465	3735	4211
Light Diesel oil	.. ..	1030	1047	1181
Furnace oil (Regular)	.. ..	3296	3495	3725
Furnace oil (All grades)	.. ..	4428	4651	4954
Lubricants	.. ..	501	535	567
Bitumen	.. ..	658	751	941
Others	.. ..	425	442	412
TOTAL	.. ..	16342	17587	19330
Refinery Boiler Fuel	.. ..	994	1147	1150
GRAND TOTAL	.. ..	17336	18734	20480
Percentage increase over previous year	.. ..	+9.5	+8.1	+9.3

*Provisional.

was being sold in the international market.

Oil India Limited

The Oil India Limited, another major oil producing organisation in which the government of India and the Burmah Oil Company are equal partners, produced 3.14 million tonnes of crude oil in 1971 from its oil fields in the North-Eastern region.

The company completed during 1971 one exploratory well and 13 development wells. Till December 1971, the company had drilled a total of 297 development wells and 15 exploratory wells with a total metreage of approximately 955,520 and 64,783 respectively.

The company declared a dividend of 13 per cent net (six per cent as final dividend for 1970 and seven per cent as interim dividend for 1971), after payment of all taxes. Government of India received a payment of Rs 241.06 lakhs during 1971 on this account on its investment of Rs 14 crores in the equity capital of the company.

New Refineries

During 1971, the nine operating refineries in India refined 19.6 million tonnes of crude oil, over one million tonnes more than in 1970. About 11 million tonnes of crude was refined by the five public sector refineries and the balance by the four refineries in the private sector.

Of the three refineries under the Indian Oil Corporation, refining capacity of Koyali (Gujarat) Refinery was augmented by 0.9 million tonnes per annum by revamping and debottlenecking. Expansion of the Barauni refinery from its present capacity of 2.2 million tonnes to 3.4 million tonnes was expected to be achieved by June 1974 when the third million-tonne unit of the refinery started operating on imported crude. The fourth refinery of the Corporation, being set up at Haldia in West Bengal was making steady progress. According to present indications the fuel part of the refinery was expect-

ed to be commissioned by the end of the first quarter of 1973 and the lube complex by September 1973. The refinery was expected to cost Rs 67.50 crores.

Government had decided to set up a one-million tonne refinery at Bongaigaon in Assam together with a related DMT (dimethyl terephthalate) polyester fibre petro-chemical complex. The foundation stone of the refinery was laid by the Prime Minister in January 1972.

Anticipated Demands

To meet the anticipated demands of the North-West region of the country, the government was considering a proposal for setting up a six million-tonne refinery at a suitable location in that region. The refinery will have to be based on imported crude to be transported by a pipeline from the Gulf of Kutch.

Cochin Refineries Ltd also completed another year of successful operation and earned a profit of over Rs 1.75 crores.

The capacity of the Cochin Refinery was being expanded from 2.5 million tonnes to 3.3 million tonnes. The additional capacity was expected to be commissioned by February 1973.

The Madras Refinery, which went on stream in June 1969, processed 2.09 million tonnes of Darius crude attaining a crude throughput of 84 per cent of installed capacity in 1970-71, the second year of its operation.

The Lubrizol India Limited, in which the government of India held majority share, showed satisfactory results. The plant with a capacity of 6000 tonnes blended intermediate components into various chemical additives used in the formulation of lubricating oils etc. The government had approved expansion of the plant's capacity to 12,000 tonnes at an estimated cost of Rs 185 lakhs. Expansion was expected to be completed by March 1974.

The refinery of Lube India Ltd. a 50 : 50 partnership of the government of India and

Esso, had produced lube and transformer oil base stock to the extent of 1,47,700 tonnes at 90 per cent of its installed capacity during the year under report. The refinery had gone on stream in January 1970.

Growing Role of IOC

According to the report, the Indian Oil Corporation handled more than half (51.60 per cent) of the petroleum products trade in the country. The total sales of the Corporation during 1970-71 were 11.61 milli kilolitres as against 10.64 million kilolitres in 1969-70, showing an increase of nine per cent. The Corporation expected to sell 13.40 million kilo-litres of petroleum products next year, i.e. 1971-72.

The number of retail outlets of IOC was 3004 in 1970-71. Since April 1971, 75 new retail outlets had been added. These included outlets set up in the rural areas to sell light diesel oil for the benefit of agriculturists. There were also 70 retail outlets where the sale of fertilizers and pesticides to agriculturists had commenced. In addition, the Corporation had developed 141 farm fuel centres to cater specifically to such needs of agriculturists as servicing of tractors, advice on the use of correct fuel and lubrications, sale of seeds etc.

Liquified Petroleum Gas

Steady progress was maintained in the production and marketing of liquified petroleum gas (LPG). Production of LPG increased from 161,000 tonnes in 1970 to 200,000 tonnes in 1971. Indane gas was made available to 54 more towns during the year under report. The Corporation also started a limited supply of LPG for industrial use.

The Corporation imported refined petroleum products and lube base stock amounting to Rs 23.15 crores from April to December 1971 to meet certain marginal deficits. It also developed an export market for disposal of surpluses from public sector refineries and the exports

amounted to Rs 1.11 crores during the same period.

War Effort

The Ministry took special steps during the hostilities in December 1971 to meet fully the defence requirements of oil products and succeeded in full measure in that task, the report said.

It had been decided that all new dealerships/agencies of the Indian Oil Corporation for retail outlets, kerosene and domestic gas, would be awarded to war widows or disabled defence personnel initially for one year.

Assistance to Bangladesh

As part of overall assistance to Bangladesh, Rs four crores had been sanctioned initially for the supply of crude oil and petroleum products to that country. The entire quantity of crude supply reached Chittagong by the end of February 1972 and with this, the Eastern Oil Refinery at Chittagong had started functioning. It was also proposed to supply 1,00,000 tonnes of petroleum products to Bangladesh during the the current year.

Engineers India Limited

Engineers India Limited, a wholly government owned company set up under the ministry, provided a complete range of services from concept to commissioning in respect of petroleum refineries, petrochemical and chemical plants, fertilizer plants, breweries, off-shore engineering, heat exchangers and non-ferrous metallurgical plants. During the period under report, the company secured a job in Iran (Shiraz Refinery) in association with Sham Progetti of Italy and had tendered in association with Procofrance, for expansion of a refinery in Burma. The company was at present engaged on process design, engineering procurement and on construction supervision of the Haldia Refinery, Koyali Aromatics Project, Cochin Refinery Expansion. Coke Calcination Plant at Barauni and LPG bottling facilities at Barauni etc.

EXPORTS OF PETROLEUM PRODUCTS

Products	Q—Qty. in '000 tonnes. V—Value in Rs. crores.					
	1969		1970		1971	
	Q	V	Q	V	Q	V
Gasolines	636	8.79	353	4.64	141	2.12
High Speed Diesel Oil	67	0.99	46	0.58	7	0.17
Furnace Oil	8	0.06	—	—	—	—
Asphalt	24	0.64	10	0.22	2	0.05
Solvent 1425	—	—	neg.	neg.	—	—
Paraffin Wax	4	0.29	3	0.27	2	0.21
I.B.O.	—	—	neg.	0.01	—	—
TOTAL:	739	10.77	412	5.72	152	2.55
Re-exports (Tromer) (Lubes)	—	—	—	—	neg.	0.02
GRAND TOTAL	739	10.77	412	5.72	152	2.57

IMPORTS OF CRUDE OIL AND PETROLEUM PRODUCTS

Products	Quantity : '000 tonnes Value : Rs. crores					
	1969		1970		1971*	
	Q	V	Q	V	Q	V
Kerosene	574.8	12.44	327.3	7.63	599.5	15.95
Furnace Oil	87.8	0.67	356.9	3.02	879.5	9.79
H.S.D.	—	—	—	—	118.7	2.45
L.D.O.	—	—	—	—	158.4	2.66
Waxes	0.3	0.07	0.9	0.26	0.2	0.06
Finished Lube oils	126.9	8.50	47.4	3.59	37.5	2.27
Finished Lube greases	neg.	0.01	neg.	0.01	neg.	0.02
Base Oil	210.6	13.71	213.5	14.53	77.7	6.31
Additives	1.4	0.63	1.1	0.49	0.3	0.15
Others	50.0	2.21	23.0	1.00	72.8	3.74
TOTAL	1051.8	38.24	970.1	30.53	1944.6	43.40
Crude Oil	10702.3	94.01	11665.3	102.36	12659.9	139.93
GRAND TOTAL	11754.1	132.25	12635.4	132.89	14604.5	183.33

*Provisional.

PRODUCTION OF FERTILIZER

Name of Product	1970-71			1971-72		
	(No. of Units)			(No. of Units)		
	No. of Units	Installed Capacity	Actual Production	No. of Units	Installed Capacity	Actual Production
1	2	3	4	5	6	7
Ammonium Sulphate	33	978	639	13	978	622
Ammonium Phosphate	2	186	82	2	186	96
Cal-Amm.-Nitrate	2	800	312	2	880	410
Double Salt	1	122	42	1	122	27
Nitro. Phosphate	1	270	139	1	270	042
Irea	9	1566	1066	10	1878	1237
Ammonium Chloride	2	96	34	2	69	32
Dia-Amm. Phosphate	1	108	55	1	108	53
Irea Ammonium Phosphate	1	260	226	1	260	237
Complex NPK	1	38	8	2	401	77
Single Super Phosphate	28	1300	625	28	1300	759
Triple Super Phosphate	1	27	7	1	27	9

INSTALLED CAPACITY AND PRODUCTION IN THE CHEMICAL INDUSTRY IN INDIA DURING 1970 & 1971 .

Serial No.	Name of the Industry/item	A/C unit	1970			1971		
			No. of units	Installed capacity@	Production	No. of units	Installed capacity @	Production
1	2	3	4	5	6	7	8	9
1. Acids, Alkalies & Allied Industries								
1	Caustic Soda	Tonnes	28	368900	357446£	28	372000	368999£
2	Liquid Chlorine	"	22	222000	147282	22	222000	162438
3	Soda Ash	"	4	470800	446444	4	470800	482993
4	Staple Bleaching Powder	"	3	21280	13744@	3	25800	15000*@
5	Caustic Potash	"	2	12375	5945@	2	12375	7000*@
6	Potassium Carbonate	"	1	1500	1919@	1	1500	2200*@
7	Sulphuric Acid	"	67	1968600	1199215£	67	1968600	1300302£
2. Soaps and Synthetic Detergents								
1	Soaps	Tonnes	44	217822	233602	43	217822	273508
2	Synthetic Detergents	"	5	47580	31029	5	47580	54081
3. Alcohol								
1	Ethyl Alcohol@	K.L.	65	322445	253392	65	322445	253000*
4. Organic Heavy Chemicals								
1	Acetone	Tonnes	3	18500	7728	3	18500	12039
2	Benzene	"	10	94000	49228	10	94000	54941
3	Butadiene	"	1	7200	4546	1	7200	5480
4	Butyl Acetate@	"	3	6280	2529	4	7230	2906*
5	Butyl Alcohol@	"	3	12450	3445	4	14250	3895*
6	Diacetone Alcohol	"	2	4800	2418	2	4800	2929
7	Dietylene Glycol	"	1	600	441	1	600	708
8	Dichloro Ethane	"	1	3000	634	1	50000**	28438**
9	Dripolene A & B	"	1	5000	4423	1	5000	5462
10	Ethylene	"	2	75000	52068	2	75000	66538
11	Ethylene Oxide	"	1	12000	1403	1	12000	5112
12	Ethylene Glycol	"	1	10000	4998	1	10000	3807
13	2-Ethyl Hexanol	"	2	9600	6380	2	9600	8970
14	Isopropanol	"	1	1500	1594	1	1500	1816
15	Methanol	"	1	33000	21280	1	33000	23310
16	Methyl Isobutyl Ketone	"	1	3700	1131	1	3700	1279
17	Phenol	"	2	16600	8804	2	16600	9858
18	Phthalic Anhydride	"	3	12300	7256	3	12300	6093
19	Polyethylene Glycol	"	1	1000	543	1	1000	548
20	Propylene	"	2	6000	5494	2	25000	26617
21	Toluene	"	9	25755	7834	9	25755	8695
22	Trichloroethylene	"	2	3717	3299	2	3717	3877
5. Synthetic Fibres								
1	Acrylic Staple Fibre	Tonnes	1	540	192	1	540	73
2	Nylon Staple Fibre	"	1	—	—	1	1800	20
3	Nylon 6 Filament Yarn	"	5	8996	9797	5	8996	10335
4	Nylon Ind. yarn/Tyre Cord.	"	2	360	68	2	2400	541
5	Polyester Filament Yarn	"	2	710	674	2	720	562
6	Polyester Staple Fibre	"	1	5000	5333	1	5000	5730

*Provisional

@D.G.T.D. figures

**Includes for captive use.

N.B.—All figures are from E & S Division, M/O P & C, unless otherwise specified.

£In terms of 100% concentration

..Not available —Nil.

A—Licensed Capacity.

1	2	3	4	5	6	7	8	9
6. Synthetic Rubber								
1 Synthetic Rubber		Tonnes	1	30000	30339	1	30000	33024
7. Plastics & Plastic Goods								
Thermosets								
1 M. F. Moulding Powder		Tonnes	2	550	83	2	550	123
2 P. F. Moulding Powder		"	2	2600	3237	3	5800	3801
3 U. F. Moulding Powder		"	3	1680	1589	3	2280	1892
Thermoplastics								
4 C.A. Moulding Powder		"	2	7200	1003	2	7200	1446
5 Polyethylene L. D.		"	2	19000	23215	2	19000	27497
6 Polyethylene H. D.		"	1	20000	18346	1	20000	24059
7 Polystyrene		"	2	17500	8708	2	17500	11108
8 P.V.C. Resin		"	4	43700	38552	4	44800	42901
9 P.V.C. Compound		"	4	20700	22694	4	23400	25797
PLASTIC GOODS								
10 Phenolic Laminates		Tonnes	4	4000	4084	4	4000	4670
11 Nylon Bristles		"	1	300	117	1	300	154
12 P.V.C. unsupported sheets		"	2	7320	7205	2	7320	7466
13 Polyethylene films/pipes/L.F. tubing etc.		"	5	3560	4089	5	3560	4964
14 Moulded Goods @		Rs./lakhs	20	—	525	20	..	615*
15 Leather cloth		K.M.	6	12444	9777	6	12444	11499
16 Linoleum		"	1	1080	1043	1	1165	902
8. Pesticides								
1 B.H.C.		Tonnes	5	17800	16946	6	22900	6239
2 D.D.T.		"	2	4200	3958	2	4200	4145
3 Copper Oxychloride		"	4	2284	396	4	2284	909
4 Malathion		"	3	1475	515	3	1475	922
5 Organo-mercurials		"	2	111	117	2	111	34
6 Zinc Phosphide		"	3	300	40	3	300	198
7 Zineb		"	2	3400	1603	2	3400	1070
8 Maneb		"	3	1700	36	3	1700	127
9 2-4-Tonnes		"	3	1800	34	3	1800	67
10 Thiuram		"	3	1800	22	3	1800	7
11 Ziram		"	2	400	36	2	400	60
12 Methyl Bromide		"	2	208	41	2	208	—
13 Ethylene Dibromide		"	1	150	32	1	150	46
14 Nickel Chloride		"	2	1450	473	1	1200	603
15 Parathion		"	2	450	73	2	450	198
16 Aluminium Phosphide		"	1	250	48	1	250	141
17 Dimethoate		"	1	250	12@	1	250	47
18 Metasystox		"	1	50	16	1	50	12
19 Ratafin		"	..	..	..	1	100	43
20 Fenitrothion		"	..	..	..	..	..	..
21 Pesticidal Formulation :		"	35	28672	34168@	35	32547	40000
(a) Solid		"	..	..	6808@	..	..	7600
(d) Liquid		KL	..	..	..	..	..	..

1	2	3	4	5	6	7	8	9
9. Drugs and Pharmaceuticals								
I. ANTIBIOTICS								
1 Amphotericin		Kgs.	1	300	1621.00	1	300	450.00
2 Chloramphenicol & its esters		Tonnes	4	68.8	36.30	4	68.8	50.11
3 Penicillin		MMU	4	264	181.53	4	264	198.80
4 Streptomycin		Tonnes	4	235	157.09	4	335	173.10
5 Teracycline & its derivatives		Tonnes	5	148.5A	52.65	5	150.0A	82.76@
II. ANTIDIABETICS								
1 Chlorpropamide		"	3	3.0A	6.35	3	3.1A	11.10
2 Insulin		M.U.	1	1500	806.00	1	1500	782.00
3 Tolbutamide		Tonnes	3	43	46.10	3	43	52.88
III. ANESTHETICS								
1 Procaine		"	2	90	24.41	2	160	51.06
2 Xylocaine		Kgs.	1	1500	1956.00	2	6000	3091.00
IV. ANTIMALARIALS								
1 Amodiaquin		Tonnes	2	51.0	24.07	2	56	16.99
2 Chloroquin		"	2	..	15.77	2	..	22.20
V. SULPHADRUUGS								
1 Sulphacetamide/Sodium		Tonnes	4	..	34.82	4	..	21.80
2 Sulphadiazine		"	1	..	55.75	1	..	49.27
3 Sulphadimidine		"	2	..	125.57	2	..	226.61
4 Sulphaguanidine		"	1	975	154.37	1	975	154.37
5 Sulphamoxole		"	1	(Combined capacity for all Sulphadruugs from S.No. 1 to 11)	10.42	1	(Combined capacity for all sulphadruugs from Sl. No. 1 to 11)	15.43
6 Sulphanilamide		"	1	..	84.48	1	..	137.15
7 Sulphaphenazole		"	1	..	76.77	1	..	106.75
8 Sulphaphyridine		"	1	..	17.44	1	..	29.06
9 Sulphasomidine		"	2	..	114.60	2	..	141.27
10 Sulphathiazole		"	2	..	237.41	2	..	167.86
11 Other Sulpha Drugs		"	..	..	4.57	..	..	4.47
VI. VITAMINS								
1 Nicotinic Acid		"	6	89	25.99	6	90	15.30
2 Nicotinamide		"	2	25	15.26	2	25	14.23
3 Vitamin 'A'		MMU	1	30000A	36.98	1	30000A	42.21
4 Vitamin 'B'—1		Kg.s	1	5000A	5395.00	1	5000A	15885.00
5 Vitamin 'B'—2		"	1	..	1447.00	1	..	2210.00
6 Vitamin 'B'—12 Cyanocobalamin		Kgs.	4	56.0	121.40	4	123.2	117.25
7 Vitamin 'B'—12 Hydroxocobalamin		"	3	..	19.38	3	..	18.72
8 Vitamin 'C'		Tonnes	1	120	152.19	1	200	195.08
9 Vitamin D—2		Kgs.	1	1000A	75.96	1	1000A	109.39
10 Vitamin D—3		"	1	..	27.24	1	..	13.37
VII. ANTI-DYSENTRY DRUGS@								
1 Halogenated Oxyquinolines		Tonnes	10	84	96.05	11	98	56.52
VIII. ANTI-LEPROSY DRUGS@								
1 DD & Derivatives		"	3	18	8.24	3	18.3	2.31
IX. ANTI PYRETICS/ANALGESICS@								
1 Aspirin		"	3	560	761.67	3	560	926.74
2 Phenacetin		"	2	112	101.80	2	112	185.83
3 Paracetamol		"	4	71	33.78	5	156	19.88
4 Analgin		Tonnes	1	10	26.87	1	10	67.78
5 Amidopyrin		"	1	40	3.45	1	40	5.24
6 Pethidine HCL		Kgs.	1	10	210.00	1	250A	198.00
X. ANTI T. B. DRUGS@								
1 I.N.H.		Tonnes	7	72	28.72	7	145	60.08
2 P.A.S. & its salts		"	5	530	466.12	5	540	485.54
3 Thiacetazone		"	5	15	5.01	6	62	8.84
XI. SYNTHETIC HORMONES @								
Synthetic Hormones & Intermediates		Kgs.	6	6720A	8542	6	6720A	3732
			997					

1	2	3	4	5	6	7	8	9
XII. ALKALOIDS & ALLIED DRUGS@								
1	Caffeine	..	3	23200	17110	3	37200	33800
2	Emetine Hydrochloride	..	1	150	164.57	1	150	122.20
3	Ephedrin	..	3	..	519.4	3	..	116.5
4	Opium Alkaloids	..	1	2000	6584.48	1	2000	6658.76
5	Quinine	..	3	..	49024.46	3	..	34430.5
6	Strychine & Brucine	..	3	36000	15570	3	36000	10018.22
XIII. OTHER DRUGS@								
1	Calcium Gluconate	Tonnes	6	248	154.50	6	248	165.21
2	Ferrous Gluconate	..	4	48	..	4	48	21.13
3	Nikethamide	..	4	..	8.23	4	10.2	3.39
4	Sachharine	..	4	179	88.89	4	179	55.59
5	Diethyl Carbamazine Citrate	..	3	59	11.23	3	59	17.26
6	Meprothamate	Kgs.	1	1800	Nil	1	1800	2951.00
7	Buclizine	..	1	120	447.3	1	120	558.3
8	Meolozine	..	1	300	265.1	1	300	263.3
9	Promethazine	..	1	500	842.45	1	500	1092.16
10	Digoxin	Grams	2	26000	8383	2	26000	982
11	Phenobarbitone	Tonnes	1	10.0	3.76	1	10.0	7.23
12	Avil Malcate	..	1	30	2	1	30	2.07
13	Diphon Hydramine HCL	Kgs.	2	..	3374	2	..	4053.00
14	Folic Acid	..	1	1000	400	1	1000	1040
15	New Items (Erythromycin Base)	..	1	3000	24.16	1	3000	180.3

10. Dyestuff

1	Azo Dyes	Tonnes	9	3000	1877	9	2675	2471*
2	Acid Direct Dyes other than Azo	..	..	..	..	8	403	225*
3	Basic Dyes	..	5	1100	670	6	1107	648*
4	Disperse Dyes	..	..	..	..	9	480	208*
5	Fast Colour Bases	..	3	786	766	3	1398	748*
6	Food Dyes	..	..	..	..	1	195	44*
7	Naphthol	..	3	1313	1076	5	1285	1331*
8	Oil & Spirit Soluble Dyes	..	..	..	..	5	264	132*
9	Opt. whiteners	..	6	524	809	6	715	633*
10	Organic Pigments	..	7	1825	1285	9	2431	1532*
11	Pigment Emulsion	..	..	..	..	3	854	1592*
12	Reactive Dyes	..	3	730	562	4	745	530*
13	Stabilised Azoics	..	3	335	176	4	581	185*
14	Sulphur Black	..	2	2605	1410	2	2506	1420*
15	Sulphur Dyes other than Black	..	4	..	..	2	108	42*
16	Vat Dyes	..	4	1324	1337	7	1441	991*
17	Solubilized Vats	..	4	320	192	4	370	132*
18	Ingrain Dyes	..	..	..	..	1	165	21*

11. Aromatic & Photographic Chemicals@

1	Amyl acetate	Kgs.	2	Installed	310	1	Installed	4183
2	Amyl benzoate	..	1	capacity of	330	1	capacity of	370
3	Amyl Cinnamic aldehyde (ALPHA)	..	2	all the aro-	23077	2	all the aro-	43851
4	Amyl Butyrate	..	1	matic	360	1	matic	425
5	Amyl Salicylate	..	2	chemicals	5916	2	chemicals	5171
6	Aldehyde alcohols (Fatty)	..	2	excepting	8664	2	excepting	10613
7	Amyl propionate	..	..	where	..	1	where	..
8	Argeol	..	1	indicated,	806	1	indicated	719
9	Aurantine	..	1	1300 tonnes.	474	1	1400 tonnes.	834
10	Amyl formate	..	1	6	..	..	..	..
11	Amyl phenylacetate	..	1	310	..	..	..	..
12	Amyl cinnamate	..	1	13	..	1	..	16
13	Amyl isovalerate	..	1	19	..	1	..	18
14	Benzyl isoamyl ether	..	1	27	..	1	..	10
15	Benzyl butyrate	..	1	4	..	2	..	112
16	Benzyl formate	..	1	418	..	2	..	382
17	Benzyl salicylate	..	2	2780	..	2	..	3821

1	2	3	4	5	6	7	8	9
18	Benzyl cinnamate	..	1	15	1	7	..	..
19	Benzyl idene acetone	..	1	64	1	117	..	..
20	Benzyl propionate	..	2	5706	2	4404	..	..
21	Bromelia	..	1	862	1	1081	..	..
22	Bata naphthol isobutyl ether	..	1	172	..	..	..	..
23	Benzyl benzoate	..	1	4890	1	10430	..	..
24	Benzyl phenyl acetate	..	1	75	2	42	..	..
25	Benzyl isobutyrate	..	1	149	..	..	..	..
26	Benzophenone	..	1	3208	1	56098	..	..
27	Benzyl isoeugenol	..	1	80*	..	..	..	..
28	Benzyl isovaternate	..	1	11	1	35	..	..
29	Benzaldehyde I.P.	..	1	224	1	103	..	..
30	Citral pure	..	1	571	..	810	..	..
31	Citral (Chem. pure)	..	1	161	..	..	..	..
32	Cinnamic aldehyde	..	3	3330	3	3619	..	..
33	Cinnamyl acetate	..	1	22	2	224	..	..
34	Citronellal	..	2	60*	2	11566	..	..
35	Citronellyl acetate	..	2	1696	2	2361	..	..
36	Citronellyl formate	..	2	157	1	26	..	..
37	Citronellyl propionate	..	..	..	1	52	..	..
38	Cetronellyl butyrate	..	1	56	1	62	..	..
39	Citronellol	..	3	27240	2	28540	..	..
40	Citronellal-ex-citrol	..	1	1222	..	..	..	..
41	Cinnamic alcohol	..	1	28	1	92	..	..
42	Cinnamyl butyrate	..	1	14	..	..	..	..
43	Citronellal-ex-lemongrass	..	..	..	..	..	..	..
44	Dimethyl hydro-quinone	..	1	510	1	100	..	..
45	Dibutyl phthales	..	..	..	..	..	..	..
46	Other phthalates	..	1	2530	..	..	..	..
47	Dihydro isojasmome	..	1	176	1	151	..	..
48	Diphenyl melhane	..	2	4650	2	3930	..	..
49	Ethyl cinnamate	..	2	180	2	258	..	..
50	Ethyl phenyl acetate	..	2	250	1	215	..	..
51	Ethyl propionate	..	1	11	2	425	..	..
52	Ethyl benzoate	..	1	28	..	..	..	..
53	Eugenol	..	2	3600*	2	2089	..	..
54	Ethyl butyrate	..	1	459	2	409	..	..
55	Eucalyptol	..	2	1157	2	1322	..	..
56	Eucalyptol (Chem-pure)	..	1	163	..	..	..	..
57	Ethyl undecylinate	..	1	87	..	..	..	..
58	Ethyl heptoate	..	1	20	1	16	..	..
59	Ethyl salicylate	..	1	19	..	..	..	..
60	Ethyl acetate	..	1	113	..	..	..	..
61	Geraniol-pure	..	4	13000	4	8959	..	..
62	Geraniol-expet	..	1	418	1	179	..	..
63	Geranyl acetate	..	2	1925	3	2670	..	..
64	Geranyl acet. II	..	1	275	1	255	..	..
65	Geranyl formate	..	1	476	2	218	..	..
66	Geranyl butyrate	..	1	134	2	78	..	..
67	Geranyl propionate	Kgs.	1	50	1	65	..	..
68	Hydroxy. citronellal	..	4	3500*	3	11421	..	..
69	Hydroxy-citronellal extra	..	1	3052	..	..	..	..
70	Ionone pure	..	2	8176	3	8180	..	..
71	Isoeugenol	..	1	391	2	119	..	..
72	Ionone (Alpha)	..	1	455	1	900	..	..
73	Ionone (Beta)	..	2	386	3	9852	..	..
74	Isobutyl acetate	..	..	..	..	..	..	..
75	Isobutyl phenyl acetate	..	1	698	1	746	..	..
76	Isobutyl salicyltate	..	1	155	2	904	..	..
77	Isobutyl benzoate	..	1	60	1	140	..	..
78	Isobornyl acetate	..	2	25000*	2	3729	..	..
79	Isojasmone	..	2	100*	1	271	..	..
80	Isopulegol	..	1	220	1	61	..	..
81	Isobutyl propionate	..	1	45	1	25	..	..
82	Isobutyl cinnamate	..	1	10	..	..	..	..
83	Isoeugeon	..	1	391	2	119	..	..
84	Isoborneol	..	1	12000*	1	25845	..	..

1	2	3	4	5	6	7	8	9
85	Linalol	"	2		2671*	2		2125
86	Lavendinal	"	1		9777	1		4580
87	Linlyl acetate	"	1		10	1		30
88	Linlyl acetate extra	"	1		27	—		—
89	Jasminol	"	1		80	1		60
90	Methyl benzoate	"	2		790	2		2393
91	Methyl phenyl acetate	"	2		618	2		1174
92	Methyl ionone	"	2		9194	2		6691
93	Methyl cinnamate	"	2		1200*	2		515
94	Methyl salicylate	"	2		2000*	1		1787
95	Methyl eugenol	"	1		146	2		21
96	Methyl heptanone	"	1		25	—		—
97	Metaxolane	"	1		15*	—		9529
98	Methylisoeugenol	"	1		8	1		10
99	Merol	"	2		250	3		3195
100	Merol (Super)	"	1		20	—		—
101	Merol (Brometic)	"	1		120	1		115
102	Phenyl ethyl methyl ether	"	2		2624	2		1617
103	P-cresyl methyl ether	"	2		520	2		1700
104	P-cresyl acetate	"	1		379	2		2124
105	Phenyl ethyl formate	"	1		286	2		329
106	Phenyl ethyl acetate	"	2		9000*	3		10505
107	Phenyl ethyl phenyl acetate	"	1		156	1		116
108	Phenyl ethyl propionate	"	1		66	1		244
109	Phenyl ethyl butyrate	"	1		291	1		18
110	P-cresyl isobutyrate	"	1		1950	1		4
111	Phenyl crenyl phenyl acetate	"	1		379	—		—
112	P-cresol (P-grade)	"	1		420	1		240
113	Phenyl acetic acid (Flakes)	"	1		226	1		2983
114	Phodinol extra	"	1		57	2		88
115	Phodinol I.P.	"	2		700*	—		—
116	Phodinol Pure	"	1		17	2		55
117	Rose crystals	"	2		1943	2		1989
118	Safrol	"	1		754	—		—
119	Terpinyl acetate	"	3		500*	2		493
120	Terpineol	"	1		1200	2		44138
121	Vetacetone	"	1		4170	1		1373
122	Vetivenyl acetate	"	2		100*	2		388
123	Vetiverol	"	1		7	2		15
124	Vara Yara	"	2		4680	2		12379
125	Strallyl acetate	"	1		3000*	3		2562
126	Santalol	"	1		1	2		47
127	Musk Ketone	"	1		2719	1		1869
128	Musk Xylol	"	1		41380	1		50096
129	Musk ambrette	"	1		24437	1		30002
130	Menthol	"	4		65000*	4		100000*
131	Acetanilide Tonnes	2		2600	982	2	2600	1582
132	Cynuric chloride	"	1		300	1	300	191
133	Ethyl chloride	"	1		1000	1	1000	200
134	Meta-aminaphenol	"	—		—	1	750	95
135	Monochloroacetic Acid	"	2	2450	2456	2	2450	2336
136	Benzyl acetate	"	2	384	125	2	384	95
137	P-hydroxy Benzoic	"	1	200	7	1	200	8
138	Benzyl chloride	"	1	300	187	2	500	395
139	Benzyl alcohol	"	1	42	15	2	342	28
140	Phenyl acetic acid	"	—	—	—	1	160	12

12. Perfumery compounds & Flavouring essences @

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1	Perfumery compounds synthetic essential oils Tonnes	6	253	290*	6	255	347
1	Flavouring Essences :						
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	(b) Non-alcoholic	"	3	400	4	..	548

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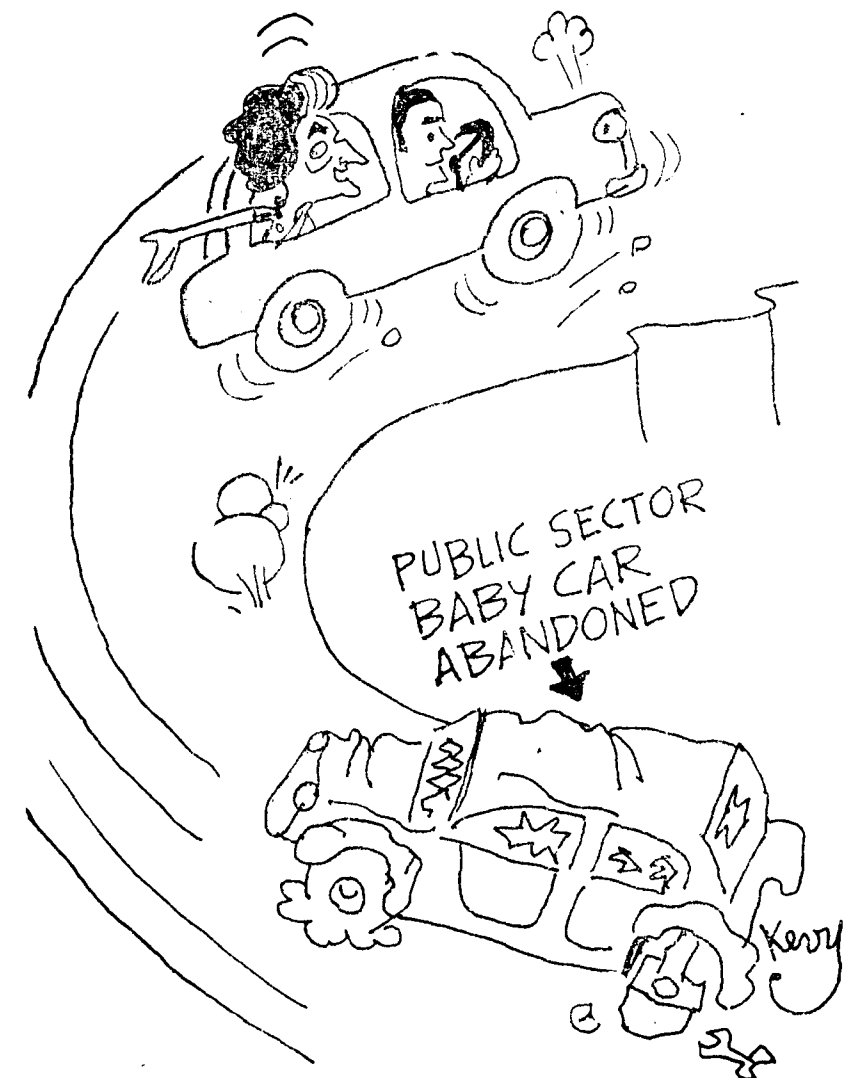
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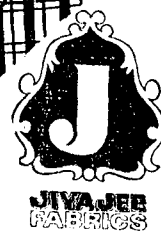
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After Santiago, what?

It is difficult to get a true picture or feel of UNCTAD III from newspaper accounts of its proceedings, the reported oratory or even the resolutions adopted or the proposals dropped or defeated. Subject to this limitation we would venture to suggest that the central and also the most disturbing feature of the conference in Santiago was a failure on the part of the developing countries to find adequate leadership in their ranks. In this respect UNCTAD II, which was held in New Delhi, was significantly different. The Indian delegation which had Mr Dinesh Singh for its ministerial head and Mr K.B. Lal as the chief of the official team was determined from the outset that New Delhi would not let UNCTAD go without solid gains to declare.

Without exaggerating the impact of this delegation on the course of the conference, it could be claimed that its clear-eyed vision and cool-headed purposiveness contributed a great deal towards steering the course of consultations and negotiations and even the controversies and debates into ultimately productive channels. It is not suggested here that UNCTAD II was a famous victory, but its success in carrying through the concept of generalized preferences to the point of acceptance in principle and subsequent implementation in detail did result in saving UNCTAD itself from the real danger of infant mortality. In Santiago there was apparently no such thrust of practical leadership set to achieve major results. To the extent that individuals make history, Santiago had also the further disadvantage that the present Secretary-General of UNCTAD does not have the crusading zeal or force of his predecessor in office.

All this is a pity, the more so since some truly liberal individual personalities from or speaking for the developed countries had gone to Santiago to assist in imposing on its discussions a grand design of ends and means. International statesmen of the calibre of the President of the World Bank, Mr McNamara and the President of the Brussels Commission, Dr Sicco Mansholt, had tried to breathe a spirit of idealism into UNCTAD III so that it would not become merely a sterile confrontation between the rich and the poor countries but would shape itself into an agreed endeavour to pursue common goals. It is possible that, had their efforts in the strategic as well as in philosophical fields, been adequately reinforced by activists of similar quality among the developing countries, Santiago might ultimately have had a different story to tell.

As it was, the official spokesmen of the more conservative or unhelpful national governments in the affluent world were able to brand UNCTAD III with the stamp of their cynicism. Indeed what particularly bodes ill for the future of the UNCTAD spirit are the attitudes of negativism and obstructionism characterising the role of the US government. Santiago provided disturbing evidence that Washington, under the Nixon administration, is retreating more and more into a mood of indifference and even callousness towards the revolution of rising expectations in the Third World. It is not suggested here that the positions taken up by the US delegation were entirely without merit. It is certainly possible, for instance, to believe that the question of linking special drawing rights to development assistance needs to be more deeply explored but what was grossly unjustifiable in the US stand was that the Nixon administration had very few initiatives of its own to sport. Considering how much the cause of international development assistance, whether through aid or trade, had owed in the past to American leadership, this development would seem to be almost tragic. It is significant that the American example was so effective in hardening or otherwise fouling the thinking of many other affluent countries at the Santiago conference. Japan, to name a country which was obviously influenced in this manner, was as rigid as the US itself in resisting or rejecting every liberal proposal at Santiago, while in the case of Britain, progressive opinion even within that country has confessed to feelings of shame and resentment over what has been described as the Heath government's failure to make any constructive contribution towards the objective of UNCTAD at the Santiago conference. In fact, only the delegation of the Federal Republic of Germany seems to have gone to any extent towards reshaping the role of the affluent countries on more progressive lines. Its Minister of Economics and Finance, Prof. Karl Schiller, was at least able to offer at UNCTAD III a package of new concessional terms for development loans.

The question now is: After Santiago, what? It has been suggested in some sections of the press in this country that the meagre results of UNCTAD III should provoke the developing countries to turn away from bargaining with the 'Haves' and instead develop and strengthen bonds of economic co-operation amongst themselves. This is clearly an irrelevant recommendation. The justification for trade and other economic co-operation among the developing countries must be sought in terms of

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its own intrinsic advantages and not as a rebuff to the industrially advanced countries. The allied proposal that the developing countries could set up among themselves machinery for stabilizing the prices of their primary produce entering into world trade or otherwise improving the terms of trade, ignoring the industrially advanced countries who are the main importers, is so unrealistic as to be childish.

A more respectable reaction has been the proposal that Santiago should confirm the developing countries in their determination to mobilize and organize their own resources as efficiently and productively as possible so that their bargaining position would improve in international monetary or trade discussions. While this approach is inherently sound, so far as UNCTAD itself is concerned, this emphasis on self-reliance on the part of the developing countries may run the risk of avoiding the problem. If it is conceded that, as members of the international community, the developing countries have a right to claim a fair share in world economic opportunities, the pragmatic as well as the heroic course for these countries would be to seek to ensure that UNCTAD carries on despite Santiago.

Here the outlook is not altogether hopeless. There are, for instance, several liberal currents of thought flowing in western Europe in favour of the UNCTAD spirit. Dr Schiller for example has placed his government behind a proposal that the affluent countries should act boldly to accord tariff preferences to stimulate exports from the developing countries. The liberal ideas of Dr Mansholt on these and other connected questions are well known. Recently Mr Roy Jenkins, presenting his point of view as one of the foremost British enthusiasts for an enlarged Common Market, suggested that the time was not far off when the European Economic Community might come to think in terms of tariff-free entry for all the exports of all the developing countries. While it will not be prudent to be too optimistic about the immediate utility of such trends of thought among west European statesmen, it will not be evidence of intelligence either for developing countries to refrain from working for

a possible triumph of progressive west European ideas over the current obscurantism of the US government. From this point of view, it becomes necessary that the developing countries, having left Santiago behind, must now turn to Geneva and

Danger signal for tyres

THE AUTOMOTIVE tyre industry, indeed, rose to the occasion last year when large additional orders from the Defence Forces had to be met in the wake of the conflict with Pakistan. The total output of the industry in this year amounted to 4.66 million tyres, against the original estimated demand of about 4.5 million numbers. The 1971 production was approximately 14 per cent more than the output in the previous year.

The supply position this year, except in the case of the main truck tyre size 900-20, may not become unduly difficult since, as against an anticipated demand of 5.4 million tyres, the licensed capacity of existing manufacturers aggregates to 5.2 million numbers. Part of this capacity is in the course of being established, but the permission given to all manufacturers in 1966 to raise production up to 25 per cent over their licensed capacities and the recent liberalisation granted to the Indian firms, with some stipulations, under which they can increase their output up to 100 per cent of their licensed capacities, should help in meeting the marginal gap that might remain between the estimated demand and installed capacity, if all the expansion schemes under implementation do not materialise in time.

From the next year onwards, however, the situation may start deteriorating, for the growth in the installed capacity may not keep pace with the increasing requirements. By 1974 or 1975, the supply position may even become critical.

Various estimates are available of the likely demand in the next three years. While the Managing Director of Madras Rubber, Mr K.M. Mammen Mappillai, has estimated the demand in 1973 at 6.04 million tyres and in 1974 at 6.71

million and Mr R.G.S. Nairn, Chairman of Dunlop India Ltd., has referred to the estimated requirements in 1973-74 being 6.5 million, the Planning Commission's calculations put the requirements in 1974 at 7.2 million tyres. Fears have been expressed in some quarters that the estimate of the Planning Commission may turn out to be on the low side. The genesis of these fears is that the replacement demand for tyres is going up at a much faster rate than was the case till lately—thanks to the more intensive use of motor vehicles—and the growth in the production of motor vehicles may also be much higher in the coming years because of the recent licensing of new units. Taking into consideration these factors, the demand for tyres both in the domestic market as well as for exports, may go up by 1975 to over eight million numbers. In 1974, it may be around 7.5 million tyres.

Will we be able to produce tyres to meet the above projected requirements? If all the schemes which have been licensed, or for which letters of intent have been given so far, materialise by 1974 or even by 1975, the shortages may be only marginal. As mentioned earlier, the licensed capacity of the existing manufacturers aggregates to 5.18 million tyres per annum — Dunlop (14.49 lakhs), Firestone (6.72 lakhs), Ceat (6.50 lakhs), Madras Rubber (6.10 lakhs), Goodyear (6.03 lakhs), Inchek (6.00 lakhs) and Premier (6.00 lakhs). Besides this, letters of intent have been issued for as many as 13 other schemes, envisaging three lakh tyres capacity each — 3.9 million tyres capacity in all. The parties to whom these letters of intent have been issued include six state industrial development corporations — Punjab, Gujarat, Orissa, Andhra Pradesh, Tamil Nadu and Rajasthan — and seven private entrepreneurs — Madras Rubber (Goa unit), Modi, Universal Jaswant Vohra, N.B. Jesudasan (South

India Export Corporation), Ruby Rubber Works and J.K. organisation. The total capacity already installed or covered by the letters of intent, thus, comes to slightly over nine million tyres a year.

Of the 13 schemes for which letters of intent have been issued, only three — those of Madras Rubber (Goa unit), Modi and Universal — however, are expected to materialise by 1975 as they have already made some progress. The other 10 prospective manufacturers are unlikely to go into production by then since they have yet to arrange for technical collaboration. Even if this collaboration is arranged expeditiously, it will take four to five years for these entrepreneurs to go into production.

The total installed capacity may thus go up by 1975 to only about six million tyres. Even if the existing manufacturers are able to produce in excess of their capacities up to 25 per cent in terms of the 1966 relaxation (or they are given regular licences in lieu of this relaxation), the output that can be expected from this six million capacity cannot be more than 7.2 million tyres. This, of course, is doubtful because normally a tyre manufacturing unit produces around 90 per cent of capacity. The three Indian units among the existing manufacturers, no doubt, have been recently allowed to produce up to double their capacities, but the doubling of their production is beyond the realm of possibility as they could not do so even towards the end of last year when they went all-out to meet the demand of the Defence Forces. Then, some allowance has to be made for the gestation period of the three new units which may come up by 1975.

The importance of technical collaboration for new units cannot be over emphasised. The manufacture of tyres is an industry which is undergoing rapid innovations. Unless a unit keeps itself abreast of the new developments and techniques, it will soon become uncompetitive. The research and development effort of a new unit without technical collaboration from an already established manufacturer obviously cannot be any substantial. As a matter of fact, the existing units in the country too depend largely on their collaborators or parent

companies for the fruits of research. This is why there is an imperative need for the new entrepreneurs and the state industrial development corporations to arrange technical collaboration from established manufacturers who have capabilities to undertake adequate research.

The question that arises in the light of the above analysis is: Should the supply position of automotive tyres be allowed to deteriorate just because new entrepreneurs have to be encouraged? In its enthusiasm to encourage new entrepreneurs and to curb the concentration of economic power in the hands of a few, the government is inhibiting industrial growth. There can be no two opinions on the fostering of entrepreneurship in the country, but care has to be taken that the policy in this respect is not carried to absurd limits of stagnating the growth of an industry. There is obviously a case

Operation whitewash

THE CENTRE'S anxiety to prevent unauthorised overdrafts by the state governments and discourage resource mobilisation in this manner is reflected in the latest moves adopted by it to discharge the states' indebtedness to the Reserve Bank. For sometime past, it has been expected that major adjustments would be carried out by the central government and that the new procedures designed for eliminating deficit financing on states' account would be strictly enforced. It was not expected, however, that the unauthorised overdrafts would be eliminated completely so early and that the government would not wait till the usual adjustments were carried out in the last week of June.

In view of the elbow-room that the central government had for making these adjustments and the earlier suggestions that the transactions in this regard should be completed before the end of 1971-72, it was generally expected that the overall deficit of the central government in the revised estimate for 1971-72 would be even higher than Rs 800 crores. The union Finance Ministry, however, did not take

for striking a balance between the growth requirements of an industry, on the one hand, and the objectives of broadbasing entrepreneurship and extending the role of the state in manufacturing, on the other.

The country has already paid dearly in terms of stunted growth in several sectors of our industrial economy because of the misguided policy of the government to stall the expansion of the so-called monopolies. With seven tyre manufacturers already in the field and at least two more expected to join their ranks in the next two or three years, it could well be asked why there should be all this obsession with the alleged danger of monopoly, especially as the Monopolies and the Restrictive Trade Practices Commission has recently been asked to investigate whether any restrictive trade practices are in fact being resorted to in this industry.

over the liability of the state governments to the Reserve Bank because it was anxious to avoid the impression that it was committing itself to massive deficit financing for the sake of the states. On the other hand, the central government has been immensely successful in exposing the sad state of finances of many state governments since the overdrafts in the aggregate rose to well above Rs 700 crores in the last week of April after all payments in respect of 1971-72 had been completed.

In the absence of a proper analysis of the uncovered deficits of the state governments for 1971-72 it cannot be said what is the net deficit for 1971-72 on their account. It would indeed be wrong to presume that there had been an increase in overdrafts by over Rs 625 crores from the low level touched in the last week of June as this level was depressed artificially. The centre brought these overdrafts to less than Rs 100 crores with special assistance to the states and advance payments in respect of central assistance and grants needed for fourth Plan schemes. As the states could not overcome the situation arising out of reduced or no payments from the centre at a later stage and repayments against earlier loans had to be made to the centre, the overdrafts with the Reserve Bank started rising again in a big

way. The central government was a helpless onlooker. The central government actually has not been guilty of massive deficit financing and it may even be found, when the accounts for 1971-72 are finalised, that there is not any sizable deficit. The quantum of deficit financing of Rs 385 crores may not actually materialise as there are bound to shortfalls in expenditure on Plan schemes in the central sector and there may also be larger tax and capital receipts. It may thus come about that actual deficit financing will not be more than Rs 150 crores.

The same cannot, however, be said of the deficits of state governments. The overdrafts represent actual payments and taking into account the fact that in 1969-70 there was negligible deficit financing and large-scale special assistance was granted by the centre to the states in difficulty in 1970-72, aggregate deficit financing on states' account in these two years may be more than Rs 900 crores exceeding the total of the centre for the same period substantially. The net deficits of the latter for the two years under reference may not be more than Rs 500 crores. As a continuance of this form of undesirable resource mobilisation will result in unplanned development expenditure and accentuate inflationary pressures, the central government, in consultation with the Reserve Bank and the states, has made a serious effort to give proper shape to the budgets of the erring state governments and formulate new measures for preventing similar clandestine overruns.

The adjustments effected by the central government in respect of unauthorised overdrafts during the week ended May 5, 1972 provide clear evidence of the determined bid that is now being made to avoid deficit financing by the states.

The central government has obviously decided to carry out the adjustments which will usually take place in the last week of June in order to avoid suspense over the question of unauthorised overdrafts. The states are now having a clean slate and henceforth changes in loans and advances to state governments by the central banking institution should be reflecting only ways and means difficulties and the bulges under this head should be automatically corrected when open market loans had been issued by the state governments and there were also brisk tax collections in the latter half of the year. It is, of course, presumed that all the state governments will have overall balanced budgets for 1972-73 and that those state governments which have yet to present their regular budgets will propose new levies for closing uncovered deficits. Whatever might be done by the concerned states to correct their budgetary positions and mobilise the required resources for financing Plan

schemes, it must be acknowledged that the central government has made a successful bid to eliminate earlier unauthorised overdrafts of the states and neutralise the the harmful effects of indiscriminate deficit financing as far as possible. The operations during the week under reference have been carried out thoroughly and the centre's preparedness to use all available resources for repaying the states' liabilities with the Reserve Bank would seem to suggest that it is confident of raising the required resources for sustaining a higher level of Plan outlay in the central sector in the remaining months.

Thus, central government deposits have declined sharply to Rs 52.92 crores from 214.03 crores during the week ended May 5, while investments jumped to Rs 330.49 crores from Rs 74.86 crores. These would have been actually much higher at Rs 370.49 crores if there had been no transfer of rupee securities to the Issue Department. Other assets rose substantially to Rs 304.94 crores from Rs 49.80 crores. Holdings of treasury bills have recorded only a small increase to Rs 58.89 crores from Rs 51.65 crores. It will be seen from these adjustments that the decline in state overdrafts to Rs 37.34 crores from Rs 711.10 crores has been brought about mainly through technical adjustments except for the utilisation of central government deposits for over Rs 162 crores. This perhaps explains why there has been a balancing operation during this same week with the issue of treasury bills to the Reserve Bank of India for Rs 779 crores.

It can however be expected that the

sizable amount under other assets will be adjusted by using the large amounts held in suspense under "other liabilities" of the order of Rs 412.79 crores. If all goes well, the central government will have a problem of cancelling only about Rs 250 crores of *ad hoc* securities under the head "investments" during the rest of the year. If net borrowing through open market loans could be increased by Rs 100 crores over the target and there was also buoyancy in tax revenues, there may not be any compulsion to increase the overall deficit on central account due to the taking over the liability of the state governments to the Reserve Bank. As it cannot be expected that the centre should shoulder such a heavy responsibility even after providing for a much higher level of Plan outlay in the current year, there is reason to believe that the quantum of deficit for 1971-72 was exaggerated and the use of aid funds and other resources, which became available during the critical situation sometime back, have facilitated the massive operations indicated above. The actual position will become clear when the final and the telling adjustments are completed before the end of June. In any case, the state governments have now to be wary and there may not any longer be the consistent rise in overdrafts witnessed in the last two years necessitating periodical surgical operations. The changes in overdrafts will henceforth be only for ways and means purposes and the fluctuations should therefore be confined within reasonable limits. The effectiveness of the new arrangements may be borne out by the developments in the coming months.

Eastern Economist 25 Years Ago

June 6, 1947

The procedure Plan for the final transfer of power, revealed to leaders of Indian communities on June 2 and broadcast over the radio the following day, is really not a procedure Plan. It is a substantive Plan in the sense that its authors know very well—and knew at the time of formulating their procedure Plan—what the results of the procedure are going to be. Under every head of the Plan, the results are foregone conclusions. Hence, however innocent and well-meaning the British Government may be, it cannot escape the moral responsibility for partitioning India and for laying the foundations of a Fascist regime in parts of the country. The signs are ominous. Having accepted what he could get under the so-called

Procedure Planned gained a sovereign foothold in parts of the country Mr Jinnah, like Hitler would demand other contiguous parts on the analogy of German Sudetanland in Czechoslovakia. Then will come the demand for a corridor and free port in the east much as Hitler demanded a corridor in Poland and the port of Danzig. And then as Goebbels stood on the Berlin radio one evening and said, "Gentlemen, tonight Czechoslovakia has ceased to be" so does the new Hitler of Pakistan dream that one day he would stand on the Pakistan radio and say: "Tonight Gentlemen, Hindustan has just ceased to be". This is no idle working out of History, for Mr Jinnah works on Bismarck's theory of Real Politic.

Is Chavan right about banks ?

R. V. Murthy

REPLYING to the general debate on the Finance Bill, 1972, the other day, Mr Y.B. Chavan, the union Finance Minister, referred to the working of nationalised banks and remarked that "the banks were urban-oriented", perhaps implying thereby that they still needed to make a dent on the rural areas. More particularly, he wanted nationalised banks to reach unbanked and under-banked areas, mobilise deposits in these areas and extend credit to "neglected sections". But what is the position? After the undoubtedly good progress made since nationalisation, have banks reached a stage where further progress has necessarily to be slow and perhaps also more cautious than heretofore? Take, for example, the growth in the number of banks, both urban and rural. The table below indicates the progress at a glance.

Surely this is not unimpressive. A reduction in population per banking office from 65,000 to 42,000 over just 30 months is indeed creditable. From the table below one would be more correct if one were to say that nationalised banks are "rural-oriented" and not "urban-oriented" as Mr Chavan has suggested. Thus, the increase in the number of bank offices in rural centres over the period was as much as 3,057 which is almost double of the increase in the number of bank offices in urban, semi-urban and metropolitan centres put together. Between rural and semi-urban centres, the increase in the number of banking offices was a little short of 4,000—3,952 to be precise.

It is not known what the progress since has been, but, according to reliable sources, the total number of banking offices in India should cross 15,000 this year.

Quantitatively, therefore, the insinua-

tion of the union Finance Minister cannot be sustained. But, qualitatively, one cannot yet come to any considered conclusion, although profitability-wise, banking circles argue, the position has not been unsatisfactory, at any rate so far. Service-wise, however, whatever the authorities may claim, there has been considerable deterioration which must be attributed partly to the rapid pace of expansion and primarily to the admittedly reprehensible trade union activities of all banking staff. Rapid expansion has naturally put too much strain on the limited trained personnel of banks. Compared to other categories of white-collared workers, the most pampered—next only to airlines staff—are the bank staff. To some extent, the dislocation implicit in the socialist re-orientation given to banking by the ruling political party, some times on their own sometimes under pressure from like-minded but extremist leftist parties, is also responsible for the fall in quality of bank service. If the full impact of this has not made itself felt, it is because of a certain slack that developed in the economy last year. As and when the pace of economic growth picks up this is bound to come to the surface.

Until the other day, the emphasis was on "priority sectors". Now, Mr Chavan speaks of "neglected sections". It is not clear what exactly the union Finance Minister means by "neglected sections", unless he has in mind neglected sections in rural areas only. There are certainly some neglected sections in urban areas too and the neglect of these sections is the direct outcome of over pampering to "priority sectors".

Taking only the lending to priority sectors (of course by nationalised banks only), one notices that the percentage of credit to agriculture—direct financing

(excluding plantations) alone—rose from 1.5 in June, 1969 to 5.1 in September, 1971. Small-scale industry improved its percentage share to total credit from 8.3 to 11.1 over the same period—in December, 1970 it was even higher at 11.3. There was a similar improvement in the percentage share to total credit of road transport operators, retail traders, small businessmen professional and self-employed persons and education. But one feature that cannot escape any keen student of the trend of bank credit in India is that December, 1970, marked the peak of growth. Since then, the tempo has been uncertain and tending more downward than upward, possibly because of the slower rate of economic growth.

Adequate and separate statistics are not still available about the trend and rate of growth of deposits in rural areas. As of June, 1971, however, rural deposits garnered by all scheduled commercial banks, in both public and private sectors, were of the order of Rs 62.87 crores, giving an average of 3.4 lakhs per office. Taking only the 14 nationalised banks, the total deposits were of the order of Rs 42.96 crores, with an average of just a little over Rs three lakhs per office. Advances by all banks amounted to Rs 34.35 crores or Rs two lakhs per office. Advances by the 14 nationalised banks were Rs 26.43 crores which also worked out to more or less the same average sum per office.

For distribution of bank credit also, figures are not available for credit to different sections in rural areas, let alone to "neglected sections" in rural areas as such. But an examination of the overall distribution of bank credit among major sectors by all scheduled banks between 1970 and 1971 shows that, whereas credit to priority sectors rose appreciably, that to the residual sector, i.e., large and medium industry and wholesale trade, declined from 79.1 per cent of total bank credit in March, 1970 to 70.6 per cent in September, 1971, (the latter had gone down to 70.5 in June, 1971). While this may not afford any conclusive evidence, industrial interests argue that reduced credit has acted as a deterrent to production. Mr. S. Jagannathan, Governor of the Reserve Bank, however, defended the credit policy and contended recently that "credit policy is not intended to restrict the borrowings for productive use." But the last word on this debate has not been said yet.

Growth of Banks

No. of Bank offices	30-6-1969	30-6-1970	31-12-1970	30-6-1971	31-12-1971
Rural centres	1,832	3,062	3,766	4,279	4,889
Semi-urban centres	3,322	3,695	3,880	4,017	4,224
Urban centres	1,447	1,583	1,673	1,777	1,850
Metropolitan centres	1,661	1,791	1,865	1,940	2,022
TOTAL :	8,262	10,131	11,184	12,013	12,985
Population per banking office	65,000	54,000	49,000	46,000	42,000

Storm in the gold cup

S. P. Chopra

THE PRICE of gold attained an all-time peak at \$57.75 an ounce on May 17 in the London market. The equivalent price in rupees worked out at 149 for 10 gms. At Bombay the highest price for standard gold was recorded at Rs 234 for 10 gms on May 19. The margin between the Bombay and London prices of gold has been reduced to about 60 per cent whereas a year ago when the international price of this precious metal ruled around \$35 an ounce, the difference used to be about 100 per cent. It is highly likely that the price of gold in the Bombay market would rise to about Rs 300 for 10 gms in the coming months unless the world market price of the yellow metal drops. There is little prospect of the margin between the Indian and world prices of gold remaining as narrow as it is at present since smuggling remains hazardous and expensive. What is more, the gold control policy of our government has failed miserably in weaning the people away from this metal and all its efforts "to make smuggling more difficult by making it less easy to dispose of smuggled gold in the internal market" have come to nought.

benefit to S. Africa

For the last many years, the value of world production of gold (at \$35 an ounce) has ranged between \$1,400 million and \$1,500 million (See Table I). Nearly three-fourths of the supply of this metal originates in South Africa. Naturally, the present spurt in gold prices has imparted the largest benefit to South Africa in so far the current sales of this metal are concerned. The enhanced market prices of gold in the first four months of this year put the balance of payments of South Africa in surplus. Consequently this leading supplier of the precious metal might decide to reduce the monthly sales of gold which, in turn, would give a further upward push to its prices in the world market.

Even though the USA tried its best during the past two decades to reduce the status of gold as a reserve, the faith of many countries in this metal as a monetary reserve brought forth failure to it in this objective. Among the European countries, France led the rest in following a policy of converting a major part of its accumulated dollar holdings into gold. In 1968 the USA had adopted a two-tier

system which ensured gold-dollar parity at \$35 an ounce for transfers to monetary authorities while the free market price of gold was allowed to fluctuate under the influence of forces of demand and supply. On August 15 last year, President Nixon delinked the dollar and gold completely implying that the dollar was no longer as good as gold. Then followed a long period of uncertainty in regard to the exchange rates of various currencies of the world leading to substantial dislocation in international trade and payments. The world markets have not fully recovered from the shock administered by President Nixon in August last year.

It needs to be remembered that the international monetary system evolved at Bretton Woods was based on gold. Even the special drawing rights (SDRs) are linked to gold. This is why they are nicknamed as "paper gold." The realignment of currencies in any monetary shake-up has to be done through the medium of gold. That is why the process of easing gold out of the world monetary system is easier said than

done. The governments of the leading countries could be urged to assist in this task provided all the members of the IMF sincerely stood by the basic law chalked out for the guidance of the International Monetary Fund (IMF). The experience of the past 25 years indicate that the countries whose currencies depreciated in value due to inflationary pressures at home hesitated to devalue them. Also, the countries which had disciplined their economies in such a way that prices were not allowed to rise even by the average international annual increase, failed to revalue their currencies upward to the required extent. It was this basic failure on the part of both groups of countries to play the game according to the IMF rules which brought the international monetary system to a crisis from which it has yet to recover fully.

The demand for gold emanates from three sources. They are: (a) industrial and artistic uses; (b) private hoarding and (c) world monetary stocks. The consumption of the yellow metal for industrial and artistic uses has multiplied almost three times

TABLE I

World Production of Gold†

(In millions of US dollars at US \$ 35 a fine ounce)

	1940	1945	1964	1965	1970
South Africa	492	428	1,019	1,069	1,128
Canada	186	95	133	126	82
United States	170	32	51	59	63
Ghana	31	19	30	27	25
Japan	30	3	16	18	25
Australia	57	23	32	31	22
Philippines	39	—	15	15	21
Rhodesia*	29	20	20	19	18
Colombia	22	18	13	11	7
Mexico	31	17	7	8	7
Congo, Dem. Rep. of	20	12	8	6	6
Others*	157	69	60	54	46
Total	1,264	736	1,406	1,440	1,450

(†) Excluding the output of CMEA countries, mainland China, etc.

* These figures include estimates for data not available.

Sources: International Financial Statistics and IMF staff estimates.

during the past 12 years (see Table II) and because of the fast expansion in the electronics industry in particular, it is estimated that the rate of consumption would continue to rise in the current decade as well. The demand from hoarders, especially in the poor countries, continues to be erratic and no forecast can be made in regard to future trends. The stocks of gold with central banks of many countries have continued to increase because, as Dr Karl Klasen, president of the German Federal Bank, said in November last year, "in practice the monetary authorities are as attached to gold as ever they were". It has been estimated that the "countries of continental Europe" have almost tripled their stocks during the past 15 years to about \$20,000 million (at \$35 an ounce). Thus it is obvious that there is no immediate prospect of a reduction in the demand for gold and South Africa, the main supplier of this metal, will be in a position to dictate its price now that it has overcome its balance of payments problem.

growing gap

A special report—Gold 1972—published recently by Consolidated Gold Fields in London states that the price of gold is expected to continue to increase in coming years because of the growing gap between rising industrial demand and new mine production. The report has estimated that by 1980, the non-communist world demand for gold for fabrication and hoarding would increase to 1,962 tons if the price were deemed constant at \$48 an ounce. The supplies however are expected to be between 1,325 tons and 1,400 tons including small sales by the USSR. The gap between demand and supply, it is computed, would raise the price of gold to \$61—\$63.50 an ounce in terms of the 1972 dollar. After allowing for inflation at four per cent per annum, the price of gold in 1980 would be between \$84 and \$87 an ounce. The rupee equivalent of this price of gold would be more than 250 for 10 gms and if the parity between dollar prices and rupee prices is maintained as in 1971, then the price of this metal should rise to more than Rs 500 for 10 grams in 1980.

President Nixon's decision to de-link gold and dollar in August last year was dictated by the continuous decline in US gold reserves which dropped to a little below \$10,000 million—less than half of the stocks held in 1958. Even though the US economy was basically strong, the continuous deficits in balance of payments for more than a decade shook the faith of the world in the

mighty dollar. Thus, the USA could not sustain convertibility since it mismanaged its balance of payments over a very long period. The heavy cost of the Vietnam war, economic as well as military assistance to a large number of countries and the stupendous expenditure on the space programme all combined to aggravate its balance of payments position.

The new gold-dollar parity at \$38 an ounce was intimated to the IMF by the US treasury only recently; the new rate came into force on May 8, 1972. But this does not imply convertibility i.e. the US treasury has not taken on the responsibility to change dollars into gold even for the monetary authorities. When will the US feel confident to re-establish convertibility? According to the 10-point monetary reform programme chalked out by Mr Arthur Burns, Chairman of the US Federal Reserve Board, it is possible to "re-establish some form of dollar convertibility in the future" if the processes of international consultation and cooperation are strengthened and responsible domestic economic policies in the major industrial countries, especially the USA, are pursued. Among other points made by him, the two most important are: (a) systematic long-range plans for the evolution of world reserves

and credit arrangements and (b) a continued but diminishing role for gold as a reserve asset with a corresponding increase in the importance of SDRs.

The IMF staff also is reported to have drafted a memorandum which makes the following four points for the guidance of the US treasury: (1) the US can no longer let dollars pile up abroad and must buy back dollars that flow out in the future with gold or other assets by definite deadlines; (2) the US should be prepared as any other nation promptly to devalue the dollar again (or revalue upward) as conditions change; (3) the US should expect to see thousands of millions of dollars now held by other governments turned in to IMF and gradually to buy them back and (4) the US must get over the ideas that other nations will be made to give up their balance-of-payments surpluses and that gold will soon fade from its place as an international reserve assets.

The IMF analysis clearly points out that if the USA has failed to wipe out its own balance-of-payments deficits, it cannot pressurise other nations to eliminate their surpluses. And if the present stalemate continues, there is little hope of convertibility in the near future and as forecast by the London firm, the free market price of gold cannot but rise.

TABLE II
Gold: Marketed Stocks and Distribution by Use
(In millions of US dollars at US \$ 35 a fine ounce)

Year	Newly Available Gold ¹ (A)	Additions to World Monetary Stocks ² (B)	Estimated Industrial and Artistic Use ³ (C)	Estimated Private Hoarding ⁴ (D)
1958	1,261	680	360	221
1959	1,382	750	380	252
1960	1,378	280	430	668
1961	1,490	605	470	415
1962	1,500	370	510	620
1963	1,906	820	540	546
1964	1,856	710	600	546
1965	1,840	220	715	905
1966	1,371	—45	780	636
1967	1,401	—1,580	850	2,131
1968	1,388	—700	860	1,228
1969	1,408	110	915	383
1970	1,450	275	975	200
1971—First Quarter	355	—35	290	100

(1) New production (excluding output of CMEA countries, mainland China, etc.) plus sales by USSR less purchases by mainland China.

(2) Data from International Financial Statistics.

(3) Estimates

(4) The residual amount. Columns A—(B+C)=D.

Source: The Annual Report (1971) of International Monetary Fund.

Investment Policy of LIC

Dr B. R. Agarwal

POINTS OF VIEW

THE TWIN functions of the Life Insurance Corporation are to provide security against unpredictable contingencies including provision for old age and to create a channel of safe investment for the savings of the people resulting in accelerated economic growth. Since it covers risk, provides a moderate rate of return on premia, creates thrift habit and attracts sizable rebate of income-tax, it has become the biggest source of savings and builds up a huge reservoir of funds for investment. The investment policy of funds has an important bearing upon the willingness of the people to save. It is, therefore, of vital importance that the pattern of investment of the life funds should satisfy the objectives of high yield, have a multiplier effect on the economic growth of the country and ultimately maximize social welfare. The purpose of this article is to examine critically the operations of Life Insurance Corporation of India in the light of these objectives, and to suggest guidelines to utilise the funds 'in the interest of the community as a whole'.

Before nationalization in 1956, the Investment Policy of the Life Insurance Companies was governed by section 27 of the Indian Insurance Act, 1938 which required that at least 50 per cent of the adjusted liabilities must be invested in government and other approved securities. Taking advantage of this provision, the percentage of securities of the joint-stock companies in the investment portfolio of the Indian insurers rose from 10.1 per cent in 1946 to 16.2 per cent in 1955¹ resulting in the criticism

that the government was not getting enough share of the savings for its plans. Bharat Insurance scandal of Rs 2.20 crores securities, failure of life insurance companies to the detriment of the policyholders, concentration of investment of funds in the companies of the same industrial group and other malpractices, led Mr C. D. Deshmukh, the then Finance Minister, to observe in his broadcast on January 19, 1956, "The misuse of power, position and privilege, that, we have reason to believe, occur under existing conditions is one of the most compelling reasons that have influenced us in deciding to nationalise Life Insurance."² Consequently, the LIC came into existence on September 1, 1956 to secure the maximum yield for the policyholders consistent with the safety of the capital and utilization of these resources to reach the goal of a socialistic pattern of society.³ Announcing the new Investment Policy of LIC in Lok Sabha on August 15, 1958, the Finance Minister observed that though the primary obligation of LIC is to its policyholders whose money it holds in trust, it has to keep before it the interest of the community as a whole and may take advantage of temporary fluctuations in market price.

Since LIC is the biggest source of savings in the country, the investment policy should be so designed that it maximizes the return on investment on the one side and creates a self-generating economy on the other side. The private insurance companies could have worked on strictly business principles but securing a balanced regional growth; insuring a

balanced investment in private and public sectors; developing an infrastructure to initiate industrialization; creating an enterprising spirit and furthering the social welfare of the community should be the objectives of the investment policy of this nationalised institution. It is proposed to discuss these objectives under the following heads:

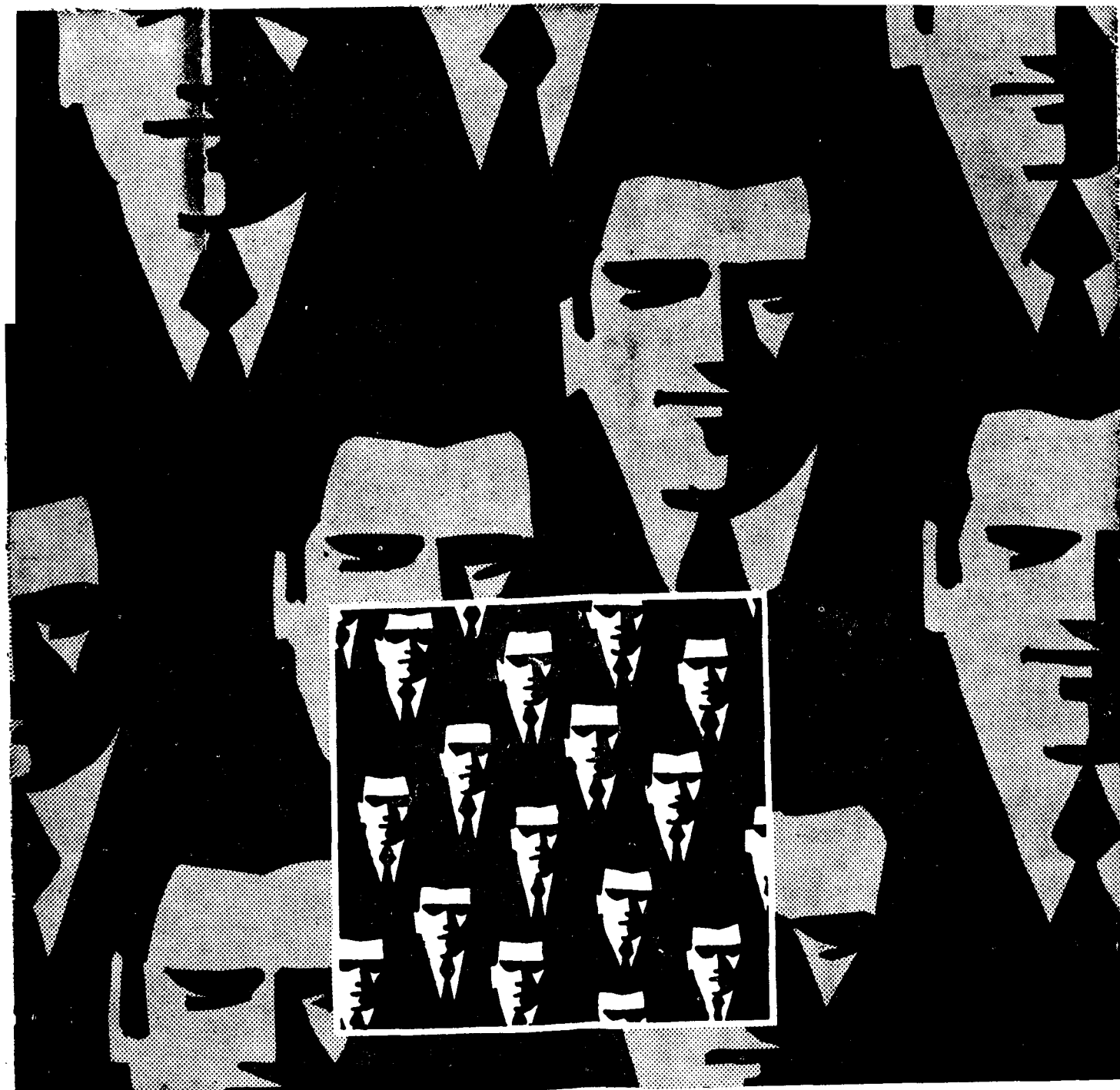
- (1) Maximization of return on investment consistent with safety of principal;
- (2) Balanced regional growth;
- (3) Development of industries in the private sector;
- (4) Creation of infrastructure facilities.
- (5) Encouragement to small industries sector; and
- (6) Promotion of social welfare measures.

One of the motivating factors for the propensity to save is the high rate of interest. The investment pattern ensuring a high rate of return will increase the rate of bonus and the policyholders will earn more due to reduced premia. The main motivating spirit in the economic growth process in most of the developed countries has been the willingness of the people to save a significant portion of their current income and divert it in the channels of more production. It is gratifying to note that the rate of return on the investments of Life Insurance Corporation funds has increased gradually from 4.58 per cent in 1956-57 to 6.06 per cent in 1969-70; but it cannot be said to be quite commendable as the existing market rate of interest varies between 8 and 12 per cent. In fact, the rate of return

TABLE I
Sectorwise Distribution of Investments of L.I.C. in India

Sector	As on 31-12-1957		As on 31-3-1961		As on 31-3-1966		As on 31-3-1970	
	Amount Rs.	% of Total	Amount Rs.	% of Total	Amount Rs.	% of Total	Amount Rs.	% of Total
A. Public Sector	255.13	77.3	392.71	78.0	659.37	73.5	1045.26	73.6
B. Cooperative sector	5.48	1.7	8.59	1.7	53.10	6.0	135.51	9.5
C. Joint Sector	Nil	Nil	Nil	Nil	7.13	0.8	5.37	0.4
D. Private Sector	69.14	21.0	102.26	20.3	176.82	19.7	233.97	16.5
TOTAL :	329.75	100.0	503.56	100.00	896.42	100.00	1420.11	100.0

Source : LIC. Annual Reports and Accounts.



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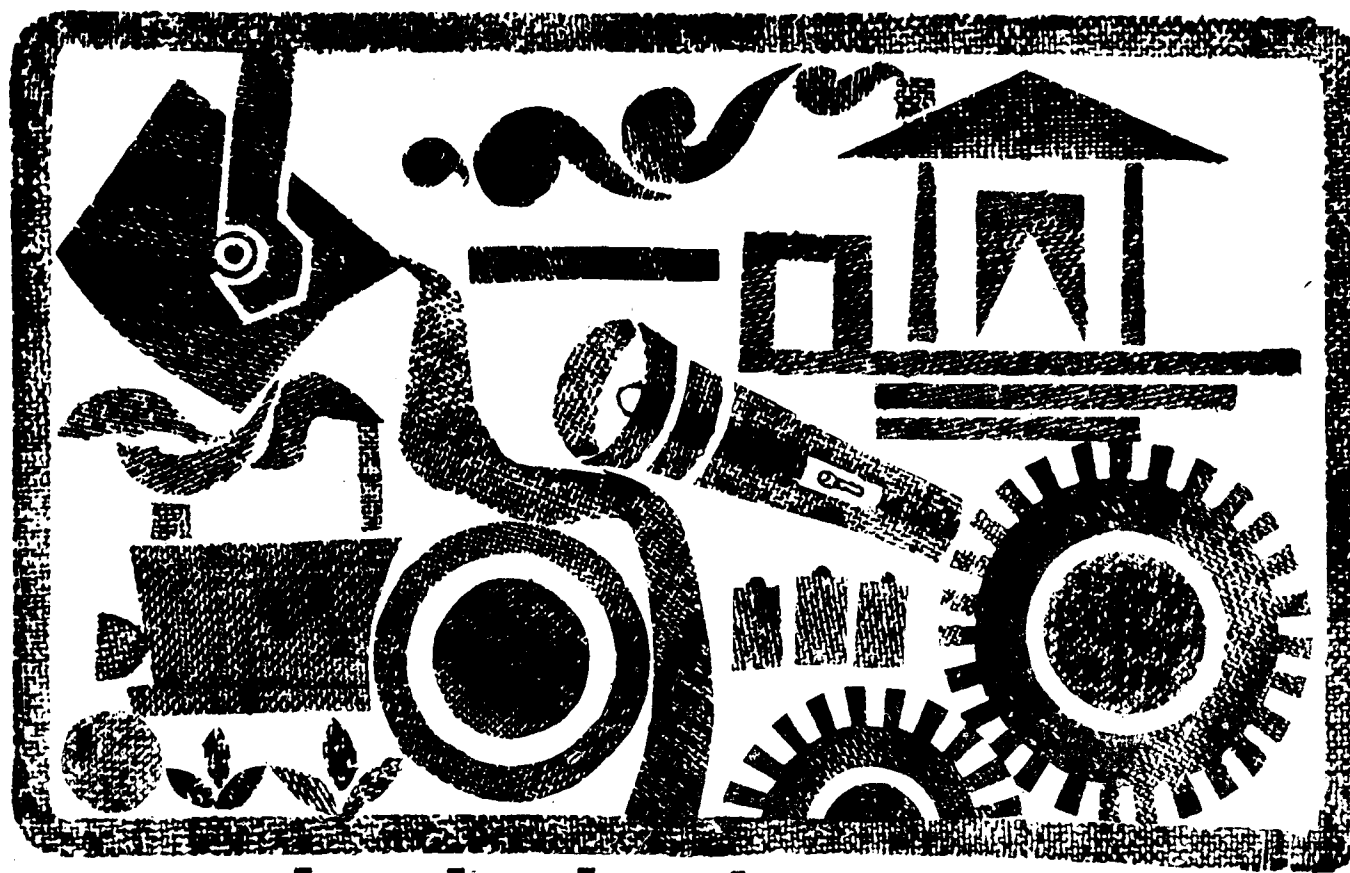
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sowing the seeds of progress

POINTS OF VIEW

has been low due to many low-return government securities in the investment portfolio of LIC. "The challenge to investment officers of life insurance companies is to seek out those investments which will produce the highest net return without impairing the security of the principal amount involved." A perusal of Table I (p. 1076) shows that public sector has been claiming lion's share of the total investments of LIC since its inception, though the overall percentage has gone down a little from 77.3 per cent in 1957 to 73.6 per cent in 1970. This reduction has been to nurse another low-yielding sector of co-operation where the percentage of total investments increased substantially from 1.7 per cent in 1957 to 9.5 per cent in 1970. Thus the overall percentage of investment in preferred sector virtually increased from 79 per cent in 1957 to 83.1 in 1970. It is, therefore, suggested that the Investment Policy Committee should change the strategy of investing about 73 per cent of funds in government securities to 50 per cent as a maximum limit and the rest may be invested in high-yield industrial securities or in housing schemes which give a better return. The government can find funds for its projects from other sources and thus the savings of the people can be put in more rewarding avenues. Safety of principal, which is an essential element of the maxim of high ROI, is inbuilt through a high level Investment Policy Committee of LIC. Even if there is an improvement of 0.5 per cent in the return rate, the present level of earnings will increase by 7.5 crores, not an insignificant amount by any standard.

balanced regional growth

The integrated economic development of a big country like India with heterogeneous geographical regions is possible if the extension of the benefits of economic progress of the more developed regions are transferred to the less developed regions. Table II gives the regionwise and statewide distribution of the percentage of the investments of the life funds. It will be noted from the table that LIC is diminishing the percentage of the investment of funds in comparatively advanced regions. The investment in West Bengal has been reduced from 26.96 per cent in 1957 to 11.23 per cent in 1970. Similarly, the share of investment in an industrially backward state of Rajasthan has increased from 0.46 per cent in 1957 to 4.08 per cent in 1970. Regionwise also, the percentage share of eastern region has decreased from 35.31 per cent in 1957 to 24.69 per cent in 1970 at the cost of

southern region. Though the policy of this diversification is heading towards bringing a balance between backward and advanced regions, it is still questionable if about 30 per cent of the total investment should be concentrated only in two states—Maharashtra and West Bengal. Maharashtra and Gujarat seem to woo successfully the attention of LIC investment authorities and the percentage investment in these two states has not gone down substantially, while some states such as Bihar, MP., Haryana etc. have not received their due share under the policy

of balanced regional growth enunciated by the Planning Commission.

Mixed economy of India requires that the private sector should be given its rightful place in the process of economic growth of the whole country. Infact, the contribution of private sector has been more than the contribution of the public sector in the gross national product and its efficiency has also been superior to that of the government concerns. The malpractices by the private insurers justified its nationalisation but the reduction in the percentage of total investment of

TABLE II
Regionwise and Statewise distribution of investments
(In percentage of total investments)

Zone and State	As on 31-12-1957	As on 31-3-1966	As on 31-3-1970
Eastern			
(a) Assam	0.78	2.85	2.45
(b) Bihar	6.12	6.35	6.25
(c) Orissa	1.45	5.06	4.76
(d) West Bengal	26.96	13.57	11.23
Total	35.31	27.83	24.69
Northern			
(a) Delhi	0.66	0.71	0.82
(b) Haryana	N.A.	N.A.	1.63
(c) Himachal	N.A.	N.A.	0.03
(d) Jammu & Kashmir	N.A.	0.11	0.17
(e) Panjab	0.67**	3.49**	3.10
(f) Rajasthan	0.47	4.47	4.08
(g) Uttar Pradesh	10.26	7.83	6.99
Total	12.05	16.61	16.82
Southern			
(a) Andhra	4.17	7.61	7.16
(b) Kerala	1.10	3.27	3.52
(c) Mysore	3.89	5.89	5.40
(d) Pondichery	Nil	N.A.	0.10
(e) Tamil Nadu	9.07	9.92	10.05
Total	18.23	26.78	26.14
Western			
(a) Gujarat		5.93	9.13
(b) Madhya Pradesh	2.24	3.68	3.63
(c) Maharashtra	32.17*	19.17	19.59
Total	34.41	28.78	32.35
Grand Total	100.00	100.00	100.00

*Combined for Gujarat and Maharashtra.

**This is for undivided Panjab and includes investments in Haryana and Himachal areas.

Source: LIC Annual Reports for 1970 and 1966; Pp. 38 and 60 respectively.

POINTS OF VIEW

the investible funds of the LIC in the private sector can hardly be justified. As a matter of fact, the savings of the people must be shared by the various production sectors in proportion to their contribution to the national income. Moreover, the rate of return available from private sector is also higher. Denying the deserving share of the savings of the people to the private sector is neither ethical nor economical. Blocking 73 per cent of the life funds with LIC in the public sector (though the statutory limit is 50 per cent) is arbitrarily snatching away the share of the deserving private sector perhaps mainly because the other one is powerful.

The private sector has been helped in expansion through granting underwriting facilities. An analysis of Table III shows that during the last 15 years, only 830 issues have been underwritten for a total

amount of Rs 223.38 crores, which is merely 15 per cent of the total investible funds of 1970. Of this, only 37.70 per cent could go to underwrite issues in the private sector which itself speaks of the starvation of this sector.

Table IV gives the patronization of various industries for getting nourishment from LIC funds. Of the 28 industries classified by LIC for investments, in their annual reports, the maximum has been claimed by Engineering, Cotton Textiles, Iron and Steel, Cement and Electricity, attracting about 50 per cent of the total investment in industrial securities.

It seems that LIC is interested in playing safe regarding investment in the shares, debentures and loans to joint stock companies instead of protecting and expanding the new and less known enterprises. It is heartrending to note that of

the total investment in industrial securities during 1970, it had invested 36.87 per cent of the funds in the companies of the first ten business groups (12.59 per cent in the Tata group and 9.70 per cent in the Birla group) listed in order of their assets, as per Monopolies Inquiry Commission Report, 1965.

The process of economic development gets the speed automatically if the roads, water facilities, buildings, skilled labour and other facilities are made available to the entrepreneurs. The LIC seems to be aware of this responsibility but limits its vision to help the programmes of the Electricity Boards. Electricity is necessary to develop industries but roads and buildings for industrial establishments are essential to make fuller utilization of electricity. The planning approach of Haryana State can be a guideline to the

Investment Committee of LIC. The Haryana government has not stopped at taking electricity to each village but has launched a massive programme to connect each village with metalled roads and provide warehousing facilities at least at tehsil headquarters. The LIC has not at all thought of providing buildings for establishing industries or giving loans for this purposes.

Overpopulated India is suffering from a high degree of educated and uneducated unemployment. To enjoy the fruits of democracy, political stability is necessary which is possible only with contented masses. The remedy to provide large-scale employment, specially among technocrats, lies in the popularization of small-scale industries. Unfortunately, there is a mistaken view that small businesses have a high element of risk and also need cheap credit. In fact, the very principle of insurance to minimize risk through diversification applies here, as it is limited to small amounts through investment in numerous small businesses.

necessary evil

Risk is a necessary evil to be shouldered by LIC in the interest of eradicating unemployment. The risk is further lessened as the credit for establishing industries is granted to qualified persons after a careful scrutiny of feasibility reports. The financial facilities may be granted in the shape of buildings and machinery which may be mortgaged to LIC. The notion that small entrepreneurs require cheap credit is a misleading argument, as the margin of profit in small business is large due to the elimination of highly paid supervisory staff and expensive overheads. In the absence of financial facilities easily available otherwise, they have to resort to the money market and pay interest ranging from 20 to 40 per cent. LIC can charge a reasonable rate of interest and thus help in accelerating the economic development of the country as a whole. "It seems that the crux of the matter is the desirability of creating a body of new entrepreneurs who have the needed skills for production and management of industrial concerns but have no finance to own these concerns. The criterion applied is not that of creditworthiness as is normally understood but of capacity to produce."

Industrial estates have been one of the effective instruments to promote entrepreneurship in some developing countries and have proved quite effective in India, specially in Andhra Pradesh. It is unfortunate that LIC has invested only an insignificant amount of Rs 1.12 crores by 1970. With the fractional allocation of

even one per cent of investible funds each year, it can help build about 14000 sheds worth Rs 10,000 each every year and thus in a few years, the whole country will have a beehive of small-scale industries. The funds for this sector can be invested in construction of sheds, providing common facilities and service centres and building other items of essential infrastructure.

social responsibility

In his message dated August 25, 1956, at the time of the inauguration of the Corporation, the then Vice-President of India, Dr S. Radhakrishnan, rightly hoped, "The Corporation will work for the ideal of a Welfare Society inspiring confidence in the people..." Prime Minister Nehru also said, "... This is not only good investment, but has obvious social advantages when there is a great lack of housing..." Thus the welfare objective for the utilization of the funds of LIC had been uppermost in the minds of the leaders at the time of its nationalisation. But a glance at Table IV shows that investment in government securities had dominated the investment portfolio of LIC. Some schemes like 'Own Your Home' scheme, loans to cooperative house-building societies, expenditure on water supply and drainage etc. have attracted a limited attention of the LIC. The community can hopefully look to the LIC to extend a helping hand to the millions of the people who unfortunately do not have a safe and secure roof over their heads. The 'Own Your Home' scheme has now been extended to the localities with 10,000 population. By March 31, 1970, about 6000 loans valuing Rs 258 crores had been sanctioned. The results are good but the LIC can now speed up its programme of constructing ownership flats in overcrowded towns. The provision may be made in the Act that the workers of all industrial establishments will have to be provided with houses through loans granted by LIC instead of the existing provision that LIC can grant loans for industrial housing, if requested.

It is evident from the foregoing discussion on the various operational aspects of the investment policy of LIC since 1956 that the Corporation has made a significant contribution in channeling savings of the middle class into the socio-economic development of the country. However, the LIC has to go a long way to achieve the primary objectives of maximizing the benefits to the policyholder in particular and to the community in general. It appears that the Investment Committee of the Corporation is obsessed with the

POINTS OF VIEW

so-called safety considerations and consequently the lion's share of the investible funds is taken away by the public sector, perhaps due to the excessive domination of the officials under the policy enunciated by the Ministry of Finance of the government of India.

low return

In spite of the diversification made in the investment of funds in recent years, the return to the policyholder is still very low and consequently the small savings continue to be attracted by direct private investment in housing, securities of joint-stock companies and private loans and advances. The LIC could conveniently participate in the house construction programme of the community at large on a much bigger scale than it has actually done so far. Investment in housing provides full safety to the LIC as an intermediary, satisfactory return in the form of interest to the investor and a good attraction to the members of the community to own their own houses. It would perhaps be advisable to invest 10 to 15 per cent of the investible funds of the Corporation in this sector; and as this would be one of the most important activities of the Corporation, the LIC will be better advised to go in for a separate subsidiary organization charged with the responsibility of investment in housing projects.

Another glaring deficiency in the investment policy of the Corporation has been the neglect of private sector specially the small entrepreneurs. Keeping in view the socialistic pattern of society to which the government and overwhelming section of the community seems to be pledged, it would be in the fitness of things to channel at least 25 per cent of the investible funds of the Corporation into the private sector with due regard to the small entrepreneurs so as to promote effectively the expansion of self-employment opportunities in this sector. In this connection, perhaps, it will be better to tear off a leaf or two from the rise and growth of entrepreneurship in Japan and Germany.

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2. 'Saga of Security—Story of Indian Life Insurance 1870-1970', Life Insurance Corporation of India, p. 262.
3. Vide the speech of Dr C. D. Deshmukh, the then Minister of Finance, in the Lok Sabha on February 29, 1956.
4. 'The Insurance Companies as Financial Institutions' Published by Prentice Hall, p. 61
5. 'Commerce', p. 388 dated August 22, 1970.

TABLE III
Underwriting Operations of Life Insurance Corporation (Rs in crores)

Year/pd.	No. of issues Underwritten	Debentures Rs	Pref. Shares Rs	Ord. Shares Rs	Deb./Bonds of S.F.Cs, central co-op. land mortgage banks etc. Rs	Total Rs
Sept. 1956 to Dec. 1961	115	9.26	3.87	2.61	—	15.75
1963	58	10.02	0.88	1.02	7.61	19.53
1964	70	3.23	1.61	2.14	6.10	13.00
1965	84	6.95	2.26	1.92	6.41	17.54
1966	96	3.03	2.79	1.74	13.05	20.61
1967	99	*	2.97	2.89	20.23*	26.09
1968	110	*	3.59	.61	18.91*	23.11
1969	95	10.26	1.09	1.07	22.43	34.83
1970	103	4.95	1.84	1.60	44.53	52.92
TOTAL	830	47.70	20.90	15.60	139.18	223.38

* Mixed up.

Source : Essays on Finance by S.L.N. Simha, p. 313 and Bombay Stock Exchange Directory

TABLE IV
Distribution of Investments in Industrial Securities (Rs in crores)

Industry	As on 31-12-1957		As on 31-3-1961		As on 31-3-1966		As on 31-3-1970	
	Amount Rs.	% of Total	Amount Rs.	% of Total	Amount Rs.	% of Total	Amount Rs.	% of Total
Engineering	7.14	10.30	11.61	11.31	30.17	16.47	41.89	19.23
Cotton Textile	6.91	9.80	9.17	8.94	21.39	11.68	22.68	10.50
Iron & Steel	5.48	7.90	8.55	8.33	17.31	9.45	17.35	7.97
Cement	3.66	5.30	5.82	5.67	8.92	4.87	11.08	5.09
Electricity	8.29	11.90	9.77	9.52	11.51	6.28	17.51	8.03
Others	38.29	54.80	57.71	56.23	93.88	51.25	107.38	49.28
TOTAL	69.77	100.00	102.63	100.00	183.18	100.00	217.89	100.00

Source : Bombay Stock Exchange Directory and LIC Annual Reports

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FROM THE PRESS GALLERY

[Our Parliamentary Correspondent

New Delhi.

THIS YEAR'S budget session, which comes to an end this week, should go down in the Parliamentary annals of our country as the dullest since Independence. There has hardly been a session of the Lok Sabha during the past 25 years in which the quorum bell had to be rung as many times as in this session.

Thin attendance by itself could make debates dull. But the demoralisation that has seeped into all the opposition parties after the recent state assembly elections is responsible for this to no small extent. It appears that the opposition parties have lost their moorings. The rightist groups have, on some crucial issues, started outbidding the ruling party, while the leftists have failed to show their separate identity. This hardly is conducive to healthy Parliamentary practices in the country.

The essence of democracy is the divergence of opinion on major issues. Should all the political parties start singing the same song, it obviously will become a herculean task for the electorate to differentiate one party from another. If the opposition parties do not wish to commit suicide, they will have to do some hard thinking on their programmes so that they may clearly establish their separate identities. There appears to be paramount need for a political organisation with a liberal outlook which may over the years develop as an alternative focal point for the electorate.

ruling party's responsibility

So far as lack of quorum is concerned, with the opposition ranks considerably depleted, there rests a big responsibility on the ruling party to ensure that the proceedings in the two Houses go on smoothly. The position taken by the Minister for Parliamentary Affairs that the opposition parties too have to co-operate with the treasury benches in main-

taining quorum, no doubt, is technically unassailable. But surely it is not too much to expect from the ruling party that it should ensure quorum on its own when the opposition parties are in disarray and have yet to overcome the shock of their reverses at the polls.

The highlights of the proceedings in the two Houses during the terminal 11 days of the budget session have been (i) the Rajya Sabha deliberations of the Finance Bill, 1972, (ii) the adoption by both the Houses of the budgetary demands of the Ministry of Railways, and (iii) short discussions on the reported fall in the prices of some farm products, particularly raw jute, and the question of ceiling on agricultural holdings. The important matters raised in the two Houses through calling attention motions included the erroneous depiction in the Soviet Encyclopaedia of our northern borders. Several bills were rushed through in the two Houses.

leftist dissatisfaction

The Rajya Sabha debate on the Finance Bill followed the expected course. The leftist members expressed their dissatisfaction over the government's handling of the issue of concentration of economic power in the hands of a few. They alleged that the budget had only helped in strengthening the hold of capitalists on the economy and called for the takeover of the wholesale trade in foodgrains and the nationalisation of such industries as textiles, drugs and sugar. The members with rightist leanings, on the other hand, wanted lowering of the tax burden. The performance of the public sector enterprises was criticised by several members. Mr T.N. Singh (Cong-O) wanted a parliamentary committee to go into the working of all those state undertakings which were incurring losses. He was also not happy

with the performance of the nationalised banks.

Widespread concern continued to be expressed over the growing menace of unaccounted money as also over the mounting unemployment and persistent rise in prices. Pleas were made for re-orienting development programme for the benefit of the weaker sections of society. The scheduled castes and tribes, it was stressed, ought to be given all assistance to improve their lot; effective steps should be taken to check their exploitation by money-lenders, unscrupulous traders and state government officials

"black money"

In his reply to the debate, the Minister of Finance, Mr Y.B. Chavan, indicated that concerted measures were being planned for tackling the problem of "black money". He reiterated that the public sector would continue to grow. Mr Chavan did not agree with the criticism that the nationalised banks were doing badly. The government decisions on the recommendations of the Wanchoo Committee, he said, would be taken in due course after consultations with opposition leaders and leading economists.

Earlier, while introducing the Finance Bill for consideration in the Upper House, the Finance Minister made three significant observations. He announced that while the contours of the fifth Plan had yet to be finalised, the major stress in this Plan would be on allocating much bigger funds than hitherto for those schemes which would directly benefit the underprivileged sections of society. The fifth Plan, Mr Chavan further stated, would also lay special emphasis on the development of backward regions in the country. The third announcement made by the Finance Minister was that the government would soon come up with

proposals for the grant of tax incentives for the establishment of labour-intensive industries, particularly in the backward areas.

The rise in prices, Mr Chavan felt, had not been very alarming if a period of four to five years was taken into consideration. The wholesale prices index between 1967 and 1971, he said, had gone up by 11.7 per cent. On an average, the rise in prices, thus, came to about three per cent per annum — somewhat lower than the rise in most countries.

scathing criticism

During the debates in the two Houses on the budgetary demands of the Ministry of Railways, members from both the treasury and the opposition benches scathingly criticised the stringent availability of wagons in some parts of the country, heavy administrative expenditure, corruption at all levels, overcrowding on most sections, increasing thefts and pilferages of consignments as well as railway property and considerable leakage of revenue because of ticketless travel. Pleas were also made for maintaining the continuity of service of all the railway employees who at one stage or the other in their careers had participated in strikes. Several members desired that a parliamentary committee should be set up to go into the affairs of the Railway Board. Some even went to the extent of demanding the abolition of this Board,

Replying to the Lok Sabha debate, the Minister for Railways, Mr K. Hanumanthaiya, announced that the government had decided to condone the break in service of railway employees who had taken part in strikes. He added that he was prepared to even withdraw the suspension orders served on the employees except those who had committed heinous crimes or who were facing proceedings in courts. He, however, stressed that the railway workers and their unions, in turn, should co-operate with the government in checking thefts and pilferages on the railways. Hailing the recent agreement among the three national trade union centres — the Indian National Trade Union Congress, the All-India Trade Union Congress and the Hind Mazdoor Sabha—on the setting up of national coun-

cil of trade unions, Mr Hanumanthaiya expressed the hope that this would have salutary effect on trade unionism in the railways.

The Railway Minister expressed satisfaction over the fact that the estimated deficit in railway finances for 1971-72 had been wiped out through economies in expenditure and better realisation of earnings, with the result that the concessions given by the Railway Convention Committee would lead to a surplus of Rs 19.94 crores for that year. He hoped that the financial position of the railways would improve further in 1972-73 and a much larger surplus would be thrown up than what has been estimated in the budget for this year. Mr Hanumanthaiya, however, declared that he would continue to make relentless efforts for cutting down excessive administrative expenditure and checking of thefts and pilferages on the railways as well as ticketless travel. He disclosed that with a view to economising on expenditure, three posts of additional members of the Railway Board were not being filled and one post of technical attache in Washington and one post of deputy railway officer at Berne were being scrapped.

exposing the racket

In his reply to the debate in the Upper House, Mr Hanumanthaiya stated that he wanted to appoint a committee of members of Parliament to go into the racket of sale of unauthorised railway tickets. He disclosed that he was thinking of utilising the 1971-72 surplus in railway finances for the production of more wagons. He wanted more and more wagons to be produced in the public sector.

The Railway Minister listed three reasons for the current shortage of wagons in some parts of the country: (i) the pressure of food supplies to Bangladesh; (ii) squatting of demonstrators on track leading to bottlenecks in the movement of wagons; and (iii) reluctance on the part of merchants to unload wagons quickly. Referring to over-crowding on railways, he pointed out that shortage of funds was responsible for not augmenting the passenger-carrying capacity to the desired extent.

The Lok Sabha discussion on land ceil-

ings brought out all the differences on the issue, but left the House no wiser about the intentions of the government. This was not unexpected in view of the forthcoming session of the All-India Congress Committee which also will be deliberating upon the problem because of the sharp differences that have cropped up over the question of equating the lands which are irrigated through private means with those for which perennial irrigational facilities are assured from government sources.

ministers' assurance

In his reply to this debate, the Minister for Agriculture, Mr Fakhruddin Ali Ahmed, only reaffirmed the determination of the government to evolve a national consensus on the issue. Both he and his colleague, Mr A.P. Shinde, took pains to assure the House that they had not misled anybody about the recommendations of the Central Land Reforms Committee, which, they stressed, had not grouped together the above two categories of land for the purpose of fixing ceilings on the holding of agricultural lands.

During the debate on the fall in the prices of some farm products, particularly raw jute, members stressed the need for safeguarding the interests of agriculturists. They called for the fixation of reasonable support prices for all agricultural commodities. The Minister for Foreign Trade, Mr L.N. Mishra, announced that the government had decided to take over, in a phased manner, the trade in raw jute. Statutory minimum prices would be fixed for all the secondary and primary markets in respect of all the varieties of the fibre. He disclosed that as a first step, the Jute Corporation of India had been directed to make massive purchases of raw jute, totalling about six lakhs bales, to ensure that the prices did not decline. Another step which the government envisaged for ensuring adequate return to jute growers, Mr Mishra said, was to set up five new jute mills in Andhra Pradesh, Assam, Bihar, Orissa and Tripura. The purchases by the Jute Corporation, Mr Mishra stated, would be made through departmental purchase centres, co-operative societies where viable societies were functioning, and also through private agencies where no other

channel was available. Adequate storage arrangements, he added, would also be made for storing jute. About other commodities, the members were assured by the Minister for Agriculture that the interests of the agriculturists would be fully protected.

The persistent erroneous depiction of our northern borders in the Soviet Encyclopaedia was strongly resented by members during the discussion on the subject. The Minister for External Affairs, Mr Swaran Singh, took great pains to explain that the Soviet Union had assured the Government of India that the wrong depiction of our frontiers in the Soviet maps "did in any way affect or reflect the Soviet Government's understanding of and respect for India's frontiers". But this could hardly satisfy agitated members. Ultimately, the Minister for External Affairs had to concede that the word "border" in the recently signed Indo-Soviet friendship treaty meant the "line of actual control" the violation of which by any country would invoke the provisions of the friendship treaty.

The two Houses have adopted two new constitutional amendments. One, the Constitution (28th Amendment) Bill, sought to empower the government to change the service conditions of the officials belonging to the Indian Civil Service. Hitherto, by virtue of an article (314) in the Constitution, the service conditions of these officials could not be altered. The Minister of State for Home Affairs, Mr Ram Niwas Mirdha, promised to introduce "follow-up legislation" in this regard soon. The second amending bill, the Constitution (29th Amendment) Bill, sought to confer the protection of the Ninth Schedule to the Constitution on the Kerala land legislation.

drafting doctors, engineers

The two Houses have also passed (i) the National Service Bill, (ii) the General Insurance (Emergency Provision) Amendment Bill, (iii) the Delhi Co-operative Societies Bill, and (iv) the Salaries and Allowances of Members of Parliament (Amendment) Bill. The National Service Bill aimed at empowering the government to draft doctors and engineers below 30 years in age for service for four

years in the armed forces or in the countryside where they normally feel reluctant to work. The General Insurance (Emergency Provision) Amendment Bill sought to make it clear that "the custodians alone have all the powers of management and that any resolution in relation to general insurance business passed after the takeover by any person who might have had authority in that behalf before the takeover, shall have no effect unless approved by the Central Government". The Delhi Co-operative Societies Bill aimed at consolidating and amending the law relating to co-operative societies in the Union Territory of Delhi. The Salaries and Allowances of Members of Parliament (Amendment) Bill says that every MP representing the Union Territories of Andaman, Nicobar, Laccadive and Minicoy and Amindivi islands will be provided with one free non-transferable pass to enable him to travel by the highest class by steamer at any time between any part of his constituency and the nearest port on the mainland.

important bills

Among the other important bills adopted by the Lower House in the last 11 days were (i) the Architects Bill which aimed at making it unlawful for any person to designate himself as an architect unless he has the requisite qualifications and expert experience and is registered with the Council of Architects, (ii) [the University Grants Commission (Amendment) Bill which sought to strengthen the UGC, (iii) the Delhi Land (Restriction on Transfer) Bill which aimed at putting certain restrictions on the transfer by unscrupulous persons of lands in the Union Territory of Delhi which might have been acquired or might be under acquisition by the Central Government, (iv) the Aligarh Muslim University Bill which sought to reform the administrative set up of this university; (v) the Hire-Purchase Bill which had the objective of regulating this business; and (vi) the Criminal Law (Amendment) Bill which aimed at curbing the "objectionable activities" of associations which promote enmity or act in a manner prejudicial to the maintenance of harmony between different groups on grounds of race, religion, language, etc. The Rajya Sabha passed the Industrial Disputes (Amendment) Bill

which sought to clarify that it would not be incumbent on industrial undertakings employing upto 50 workmen on an average working day in the preceding 12 months to give a 60-day notice of closure.

The long-awaited General Insurance Business (Nationalisation) Bill was introduced in the Lok Sabha. This bill seeks to establish a government company, to be called the General Insurance Corporation of India (GIC), which will supervise, control and carry on the business of general insurance. On the formation of this corporation, the shares of the Indian insurance companies, vested in the central government, would stand automatically transferred to the corporation, and all the Indian insurance companies would become the subsidiaries of the corporation.

merger of companies

The bill also seeks to inject an element of competition in the general insurance business by merging all, the Indian insurance companies so that, ultimately, there will be only four Indian companies. These will be so situated as to promote competition and effective service in the field of general insurance.

Fifty-five Indian companies and 52 foreign companies doing general insurance business are sought to be nationalised. The Bill contains schedules according to which "amounts" will be paid for the transfer of the shares of the general insurance companies. An amount of Rs 33,03,31,399 is proposed to be paid to the 107 general insurance companies that are being nationalised — Rs 22,56,39,399 to the 55 Indian companies and Rs 10,46,92,000 to the 52 foreign companies. The bill uses the word "amount" instead of "compensation" in view of the Supreme Court's judgment in the bank nationalisation case and the subsequent amendment of the Constitution. The Supreme Court had held that compensation means just equivalent of market value.

This bill was referred to a select committee of the two Houses after a brief debate. Two other bills which sought to amend the Untouchability (Offences) Act and the Representation of the People Act were also referred to select committee by the Lok Sabha.

"Chinoiserie"

"Sino-British Chinoiserie"

"CHINOISERIE" is a compact French word for which the English equivalent is something like "China's conduct and ideas in everything to do with China — politics, art, foreign relations etc. etc.". In this article I seek to try to understand China's current "chinoiserie" in foreign policy.

Sir Alec Douglas-Home, British Secretary of State for Foreign and Commonwealth Affairs, recently announced to the House of Commons that Britain and China had agreed to exchange ambassadors. This has ended the situation which existed for twentytwo years during which both countries were represented in each other's capitals by *charges d'affaires*. The communique stated:

"The government of the United King-

dom, acknowledging the position of the Chinese government that Taiwan is a province of the People's Republic of China, have decided to remove their official reorientation in Taiwan on 13 March 1972. The government of the United Kingdom recognise the Government of the People's Republic of China as the sole legal Government of China".

"The Government of the United Kingdom acknowledge the position of the Chinese Government that Taiwan is a province of the People's Republic of China. Both the Government of the People's Republic of China and Taipeh maintain that Taiwan is a part of China. We held the view both at Cairo and at Potsdam that Taiwan should be restored to China. That view has not changed. We think that the Taiwan question is China's internal affair to be settled by the Chinese people themselves."

Talking to the Foreign Press Association, the Prime Minister, Mr Edward Heath, described the exchange of ambas-

sadors as "the political pre-requisite to the development of our relationship with China in all fields. We regard this as an essential objective. The reason is simple. We expect to see increasing Chinese activity, not only on the mainland of Asia, but in international questions, such as disarmament, and in the United Nations. We believe that Chinese participation in such questions is essential if we are to approach them on a realistic basis. And I am glad that, in the last six months, an increasing number of nations have come to share this view. All this means that the Asian dimension to world affairs has become more active and significant."

It is worth noting that of the countries in the present Common Market, France,

Josselyn Hennessy

LONDON:

II

Sino-American "Chinoiserie"

"I go to Peking without illusions", President Nixon said in his recent report to Congress on US Foreign Policy, adding "We remain separated by profound differences in principle and the suspicion of decades".

One of the points of interest in this year's report on foreign policy is the revelation that within two weeks of coming into office in January, 1969, the President set in train the process of policy review which culminated in the Peking visit and the signature of the Nixon/Chou communique. Yet, to quote again from the President's Foreign Policy Report, "the trip to Peking is not an end in itself but the launching of a process... We are talking at last. We are meeting as equals".

Essentially, this was a summit meeting, which was its own justification. It did not have to result in any substantial agreement to be worthwhile and, from the point of view of both parties' relations with other countries, it is perhaps as well that it has not.

divergent viewpoints

In large part, the communique consists of statements by each government of their divergent viewpoints on policy issues, but it recalls that both countries agreed that "it would be against the interests of the peoples of the world for any major country to collude with another against other countries, or for major countries to divide up the world into spheres of interest".

As stated in the communique, the American President and the Chinese Prime Minister agreed that their two governments should stay in contact through various channels, including the sending

of a senior US representative to Peking from time to time for "concrete" consultation. It has since been announced that the main point of contact will be through the ambassadors of the two countries in Paris. Furthermore, Peking and Washington agreed that steps should be taken to facilitate contacts in such fields as science, technology, culture, sports and journalism, as well as in trade relations. The American government has followed a policy of unilaterally removing restrictions on trade with China since 1969. This was taken a step further shortly before President Nixon's visit when it was announced that henceforth US trade relations with China would be on the same footing as American trade with the Soviet Union.

The part of the communique which attracted most attention concerned Taiwan, which the Chinese described as "the crucial question" obstructing the normalisation of relations.

Taiwan—the crucial "Chinoiserie"

The communique states the main tenets of the Chinese government's position, namely, that Taiwan is a province of China; the "liberation" of Taiwan is China's internal affair in which no other country has the right to interfere; and all US forces and military installations should be withdrawn from Taiwan. The Chinese government firmly opposes any activities which aim at the creation of 'One China, One Taiwan', 'One China, Two governments', 'Two Chinas' and 'Independent Taiwan' or advocate that 'the status of Taiwan remains to be determined.'

After a general statement of principles which should govern relations between the United States and China — including that international disputes should be settled without the use of force — the communique states the US position on Taiwan as follows:

"The United States acknowledges that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China. The United States government does not challenge that position. It reaffirms its interest in a peaceful settlement of the Taiwan question by the Chinese themselves. With this prospect in mind, it affirms the ultimate objective of the withdrawal of all US forces and military installations from Taiwan. In the meantime, it will progressively reduce its forces and military installations on Taiwan as the tension in the area diminishes".

On his return to Washington, President

Nixon gave the assurance that this statement of intention, which is in any case vague, did not mean that the United States had abandoned its defence commitment to Taiwan. He had not gone back on the undertaking given before the Peking visit not to negotiate on behalf of third parties whilst in China. In fact, credibility is given to the US commitment to defend Taiwan not so much by the contingent of US troops on the island as by the presence of the Seventh Fleet in the area. Of the 9,000 US troops on Taiwan at the moment, most are support troops for Vietnam and these will be reduced and then eliminated altogether as the disengagement of US forces from Vietnam continues.

III

Peking's Foreign "Chinoiserie"

China's admission to the United Nations and the American President's visit are the two main highlights of the trend which has brought China out of the self-imposed isolation and introversion of the Cultural Revolution.

In its more extrovert mood, Peking has launched a widening circle of diplomatic initiatives in pursuit of objectives, which, on the face of them, differ little from those which it was pursuing before the Cultural Revolution. As good a guide as any to what China is trying to do in foreign affairs today is contained in the speech which Mr Chiao Kuan-hua, a Deputy Foreign Minister, made in the United Nations General Assembly on November 15. It was the first speech made by a representative of Communist China in that body, and the other delegates could have been left in little doubt that, in Peking's eyes, the primary justification for being in the United Nations was to establish itself as the champion of the developing countries. Here are extracts from Mr Chiao's speech:

"Countries want independence, nations want liberation and the people want revolution; this has become an irresistible trend of history... The Chinese people... have consistently opposed the imperialist policies of aggression and war and supported all the oppressed peoples and nations in their just struggles to win freedom and liberation..."

The rolling rhetorical cliché prompts me to ask how Comrade Chiao knows that all the "people" in the world want revolution. Has there be a world public opinion poll on the subject, which I some-

how missed in my weekly scanning of a score of newspapers and periodicals from a dozen different countries in four continents? I am ready to agree that there are millions of poverty-stricken and suffering people spread across the world, and that there are plenty of despotically and tyrannically governed states dotted about, which, if coloured red on the map, would cover the whole of Europe east of the (now somewhat rusty) Iron Curtain, a vast area of Asia, most of Africa (including virtually all the newly independent ex-colonial states) and likewise South America (where periodical revolutions are a routine instrument of government). But having conceded the point, I must add that I have never yet heard of a violent revolution which did not create as much, or more, new suffering than existed under the displaced regime. I suppose the two best known revolutions in history are those of France in 1789 and in Russia in 1917. Agreed that the two regimes which were overthrown were corrupt, incompetent and arbitrary, it nevertheless remains true that the successor regimes, installed amidst rivers of blood, inflicted new miseries on a scale with which the old regimes were unable to compete because their tyranny sprang from accretions of inefficiency rather than conscious malevolence.

classic error

The French revolution was followed by twenty-six years of continental war in which millions suffered under Napoleon's attempt to establish a French dictatorship throughout Europe. The Bolshevik revolution was followed by the dictatorships of Lenin and Stalin, in which literally millions died. The classic error of foreign policy that Stalin committed after World War II (which could have been avoided if he and his advisers had maintained personal intercourse with the west, instead of isolating themselves behind the Iron Curtain) originated in Stalin's fixed idea that the west was bursting with "imperialist aggressiveness"—this in the face of the US demobilisation from 12,000,000 men in 1945 to 1,500,000 in 1947. Stalin's schizophrenic fear of western motives led him to deprive 24,000,000 Europeans of their freedom by annexing Estonia, Latvia, Lithuania, East Poland, Bessarabia, Northern Bukovina, Ruthenia, parts of Finland and East Prussia, and to establish control over another 37,000,000 by the Red Army's occupation of Europe as far west as a line from Lubeck (just south of Denmark) in Germany to Trieste on the Adriatic.

I conclude that revolutions do not originate in "the people", but in the lust for power of aggressive schizophrenes. The model of what a revolution should be

WINDOW ON THE WORLD

dom, acknowledging the position of the Chinese government that Taiwan is a province of the People's Republic of China, have decided to remove their official reorientation in Taiwan on 13 March 1972. The government of the United Kingdom recognise the Government of the People's Republic of China as the sole legal Government of China".

The UK was the first western country to recognise the Chinese People's Republic as far back as January, 1950. At the same time the UK withdrew recognition from the Nationalist Government, which by then, had crossed over to Taiwan. The consular representation maintained on Taiwan — the UK was the only country to have representation both on Taiwan and in China itself — was accredited to

The world of multinationals

was that of 1688 in England when the stupid and arbitrary James II was replaced by the statesman like William of Orange without a shot fired and without any subsequent witch-hunting of James' advisers and supporters.

China stands up for "the people"

Having unburdened myself of this aside, I return to the speech of the good Comrade Chiao Kaun-hua. He went on:

"China is still an economically backward country as well as a developing country. Like the overwhelming majority of the Asian, African and Latin American countries, China belongs to the Third World. The Chinese government and people resolutely support the struggles initiated by Latin American countries and peoples to defend their rights over the 200-nautical-mile territorial sea and to protect the resources of their respective countries. The Chinese government and people resolutely support the struggles unfolded by the petroleum-exporting countries in Asia, Africa and Latin America, as well as various regional and specialised organisations, to protect their national rights and interests and oppose economic plunder". Comrade Chiao proclaimed China's "resolute support" for other more familiar causes such as the "liberation movements" in southern Africa, the "Palestinians and other Arabs" and the people of Indo-China, who should be allowed "to solve their own problems independently of and free from foreign interference; this is the key to the relaxation of tension in the Far East".

"As China's economy is still comparatively backward," he continued, "the material aid we provide is very limited and what we provide is mainly political and moral support. With a population of 700 million, China ought to make a greater contribution to human progress and we hope that this situation of our ability falling short of this wish of ours will be gradually changed."

In fact, China is now offering more economic assistance to developing countries than any other Communist power. (In 1970 its credit offers had approached \$700 million, or \$400 million more than

those of the Soviet Union). China's "moral support" is given as readily to insurrectionary movements as to legitimate and recognised governments, and often — a curious piece of "Chinoiserie" — against those governments with which Peking has itself been cultivating better relations! I see no reason to expect that as part of its new outlook on the world, China will become any less determined a supporter of subversion and I therefore have every reason to predict that tension will continue to prevail in the Far East and other areas where the Communist powers are seeking to spread their influence.

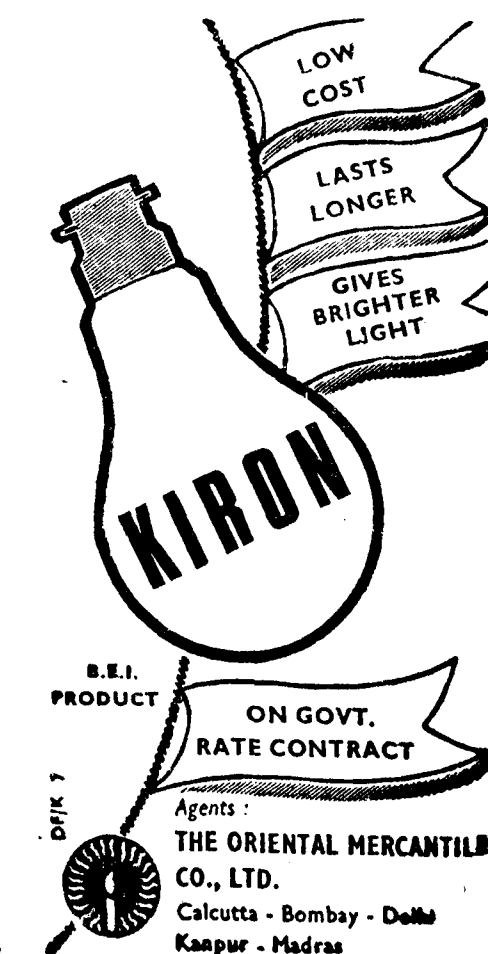
the non-super-super-power

"The super powers", said Comrade Chiao, warming to his topic, "want to be superior to others and to lord it over others. At no time, either today or ever in the future, will China be a super power subjecting others to its aggression, subversion, control, interference or bullying". For the benefit above all of the developing countries, who have to be shown that China is their natural ally against the US and the Soviet Union, the Chinese leaders present a picture showing the world divided into three types of state—(1) super powers, (2) the medium and small states, who are believed to be increasingly restive under the super powers' high-handed behaviour, and, of course, (3) China. This non-super-super-power is determined to acquire at least one attribute of super-powerdom — a large arsenal of nuclear weapons which (as Comrade Chiao hastens to assure us) are, of course, "solely for the purpose of defence and for breaking the nuclear monopoly".

India can only size up China's claim to be free from the selfish motives of ordinary run-of-the-mill super powers in the light of the support that China gave Pakistan on the issue of Bangladesh, even though its stand on this question has probably had some appeal in the many developing countries who have secessionist movements to cope with. In the Indian sub-continent China's policy corresponded more to the tenets of old fashioned balance of power politics than to the ideals

of world revolution.

An undoctinaire trend is also evident in China's attitude towards European countries, the Soviet Union apart. China has restored ambassadorial relations with the arch-revisionist Yugoslavia, developed trade relations with Greece and welcomed the enlargement of the European Economic Community. But arguably the biggest piece of pragmatism of all was the invitation to President Nixon. This certainly needed some explaining. This was done by recalling Chairman Mao's analysis of exploiting divisions in the enemy camp and using "to good account all such fights, rifts and contradictions in the enemy camp and turning them against our present main enemy". This piece of "Chinoiserie" seems to me to be in line with the classic "Divide and Rule!" of which the "imperialist" powers were once said to be the arch exponents. Is there anything new under the (Far Eastern) sun?



WHILE EUROPE begins its summer holidays before entering on the final stage of its Common Market enlargement in the late autumn it may be useful to use the pause to examine a few major international economic changes which make even the Market expansion look relatively trivial.

The first of these developments, and easily the most significant, is the growth and change in manner of operation of the multinational companies.

If present trends in multinational company growth continue—and there is nothing in view that would prevent it—in about ten years' time three-quarters of west European and north American capital assets will be controlled by about 300 huge companies. This fact makes national banks, even governments and the expansion of an international economic and political group in varying degrees far less important than they would otherwise be.

association of convalescents

The Common Market, the International Monetary Fund, GATT and similar groups are the product of the recovery period that began in west Europe some five to seven years after the end of the last war in which most of the continent fought itself almost to its last shreds of being. They were, for this reason, at least at first associations of convalescents, anxious to restore the level of living they had destroyed; only in the last decade has the Market become a combative competitor of the United States in world markets. The United States, meanwhile, has spent much of its substance on wars in eastern Asia after contributing generously to the later stages of the anti-Axis war effort and then to economic recovery in west Europe as well as on space research which is, financially, a very long-term investment.

Officially, for these reasons, the United States is less financially well-off than it might have been had its administrations been less generous, less intent on "containing" the communist powers, and less competitive in space research. Similarly, owing to war and other debts, to inflation and resultant currency difficulties, west Europe's states, though prosperous and

in many ways progressive, are less able to resist strong economic influences of the international type than they might have been had a disastrous war and a post-war complete change in world political make-up not convulsed them.

It is possible that these weaknesses of governments may have passively aided the process of the growth of the giant multinational industrial and commercial corporations. The same post-war period which has been a time of slow and fluctuating recovery by governments and by national economies has been the time when the basis of the west's economic strength has totally changed its character.

sea-change occurred

The economic era of coal, steel, heavy engineering and consumer market commodities has given way to that of industrial chemicals, petroleum, electronics and plastics, that of woollen and cotton textiles to that of synthetic fibres. At the same time not only has the company-owned firms disappeared into multinational industrial complexes but direct exports account now for about one-tenth of sales income, the greater part of it is generated by manufactures and other products of the directly-owned overseas subsidiaries of the multinational corporations.

This is a fact of the greatest significance and one not sufficiently often remarked. It is a fact that makes such government devices as surtaxes on imports and even tariff barriers relatively unimportant. Import surtaxes arouse strong protests—but who now scarcely remembers the British surtax of the last decade and even Mr Nixon's 10 per cent surtax on imports is disappearing from memory. The reason for their very temporary significance is the fact that direct imports are becoming progressively less important. Over 75 per cent of foreign trade in manufactured goods in west Europe and the USA is carried out by corporations which have manufacturing and trading bases directly in the countries with whom they trade and to which they might in former years have shipped exports.

In the cases of several multinational corporations, for this reason, sales from

their foreign subsidiaries are three times or more as considerable as their direct exports. When their overseas investment in both book-value terms and in real terms is taken into consideration the sales generated by the multinationals' overseas operations are probably almost ten times the value of the direct exports.

Many angry voices have been raised in recent years in west Europe over the American industrial and financial "invasion"—and its significance and influence in Europe is tremendous—but though the Americans are ahead on volume, direct and portfolio investment is a two-way traffic. British firms already produce and sell in the USA at least four times as much as they export there; generally speaking there is probably about as much direct and portfolio European investment in the USA as there is US investment in west Europe.

a cosy refuge

The ramifications of the "tax havens" used very extensively by the multinational corporations almost nullify the controlling effects of such devices as national taxes and tariffs. West Europe itself provides these havens in Luxembourg and Liechtenstein—there are a dozen in other parts of the world—and in these cosy refuges the post-war phenomenon of the corporate money manager—a mid-20th century rationalisation of the Middle Ages Lombards and Hanseatic Fuggers and of the 19th-century London and Frankfurt financiers—hedge to protect threatened currencies by buying futures in stronger currencies and play ducks and drakes in the European money market. The Zurich bankers have more cunning competitors today nearby in central Europe, many of them operating on instructions from their home base in New York.

At the same time the tremendous total operations of the many new multinational banks are a clear indication of the waning influence of the national banks. The threat of an inflow of foreign money makes many smaller governments impose quite ridiculous restrictions on financial movements; fear of heavy outflow of foreign investment has moved the US government, with reluctant Congress

consent, to establish Domestic International Sales Corporations (conveniently DISCs) within a multinational company in the USA whose income would remain free of federal income tax until the revenues were turned over to the parent company, however far distant in the future that act might be.

The immense financial power of the multinationals "in all major industrial" and commercial States and their foreign manufacturing and sales activities has so extensively made rings round national controls that whether west Europe organises itself into a group of six or ten can make very little difference to these massive-

scale concerns. On the contrary, it is their existence, growth and ever adaptable techniques that make and will continue to make a very considerable difference to the influence of and to the type of policy operated by the Common Market itself and by every one of its members.

Karl Schiller

Better deal for developing countries

"BEGINNING immediately," said Prof-Karl Schiller, "my government will grant capital aid to these twenty-five 'least developed countries' on the terms of the International Development Association (IDA) that is, 0.75 per cent interest and a duration of fifty years, including ten years free of amortization. My government is also prepared to increase the volume of its capital aid for these countries."

Professor Schiller went on to elaborate on the government's ideas on the subject: "Above all, we shall improve conditions for productive public and private investments by means of increased technical aid. We extend our hand of co-operation to these countries. Chiefly in the following areas: education and training, health, water supply, improvement of the transport network, and finally the further development of agriculture and the development of the processing industry. We must apply the instruments of development aid more flexibly. We cannot insist on partnership performance when such performance simply cannot be expected of these countries in the foreseeable future.

"In the case of raw materials agreements for products of special interest to the twenty-five countries, we are prepared to grant these countries special arrangements, such as higher procurement quotas. Because of these countries' limited financial capability, we shall also examine the question of how to provide relief for them in the financing of buffer stocks by the industrialized countries."

Turning to the subject of "our general financial development aid," Professor Schiller made the following observations: "Pursuant to the government policy statement by Chancellor Willy Brandt on October 28, 1969, our financial planning provides for higher increments for co-op-

The announcement of substantial improvements in credit terms and a strong plea for tariff preferences to stimulate exports from the developing countries were the highlights of a speech by the German Economic Minister, Prof. Dr Karl Schiller, at the third UN Conference on Trade and Development at Santiago, on April 14. The text of his address is reproduced here.

ration with the developing countries than for the total budget. Despite temporary budgetary restrictions, in the case of the relevant fiscal appropriations, we have maintained an average annual increment of 11 per cent. We shall continue our endeavours to achieve the public assistance goal of 0.7 per cent as soon as possible.

"However, all the efforts of my government cannot ensure that the one-per cent goal set by UNCTAD II will be achieved each and every year. In a free enterprise system, economic trends are a factor here, after all. At any rate, in absolute terms the Federal Republic of Germany's public aid had distinctly increased, and this includes the most recent years, as well. It reached a total of 3,000 million marks in 1971.

"Special importance is attached by the Federal Republic of Germany to the activity of the multilateral financing institutes. We gave our approval to a doubling of the IDA contributions. This is the third increase of IDA funds. We contributed the initial instalment applying to this increase before the agreement went into force.

"Our response to the developing countries' desire for better capital aid conditions is positive. We have continually improved the terms in line with the recommendations of the development assistance committee of the OECD. In addition, I

can state the following for my government: In the future, the standard terms for capital aid credit granted by us will be two per cent interest and a duration of 30 years, including 10 years free of amortization. In the year of UNCTAD II, these terms were still three per cent interest and a duration of 24 years, including 7.3 years free of amortization. We shall also further increase the proportion of the grants to the total of our public development aid.

"For some time there has been a spirited discussion of the foreign indebtedness of the developing countries. In-depth studies by international institutions have now made possible an objective assessment of this highly stratified complex. One important perception that has come from these studies is that what we have to do with here is not a single, generalized problem of indebtedness on the part of the developing countries. This problem exists in many different forms. Consequently the problem of indebtedness must be resolved case by case in terms of each given situation. It will always be essential here to make optimum utilization of all the possibilities of co-operation between the credit-granting states, the international institutions and the country in debt.

"We support the developing countries' call for an international dismantling of procurement conditions. The Federal Republic of Germany has long advocated this, in line with its liberal trade policy. And we have set a good example here. I hope that this conference will give new impetus to the concluding of a multilateral agreement embracing all donor-countries. Right now, 75 per cent of the capital aid credit given by my country is without procurement ties. This proportion puts us considerably above the average of the members of the OECD development assistance committee."

For India that is Bharat,

Ceylon that is Sri Lanka cannot have the excitement of novelty. It is easy to appreciate that the island-state of Shrivav Bandaranayake must be anxious about rediscovering its identity. So much of this poor country has been broken up into such pitiable pieces that it has become urgently necessary for it to acquire at least the reassurance of a christening. Unfortunately, identity is not a matter merely of naming or renaming. Take for instance our own country. What does Bharat that is India now stand for? The obvious and perhaps the only true answer would be that India stands for Indira. The question is whether it is also a satisfactory answer. Poor Ceylon, poor Sri Lanka! When will your people come to know you really? More important still, when will you come to know your people? Our little neighbour to the south, perhaps you yourself may look to your north and pose similar questions.

The presiding officer of

a legislature is the natural and necessary guardian of the rights and privileges of its members. It is therefore quite proper for the Speaker of the Lok Sabha to feel upset when the famous incident in the Willingdon Hospital, involving a member of Parliament who complained that he had been manhandled by the hospital staff, was brought to his attention on the floor of the House. Even so, some of the reactions and observations of Mr Dhillon as reported in the press seem odd rather than odd, suggesting that he had allowed himself to be swayed unduly by the emotions, if not the passions, of the moment. I quote first from *The Statesman* of May 17 and next from *Link* of May 21.

The Statesman: "Mr Dhillon said that he was aware that the hospital employees talked derisively whenever members went there for treatment. 'If I go or a minister goes special attention is given. After we leave there is laughter amongst themselves', he said, directing the Health Minister to make a full statement after inquiry later".

Link: "Speaker G.S. Dhillon, too, seemed deeply affected by what he heard from his officers and others. He told the House that he had been informed of the incident

as soon as he reached his office. He sent the Superintendent of Police of the Watch and Ward Staff of Parliament to the hospital to make inquiries and help Shailani if he needed any help. Then the Minister for Parliamentary Affairs met him and related what he had seen. 'It is most shocking. Hospitals are meant to save people and not to kill them', he said. He thought the incident at the hospital was the result of a campaign to denigrate members of Parliament that was being carried on for some time now by certain government officials. The Speaker asked the minister to enquire into the incident fully and place the report before the House".

Could it be that our law makers are suffering from a persecution complex? Could it be a case, again, that, because there is this complex, so many of them are inclined to use the most extravagant language in Parliament when they happen to be commenting on or criticizing other people. For instance, a member of Parliament recently permitted himself the astonishing observation that the pharmaceutical firms in this country are worse than dacoits who take only money, whereas the pharmaceutical firms take both one's money and one's life. If my memory serves me right, this member was referring particularly to the foreign firms in the pharmaceutical industry. Patriotism has always been a heady sentiment and it possibly demands verbal exuberance to express itself adequately.

Other people's income-

tax affairs are always interesting news and it is perhaps natural that members of Parliament should attempt to punctuate the tedium of the routine of the House by talking about the income-tax affairs of newsworthy personalities. On May 23 a question was asked in the Rajya Sabha about the tax situation of Mr Sanjay Gandhi, the second son of the Prime Minister. The Finance Minister, in his reply, stated that over the period of the last three years Mr Gandhi was assessed to income-tax for the assessment year 1970-71 on a total income of Rs 722. The figure suggests that Mr Gandhi cannot be engaged or at least was not engaged during the relevant assessment year in any regular profession, business or trade. The amount, in fact, sounds not even like casual receipts but

simply pocket money. We have it on the authority of the Prime Minister of India that Mr Sanjay Gandhi is a young man of unusual enterprise. Could it be that this well-favoured youth in his twenties is earning less than what it takes to keep him in food and clothing?

It is true that, apart from newspaper reports that Mr Gandhi now and then does an odd political job or two whenever the Prime Minister's party goes electioneering, while waiting for the amber light to turn green for his small car project, not much is known about how he occupies himself. Information, however, has not been entirely lacking. He has been going abroad now and then presumably on business tours and the foreign exchange released to him on these occasions, incidentally, has been amounting to very much more than his total income assessed to income-tax for the assessment year 1970-71. It has also been stated that Mr Gandhi had functioned or is functioning as a consultant to a well-known firm on a new industrial project to be set up in UP for the manufacture of agricultural tractors. He is apparently providing his consultancy services either in a purely honorary capacity or for a token fee.

Recently, 'The Guardian'

(London) unintentionally generated a spate of mirth at its expense when one of its lead-writers delivered himself of the profound truth that "the problems of poor people would be a lot less if they had more money". The *New Statesman* (London) took full advantage of the occasion to organize its Weekend Competition around this solecism and asked for extracts from *Guardian* leaders arguing equally stunning theories. The entries as may be expected, provided a good deal of harmless amusement. Samples:

"Mr Heath's suicide means the Conservatives will have to find a new leader"; "If there were far more houses available, fewer people might lack a decent roof over their heads";

Without deliberately looking for parallels in our own daily press, I had the good fortune of coming across this gem in the main editorial of *The Times of India* of May 24: "In the absence of all the facts we are in no position to vouch for the accuracy of the statement of the CPM leader Mr Jyotirmoy Bosu in the Lok Sabha to the effect that a leading businessman or house in Calcutta had spent Rs five lakhs to print eight lakh copies of a poster for the Congress on the eve of the recent elections in the various state legislatures".

In other words, give the Editor of *The Times of India* all the facts and he will tell you whether it is the whole truth.

VB

MOVING FINGER

EASTERN ECONOMIST

1091

TRADE WINDS

The Poorest Twenty-Five

THE THIRD UNCTAD concluded in Santiago on May 21 after taking a unanimous decision to adopt special measures for assisting the 25 poorest countries of the world. Included in this list are sixteen African, eight Asian and one Latin American country. The various means to be adopted to help these countries are: (a) a programme of preferential financial assistance, (b) special consideration for commodity agreements, (c) priority in access to markets, (d) reduced shipping rates, (e) increased technical assistance and (f) efforts by international organisations to assist in diversification of the economies. The resolution was adopted by the conference and included all the above points, called on the socialist countries of Eastern Europe in particular to provide long-term technical and financial assistance on favourable terms to this group of countries.

Another result of the conference was the realisation by the EEC that the third world countries were highly dissatisfied with it. Mr S. Mansholt, Chairman of the EEC Commission, stated that the discussions in the conference will make the Community "consider demands of the third world" so as to find the best way for starting "a common road for multi-national co-operation."

The developing countries have made a gloomy assessment of the six-week discussions at Santiago. The developed countries however point to the brighter side of the picture, namely, the adoption of a number of unanimous resolutions passed by the con-

ference. The developing countries feel that the unanimous resolutions relate to minor subjects. The resolutions for assistance to land-locked countries is a case in point. It is important for the countries concerned but among the major problems of the third world, it is a relatively small one. The developing countries felt that they would have to be increasingly "self-reliant" in the coming years though there are limitations to it.

Fuel Policy

The Fuel Policy Committee has submitted Part I of its report covering the "Fuel Policy for the Seventies" to Mr S. Mohan Kumaramangalam Minister of Steel and Mines. This part of the report has been submitted with the object of enabling the government to take urgent decisions on investment requirements in the energy sector for the fifth five-year Plan period.

The Fuel Policy Committee was appointed by the government of India in October, 1970. The terms of reference of the committee were: (a) to undertake a survey of fuel resources and regional pattern of their distribution; (b) to study the current trends in exploitation and use of fuels; (c) to estimate prospective demand by sectors (in particular the transport industry, power generation industry and domestic fuel); (d) to study the efficiency in the use of fuels and recommend — (i) the outline of national fuel policy for the next fifteen years; (ii) a pattern of consumption and measures, fiscal and otherwise, which would help the best use of available resources; and (iii) the measures and agencies, to promote

the optimum and efficient use of fuel.

Mr R. Venkataraman, then Member (Industry), Planning Commission, was appointed the chairman of the committee. He resigned as chairman after ceasing to be member of the Planning Commission and in his place, Prof S. Chakravarty, Member, Planning Commission was appointed as the chairman.

In its report the committee has drawn the attention of the government to the investment and operational problems of the energy sector in view of the very substantial efforts called for in terms of men, materials and organisation to carry out the task of implementing the perspective plan as given in the fourth Plan document. The committee has emphasised the fact that it has kept its study within the framework of the perspective plan of the government which envisages a rate of growth of the country's economy at 6.2 per cent per annum during the fifth Plan period and up to 1980-81. The committee has taken these long-term targets as given and has not attempted to scale down the order of requirement merely because the estimates would appear to be on the high side.

The committee has come to the conclusion that if the targets indicated in the perspective Plan are to be achieved, the total demand for energy in 1978-79 and 1980-81 is likely to be of the following order:

Estimated demand in	Coal	Oil	Electricity
	m. tonnes	m. tonnes	billion KWh
1978-79	108	27.2	125
1980-81	125	31.7	150

The total requirement of coal, including the coal used in the generation of electric power, is estimated at 165 million tonnes in 1978-79. The total demand for oil products including those used in fertiliser manufacture and other sectors is anticipated to be of the order of 34 million tonnes in 1978-79.

The total generation of electricity required to meet the demand indicated above is estimated at 156 million KWh and the installed capacity would range between 37,000 MW and 40,000 MW in 1978-79.

The committee has noted that the critical shortage in coal would be in respect of prime coking coal. It has suggested that immediate attention should be paid to the development of additional production of medium coking coal and its use in steel plants so that the scarce reserves of prime coking coal could be conserved. The committee has attached great importance to the replacement of non-commercial fuels such as fire-wood and dung cake by soft coke. A rate of increase in the use of soft coke of 15 per cent per annum has been predicted. Regarding non-coking coal, a concerted and co-ordinated effort including the proving of new areas in outlying coal-fields where super thermal power stations can be set up as well as standardising the machinery and equipment used in the mines have been suggested.

The additional investment required for meeting the energy demand by the end of the fifth Plan has been estimated by the committee as follows:

Coal—Rs 690 crores.
Oil (Refining only)—Rs 323 to 390 crores on different alternatives.
Electricity—Rs 6,400 crores (including transmission facilities).

Among the new proposals which the committee has suggested for further study are the use of unit trains for speeding up coal transport, utilisation of coastal shipping, transport of coal along the river Ganga and creation of dumps for the smaller consumers of coal.

The committee has strongly urged that the use of fuel oil for power generation and by industrial consumers except in cases where its use is justified on technical grounds, should be discouraged.

As a means of replacing kero-

sene in the domestic sector, the committee has suggested the setting up of town gas plants for a few cities with a population of over one million on an experimental basis after a detailed techno-economic evaluation of the proposal. It has also suggested improvement of the Calcutta Gas Supplies Scheme.

The committee has found that the electrification of trunk routes as programmed by the railways should be implemented and accelerated.

TV Production

Mr K.L. Nanjappa, Development Commissioner for Small-scale Industries, said recently in Bombay that there would be no let-up in the government determination to keep the production of television sets within the purview of the small-scale sector, and any attempt by large units to circumvent the regulations would be defeated. Mr Nanjappa made this observation when his attention was drawn by Mr H. S. Bhatt, President of the Small-scale Electronics Industries' Association, to a reported attempt of a large-scale unit to lure small-scale TV licensees. Mr Nanjappa assured the representatives of small units that he would investigate the matter and recommend the cancellation of licence of small units which might be parties in these deals.

Joint Council

The formation of the National Council of Trade Unions by the three major trade unions viz. Indian National Trade Union Congress, All India Trade Union Congress and the Hind Mazdoor Sabha has been welcomed by Mr H. S. Sighania, President of The All-India Organization of Employers. The council will provide a common forum for different trade unions to promote mutual "understanding, co-operation and co-ordination" on all important issues. The first meeting of the council was held on May 30.

The agreement came after a meeting of trade union leaders convened by the Minister for

Labour Mr R. K. Khadiolkar, as a last attempt to reach a common understanding with them on the proposed legislation on industrial relations. It is hoped that the labour leaders would now be able to present a common viewpoint during discussions with the government. An important feature of the agreement is that all decisions taken by the council would be by "consensus".

Diplomas in Foreign Trade

Forty-three participants were awarded diplomas on May 22, at the Annual Convocation of Indian Institute of Foreign Trade by Mr A. C. George, Deputy Minister of Foreign Trade, after the successful completion of the 10-month Diploma Programme in International Trade. Twenty participants were sponsored for the diploma programme by business organisations, where they were already exposed to the handling of foreign trade. Three of them came from Malaysia, Nepal and Ceylon, while one was a released emergency commissioned officer of the armed forces.

The institute has so far conducted 70 training programmes with the participation of 2,000 persons including seventy from abroad. The objective of the programme is to build up a competent cadre of young export management personnel for Indian trade and industry.

Australia and the Asian Fair

Grant Advertising (India) Limited has been appointed by the Australian Department of Trade & Industry, to advise, co-ordinate and look after public relations work involved in Australia's participation in the Third Asian International Trade Fair, to be held in New Delhi from November 3 to December 17, 1972. This work was assigned to Grant on the basis of a competitive scheme which the Agency had submitted in response to a questionnaire circulated by Australia's Trade Representatives in New Delhi.

An ingenious attempt has

been made in the planned architecture of the Australian pavilion (by using basic elements in Indian philosophy and Indian symbol) to express the Australian way of life and Australia's role as a partner in the development of Asia. The exhibits will tell the story of Australia rapidly transforming itself into an important manufacturing nation. The commercial section will show mineral products, wool processing techniques, agricultural and mining equipment, bulk handling equipment, grain handling equipment and agricultural aircraft.

Debt Relief

Dr H.C. Coombs, who has been appointed as consultant by the World Bank for discussing debt relief arrangements with the member countries of the Aid India Consortium, was last week in New Delhi for discussions with the government of India.

The World Bank has undertaken a study of debt relief required by India in the last two years of the fourth five-year Plan. The study became necessary in view of the rising burden of debt service payments resulting from the hard terms on which loans were given in earlier years and suggests that debt relief should be pro-

vided at the rate of \$200 million per year in 1972-73 and 1973-74. The recommendations of Dr Coombs will be considered at the meeting of the Aid India Consortium scheduled to take place in Paris in the middle of this month.

The World Bank had organised a study of debt relief to India for three years from 1968. On the basis of the study and recommendations of the then consultant, Mr Guindey, the members of the Consortium provided debt relief for an amount of over \$ 300 million during these three years. By extending the same arrangement, a further debt relief of about \$ 92 million was also provided during the last financial year.

Foreign Aid

Foreign aid agreements signed during the year 1971-72 (April 1971 to March 1972) amounted to \$ 1084 million. Of this project aid was about \$ 709 million and non-project aid was \$ 375 million, which included assistance in the form of debt relief amounting to \$ 86 million.

Country-wise details of the aid agreements signed during April 1971 to March 1972 are as follows:

Name of the country/ institution	(\$ million)		
	Project	Non-project	Debt relief
1. Austria	—	—	0.88
2. Belgium	—	2.90	1.10
3. Canada	4.17	47.26	0.70
4. France	38.83	24.33	5.00
5. W. Germany	16.40	27.31	30.00
6. Japan	66.60	74.09	20.60
7. Netherlands	—	13.80	0.70
8. Sweden	5.00	—	—
9. UK	50.47	64.80	18.00
10. USA	21.00	35.00	8.70
11. IBRD	60.00	—	—
12. IDA	446.00	—	—
Total	708.47	289.49	85.80

India also signed Food Aid agreements with the following countries during April 1971 to March 1972:

Country	Amount (\$ million)
Australia	3.77
Canada	37.33
UK	1.92
PL -480 Wheat	98.70
Total	141.72

ITDC

The India Tourism Development Corporation made a net profit of Rs 37.06 lakhs in 1970-71 as compared to Rs 1.53 lakhs in the year 1969-70 including the profits of the shoka and Janpath Hotels (limited).

The increase in the profit is due to an increase in the gross turnover from Rs 4.03 crores in the year 1969-70 to Rs 5.64 crores this year. After making appropriations for retirement gratuity and general reserve fund, the net surplus carried to balance sheet is Rs 5.84 lakhs.

The authorised share capital of the corporation is Rs 10 crores. With a further investment of Rs one crore by the government in the shape of equity capital, the paid-up capital of the corporation as on March 31, 1971, stood at Rs 1,96,84,000 as against Rs 1,96,84,000 as on March 31, 1970.

Existing Hotels

Ashoka Hotel with a bed capacity of 651, made a net profit of Rs 18.71 lakhs as compared to Rs 6.90 lakhs in the previous year. The occupancy of the hotel improved considerably after the renovation of rooms and public areas and gross earnings rose to Rs 50.34 lakhs from Rs 180.08 lakhs in the last year.

Janpath Hotel with a capacity of 289 beds, earned a net profit of Rs 10.88 lakhs as compared to Rs 7.27 lakhs last year. The increased profits were due to higher room occupancy resulting from improved services, renovation of rooms etc.

Lodhi Hotel has a capacity

of 250 beds. Although the gross earnings increased from Rs 21.57 lakhs in the previous year to Rs 29.08 lakhs in the year under report, there was a loss of Rs 1.95 lakhs mainly due to the creation of a development rebate reserve and a new accounting system by which the entire value of uniforms issued to the staff was written off in the year.

Hotel Ranjit has a bed capacity of 222. As a result of the renovation and air-conditioning of some rooms, the gross earnings of the hotel increased from Rs 25.29 lakhs in the year 1969-70 to Rs 32.05 lakhs during the year under review. The hotel, however, suffered a loss of Rs four lakhs during the year. The operational results of the hotel are expected to improve with the completion of the renovation programme.

New Hotel Projects

The hotel building constructed by the New Delhi Municipal Committee at Chanakya-puri, New Delhi was taken on lease from May 1, 1971 by the corporation for being run in the name of **Akbar Hotel**. The hotel was commissioned on January 1, 1972. Another hotel namely, **Ashoka Hotel**, Bangalore, was also completed and formally inaugurated by the President of India on May 1, 1971. The construction of a 100-room hotel and 40 Kudils at Kovalam at an estimated cost of Rs 135 lakhs has been sanctioned by government as a part of the integrated project for the development of the Kovalam beach centre. The corporation also plans to construct a 100-room hotel at Dum Dum (Calcutta) at an estimated cost of Rs 120 lakhs, and a centrally heated 60-room hotel at Gulmarg at an estimated cost of Rs 110 lakhs.

Restaurant at Expo '70

The National Restaurant opened by the Corporation in the Expo '70 fair held in Osaka, Japan, earned foreign exchange worth about Rs 14 lakhs and netted a profit of Rs 11.57 lakhs. The restaurant was one of the best

three out of a hundred restaurants at the fair and won a medal and a certificate of Merit from the Governor of Osaka.

Motels

Work on the construction of a 50 room motel at Jammu at an estimated cost of Rs 25 lakhs is in progress. The motel is expected to be commissioned shortly. Another motel-cum-tourist centre project at Varanasi at an estimated cost of Rs 39 lakhs is also in progress.

Tourist Transport

During the year under review, tourist transport service was extended to Hyderabad, Agra, Bangalore, Madurai and Bodhygaya. The present effective fleet of the transport division comprises 71 luxury cars, 40 ambassador cars, 30 coaches and eight mini buses. The sale turnover of the transport service was Rs 40.87 lakhs as against Rs 27.21 lakhs in the previous year.

Duty Free Shops

The duty free shops at the four International Airports at Bombay, Delhi, Calcutta and Madras registered a sale turnover of Rs 28.70 lakhs during the year under review against Rs 22.52 lakhs in the previous year. The net foreign exchange earnings during the year amounted to Rs 22.55 lakhs.

Minimum Wages for Building Workers

The government of India has in a notification announced the draft proposals for revising the minimum wages under the Minimum Wages Act, 1948 for employees in construction and maintenance of roads and in building operations, in stone breaking and stone crushing, in maintenance of buildings and in construction and maintenance of runways.

Different minimum wages have been proposed for workers in four different areas. Area A comprises Bombay, Calcutta, Delhi, Madras and all places within a distance of eight kilometres from the periphery

of corporations/municipalities/cantonment boards of these places.

Area B. 1 comprises Ahmedabad, Bangalore, Hyderabad, Kanpur, Lucknow, Nagpur, Poona and all places within a distance of eight kilometres from the periphery of the corporations/municipalities/cantonment boards of these places.

Area B. 2 comprises Agra, Allahabad, Amritsar, Coimbatore, Indore, Jabalpur, Madurai, Patna, Sholapur, Varanasi and all places within a distance of eight kilometres from the periphery of the corporations/municipalities/cantonment boards of these places.

Area C includes such places as Abohar, Adoni, Cuttack, Calicut, Guntur, Ranchi, Rourkela, etc. Area D comprises of all places not included in A, B.1, B.2. and C.

Minimum wages proposed for unskilled workers are Rs 4.50, Rs 4.00, Rs 3.65, Rs 3.65, Rs 3.30 and Rs 3.00 for areas A, B.1, B.2, C and D respectively. Those for semi-skilled and unskilled supervisory workers are Rs 5.90, Rs 5.35 Rs 4.85, Rs 4.40 and Rs 4.40 respectively, while for skilled workers the minimum proposed wages are Rs 8.80, Rs 8.00, Rs 7.25, Rs 6.60 and Rs 6.00. For highly skilled workers they are Rs 11.00, Rs 10.00, Rs 9.10, Rs 8.25 and Rs 7.50. For clerical workers (Matriculates) they are Rs 8.80, Rs 8.00, Rs 7.25, Rs 6.60 and Rs 6.00 and for non-matriculates, the proposed minimum wages are Rs 5.90, Rs 5.35, Rs 4.85, Rs 4.40 and Rs 4.00.

Where in any area the wages fixed under the notification are lower than the wages fixed by the state government for the corresponding scheduled employment for which it is the appropriate government, the higher rate would be payable as minimum wage under the notification.

The minimum rates of wages are applicable to employees engaged by contractors also.

The minimum rates of wages shall consist of an all-inclusive rates, and include also the

wages for weekly day of rest.

The minimum rates of wages for young persons below 18 years of age and for disabled persons shall be 70 per cent of the rates payable to adult workers of the appropriate category.

Steel and the Small Consumer

At least one dealer in every district in the country will be appointed by the Billets Re-rollers Committee to ease the distribution of steel to the small consumers. This will be of particular help to those who are in areas far away from the stockyards of the producers. In the northern and western zones dealers are already being appointed in various districts. The scheme will soon be extended to other zones also. This information was given by Mr S. Mohan Kumaramangalam, Minister for Steel and Mines at a meeting of the Standing Committee of the Iron and Steel Advisory Council held in the capital on May 24, 1972.

According to Mr S. Mohan Kumaramangalam, the scheme of distribution of steel for house building by a joint committee of principal producers at Delhi was working satisfactorily and was by and large meeting the requirements of small house builders. The minister said that it was proposed to extend the scheme to some other big towns where house building activity was growing fast.

The minister informed the committee that at present about 70 per cent of the re-rolled products produced by registered billet re-rollers were allocated to the bulk consumers in the government priority sectors. The balance of 30 per cent was sold through the stockyards to genuine private citizens for house building purpose, small-scale industries, traders etc. About nine per cent of the total production of billet re-rollers was allocated to trade.

In regard to the supply of raw material to small-scale re-rolling mills, the Minister said that there was adequate re-rolling capacity already existing in the country and the

state governments were asked to discourage setting up of new units in the field. In spite of this clear warning many units had come up. As a result of this the share of each individual unit from the available raw materials has come down.

On a suggestion that the import of re-rollable scrap should be allowed, the minister said that the bulk import of re-rollable scrap was not practicable due to foreign exchange constraints. However, the minister said that with the release of about 150,000 tonnes of used rails, the raw material requirements of scrap re-rollers would be considerably met.

Pyrites Production

Pyrites, Phosphates & Chemicals Limited, a public sector undertaking under the Ministry of Petroleum & Chemicals, had developed Amjhore mines in Bihar for the production of 400 tonnes of pyrites per day. This was stated in the annual report of this undertaking which was engaged in the exploration of pyrites deposits of the country for the manufacture of sulphur and sulphuric acid.

The first phase of the Amjhore Mining Project was completed in March 1969 and during 1970-71, 35,000 tonnes of pyrites ore was produced. The ore was being mainly consumed by the Sulphuric Acid plant at Sindri.

The Fertilizer Corporation of India was setting up one more sulphuric acid plant at Sindri, which was expected to go on stream in 1973-74. When this plant is commissioned the requirements of pyrites from Amjhore will go up to 420,000 tonnes per year. The undertaking was accordingly drawing up a project report for necessary expansion of production from Amjhore.

PPCL had also taken in hand exploratory drilling for the development of pyrites deposits in Saladripura in the Sikar District of Rajasthan and investigations through drilling

and geological studies were in progress.

The company was also implementing the Rock Phosphate Mining Project at Maldeota in Uttar Pradesh. Geological investigations in the area had established an ore reserve of 7.25 million tonnes of rock phosphates. Mining operations were being undertaken in accordance with the demand for low-grade ore. The possibility of utilising Maldeota rock phosphates for the manufacture of superphosphates and as a diluent in the manufacture of calcium ammonium nitrate was also under examination.

Postal Life Insurance

The Posts and Telegraphs Department has decided to issue non-medical policies up to the value of Rs 3,500 from June 1, 1972. The facility will be available to those employees whose age at the time of getting an insurance policy does not exceed 28 years.

The total number of Postal Life Insurance policies in force on March 31, 1971 was 2,54,252 against 2,34,249 a year earlier.

During the year 1960-71, 25,498 new policies for a total sum assured of Rs 9,64,16,700 were issued against 23,872 policies for Rs 8,92,39,500 in the previous year. The number of policies went up by 6.81 per cent in one year and total sum assured by 8.04 per cent.

Names in the News

Mr C. R. Rao has taken over as Director General of Civil Aviation in place of **Mr G. C. Arya** who retired from service on May 25.

Mr C. R. Rao who was Joint Director General in the Department, has represented India at a number of technical conferences of the International Civil Aviation Organisation. In 1959 he was appointed as the principal training adviser and head of the ICAO technical assistance mission at Djakarta, Indonesia.

In 1963, **Mr Rao** was appointed as ICAO representative for the middle east and east African region accredited

to all the states in the middle east and eastern Africa with office in Cairo. In 1965, he was Civil Aviation Adviser and head of another large ICAO technical assistance mission in Saudi Arabia.

Mr R. D. Shah and **Mr R.P. Nevatia** were elected President and Vice-president of the Cement Manufacturers' Association for 1972, in Bombay on May 20. Those elected to the managing committee were:

Mr J. R. Birla, **Mr P. N. Bam**, **Mr N. H. Dalmia**, **Mr J. H. Dalmia**, **Mr V. L. Dutt**, **Mr A. K. Jain**, **Mr K. C. Jain**, **Mr K. N. Mehta**, **Mr K. N. Misra**, **Mr. P. K. Mistry**, **Mr S. P. Sinha**, **Mr. M. Somappa**, **Mr B. D. Somani**, **Mr N. Srinivasan** and **Mr J. N. Tewari**.

Mr Ram Lal Kapoor, General Manager of the Railcoach Division of Bharat Earth Movers Limited is the recipient of the Sir Walter Puckey Indian Prize for 1970. The Puckey award is presented for significant contribution to production engineering in India.

A mechanical engineer, **Mr Kapoor** is associated with the Railcoach Wing since 1964. Some of the 'firsts' to his credit include direct induction into the army as Lieutenant Colonel; first Indian Chief Production Engineer of HAL and one of the key persons involved in the production of the Gnat aircraft. As Managing Director of BEML for a brief spell he initiated the manufacture of heavy earth moving equipment in the country.

Mr Anand Prakash Kapur was elected President and **Mr S.C. Kadakia**, **Mr M. P. Choudhury**, **Mr M. B. Sivasani** and **Mr Singaram** were elected Vice-presidents of the Federation of Paper Traders' Associations of India at its annual meeting held recently in Madras. **Mr R. M. Gandhi** was elected Secretary and **Mr J. S. Shah** Treasurer.

Mr S. Y. Ranade has been appointed Chairman of the Board of Trustees of the Bombay Port. He succeeds **Mr Govind H. Seth**.

COMPANY AFFAIRS

Larsen & Toubro

LARSEN AND Toubro Ltd has received the consent of the Controller of Capital Issues to issue shares and bonds to the shareholders of Canara Bank Ltd in terms of the merger scheme. The consent marks the last step in completing the amalgamation of Canara Bank Ltd with Larsen and Toubro Ltd. According to the merger scheme, each holder of five shares of Canara Bank Ltd will receive eight L and T equity shares, three 9.5 per cent cumulative redeemable 'A' preference shares of Rs 50 each, five eight per cent convertible bonds of Rs 22 each and one eight per cent redeemable bond of Rs 85. Under the scheme of amalgamation, Larsen and Toubro will receive about Rs 3.05 crores from Canara Bank Ltd. The shares and bonds issued will be entitled to dividend and interest on a pro-rata basis for the period October 1, 1971 to March 31, 1972, since the amalgamation is effective retrospectively from October 1, 1971.

Indian Rayon

Indian Rayon Corporation proposes to extend the time limit of its 18,480 (ten per cent) redeemable cumulative preference shares of Rs 100 each bearing the distinctive numbers from 66,521 to 85,000 by a further period of three years. As per the terms of the issue, these shares issued in 1965, are redeemable on expiry, seven years from their date of allotment. These shares are mainly held by the Gujarat State Financial Corporation which has already consented to the extension of the time limit for the redemption of these shares to a date not later than June 11, 1975. The company has not earned enough profits for the

last several years so as to provide for redemption of these preference shares. In the existing circumstances it is also not possible for the company to make a fresh issue of shares for the purpose of redemption. It is therefore felt necessary to extend the date of redemption. According to the management's expectations a further period of three years for the purpose is considered to be appropriate.

National Rayon

The nylon tyre cord project of the National Rayon Corporation has been cleared by the Department of Company Law Affairs under Section 21 of the MRTP Act. The capital cost of the project has been estimated at Rs 7.14 crores while working capital requirements have been placed at Rs 1.20 crores. The foreign exchange content of the project is around Rs 163 lakhs—Rs 127.87 lakhs for machinery and Rs 34.88 lakhs for know-how and engineering fees. The company has entered into a collaboration agreement with Chemtex Fibres Inc. of New York for the supply of know-how and for providing engineering services outside India. The Chemtex Engineering Company of India Ltd, Bombay, are the principal consultants for rendering services in India.

The company has already purchased about 90 acres of land adjoining the present factory at Kalyan for putting up its plant. The plant will have a capacity of 2200 tonnes per annum. As there is at present an acute shortage of nylon tyre cord, marketing of the product will not pose any problem to the company when the plant is commissioned. When the plant starts operating at the full rated capacity,

the return on block investment after allowing for depreciation on machinery and buildings is expected to be about 20 per cent i.e. Rs 1.46 crores.

G.E.C.

The board of directors of General Electric Company of India Ltd has decided to increase the unissued authorised capital by an issue of 11,61,500 new equity shares of Rs 10 each at a premium of Rs 6.50 per share. Out of this issue, 262,500 equity shares of Rs 10 each at a premium of Rs 6.50 per share will be offered as a rights issue to those shareholders who are residents in India and whose names appear in the register of the company as on May 31, 1972 in the proportion of one new equity share for every two shares held. Apart from this 27,875 shares will be offered to the employees of the company who are Indian nationals at a premium of Rs 6.50 per share. The balance of 871,125 shares of Rs 10 each will be offered at the same premium to the public.

News and Notes

Expansion and Diversification

National Organic Chemical Industries' (NOCIL) plans to increase the production of ethylene have advanced a step further with the grant of a foreign exchange loan of Rs one crore to import the necessary furnace. The company hopes to commission this additional naphtha cracking furnace of a high ethylene yield in early 1973. This will increase considerably the company's production of ethylene which is presently below the licensed capacity of 60,000 tonnes a year. The company expects to achieve the rated capacity by 1973 in an

effort to meet the rising demands from the markets.

Devidayal Cable Industries Ltd is diversifying its activities by entering into the field of electronics, which being virtually a virgin field in India holds out great promise and handsome returns to the company. It has already received a letter of intent to manufacture 30,000 tape recorders a year. It has also applied for permission to manufacture electronic desk-top calculators and hopes to secure it soon. The company has purchased 11 acres of land at Bangalore to set up this electronics complex. It proposes to enter into a collaboration agreement with Vidyut Research Co. Pvt. Ltd, an Indo-American venture, which has already developed a prototype of electronic desk-top calculator. The project, which is expected to cost about Rs 25 lakhs, will be financed from internal sources and borrowings. Besides the company plans to venture into the manufacturing of diamond wire drawing dies with foreign collaboration. It has already secured a letter of intent to manufacture 2500 dies per annum. Apart from making dies available to ferrous and non-ferrous wire drawing industry, it will reduce company's cost of dies, thereby making its products more competitive.

Dunlop India has commenced production of tyres for the giant Boeing 747 planes at its Sahaganj factory in West Bengal. This is the first time that these tyres of highly sophisticated types are being manufactured in the country. The tyres made by Dunlop India are capable of taking a load of 20,910 kgs. and are cleared for running at a speed of 362 kilometres per hour. The initial supply of Dunlop tyres will be delivered to Air-India shortly. These tyres are being manufactured entirely by Indian technicians on the basis of the technical know-how received from Dunlop Ltd, UK.

Modella Woollens has obtained a letter of intent for setting up additional capacity of one million lb of wool tops at its Chandigarh unit and is

awaiting the licence for the import of capital goods. Meanwhile construction of buildings necessary for the installation of the balancing equipment and expansion has been taken in hand. The working of the Chandigarh plant showed a distinct improvement over last year and the management expects production to be maintained during the current year as well. In January last, the company received an import licence for Rs 18.67 lakhs for certain balancing equipment which would enable it to achieve the existing licensed capacity of the wool top unit. Orders are being placed and the machinery is expected to be received towards the end of the year. Arrangements have also been made for the indigenous machinery required for the purpose.

With the commissioning of M.G. Machine Straw Products Ltd has completed the first phase of its expansion scheme. The second stage of the expansion programme is expected to be completed by the third quarter of 1972. There is also a scheme for increasing the annual capacity for paper by 3,000 tonnes and for boards by 2,000 tonnes. A letter of intent for producing of 3,000 tonnes of paper has recently been received and for financing the expansion programme as well as escalation in cost for the projects in hand the company proposes to issue 55,000 (9.5 per cent) preference shares of Rs 100 each at par to the public.

New Venture

Fairbanks-Morse India Ltd, a new Indo-US venture, has been promoted to undertake the manufacture of a wide range of turbines, special pumps and other types of highly sophisticated equipments. The company which holds a licence for manufacturing 4,000 pumps per year is setting up a factory near Delhi. The plant is expected to go on stream by about the middle of this year. Starting with 2,000 pumps in the first year, the production is likely to reach the licensed capacity within three years. The promoters are hopeful of ex-

porting pumps worth about Rs 15 lakhs to south-east Asia in the first years itself. The company has an authorised capital of Rs 1 crore. Out of the proposed issued capital of Rs 40 lakhs, the foreign collaborators will take about Rs 14 lakhs and shares worth Rs 10 lakhs will be offered to the public.

New Issues

Sakthi Sugars Ltd entered the capital market on May 29 for mobilising resources of the order of Rs 28 lakhs in equity shares of Rs 10 each for Rs 21 lakhs and in cumulative redeemable preference shares of Rs 100 each for Rs 7 lakhs. The preference shares will be carrying an interest of 9.3 per cent per annum. The promoters, directors and their friends have agreed to take up equity shares worth Rs 10 lakhs. The balance of Rs 11 lakhs in equity shares of Rs 10 each and the entire preference capital of Rs 7 lakhs are being offered to the public for subscription for cash at par. The list will close on June 16 or earlier but not before June 14, 1972. The public issue is fully underwritten. The company which has been steadily increasing the crushing capacity, — almost doubled to 2,500 tonnes daily in the past five years,—extending the area under cane and improving its quality, is currently engaged in the construction of a distillery at Sakthinagar, near Erode, adjacent to the company's sugar factory. The capacity of the distillery, which is expected to be in operation shortly, will be of the order of 9.09 million litres per year. Molasses, the essential raw material, will be met from its sources to the extent of 25,000 tonnes while the balance of 15,000 tonnes will be secured from other sugar factories in the neighbourhood. The cost of the project is estimated at Rs 75 lakhs including the working capital of Rs 5 lakhs.

Shalimar Paints Ltd is offering for public subscription 3,70,530 equity shares of Rs 10 each for cash at par. The subscription for the fully underwritten issue opens on June 5 and will close on June 14 or

earlier but not before June 7. The issue is being made to raise Indian participation in the company's equity share capital from 16.25 per cent to 40 per cent. The proceeds will be utilised in enlarging the business activities of the company. The company which was the first large-scale unit to be established in the paint manufacturing industry, has steadily expanded its manufacturing activities and to-day it is a leader in its field. Its plant situated at Goabaria near Calcutta has an annual installed capacity of 14,210 tonnes and is producing currently a very wide range of sophisticated paints, pigments, resins, varnishes, oils and other allied products. The company's sales which were Rs 5.24 crores in 1969 increased to Rs 5.91 crores in 1970 and further to Rs 6.13 crores in 1971. Its pre-tax profit in 1971 was Rs 31 lakhs and there are firm indications that the pre-tax profit for 1972 will exceed definitely those for 1971. On this basis an equity dividend of not less than eight per cent is expected to be paid for the current year. The new equity shares will be entitled to a pro-rata dividend from July 1, 1972.

Parikh Engineering and Body Building Co is setting a most modern body-building factory at Adityapur, the newly developing suburb of Jamshedpur, for manufacturing different kinds of automobile bodies. In the first year of its operation the company intends to manufacture 400 bus bodies and raise the capacity progressively to 1500 bodies per year. To raise resources for financing this project, the company is offering for public subscription 100,000 equity shares of Rs 10 each and 4,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each for cash at par. The subscription list opens on June 6 and will close on June 16 or earlier but not before June 9. The entire amount for equity and preference shares should be paid on application itself and the applications are to be made for a minimum of 50 equity shares or multiples thereof and for a minimum of five preference shares or multiples thereof.

The capital outlay on the project is estimated at Rs 40 lakhs. It is proposed to be met from the proceeds of equity capital of Rs 19 lakhs and preference capital of Rs 6 lakhs, including shares subscribed by the directors, promoters and their friends and from bank borrowings amounting to Rs 15 lakhs. In view of the ever-increasing need of the automobile industry for the products proposed to be manufactured by the company, a ready market is expected for its products.

ModiRubber Ltd which holds an industrial licence for the manufacture of four lakh tyres and tubes annually is setting up a plant near Meerut, UP. The plant is being designed to process 16,000 tonnes per annum of rubber compound into finished tyres and tubes. When the plant starts operating at the full rated capacity, it will be producing annually five lakh tyres and tubes. It has entered into a technical collaboration agreement with the Continental Group of West Germany. It is heartening to note that the company had been given the right to use Continental's horse brand mark as a registered user. To raise resources for implementing this project the company will be entering the capital market towards the end of June with a public issue of Rs 2.95 crores in 29,50,000 equity shares of Rs 10 each at par. Out of the public issue of Rs 2.95 crores, shares worth Rs 2.65 crores have been underwritten while for the remaining share capital of Rs 30 lakhs the promoters have guaranteed to take up such portion of the shares which have not been subscribed to by the public. The total cost of the project is placed at Rs 18 crores which will be met by the share capital of Rs 6 crores and loans from financial institutions of Rs 12 crores. The company expects to commence production in 1974.

Jotindra Steel and Tubes, Delhi, is issuing shortly to the public for subscription 2,10,000 equity shares of Rs 10 each and 1,00,000 (9.5 per cent) redeemable cumulative preference shares of Rs 10 each, both at par. The proceeds of

he issue will be utilised for financing partly the project to manufacture black steel and galvanised pipes and tubes with a capacity of 8,000 tonnes per annum. The company has set up a factory near Faridabad and the first line for the manufacture of black pipes of diameters 2.5 inches to six inches was commissioned towards the end of last year. Trial runs were successfully completed in February and production on a commercial basis was started subsequently. During the year ended March 1972, 5,000 tonnes of black and galvanised pipes were produced. The second line of production for manufacturing 0.5 inches to 2.5 inches is in the process of implementation. Barring unforeseen circumstances the management hopes to complete this phase in the course of this year and thus achieve a substantial portion of its licensed capacity besides crossing the break-even point. The project will involve an outlay of Rs 1 crore and it will be met by the share capital of Rs 15 lakhs and term loan from the IFC of Rs 55 lakhs. The directors are hopeful of declaring a reasonable maiden dividend for the year ending March 1973.

The Surat Electricity Company Ltd is offering for public subscription 50,000 (eight per cent) convertible debentures of Rs 100 each at par for cash payable in full on application. Debenture holders will be entitled at their option to convert, during the financial years ending March 31, 1976 and 1977, 22 per cent of their holdings into fully paid equity shares of Rs 100 each at a premium of 10 per cent of the nominal value of shares i.e. in the ratio 10 fully paid equity shares of Rs 100 each for 11 fully paid debentures of Rs 100 each. The subscription list for the fully underwritten issue opened on May 29. It will close on June 13 or earlier but not before May 31, 1972. The proceeds of the issue will be utilised for financing capital expenditure on power distribution facilities within the licensed area of supply of the company and for repayment of loans.

* * *
The eight per cent convertible

bonds of the **Standard Mills Co Ltd** for Rs 2 crores which opened for subscription on May 24 have been over-subscribed and the subscription list was closed on May 27.

The recent public issue of 1,20,000 equity shares of Rs 10 each by **Chemopulp Tissues Ltd** had been over-subscribed. Hence the subscription list was closed on May 25. The list for preference shares was, however, kept open till May 27.

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 25, 1972. The list contain 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 Bhagwati Foundries Limited, Odhav Road, Ahmedabad-21. (Ahmedabad-Gujarat)—1. S. G. Iron castings—200 tonnes p.a. 2. High Duty Cast Iron Castings including Alloy Iron Castings. 1080 Tonnes p.a. (COB); M/s India Engineering & Construction Co. Ltd, 24/42, Birhana Road, Kanpur. (Uttar Pradesh)—Steel tubular poles of various types—39,000 Tonnes p.a. (after expansion) (SE); M/s Sakbry Engineering Corporation, C-3, Clive Building, Netaji Subhas Road, Calcutta. (Kamarhati-Calcutta - West Bengal)—Steel pipes & Tubes—22,000 Tonnes p.a. (after expansion) (SE).

Fuels

The Director (Technical), National Coal Development Corporation Ltd, Darbhanga House, Ranchi. (Gorbi Colliery-Dist. Sidhi—Madhya Pradesh)—Coal—1 Million

tonnes p.a. (NU).

Prime Movers

M/s Mahindra & Mahindra Ltd, Gateway Building, Apollo Bunder, Bombay-1. (Maharashtra) — Industrial Petrol Engines—500 Nos. per annum. (NA).

Electrical Equipment

M/s Indian Detonators Ltd, (Kukatpalli) Post Bag No. 1, Sanathnagar (I.E.) P.O., Hyderabad-18. (A.P.) (Andhra Pradesh)—Explosives (for gassy mines)—500 Nos. p.a. (NA); M/s Ruttonsha International Rectifier Pvt. Ltd., International House, Bombay-Agra Road, Vikhroli, Bombay-83. (Bombay—Maharashtra)—1. Silicon Pellets—60,000 Nos. p.a. 2. Diodes upto 500 amps.—60,000 Nos. per annum (NU).

Telecommunication

M/s Bharat Electronics Ltd, P.O. Jalahalli, Bangalore. (Mysore)—Germanium Semi conductors (Diodes & Transistors) — Expansion from 16 million Nos. to 20 million Nos. p.a. (SE); M/s Bharat Electronics Ltd, P.O. Jalahalli, Bangalore-13. (Mysore)—(a) T.V. Picture Tubes—1,00,000 Nos. p.a.

(b) Cathode Ray Tubes—5,000 Nos. p.a. (NA)

Transportation

M/s Sri Ramdas Motor Transport Pvt. Ltd, Subhas Road, Post Box No. 42, Kahinada (South India) (Andhra Pradesh) — 1. Water Pump Shafts — 36,000 Nos. p.a. 2. Engine Bedding Bolts—15,000 Nos. p.a. 3. King Pin Thrust Washers—30,000 Nos. per annum. 4. Wheel Bolts — 6,00,000 Nos. p.a. 5. Shackle Pins—2,40,000 Nos. per annum. 6. Oil Seals (Cover Crank shaft Rear End) — 18,000 Nos. per annum. 7. King Pin Units—1,02,000 Nos. p.a. 8. Shaft Pump drive and oil Pump Gear—60,000 Nos. per annum. 9. King Pin Thrust Bearings — 18,000 Nos per annum. 10 King Pin Bushes — 72,000 Nos. per annum. 11. Misc. Items: (Flange bolts, Intermediate shafts, Gear box counter shafts pump drive bushes, Hand brake swivel bearings, Ball crank pins, Vibration damper pins Brake shoe thrust linkpins, Hand brake pull red fork pins push rod and tie rod balls, Valve guides, stub axle spacers, King Pin stoppers, Axle studs, U-Clamps, Dust Caps etc.—3,60,000 Nos. p.a. (After

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Expansion) (SE).

Industrial Machinery

M/s Bengal Enamel Works Ltd, 41, Chowranghee Road, Calcutta-16. (Enamelnagar — 24 Paragnas—West Bengal) — Glass-lined vessels like Reactors, Receivers, Distillation columns, Valves, pipes & fittings—Rs. 75 lakhs p.a. (NA); M/s Mather Greaves Ltd, C/o Mather & Platt Ltd, Udyog Bhavan, Wittet Road, Ballard Estate, Bombay-1. (Poona — Maharashtra)—1. Calender Bowls—92 Nos. p.a. 2. Stenter Clips — 6,400 Nos. p.a. 3. Calender Machines—4 Nos. per annum. (COB); M/s National Machinery Manufacturers Ltd, Stadium House, 81-83, Vir Nariman Road, Bombay-20. (BR) (Thana—Maharashtra) — Worst Ring frames—100 Nos. p.a. (within the overall licensed capacity of 1500 Nos. p.a. of Ring Frames). (after Expansion) (SE); M/s Precision Bearings India Ltd, 'Nirmal', 14th Floor, Nariman Point, Backbay Reclamation, Bombay-1. (Gujarat)—Ball and Cylindrical Roller Bearings — 28,82,000 Nos. p.a. (SE).

Agricultural Machinery

M/s Syntex Tube Works, Plant Protection Division, J.K. Cotton Mills Premises, Kalpi Road, Kanpur. (Kanpur—Uttar Pradesh)—Agricultural Sprayers and Dusters—1000 Nos. p.a. (COB); M/s Steyr India Limited, 7B/4, Poorvi Marge, New Delhi-60. (Bangalore—Mysore)—Agricultural Tractors 'Steyr' (Model 540) (44 HP)—12,000 Nos. p.a. (NU).

Chemicals

M/s Polychem Ltd, 7, Jamshedji Tata Road, Churchgate Reclamation, Bombay-20 BR. (Bombay—Maharashtra)—Divinyl benzene—150 tonnes p.a. (COB); M/s Southern Agri-furane Industries Limited, 'South India House', 99, Armenian Street, Madras-1. (Mandiam—Bakkam South

Arcot-Dist. Tamil Nadu)—(1) Furfural—6,000 tonnes p.a. (2) Furan Resins—600 tonnes p.a. (NU).

Paper

M/s Amravathi Sri Venkatesa Paper Mills Ltd; Midapadi, Madathukulam Post Coimbatore District, Tamil Nadu. (Midapadi—Tamil Nadu)—1. Pulp — 6,000 tonnes p.a. 2. Printing and writing paper. — 6000 tonnes p.a. (after expansion) (SE); M/s Harihar Polyfibres, 11-A/38, Cunningham Road, Bangalore. (Kumarpatnam—Mysore)—Rayon Grade Pulp—30,000 tonnes p.a. (COB); M/s Bombay Paper Manufacturing Company, 109, Shaikh Memon Street, Bombay-2. (Dombivli—Maharashtra)—M. G. Tissue Paper—1,300 tonnes p.a. (SE).

Food Processing

M/s Nektar Fruit Products Pvt. Ltd, 10-1-19, Gandhi Road, Chittor (AP) (Iruvaram — Chittor—Andhra Pradesh)—1. Mango Juice — 3,000 tonnes p.a. 2. Tamota Juice & Paste—3,000 tonnes p.a. 3. Pickle, James, Jellies and Squashes. — 500 tonnes p.a. (COB).

Timber Products

M/s Mysore Commercial Union Ltd, Yeshvantpur, Bangalore-22. (Mangalore—Mysore) — Veneer—41,85,000 Sq. Metres. (COB).

Letters of Intent

Industries: Ferrous

M/s Janta Steel & Metal Co-operative Industrial Society Ltd, 5948-Ballimaran, Delhi-6. (Faridabad-Haryana)—1. High Tensile Wire 20.40 SWG — 7,000 tonnes. p.a. 2. Copper coated wire 19-32 SWG. — 1,000 tonnes p.a. 3. Mild Steel Wire 19-40 SWG — 2,000 tonnes p.a. 4. Galvanised Iron wire 20-40 SWG—2,000 tonnes p.a. 5. Tinned wire 20-34 SWG—1,000 tonnes p.a.

(Total capacity being

13,000 tonnes p.a.) (SE), Shri Kamlesh Kumar Rathi; F-7A, Hauz Khas, Enclave, New Delhi-16. (Ghaziabad—Meerut-Uttar Pradesh) — (1) Castelled beams — 10,000 tonnes p.a. (b) Broad flanged beams, T. Sections & its connected fabrications — 7,500 tonnes per annum. (c) Steel Structural fabrications — 10,000 tonnes p.a. (NU).

Industries: Non-Ferrous

The Indian Aluminium Cables Ltd, 21-A, Himalaya House, 2nd Floor, Kasturba Gandhi Marg, New Delhi-1. (Haryana)—1. Aluminium Bearing Metal Alloy (covered under Indian Patent No. 87430) — 600 tonnes p.a. 2. Aluminium alloys including aluminium die casting alloys (in replacement of brass, bronze and Zinc die casting alloys) — 300 tonnes p.a. (NA); M/s Jyoti Trading Corporation, A-2/133, Safderjang Enclave, Ring Road, New Delhi-16. (Uttar Pradesh or Haryana) — Aluminium Irrigation tubing and miscellaneous tubing — 1800 tonnes p.a. (NU).

Telecommunication

Shri Parmeshwarlal Gengeriwal, E-3, Gillander House, Calcutta-1. (Uttar Pradesh / Haryana / Delhi)—Magnetic Tapes—40 million running meters (NU); Shri Rishi Prakash, D-10, Kamla Nagar, Delhi-7. (Uttar Pradesh) — Magnetic Tapes — 40 million running meters (NU); Shri R. G. Poddar, 148, Hazaribagh Road, Ranchi (Bihar) (Bihar)—Magnetic Tapes — 40 million running meters. (NU); Shri Suresh Nanda, 12, King George's Avenue, New Delhi-11. (Haryana) — Magnetic Tapes — 40 million running meters. (NU); Mr. G. Agarwal, C/o G. C. Agarwal, 6/23, Jindal House, 8A, Alipur Road, Calcutta. (Mysore/Rajasthan) — Magnetic Tapes — 40 million running meters. (NU); Shri Krishan Kumar Mohta, 26, Aurangzeb Road, New Delhi-1. (Delhi/ Haryana/

Uttar Pradesh) — Magnetic Tapes — 40 million running meters. (NU); Shri Haryash Pal Gugnani, Ishwar Gupta, 19/78 Punjabi Bagh, New Delhi-26. (Haryana) — Magnetic Tapes—40 million running meters. (NU); M/s Electronics Corporation of India Limited, Industrial Development Area, Cherlapalli, Hyderabad. (Andhra Pradesh) — Two-way wireless communication sets (HF, VHF, UHF 2 microwave ranges)—2,000 Nos. p.a. (NU).

Transportation

M/s Som Prakash Rekhi, Zeta India, 50-Ashoka Park Extension, Delhi-35. (State not indicated) — Passenger Cars—50,000 Nos. p.a. (NU).

Industrial Machinery

M/s Lakshmi Machine Works Ltd, 348, Avnash Road, Coimbatore - 18. (Coimbatore-Tamil Nadu) —Automatic Pirn Winders (Types MS, MSL, MSK and MSKL).—60 machines of 36 spindles each (NA); M/s Indequip Engineering Ltd, Reid Road, Ahmedabad-2. (Ahmedabad-Gujarat)—Rolls 10 High speed Winders—100 Nos. per annum. (NA); M/s Otis Elevator Co. (India) Ltd, Gateway Building, Apollo Building, Bombay-1. (Bombay - Maharashtra)—Escalators and Travolators—24 Nos. p.a. (NA)

Engineering

M/s Ferbes Forbes Campbell & Co. Ltd, Forbes Building, Home Street, Bombay-1. (Bombay-Maharashtra)—Threading Tapes—Capacity after expansion is 40 lakhs Nos. p.a. (SE).

Industrial Instrument

M/s Bestobell India Pvt Ltd, 'Grosvenor House 21-Camac Street, Calcutta 16. (Calcutta - West Bengal)—1. Rigid Stem Dial Thermometers — Expansion from 1500 Nos. p.a. to 5000

Nos. per annum. 2. Distance type Dial Thermometers Expansion from 1500 Nos. per annum to 5900 Nos. p.a. 3. Mersteel Temperature Recorders—Expansion from 200 Nos. p.a. to 2,000 Nos. p.a. (SE).

Mathematical Instruments

M/s The Accurate Engineering Company Pvt Ltd, 67, Hadapsar Industrial Estate, Poona-13. (Poona-Maharashtra)—1. Plain Limit Gauges—50,000 Nos. (Quantity) Rs. 30.00 Lakhs p.a. 2. Vernier Calipers and Allied Equipments incorporating Vernier Scales—40,000 Nos. (Qty.) Rs. 20.00 Lakhs p.a. 3. Micrometers of various Types. —25,000 Nos. (Qty.) Rs. 18.75 Lakhs. 4. Electronic comparators and Accessories—200 sets (Qty.) Rs. 4.00 Lakhs p.a. 5. Pneumatic Gauges with accessories—200 sets (Qty) Rs. 4.00 lakhs p.a. 6. Limit Thread Gauges such as Thread Plug and Rings etc. —10,000 Nos. (Qty.) Rs. 10.00 Lakhs p.a. 7. Slip Gauges—120 Sets (Qty.) Rs. 2.40 Lakhs p.a. 8. Mechanical Dial Indicator Gauges, accessories and other inspection equipment with Dial Gauges—2,500 Nos. (Qty.) Rs. 2.50 Lakhs p.a. 9. Measuring Machines—Rs. 1.50 Lakhs p.a. 10. Other Measuring Tools, instruments and accessories used in engineering workshop and Industry—Rs 1.00 Lakh p.a. 11. Inspection accessories such as sine Bars, Sine Tables, Comparator stands Slip Gauges Holders—Rs. 1.50 lakhs p.a. (NA).

Chemicals

The Managing Director, Gujarat Industrial Develop-

ment Corporation Ltd., 4th Floor, Natraj Chambers, Ashram Road, Ahmedabad. (Baroda-Gujarat) — Carbon Black—10,000 tonnes p.a. (NU); M/s Premier Vegetable Products Ltd, 35, Industrial Area, Jhotwara, Jaipur. (Jaipur - Rajasthan) — Oxygen Gas—0.45 million Nos. per annum. (NA); M/s Hindustan Oxygen and Acetylene Company, 65, Cotton Street, 4th Floor, Calcutta-7. (Jhansi-Uttar Pradesh) — Oxygen Gas — 0.45 million Cu. meters p.a. Dissolved Acetylene Gas — 0.10 million Cu. meters per annum. (NU); Shri M.S. Patel, Shanti Sadan, Tilak Road, Bombay. (Anchal Potka-Musabani-Distt. Singbhum-Bihar) — Vanadium Pentoxide — 1800 tonnes p.a. (NU); Shri T. G. Krishnamurthy, Industrialist, Adoni, Kurnool Distt. Andhra Pradesh. (Adoni-Distt. Kurnool-Andhra Pradesh) — Nitro-Collulose — 1,000 tonnes p.a. (NU); Shri K. Rama Rao Manay, 399, Avenue Road, Bangalore-2. (Bangalore - Mysore) — Electrolytic Manganese Dioxide—4000 tonnes p.a. (NU); Shri Chandra Kishore Kajriwal, 26-B, Aurangzeb Road, New Delhi. (Goa)—Electrolytic manganese Dioxide — 3,400 tonnes p.a. (NU).

Dye-Staffs

M/s Indian Dyestuff Industries Ltd, Mafatlal House, Backbay Reclamation, Bombay-20 BR. (Maharashtra) — Reactive Dyes—180 tonnes p.a. (NA)

Drugs Pharmaceuticals

M/s Bayer (India) Ltd, 82, Veer Nariman Road, Bombay-20. (Bombay-

Maharashtra)—1. Acaprin 5% solution—300 litres p.a. 2. Aricyl 5% solution—1000 litres p.a. 3. Asuntol—5,000 Kg. p.a. 4. Catosal—1,000 Litres p.a. 5. Mansonil —2,000 Kg. p.a. 6. Masti-cillin-C—1,500 Kg. p.a. 7. Masticillin-M—1500 Kg. p.a. 8. Neguvon—2,000 Kg. p.a. 9. Odylen—20,000 Kg. p.a. 10. Paoutrin—20,000 Kg. p.a. 11. Maphenide-Prontalbin—2,000 Kg. p.a. (NA/SE); M/s Cibatul Limited, P.O. Atul (W. Rly.) Distt. Bulsar, Gujarat. (Gujarat)—Sulfa Drugs—Expansion from 160 tonnes to 240 tonnes p.a. Expansion will, however, be in respect of the following four Sulfa Drugs:—(i) Sulfathiazole Sodium. (ii) Sulfasomidine Sodium. (iii) (Sulfaphenazole Sodium. (iv) Sulfadiazine Acetylene of Sodium. (SE).

Textiles

Shri Avinash C. Suri, (Industrial Consultants), 473 K. Block New Alipore, Calcutta-53. (Rajasthan)—Decorative rugs and carpets. (NU).

Paper

M/s The West Coast Paper Mills Ltd, Shreenivas House, Waudby Road, Fort, Bombay-1. (Dandeli-Mysore)—Pulp and Paper—60,000 tonnes p.a. (after expansion) (SE); Shri M.M. Chopra, B-258, Greater Kailash-1, New Delhi-48. (Bulandshahar-Uttar Pradesh)—Laminated Paper and Board—3,000 tonnes. p.a. (NU).

Rubber Goods

M/s Abohar Cotton Co. Pvt. Ltd, B-26, Greater

Kailash, New Delhi-48. (Uttar Pradesh)—Reclaim Rubber—2,500 tonnes p.a. (NU); M/s J. K. Industries Pvt Ltd, 7, Council House Street, Calcutta. (Rajasthan) — Automobile Tyres and Tubes—3,00,000 Nos. p.a. (NU).

Glass

M/s Rajasthan State Industrial Mineral Development Corporation Ltd, 100, Jawahar Lal Nehru Marg, Jaipur. (Jaipur-Rajasthan)—1. Glass Shells and Miniature and other types of special Lamps—30 million Nos. p.a. 2. Lead glass tubing (stem tubing and exhaust tubing)—6 million Nos. p.a. (NU).

Cement

M/s Cement Corporation of India Ltd, Herald House, 5A, Bahadur Shah Zafar Marg, New Delhi-1. (Vill. Baruwala, Dist. Dehradun-Uttar Pradesh)—Portland Cement—2,00,000 tonnes per annum (NU)

Changes in the names of Owners/undertaking

For M/s Globe Industries Pvt. Ltd., A-355. Defence colony, New Delhi-3. to M/s Globe steerings Ltd, A 335, Defence Colony, New Delhi For M/s Sapeic India Ltd, to M/s Indian Detonators Ltd, P. B. No. 1, Sanat nagar (I.E.) P.O. Hyderabad-18.

Licences Revoked or Surrendered

M/s The Bengal National Textile Mills, Calcutta—Woollen yarn.

BOOKS BRIEFLY

Money in International Trade

Reviewed by
Academicus

Theory of International Trade and Money: U.N. Ghosh; S. Chand & Co. (Pvt) Ltd, New Delhi; 1972; Pp 180; Price Rs. 20.

Power Development in India: K. Venkataraman; Wiley Eastern Private Ltd, New Delhi; 1972; Pp 166; Price not given.

Financial Appraisal of Farm Investment: Bombay Agricultural Refinance Corporation; Pp 180; Price Rs 10.

International Trade and Development: Indian Institute of Foreign Trade, New Delhi; 1972; Pp 358; Price Rs 25.

Deposits with Non-Banking Companies and Monetary Policy: Mohandas Saravane; Thakar & Co. Ltd, Bombay; 1972; Pp 88; Price Rs 15.

Personal Taxation in India: O.P. Chawla; Somaiya Publications Pvt Ltd, Bombay; Pp 242; Price Rs 20.

Most theorizing on international trade even today is mainly in terms of the Ricardian comparative advantage which basically refers to a static or stationary condition. According to Dr Ghosh in his *Theory of International Trade and Money* the most baffling factor in the movement of international trade has been money. Is it controlled by real economic movements or does it control the movements of real factors? The Ricardian theory and the subsequent refinements kept money out as it were of real economics and thus introduced an ambiguity that has persisted throughout. Even at present foreign exchange rates are for all practical purposes treated separately from real trade movements. The author therefore rightly feels that the role of money in international trade should be re-investigated and "the significance of international money and finance re-discovered so that the duality of pure theory and monetary theory is removed."

vital requirement

In his thesis the author maintains that there is much talk about prices and exchange rates but very little about the role of the monetary and financial relations that is so important for trade. International finance is treated as a system outside the trade in goods and services. Yet international investment and financing of current trade are vital for international trade. What these have to do with prices and exchange rates are matters that need investigation. Obviously the international or common money (gold) has something to do with the international trade equilibrium in most theoretical analysis;

but the author rightly maintains that the gold exchange standard conceals and even distorts the role of the common money and financing for the simple reason that except for a few currencies, none are convertible even externally into gold and none probably maintains any relation between declared gold parities and internal prices. This divorce between external and internal values of money creates many distortions.

confidence crisis

The author has emphasised that the only reason why nations of the west and rest of the world keep to the gold exchange standard is that they cannot think of anything better. There is no immediate prospect of the abandonment of the gold exchange standard for it has been woven into national prestige and power. And yet we all know that the gold exchange standard is not only unstable but is also subject to repeated confidence crises.

The proposal for a common currency is often made, debated and laid aside. The difficulties are magnified because in the IMF most nations hold shares not only in gold but also in national currencies. This implies that national currencies are not intended to be suppressed. But the author has rightly emphasised that unless there is a common currency, not only the exchange rate crises will continue but the threat to liquidity of international reserves will not vanish. The tyranny of established ideology is always very great, especially when it suits national interests of some rich and powerful nations.

And therefore if the world economic

development and common market are to become real, new approaches instead of purely national approach will be necessary for "the sum of the nations does not amount to the world nor the economic systems add up to the world economy. "The introduction of a common currency will go a long way towards the rearrangement of national economies on the basis of real interdependence based on international division of labour and economic movements of capital and technology to the best advantage of all. For the ultimate effect of international trade should be the growth and development of the world economy and not merely of some national economies. The author has concluded that the way is unknown and hard; but it must be found out and adventured into.

The world has been repeatedly experiencing foreign exchange crises and there is no doubt that the existence of different national currencies and manipulation of exchange rates have very much distorted the quantum and pattern of international trade and hence of international division of labour. And yet our national proclivities are very powerful and one wonders whether in the near future most nations would agree to the substitution of international monetary standard for national currencies. And yet the world must move in the direction of a common currency if the world economy as a whole is to progress for the benefit of all mankind. The Special Drawing Rights Scheme is an extremely tentative step in that direction.

Dr Ghosh though thinking much ahead of his times has put forward in a very convincing way the case for a common currency. It is a provocative book ably written. It is rarely that Indian economist venture into theoretical field, much less into the formulation of new theories. Dr Ghosh has made an attempt to do it and has done it fairly satisfactorily.

Power Development

Power Development in India is the first book to deal with the financial aspect of this subject.

In an underdeveloped country electricity and transport are the two major consumer of capital in early stages of development. Electricity is one of the essen

ial ingredients of development and investment in power generation which is an important overhead should receive due consideration. What is more, power generation, transmission and distribution constitute an important public sector industry in India in which since 1950-51 about Rs 4000 crores have been invested. The lion's share of power generation in India is handled by the electricity boards established by various states. The finances of the electricity boards therefore ought to constitute an important area of public sector financing. It is only in recent years that there is a growing recognition that the finances of electricity boards constitute a major area of study. Naturally such a study of the finances of electricity boards ought to cover not only the methods of financing capital programmes but also the composition of their operating revenues as well as the operating expenses, provision for depreciation, payment of interest, repayment of loans and so on.

another dimension

There is another dimension to the problem. Brunt of the responsibility of power development in India has fallen on the shoulders of the states. The state finances in India have tended to exhibit a fundamental disequilibrium arising out of the distribution of powers and financial resources. Power development has been the major recipient of capital assistance given by the centre. These loans constitute a topic of current debate on central assistance to states. The problem of repayment of these loans by states is a major one, since the states pass on these loans to the electricity boards. Electricity financing in India has therefore a major dimension in the shape of centre-state financial relations. This aspect has however not received due attention either.

Another dimension to the financial problem of power development is added by the fact that power generating machinery requires a good deal of foreign exchange. Aid has been received from various countries for power stations in India and the terms of such aid have varied. This means that as the equipment has come from different countries, at least to some extent, power generation in terms of maintenance problems is tied to particular countries. Also, closely related to the dependence of foreign equipment so far is the question of the indigenous manufacturing capacity which is being developed in India. Two public sector companies with a total investment of Rs 250 crores have been set up for the manufacture of heavy electrical equipment. Apart from manufacture of generating equipment, the process of generation and distribution of electricity is supported by a whole host of electrical engineering industries. Here-

in lie some aspects of the inter-industry implications of power development.

In addition to the above financial issues, there are many other problems that have to be studied. The cost of generation of power and its transmission and distribution constitutes one area of study; the economics of rural electrification is yet another area. The cost of hydro and thermal power generation and the choice between them, the economics of composite irrigation and power projects are other issues. Then there is the economics of construction, transmission, distribution and maintenance and the optimisation of load utilisation. The advent of nuclear power also brings to the fore the economic problems of nuclear power development. Since the future trends and costs of power generation and distribution are a matter of great importance to the nation, the author has made an attempt in this book to study some of the financial problems such as the finances of the electricity boards, the tariff policies, the centre-state dimensions of electricity financing and the relation between foreign aid and electricity development.

scope for improvement

After analysing some of the above problems, the author has come to the conclusion that there is definite scope for improvement at various levels — operational, administrative and policy-making. For long, according to the author, there has been an absence of concerted thinking on the financial aspects of power development and considerable damage has already been done. In such a context, substantive and sustained improvements are called for and would need to be implemented with a sense of urgency and direction. According to the author the scope for improvement exists both by way of cost reduction as also optimisation of revenue. The working of the electricity boards in the past has been marked in most cases by bad management, poor load development and huge transmission losses, not merely due to technical defects but also due to undetected pilferage. Obviously the running of these boards has not been treated as a business proposition. What needs to be done immediately is that there should be a critical review by each state government of the working of the electricity boards followed by infusion of new and modern methods which would enable these boards to function in an efficient manner as commercial corporations and not merely as government departments. It is gratifying to note that at least some electricity boards are taking steps in this direction and especially in respect of load development and load dispersal which have important financial implications.

The author has drawn attention to an-

other important aspect. He is of the opinion that little or no attention has been paid so far to tackle the problem of load dispersion in the sense of flattening the peak demand. The demand for more and more power should be met not merely by more and more generation but by a policy of power load dispersion. Considering the need to disperse the load, it may be worthwhile for the electricity boards to adopt special measures to induce consumers. For example, no attempt has been made to provide electricity for tube wells and irrigation wells at night (i.e. off peak period) which may be offered at low rates. Once the electricity boards begin to exercise their minds vigorously on the subject, it is possible that various measures for improvements can be thought of. Transmission facilities would be an important means of load development which so far has been met only by generating more power. The investment made in transmission and distribution during the first three plans has been considerably less than proportionate to investment in generation.

Another policy aspect is the 'mix' of hydro and thermal schemes. Thus the Power Economy Committee has suggested that for some time in the past there has been a bias in policy towards thermal stations which needs to be corrected in coming years. The author has rightly stressed that at any given time the most economic sources have to be tapped.

nuclear power

As regards the question of nuclear power in India, there is the financial and economic aspect. But the arguments for and against the introduction of nuclear power programme are for all practical purposes unnecessary since already Tarapur Power Station has begun functioning and two more power stations in Rajasthan and Madras are under construction. Though one school maintains that India is undoubtedly on the right side in this respect as nuclear power stations are stationed in places where hydro power is not readily available and coal has to be carried over long distances, the fact remains that in regard to nuclear power generation, other than strictly financial considerations are involved. But the author maintains that we have not so far had sufficient evidence to judge whether the decision to introduce nuclear power has been right in financial terms.

All this is sufficient to highlight the fact that the future power programmes have to be carefully drawn and implemented, keeping in view the financial aspects. According to the author the benefits of better financial management should first of all go to relieve the state governments who are bearing indirectly the financial consequences of ill-planned power development

and distribution. If all these problems would be successfully tackled, a very significant area of infrastructure development would have been covered for the greater benefit of the entire Indian economy.

One some times wonders how the important problem of the economics of power development remained untouched for so long. It is therefore extremely heartening that K. Venkataraman has broken new ground and has successfully drawn attention to some of the financial aspects of power development programme. He may not have suggested the solutions to all the problems referred to above, but to have drawn attention to the problems is in itself a significant service for which the author deserves compliments.

Farm Investment

The participation of co-operative central land development banks and commercial banks has been growing not only in the sphere of agricultural credit projects but also in the financing of agricultural investments generally. The Bombay Agricultural Refinance Corporation therefore felt that some method of assessing the financial feasibility of each loan would be useful to the co-operative and commercial bank officials connected with the problems of agricultural finance. It was felt that it would provide guidelines for them since there is nothing at present to fall back on. It is impossible to over-emphasise the importance of these guidelines and hence the importance of *Financial Appraisal of Farm Investment*.

Though the guidelines have been drawn up to facilitate the appraisal of six of the most common farm investments (namely construction of dugwells and tubewells, setting up of river lift irrigation units in private and co-operative sectors, conversion of existing wells into dug-cum-bore wells, land shaping under canal systems, installation of pump-sets on existing wells and purchase of tractors), according to the author, they can be used with suitable modifications for the appraisal of other farm investments as well.

It is rightly insisted in this book that for initiating appraisal work, each bank should have at its disposal services of technical staff including agricultural economists, irrigation engineers and hydrogeologists constituting a small technical division stationed at the head offices of banks but capable of doing a great deal of field work. The Bombay Agricultural Refinance Corporation may have to help the banks in this endeavour.

As regards the main aspects of appraisal work the publication says that financial appraisal of a farm investment may be said to refer to "the profitability of the particular investment in terms of benefit

i.e., incremental income and cost." When a bank considers financing a project, it has to satisfy broadly the points of view of the financing bank itself as also of the cultivator. From the cultivator's point of view an investment proposed by him would be worthwhile if the benefit expected from the investment throughout its useful life will exceed its cost. From the bank's point of view the financing of the same project would be worthwhile, if the incremental income therefrom is adequate to enable the cultivator to pay back the loan, together with interest within the prescribed period and leave some surplus income to the cultivator.

As regards loans, the primary consideration which weighs with the bank is the need to balance the maturities of their borrowed resources such as time deposits and debentures and secondly the need to achieve quick turnover. It is insisted that the determination of the amount of investment loans by banks be fixed in the light of estimated investment cost and the contributions (down payment) they expect from the borrowers towards the investment cost. The determination of the size of the contribution by borrowers may be guided by factors such as "the borrowers' financial position, their capacity to contribute labour required for construction works, the desirability of borrowers having a personal stake in the investments and the need for banks to spread their resources widely among farmers." The rate of interest should be fixed from time to time having regard to cost which the banks have to incur on raising time deposits and debentures, administrative expenses, considerations of profitability and related factors.

capacity to pay

According to the thesis put forward in the book, the financing of an investment is worthwhile for a bank, if the annual income therefrom is expected to suffice for meeting the annual repayment instalment of the investment loan and leave some surplus with the farmer, i.e. to put it differently the investment should generate adequate capacity to pay.

Co-operative and commercial banks have been since recently undertaking in a big way provision of finance for agricultural investment. Unfortunately they have had no concrete guidelines. It is therefore very opportune that the Bombay Agricultural Refinance Corporation has brought out this booklet providing detailed guidelines. If the financing banks familiarise themselves with these guidelines as also with local agricultural conditions and the position of each individual borrower, there is no doubt that these guidelines will serve a useful purpose. Within the broad framework, financing

banks can introduce much sophistication and refinements. There is so much of variation in Indian agricultural conditions that it will almost be impossible to reduce them to any standardised categories. And yet when thousands of borrowers' applications are to be dealt with, the financing banks will have to devise some standardised forms and measures for appraisal work. The schedules provided in his book are comprehensive enough for fairly satisfactory financial appraisal work.

This pioneering work in the field of financial appraisal of loans to agriculturists should be a boon to the financing bank officials who are at present groping in the dark which explains the big arrears of agricultural loans granted and high proportion of bad debts.

Trade and Development

It was extremely appropriate and imaginative on the part of the Indian Institute of Foreign Trade, New Delhi, to have brought out *International Trade and Development* which contains resolutions, declarations and decisions of UNCTAD I and UNCTAD II as also other relevant papers such as Lima Declaration and the provisional agenda for UNCTAD III on the eve of the meeting of the UNCTAD III during April 13 — May 17, 1972 at Santiago in Chile. The session of the UNCTAD III has just ended and it would therefore be instructive to look back to see what all the UNCTAD is intended to achieve.

There are all the important documents connected with the United Nations Conference on Trade and Development (UNCTAD). There is the original resolution passed by the nineteenth session of the General Assembly establishing the UNCTAD, realising that "international trade is an important instrument for economic development." In view of the subsequent developments and especially what is happening at the UNCTAD III, it is amusing to note the objectives contained in the provisions. The aim of the UNCTAD is stated to be to promote trade between countries at different stages of development with different social and economic systems with an aim of helping the developing countries. The original document contains all the details regarding Trade and Development Board, its composition, functions, voting, financial arrangements and future institutional arrangements.

The original document is followed by the Charter of Algiers adopted by the ministerial meeting of the Group of 77 on October 24, 1967. This charter drew attention to the fact that the lot of more than a billion people of developing countries continues to deteriorate as a result of the trends in international trade, that while

developed countries are adding annually approximately 60 dollars to the per capita income of their people, the average increase of per capita income in developing world amounts to less than two dollars per annum, that the share of developing countries in total world exports declined from 27 per cent in 1953 to only 19.3 per cent in 1966, that the purchasing power of exports from developing countries has been steadily declining, increasing the indebtedness of developing countries, external public debt alone increasing from 10 billion dollars in 1955 to \$40 billion in 1966, that since UNCTAD I, no new commodity agreements on primary products of interest to developing countries have been concluded, that standstill arrangements have not been observed by developed countries, that fiscal charges continue to be levied on products of export of interest to developing countries, that proliferation of synthetic substitutes in developed countries has resulted in shrinking markets and falling prices for competing natural products of developing countries and that instead of unanimously agreed target of one per cent of gross national income to be given as aid to developing countries, actual disbursements have levelled off in absolute terms and declined as a percentage of gross national product from .87 in 1961 to .62 in 1966. In view of all this the charter decided upon a programme of action regarding commodity policy, trade liberalisation, synthetics and substitutes, general system of preferences, trade with socialist countries, development finance, problems of external indebtedness, shipping and so on. Reading this Charter of Algiers after about five years one wonders at the naive faith which the developing countries then had in the developed countries. It was the honeymoon period of foreign assistance.

greater realisation

We then get the resolutions, declarations and other decisions taken at UNCTAD II in March 1968. There was by now greater realisation on the part of all the delegates that international trade is a hard bargaining proposition and yet there was almost the same repetition of the same old platitudes regarding commodity agreements, trade liberalisation and one per cent aid and so on. The insincerity of the developed countries was almost palpable and as is well-known resulted in the resignation of Dr Prebish, the Secretary General of the UNCTAD immediately after the end of the session of UNCTAD II in New Delhi. Like the various agencies of the United Nations, developing countries began to realise what UNCTAD was really worth.

This document is followed by the document regarding the international development strategy for the second United Na-

tions 'Development Decade' beginning from January 1, 1971. There is again dedication by governments to the fundamental objective of the Charter of the United Nations to create conditions of stability and well-being and to ensure a minimum standard of living for all. There is the declaration of the goals and objectives of at least six per cent growth rate (four per cent in agricultural output and eight per cent in manufacturing output), raising the rate of domestic saving to about 20 per cent of domestic product by 1980 and seven per cent increase in exports. The policy measures are again decided upon expressing more wishful thinking totally unrelated to the prevailing realities.

This is followed by the document relating to the Declaration and Principles of the Action Programme of Lima, adopted by the Group of 77 at the second ministerial meeting on November 7, 1971. Lima Declaration is nothing but a repetition in milder form of the Charter of Algiers. Possibly there was now greater awareness of the hard headedness of the trading developed countries and their psychological inability to get over things to which they have become accustomed for more than 200 years.

routine debating

The UNCTAD III was again asked to go through the routine of debating on issues such as international trade principles conducive to development, impact of regional economic groupings, trade and economic aspect of disarmament, impact of present international monetary situation, special measures for the least developed countries, export promotion, financial resources for development, development of shipping, transfer of technology and so on and so forth. The UNCTAD III met for 37 days and disagreed practically on all issues passing only one unanimous resolution on aid to 25 least developed countries!

Holding of the sessions of the UNCTAD every third year has become a sort of routine devoid of the former enthusiasm and hope. The proceedings of the UNCTAD III have been reported in most papers including *Eastern Economist* and one was not surprised to note that if previously there used to be disagreement between developed and developing countries on various problems, this time there was a tendency on the part of the 77 to fall apart on various issues. This should not come as a surprise, for UNCTAD cannot be different from its parent body, the UNO. The various documents in this book make declarations of pious intentions, the attitude of the delegates of developed countries characterised by insincerity and hypocrisy and of the developing countries by naivety and ig-

norance of realities. One thing that stands out clearly after reading all the documents in this book is that the developing countries will have to stand on their own legs to the maximum possible extent and that there should be more co-operation among themselves before they begin to talk of co-operation among developed and developing countries.

Deposits with NBC

It is observed that deposit mobilisation from the public has come to stay as a preferred form of finance by an increasing number of non-banking companies (NBC). This new development in the domain of finance and of monetary policy creates a pressing need to elucidate the place and significance of deposits with NBC in monetary analysis. In *Deposits with Non-Banking Companies and Monetary Policy* Dr Saravane has made an attempt 'at providing a framework for the analysis of the role of such deposits in the monetary mechanism, the transmission of loanable funds and the financing of NBC.' He has also made an attempt to evaluate the effects of various types of regulations on the financial activities of NBC introduced by the Reserve Bank.

The author has arrived at some very obvious conclusions after a great deal of seemingly complex analysis. According to him deposits with NBC emerge as near-money substitutes in the assets portfolio of the household sector. From the standpoint of NBC, these deposits are to some extent the most 'illiquid' among their debt liabilities. Non-Banking companies mobilising deposits from the public function as financial intermediaries in the market for loanable funds and their financial activities which generate liquidity can have marked influences on both the income velocity of money and the velocity of current deposits with banks. The author feels that the NBC may become competitors of importance to banks in the field of mobilisation of deposits from the public in future. The competitive position of banks in their lending activities may be impaired as NBC may get money directly from the public instead of from them as before. As regards rates of interest, the author feels that the imposition of ceiling on lending rates of banks by the Reserve Bank reduces the ability of banks to compete effectively with NBC in mobilising deposits through offer of competitive rates of interest. The author also finds that debt finance is preferred (as compared with equity finance) by NBC on account of its being easily available and that too at relatively cheaper rates in the context of the existing corporate tax policy.

The author is of the opinion that regulations of 'deposit-accepting' activities of

NBC are called for out of consideration for the effectiveness of monetary policy and to safeguard depositors' interests. Indirectly such controls may even help NBC to maintain sound financial position. The author feels that the nature of some regulations is such that much of their potency may be lost in their implementation as the present regulations have enough loopholes. Further, by providing incentive of liberal development rebate allowance, pressure can be eased on ceiling limit imposed by the Reserve Bank on the acceptance of deposits from the public in the case of all non-banking non-financial institutions. However the author is not very sure and feels that the overall effectiveness of the regulations of the Reserve Bank can be ascertained only over a length of time as their full impact may be felt only after sufficient lapse of time.

The analysis in this book is extremely superficial and the conclusions arrived at are the quite obvious ones. The style of the author is extremely laboured. He has certainly failed to bring out the implications of deposit-acceptance by NBC for monetary policy. Here is a problem that needs systematic and detailed investigation by a competent monetary theorist.

Personal Taxation

If the main objective of national socio-economic policy is to realise rapid economic development along egalitarian lines implying fair distribution of economic gains and enlargement of economic opportunities for all, the primary task of tax policy is to wrest from the low-income low-output economy the maximum possible resources for economic development. The author of *Personal Taxation in India* has made an attempt to assess the impact of various direct taxes in India and has also made a number of suggestions with an aim to realise the objective of more effective mobilisation of resources for accelerating economic growth.

As regards income-tax, the author is of the opinion that there is no doubt that the scope of taxable income has been widened by extensive inclusion of income-in-kind, taxation of capital gains since 1956, treatment of capital receipts in substitution of a source of income as income, extension of the principle of constructive realisation and so on. There are, according to the author, however still a number of very significant categories of income (agricultural income, gifts and bequests) which due to constitutional, traditional and other reasons are still outside the ambit of central taxation. Their exclusion seriously hampers equity and also leads to inequalities in income and wealth.

As regards capital gains tax introduced

in 1947, the author feels that the comparatively small coverage of capital gains indicates avoidance and evasion on a very large scale.

In respect of expenditure tax introduced in 1958 (and abolished in 1966), the author believes that there were serious defects in the structuring of this tax which hampered its normal operation. Also, due to administrative machinery and its deficiencies, the reintroduction of this tax has not been suggested at present.

Wealth tax was introduced in 1957 to reduce, in combination with the income-tax, inequalities in income and wealth and to make the personal tax structure more equitable. To this end, it underwent amendments many times, the major onslaught being on its rate structure which has now attained the position of being the highest in the world. The desirable results, according to the author, do not however seem to have been realised because of large scale income and wealth splitting and use of other methods of avoidance.

Similarly the estate duty has not achieved its aim of deeply cutting into the property transferred from one generation to another because of various tax avoidance devices now in use as also because of the loopholes provided in the law itself. As regards gift tax, the author is of the opinion that it was never integrated with other direct taxes, not even with the estate duty.

The author has made a number of useful and practical suggestions in view of the fact that the personal tax structure has so far failed to achieve the major objectives before it.

The author is of the opinion that there is a need to review the whole question of constitutional allocation of tax powers between the centre and the states as the existing division of tax bases is a source of

perpetual conflict between the centre and the states. He further feels that gifts and bequests should be treated as income of the recipients, those made within the family being ignored. Capital gains should be fully assimilated in 'income', re-investment of capital gains being promoted by incorporating a tax-free roll-over provision. According to the author, the only effective method of preventing large-scale tax avoidance through manipulation of tax unit is to treat the family (single household alone as the tax unit under the personal tax laws.

Looking to the experience in the past the author strongly feels that there is a need to forge a legislative process through which proposed tax changes should pass with a view to insulating the tax structure against the vicissitudes of the personal whims of changing finance ministers so as to impart it stability and certainty. Tax proposals must pass through a parliamentary sub-committee (with a research wing manned by tax experts) which should arrange public hearings and invite memoranda before making its recommendation to Parliament.

There is no doubt that personal direct taxation in India is in a chaotic state. It was more than 15 years ago that a comprehensive review of the Indian tax structure was carried out by the Taxation Enquiry Commission. Since then the tax system has undergone revolutionary changes much beyond those contemplated by the TEC. The present and the future requirements for financial resources for economic development are enormous while the tax system has been stretched beyond capacity at many points. It is therefore felt that a second taxation enquiry commission be appointed by the government to carry out a comprehensive and critical survey of the entire Indian tax system.

Guidelines for Export Trade

Getting Started in Export Trade: Edited by Miss O. Mary Hill; printed and published by M.M. Sharma for Graphicarts Consultants, B-1/40, Hauz Khas, New Delhi-16; sale of copies by Export Development Services, G-44, Green Park, New Delhi-16; Pp 316; Price Rs 35 inclusive of postage and packing.

Reviewed by S. P. CHOPRA

This book was originally printed by the International Trade Centre UNCTAD/GATT, Geneva, and was priced at US \$20. The Indian edition at almost one-fourth the price has been made possible by special arrangements with the International Trade Centre.

The book is divided into four parts and 21 chapters. Part I discusses the elements of getting organized in export trade such as choosing an export market, direct and

indirect export selling, selecting and encouraging agents and drawing up agency contracts. The specimen of contract forms will be found extremely useful for all those companies which take to this business for the first time. Part II deals with various ways to expand the volume of export operations such as drafting of business letters, personal visits to foreign countries and participation in fairs. Even such trifling matters as politeness, precision, promptness and perseverance in business

letters have been given sizeable importance. The points to be borne in mind while choosing an advertising agency, the importance of public relations, advertising through various media and other usually neglected aspects have received detailed attention. Part III centres on pricing policy and trade terms, marine insurance, finance and credit and the barriers to foreign trade. The emphasis is on import duties imposed by different countries on various commodities and the preferential treatment accorded by some nations to certain products and groups of countries.

Books of Reference

Manorama Year Book 1972: Published by the Manorama Publishing House, P.B. No. 26, Kottayam-1, Kerala state; Pp 832; Price Rs 10.

Directory of Economic Research Centres in India : Partha Subir Guha; Information Research Academy, 37 Syed Amir Ali Avenue, Calcutta-19; Pp 426; Price Rs 50.

Reviewed by B. GANAPATHY SARMA

Manorama Year Book bears its own individuality and distinction. As an year book it is exceptionally different from other year books. Detailed discussion, comprehensive coverage, unique presentation and distinctive style are some of the salient features which mark it out significantly from the usual run of year books. But the special significance and perhaps the chief merit of the publication is that every subject is treated in the form of an article giving a general outline followed by critical comments which no doubt provide excellent background information to the reader on every subject. Besides exhaustive treatment, massive statistical and economic data have been packed into this handy compendium which makes it extremely interesting and quite informative.

Keeping in view the multiplying needs of the readers the publishers have paid special attention not only to cover as wide a range of topics as possible but also to cover in depth all the information. A cursory glance of the synopsis will convince the reader of the vast multitude of topics covered in the year book which in their range may simply be termed as encyclopaedic. The topics are surveyed in five sections. The world and outer world — 'Space' — are dealt with in the first two sections. The third section on 'India' presents a panoramic view of modern India in all its aspects. The states and the union territories, their economic programmes, budgets and other topics of current interest have also been dealt with in great detail. This is followed by the 'Sports and Games' section which covers, among others, Olympic games,

The last chapter discusses documentation i.e., the various documents which "must accompany every export shipment".

The chief merits of the book are the lucidity in expression and the exhaustive treatment given to the art (is it a science?) of exporting. This is a necessary publication for all exporters in this country as it gives ample background information which, however, will need to be supplemented with details regarding the rules and regulations governing exports in our country as well as in the importing countries.

Commonwealth games and Asian games. The last 'General' section has been completely overhauled and it has added to its fold several new features such as international system of units, standard time, progress of science, abbreviations and sobriquets. An atlas and a special feature on Indo-Pakistan war and the new state of Bangladesh have been included to make the publication most up-to-date.

Such wealth of data on India, the world and the outer world has rarely been so systematically assembled and nicely presented in an year book. Considering the rich information it gives there is no doubt this encyclopaedic work will serve as an indispensable and invaluable book of reference to busy executives, journalists, research scholars and university students in particular and educational institutions in general.

Data on Research Centres

Compilation of data regarding the activities of research centres is indeed a gigantic and arduous task. The Information Research Academy has ventured into this unexplored region and has brought out recently its magnificent *Directory of Economic Research Centres in India* which is a very welcome and precious addition to the literature on economic research. In this pioneering attempt the Academy has attempted to give detailed information about 250 economic research centres including departments of universities, colleges and other educational institutions, both government and non-government, and the government departments where research on economics

and other allied fields are carried on in one form or the other. Research efforts by individual research scholars, informal groups and teaching departments are, however, not included in this directory.

Full information regarding research works already completed in different centres during the period 1966 to 1971 is provided in the directory but in the case of the National Council of Applied Economic Research, the premier research institution in the country, the entire information about all the research studies carried out from its inception has been incorporated. Data regarding researches which are still in progress or will start in the immediate future have also been included in the directory with added advantage.

With the existing ones expanding their research activities and the new centres entering the field, it is quite possible that some research centres may have been left out due to lack of information. To bridge this gap the Academy has decided to bring out supplements, the first one being published shortly. These supplements will carry only those information not provided in the directory.

By assembling all precious data in a handy compendium the Academy has made a notable contribution to the advancement of economic research in the country. The research scholars and institutions can now know each other's subject of pursuit and field of investigation and thus avoid duplication of efforts. It is all the more necessary in order to conserve our research potential and make it to produce the maximum possible results. In short the Academy has fulfilled a long-felt need in the country by bringing out this valuable publication which will serve as a reliable guide and book of reference to scholars, institutions and other organisations which are engaged in economic research and other allied activities.

Books Received

Surveys of African Economies—Vol 4 (Democratic Republic of Congo, Malagasy Republic, Malawi, Mauritius and Zambia) : Published by International Monetary Fund; Pp 477; Price \$5.00 (\$2.50 to university libraries, faculty members and students).

Social Security in India : A Review : Published by The Employers' Federation of India, 148, Mahatma Gandhi Road, Bombay-1; Pp 74; Price Rs 4.

The Fourth Plan Mid-Term Appraisal : (A summary) : Published by Publications Division, Ministry of Information



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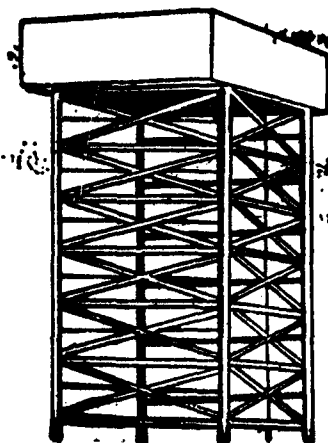
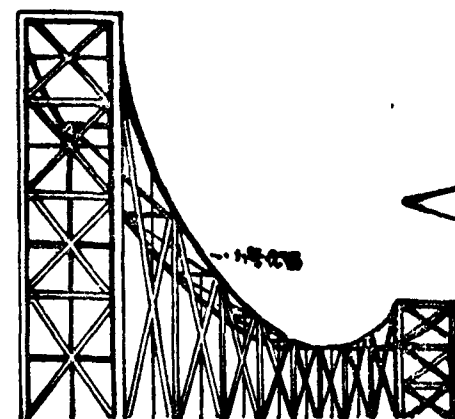
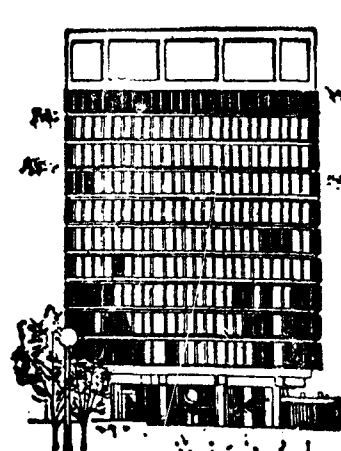
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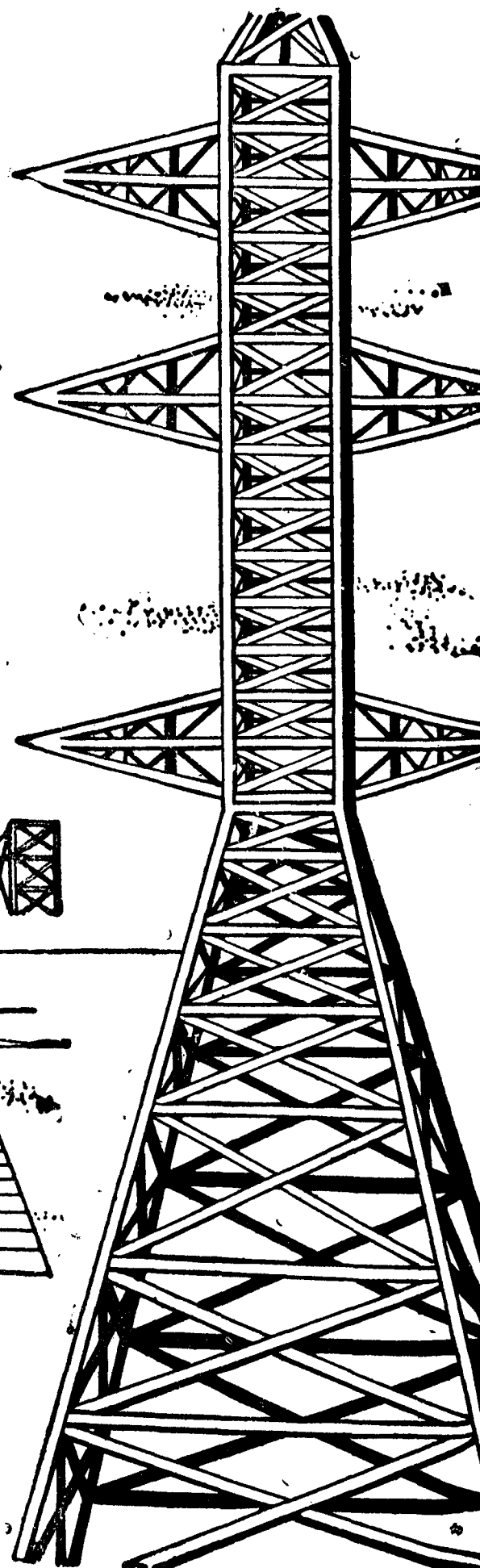
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and Broadcasting, Patiala House, New Delhi-1; Pp 142; Price Rs 2.

Science, Technology and Economic Growth in the Eighteenth Century: Edited by A.E. Musson; Methuen & Co. Ltd., 11 New Petter Lane, London EC-4; Pp 211; Price net £ 1.10 in UK only.

Performance of Public Enterprises (Papers Read at the Indian Economic Conference): Rapporteur H. K. Paranjpe; Popular Prakashan; Pp 76; Price Rs 15.

Economics of Green Revolution (Papers Read at the Indian Economic Conference): Published by Popular Prakashan; Pp 34; Price Rs. 15.

Quantity Theory and Developing Economies (Papers Read at the Indian Economic Conference): Rapporteur P. D. Ojha; Popular Prakashan; Pp 57; Price Rs 15.

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Pocket Book of Indian Statistics 1972-73: Published by Syndicate Bank; Pp 170.

Trinidad and Tobago Directory of Industries 1970-71: Published by the Trini-

dad and Tobago Industrial Development Corporation; Pp 179.

An Introduction to Probability Theory and Its Applications (Vol 1): William Feller; Wiley Eastern Private Ltd., J-41, South Extension-1, New Delhi-49; Pp 509; Price Rs 16.50.

Agricultural Planning and Co-operatives: R.N. Tewari; Sultan Chand and Sons, 4792/23, Daryaganj, Delhi-6; Pp 100; Price Rs 15.

Price Trends in India Since 1951: Suraj Bhan Agrawal; Sultan Chand and Sons; Pp 234; Price Rs 25.

Exporting to the Socialist Countries of Eastern Europe (A Guide to Marketing Techniques): Published by the International Trade Centre UNCTAD/GATT, Palais des Nations, 1211 Geneva 10, Switzerland; Pp 428; Price US \$30.

States of Our Union: Andaman and Nicobar Islands: B.L. Chak; Publications Division; Ministry of Information and Broadcasting; Pp 61; Price Rs 2.

The Eastern Metals Review (Annual Number): Edited and Published by M. Vinayak on behalf of *The Eastern Metals Review*, 38, Strand Road, Calcutta-1; Pp 232; Price Rs 10.

Business Switch (An Introduction to Business Management in Retailing): R. Arvidsson and S. Dandapani; International Co-operative Alliance, 43

Friends Colony, New Delhi-14; Pp 262; Price Rs 20.

Some Aspects of Long-Term Co-operative Agricultural Finance (A Study of Two Areas in Gujarat): Published by the Agro-Economic Research Centre, Sardar Patel University, Vallabh Vidyanagar, Gujarat; Pp 176; Price Rs 15.

Bangla Desh: Problems and Prospects: Edited by V.K.R.V. Rao; Vikas Publications; Pp 200; Price Rs 24.

Resale Price Maintenance in a Developing Economy 1 (Origin and Extent): D.M. Nanjundappa; Published by the Registrar, Karnatak University, Dharwar; Pp 72; Price Rs 3.50 (Ordinary); Rs 5 (Calico).

Economic Climate in West Bengal: Published by Publications Division; Ministry of Information and Broadcasting; Pp 38; Not for sale.

Behind Mud Walls 1930-1960, With a Sequel: The Village in 1970: William H. Wiser and Charlotte Viall Wiser; University of California Press, 2223 Fulton Street, Berkeley, California 94720; Pp 287; Price \$ 2.85 (Paper).

Hindus of the Himalayas: Ethnography and Change: Gerald D. Berreman; University of California Press; Pp 440; Price \$ 4.95 (Paper).

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CEAT TYRES OF INDIA LTD.

Highlights of the Speech made by Mr. P. A. Narielwala, Chairman of Ceat Tyres of India Ltd., at the 14th Annual General Meeting on May 18th 1972.

For your Company, the year 1971 was a significant year. Our expansion programme was completed in early July, somewhat ahead of my own anticipation, and before any of the other tyre companies had completed theirs; the additional plant and equipment went into production without any significant teething troubles; and we received full co-operation from labour and all other employees in the completion of the expansion and in our operations. The result has been a substantial improvement in the Company's output of automotive tyres, from 4,83,544 units in 1969 to 7,24,265 units in 1971 (the figure for 1970 was only 3,70,410 units due to the strike), and a handsome growth in its profits as the shareholders must have noticed from the Directors' Report and the Profit and Loss Account for the year 1971.

With the plant continuing to run at more than its full capacity during the first four months of the current year, and a ready off take of the entire output, the shareholders may look forward to another successful and profitable year. With the constant stress that management has laid on the maintenance of quality control at every stage of production, your Company's products continue to enjoy a ready market both domestically and abroad.

As mentioned in the Directors' Report, our Bicycle Tyre plant at Nasik will be ready to go into production during the

second half of the current year. The civil construction work is expected to be completed before the onset of the rains. Machinery for the plant including the imported items are already at the site. If the quality of the tyres coming out from trial production is up to our satisfaction, "CEAT" bicycle tyres will be in the market during the last quarter of the year.

Supplies of natural rubber were available during the year freely, but the rubber growers in Kerala have been bringing considerable pressure upon the Government of India to compel the automotive tyre industry to carry a larger inventory of rubber than is warranted for its requirements. Some surplus stocks had accumulated on account of reduced off take by some of the units in the industry which have suffered or continue to suffer from a drop in their tyre production from prolonged strikes and slow downs. We are of course co-operating with Government in carrying 3½ months stocks of rubber but a large inventory inevitably puts a burden on our financial resources.

The supplies of other raw materials are on the whole adequate, but the tendency on the part of the suppliers to resort to unilateral increases in prices is a matter of concern to us. We are unable to pass on to the consumers the increase in the direct material cost of our products, as the

selling prices of tyres are regulated by Government and cannot be altered without consultation with them. The industry has on several occasions drawn the attention of Government, but there has been no response. We have recently seen newspaper reports that the Government of India has decided to enforce the three year old recommendation of the Tariff Commission that the rayon tyre cord manufacturers should reduce their prices, but no official communication has been received by the Tyre Industry.

The exports of tyres in 1971 were a record for the automotive tyre industry amounting to Rs. 706 lakhs. Your Company's exports amounted to Rs. 209 lakhs. The Company has more than fulfilled the guarantee given by it to Government of exporting 10% of its total production.

Although the performance of the Industry in exports is commendable, it is necessary to sound a note of caution that it may no longer be possible for the industry to maintain this tempo of progressively higher exports. This is because most of the developing countries to which we export, are establishing their own tyre plants and which would lead to a reduction in the exports and secondly, because of the changes which the Government of India brings about in its export Policy. From many forums and on many occasions the exporters have urged Government to follow

a stable export policy and if a change is desired by Government it should have prior consultation with the exporters or the industry as the case may be. Unfortunately this advice is not heeded and when a sudden change is brought about, it only leads to disruption in exports and hardship to the exporters.

Recently Government has chosen to drastically reduce the duty drawback on nylon tyres with retrospective effect from 1st January 1972. The industry's commitments and contracts for exports are made months in advance and as the change in duty drawback was imposed without any prior consultation with the industry, the exports which have been so assiduously built up over the past few years are likely to be affected during the current year. The industry has made a suitable representation to Government against this change and has called for a review of Government's policy.

Furthermore, in the new import policy for 1972-73 announced recently, the import entitlement for nylon cord has been substantially cut, we believe, as a result of the representation of two indigenous manufacturers who have recently gone into production of nylon tyre yarn and cord. These manufacturers have claimed that they have the capacity to cater to the entire demand for nylon cord of the tyre industry. Whilst we welcome the establishment of this

new industry in India, for which we have been pleading for the last few years, we doubt whether the two producers can meet the industry's needs. At present, the quality of only one manufacturer has come up to the tyre manufacturers' satisfaction after many trials and assistance from the tyre industry. The other manufacturer is still in a trial stage of production and his samples of cord have so far been found to be below the quality standards of the industry. It will be therefore hazardous for the tyre industry to depend on its requirements of nylon cord on only one manufacturer. As more than 80% of the exports from India are of nylon tyres, the reduction in import entitlement of nylon cord might also lead to a further fall in the exports of tyres in the current year.

I had referred, last year, to the large numbers of Letters of Intent issued by the Government of India to State Industrial Development Corporations for setting up new automotive tyre factories in the country. I had expressed a fear that many of them might not fructify into industrial licences. Our fears have turned out to be true as only one letter of intent has been converted into an industrial licence so far. We do not see any tangible steps taken by the other parties to obtain industrial licences.

Whilst the present licensed capacity in the automotive tyre industry is about 5.2 million units, the capacity installed at the end of 1971 was for only about 4.8 million units. The production during 1971 reached 4.64 million units, an increase of 620,000 units over the production of 1970. Assuming that the full licensed capacity will be installed during the current year and some of the units which suffered in their production last year from labour troubles, power cuts, etc., would be able to utilise their capacities better, the production of tyres in 1972 is estimated to reach 5.5 million units. We therefore do not anticipate any shortage of tyres during the current year except in few truck tyre sizes.

But the shortage is likely to arise in 1973 and will be felt more strongly in 1974, unless steps are taken to license additional capacities.

Our own application submitted to Government, last September, for a licence to establish a new automotive tyre factory for producing 400,000 tyres per annum in an underdeveloped area of one of the States, is still under Government's consideration. We live in hopes that it will be favourably viewed and a licence will be issued to us at an early date. As it takes anything between 24 and 30 months to install a new plant and put it into production, there is not much time left for Government to come to a decision and permit the existing units to expand and/or license new units.

At the Extraordinary General Meeting of the Company held in November last, there was a note of pessimism amongst some of the shareholders about the likelihood of a glut in the production of automotive tyres in the country and a caution to the Board about venturing into further expansion of our capacity. I had then assured the shareholders that the demand for tyres would continue to grow both in the domestic and export markets. We are also of the view that a small surplus in the licensed capacity of the industry is desirable as it will serve as a safeguard and a cushion against plant stoppages and a recurrence of shortages. If our application for a new factory is approved by Government, I can assure the shareholders that we will take urgent steps to proceed with its erection and to go into production as soon as possible to meet the growing demands of defence, road transport organisations, O.E. users and our other valued customers for our products.

Note:

This does not purport to be a record of the proceedings of the Annual General Meeting.

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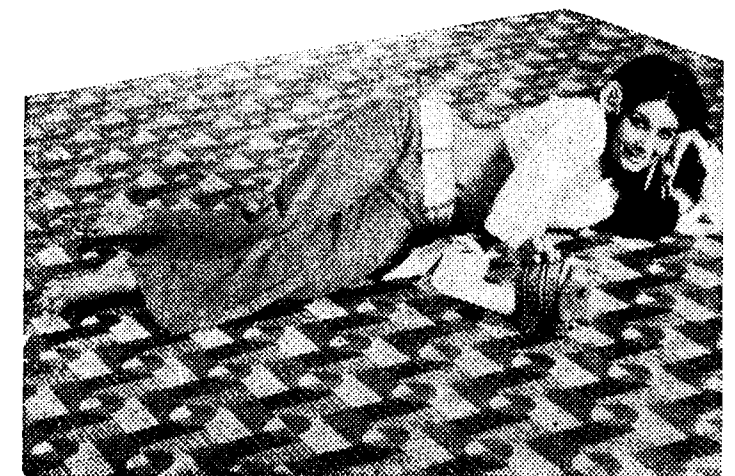
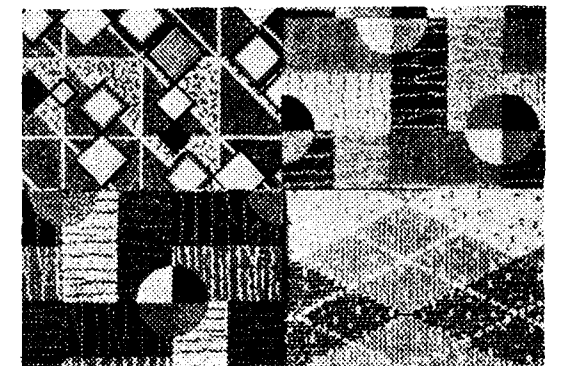
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RECORDS AND STATISTICS

Wholesale Prices

The sub-group index for 'milk and milk products' advanced by 0.5 per cent to 215.8 due to a rise in the prices of ghee. Lower prices of all the edible oils brought down the sub-group

index for 'edible oils' by 2.0 per cent to 197.0. The index for 'fish, eggs and meat' sub-group stood at 202.5 as against 202.8 for the previous month. The sub-group index for 'sugar and allied products' stood at 232.0 as against 231.7 for the previous month. The prices of sugar and khandasari rose while those of gur declined. The sub-group index for, 'other food articles' recorded a fall of 0.2 per cent to 160.9.

Liquor and tobacco

The index for 'liquor and tobacco' moved up by 0.6 per

cent to 203.0 due to an increase in the prices of tobacco raw.

Fuel, power, light and lubricants

The index for this group remained unchanged at its last month's level of 175.2. The price of castor oil, however, registered a fall during the month.

Industrial raw materials

Lower prices of cotton raw brought down the sub-group index for 'fibres' by 1.9 per cent to 177.4. The prices of jute raw and mesta, wool raw and

silk raw, however, advanced. The sub-group index for 'oils seeds' declined by 3.5 per cent to 201.4 owing to a fall in the prices of all the oilseeds except castor seed which moved up. The sub-group index for 'minerals' remained unchanged at its previous month's level of 141.5. The sub-group index for 'other industrial raw materials' stood at 174.6 as against 174.5 for the previous month.

Chemicals

The index for 'chemicals' group registered a fall of 0.6 per cent to 198.0 as against 199.1 for the earlier month due to lower prices of nitric acid and copper sulphite. The prices of sulphuric acid, how-

ever, moved up.

Machinery and transport equipment

The sub-group index for 'electrical machinery' advanced by 0.2 per cent to 163.1. The index for 'non-electrical machinery' sub-group recorded a rise of 0.3 per cent to 171.0 due to a slight increase in the prices of machinery other than electric. The sub-group index for 'transport equipment' stood at 146.4 as against 146.2 for the previous month.

Intermediate Products

The index for 'intermediate products' rose by 0.7 per cent to 205.1 as against 203.7 for the earlier month due to higher

prices of rayon yarn, coir yarn, leather, zinc and tin. The prices of lead and linseed oil, however, registered a fall.

Finished Products

Higher prices of cotton manufacturers (mill made cloth) (+0.6 per cent to 163.8), jute manufacturers (+4.9 per cent to 211.8), silk and rayon manufacturers (+1.2 per cent to 130.6) and woollen manufacturers (+0.2 per cent to 194.4), raised the sub-group index for 'textiles' by 1.7 per cent to 172.4. The sub-group index for 'metal products' worked out to 182.8 as against 182.7 for the earlier month. The sub-group index for 'non-metallic products' advanced by

0.7 per cent to 154.0 as against 152.9 for the earlier month due to a rise in the prices of bricks and tiles. The sub-group index for 'chemical products' recorded a rise of 0.2 per cent to 151.6 as against 151.3 for the previous month due to an increase in the prices of essential oils. The indices for 'leather products', 'rubber products', 'paper products', and 'misc. products' remained unchanged at their last month's levels of 98.0, 157.3 135.7 and 123.9 respectively. The sub-group index for 'oilcakes' receded by 3.5 per cent to 179.4. On the whole the index for 'finished products' moved up by 0.7 per cent to 164.4.

Index Number of Wholesale Prices by Groups & Sub-groups of Commodities

(Base : 1961-62=100)

Groups and sub-groups	Feb. 1972	Jan. 1972	Feb. 1971	Percentage Change	
				Feb. 1972	Feb. 1972
				Jan. 1972	Feb. 1971
Food Articles	210.5	210.1	199.1	+0.2	+5.7
Foodgrains	221.5	221.0	201.1	+0.2	+10.1
Cereals	206.1	204.7	193.6	+0.7	+6.5
Pulses	292.3	294.5	234.9	-0.7	+24.4
Fruits & vegetables	193.2	184.9	198.0	+4.5	-2.4
Milk & milk products	215.8	214.8	210.8	+0.5	+2.4
Edible oils	197.0	201.1	221.2	-2.0	-10.9
Fish eggs & meat	202.5	202.8	217.1	-0.1	-6.7
Sugar & allied products	232.0	231.7	173.7	+0.1	+33.6
Others	160.9	161.3	177.6	-0.2	-9.4
Liquor and tobacco	203.0	201.8	184.2	+0.6	+10.2
Fuel, power light and lubricants	175.2	175.2	162.9	Nil	+7.6
Industrial raw materials	186.1	190.5	199.0	-2.3	-6.5
Fibres	177.4	180.9	195.7	-1.9	-9.4
Oilseeds	201.4	208.7	219.5	-3.5	-8.2
Minerals	141.5	141.5	130.2	Nil	+8.7
Others	174.6	174.5	169.8	+0.1	+2.8
Chemicals	198.0	199.1	187.2	-0.6	+5.8
Machinery and Transport Equipment	162.4	162.0	151.1	+0.2	+7.5
Electrical machinery	163.1	162.8	149.2	+0.2	+9.3
Non-electrical machinery	171.0	170.5	160.0	+0.3	+6.9
Transport equipment	146.4	146.2	136.9	+0.1	+6.9
Manufactures	172.4	171.1	160.8	+0.8	+7.2
Intermediate products	205.1	203.7	186.9	+0.7	+9.7
Finished products	164.4	163.2	154.5	+0.7	+6.4
Textiles	172.4	169.6	160.3	+1.7	+7.5
Cotton mfrs	163.8	162.9	158.9	+0.6	+3.1
Jute mfrs	211.8	202.0	174.6	+4.9	21.3
Silk & rayon mfrs	130.6	129.0	121.8	+1.2	+7.2
Woollen mfrs	194.4	194.1	182.0	+0.2	+6.8
Coir mats and matings	175.8	175.8	175.8	Nil	Nil
Metal products	182.8	182.7	166.2	+0.1	+10.0
Non-metallic products	154.0	152.9	145.4	+0.7	+5.9
Chemical products	151.6	151.3	149.5	+0.2	+1.4
Leather products	98.0	98.0	92.1	Nil	+6.4
Rubber products	157.3	157.3	156.3	Nil	+0.6
Paper products	135.7	135.7	124.7	Nil	+8.8
Oilcakes	179.4	185.9	181.6	-3.5	-1.2
Misc. products	123.9	123.9	122.9	Nil	+0.8
All Commodities	190.1	190.0	181.4	+0.1	+4.8

Source : Office of the Economic Adviser, Ministry of Industrial Development.

Index numbers of Industrial Production

Base : 1960=100

Item	1970	1971*			Item	1970	1971*		
		Aug.	Sept.	Oct.			Aug.	Sept.	Oct.
General Index					Synthetic resins and Plastics	194.4	163.5	230.1	240.2
Seasonally Adjusted	180.8	182.8	185.1	187.2	Dyestuff and dyes	195.6	141.6	170.9	169.0
Crude	180.8	183.1	183.6	180.5	Manufacture of fertilisers	668.7	860.1	772.3	776.5
Mining and quarrying	149.0	145.4	150.6	145.8	Manufacturing of paints				
Manufacturing	174.8	176.3	176.6	173.5	varnishes and lacquers	115.2	117.1	113.0	127.1
Food manufacturing industries	157.5	158.8	160.9	167.8	Fine pharmaceutical chemicals	156.6	156.6	157.0	156.6
Sugar Factories and Refineries	165.3	5.9	8.0	18.8	Petroleum refinery products	297.3	337.9	356.2	327.0
Vanaspati	154.4	144.8	184.3	184.1	Manufacture of non-metallic mineral products (b)	189.1	205.3	209.2	200.6
Tea	128.4	239.5	232.5	238.5	Manufacture of cement				
Coffee curing	129.3	94.6	138.8	119.8	(Hydraulic)	177.9	198.0	179.3	161.5
Cigarette manufacturing	168.0	175.5	171.0	171.6	Basic metal industries	205.5	205.7	195.5	194.2
Manufacturing of textiles	109.7	103.5	103.0	99.9	Iron and steel basic Industries	187.8	181.6	172.3	169.5
Spinning, weaving and finishing of cotton textiles	111.8	104.3	105.7	99.1**	Non-ferrous basic metal industries	301.2	336.2	321.0	328.1
Cotton spinning	127.0	118.7	119.2	111.2**	Aluminium manufacturing	508.7	566.8	545.4	562.5
Weaving of cotton textiles	92.7	86.2	88.8	83.8**	Manufacturing of metal Products(c)	219.0	198.7	213.4	211.0
Woollen textiles	161.6	199.1	211.6	N.A.	Manufacture of machinery except electrical machinery	369.5	369.8	408.0	389.3
Jute manufactures	85.1	92.3	83.1	90.7	Manufacture of industrial machinery	120.6	86.5	84.0	70.6
Manufacture of footwear,†	161.3	174.1	164.5	132.4	Machine Tools	327.6	371.9	400.5	389.9
Manufacture of paper and paper products	216.5	234.1	214.8	208.2	Manufacture of electrical machinery	362.7	396.7	407.3	377.6
Manufacture of paper	217.7	240.2	216.3	209.8	Manufacture of batteries	232.3	240.3	244.1	221.0
Manufacture of leather and fur products(a)	65.3	50.3	48.3	43.1	Manufacture of transport equipment	132.0	116.7	105.6	116.7
Manufacture of rubber products	215.7	244.5	261.7	225.0	Manufacture of motor vehicles	157.8	163.9	150.0	180.8
Tyres and Tubes	258.3	301.9	317.0	276.6	Manufacture of motor cycles and scooters	603.2	655.8	650.1	670.0
Chemicals and chemical products	236.5	252.6	243.5	242.8	Electricity generated	334.0	357.6	353.6	N.A.
Basic industrial chemicals including fertilisers	332.2	364.1	337.5	323.4					
Heavy organic chemicals	287.7	281.5	258.4	260.6					
Heavy inorganic chemicals	337.4	358.9	353.7	351.7					
Synthetic fibres	230.7	262.4	206.3	150.9					

Source : C.S.O.

Source : C.S.O.

- (a) Except footwear and other wearing apparel.
(b) Except products of petroleum and coal.
(c) Except machinery and transport equipment.

- * Provisional.
** Estimated.
† Including other wearing apparel and made-up textile goods.

Reserve Bank of India (Rs crores)					Scheduled Commercial Banks (Rs crores)				
	May 12, 1972	A week ago	A month ago	A year ago		May 12, 1972	A week ago	A month ago	A year ago
Issue Department					1. Demand deposits*	3132.45	3135.64	3095.08	2650.54
Notes held in banking department	16.75	14.09	23.85	10.17	2. Time deposits*	4121.91	4091.32	3035.75	3384.59
Notes in circulation	4890.66	4825.88	4827.48	4424.52	3. Aggregate deposits*	7254.36	7226.96	7130.83	6035.13
Total notes issued	4907.41	3839.98	4851.33	4434.70	4. Cash	188.24	187.63	183.59	177.33
Gold coin and bullion	182.53	182.53	182.53	182.53	5. Balances with Reserve Bank	251.40	259.21	268.10	195.59
Foreign securities	221.65	221.65	233.65	303.42	6. Cash and balances with Reserve Bank	439.64	446.84	451.69	372.92
Rupee coin	28.94	31.51	32.86	40.83	7. Borrowings from Reserve Bank	39.24	30.21	40.09	208.19
Government of India rupee securities	4474.28	4404.29	4402.28	3907.92	8. Investments in government securities	1675.55	1678.78	1651.11	1364.32
Banking Department					9. Advances	4270.12	4226.01	4191.71	3733.96
Deposits of central government	55.39	52.92	193.86	83.70	10. Bills purchased and discounted	970.83	995.19	1022.49	938.33
Deposits of state governments	19.80	13.45	1.32	3.18	Inland bills	735.38	760.79	793.32	732.01
Deposits of banks	279.70	237.31	274.35	239.54	Foreign bills	235.45	234.40	229.17	206.32
Other deposits	106.88	106.62	106.87	66.72	11. Total bank credit	5240.95	5221.20	5214.20	4672.30
Other liabilities	1004.86	989.17	988.76	759.66	12. Percentage of				
Total liabilities or assets	1466.63	1399.46	1565.16	1152.80	(6) to (3)	6.06	6.18	6.33	6.18
Notes and coins	16.82	14.17	23.90	10.24	(8) to (3)	23.10	23.23	23.15	22.61
Balances held abroad	203.45	202.04	181.72	73.03	(11) to (3)	72.25	72.25	73.12	77.42
Loans and advances :					*Excluding inter-bank borrowings.				
State governments	108.09	88.66	758.79	401.88	Source : Reserve Bank of India.				
Scheduled commercial banks	39.24	30.21	40.09	208.19					
State co-operative banks	253.89	259.97	286.60	265.56					
Other loans and advances	89.48	89.86	89.46	39.00					
Bills purchased and discounted	140.79	68.49	45.56	31.29					
Investments	309.97	341.12	92.56	73.55					
Other assets	304.90	304.94	46.49	50.06					

Index Numbers of Security Prices (Base : 1961-62=100)						
Week ended	1971			1972		
	May 15	April 15	April 22	April 29	May 6	May 13
Government and semi-government securities—All-India—Total	97.7	97.6	97.6	97.6	97.6	97.6
Government of India	97.0	96.9	96.9	96.9	96.9	96.9
State governments	100.3	100.3	100.3	100.3	100.3	100.3
Semi-government institutions	101.2	100.8	101.5	101.4	101.6	101.6
Debenture—All-India	93.0	92.6	92.6	92.6	92.6	92.6
Preference Shares—All-India	85.1	82.7	82.6	82.3	82.5	82.7
Variable Dividend Industrial Securities—All-India—Total	100.5	98.0	98.6	99.7	99.6	98.7
Agriculture and allied activities	89.0	87.0	87.0	87.4	87.9	88.1
Mining and quarrying	54.1	46.1	45.8	45.5	45.5	44.5
Processing and manufacturing : Total	97.4	95.5	96.3	97.5	97.3	96.4
Foodstuffs, textiles etc.	82.1	81.2	81.2	81.6	81.5	80.9
Metals, Chemicals, etc.	103.1	100.4	102.2	103.9	103.4	102.0
Processing and Mfg, others	127.3	124.1	124.7	126.6	127.3	126.7
Other industries	123.5	120.4	120.0	120.8	120.6	120.1
Financial	132.0	116.3	116.4	116.6	116.7	117.2
Variable Dividend Industrial Securities—Regional						
Bombay	111.2	106.3	106.5	107.8	107.2	106.0
Calcutta	97.6	99.2	100.6	101.8	101.7	100.7
Madras	88.7	84.4	84.8	85.2	85.2	85.3
Ahmedabad	78.4	73.4	73.3	74.0	73.4	73.2
Delhi	115.1	103.3	104.2	105.7	107.2	106.67

Source : Reserve Bank of India.

Money Supply with the Public (Rs lakhs)						
Last Friday	Money supply	Total currency with the public	Deposit money with the public			
			Total	Net demand deposits of banks*	Other deposits with Reserve Bank	Total variations in money supply
1951-52	1,848,18	1,285,51	562,67	544,85	17,82	—160.03
1955-56	2,216,95	1,571,01	645,94	336,90	9,04	+262,16
1960-61	2,868,61	2,098,05	770,56	757,10	13,46	+199,1
1965-66	4,529,39	3,034,28	1,495,10	1,478,38	16,72	+449,11
1966-67	4,949,96	3,196,80	1,753,16	1,711,75	41,41	+420,57
1967-68*	5,350,07	3,376,08	1,973,99	1,917,66	56,32	+400,11
1968-69*	5,779,25	3,681,97	2,097,28	2,016,41	83,88	+429,18
1969-70*	6,386,54	4,010,34	2,376,20	2,318,30	57,90	+607,29
1970-71*	7,136,32	4,379,67	2,756,65	2,712,82	43,83	+749,78
1971-72	8,042,00	4,806,00	3,236,00	3,156,00	80,00	+905,68
January 1971	6,946,31	4,259,01	2,687,29	2,628,46	58,83	+151,88
September 1971	7,402,02	4,473,99	2,928,04	2,886,95	41,09	+49,48
October 1971	7,446,34	4,470,98	2,975,36	2,926,06	49,30	+44,32
November 1971	7,486,67	4,490,09	2,996,58	2,947,89	48,69	+40,33
December 1971	7,702,99	4,567,17	3,135,81	3,069,80	66,02	+216,32
January 1972*	7,809,97	4,708,10	3,101,87	3,038,30	63,57	+106,98
February 1972	7,890,06	4,776,49	3,113,57	3,056,50	57,06	+80,09
March 1972	8,042,00	4,806,00	3,236,00	3,156,00	80,00	+151,94
April 1972	8,207,00	4,914,00	3,293,00	3,216,00	77,00	+165,00

*Provisional.

Source : Reserve Bank of India.

Factors Affecting Money Supply with the Public (Rs crores)						
Week ended	1971		1972			
	May 7	April 7	April 14	April 21	April 28	May 5
Money Supply with the public	7,328	8,239	8,265	8,199	8,207	8,290
Currency with the Public	4,583	4,938	4,996	4,950	4,914	4,991
Other deposits with the Reserve Bank.	44	85	77	79	77	77
Bank Money	2,701	3,216	3,192	3,170	3,216	3,222
Factors affecting money supply (1+2+3+4—5—6)						
1. Net bank credit to government sector	5,619	6,608	6,729	6,752	6,765	6,509
2. Net bank credit to commercial sector	2,120	2,129	2,071	2,023	1,984	1,991
Of which banks* net credit to commercial sector (a—b)	1,982	1,894	1,850	1,816	1,779	1,787
(a) Claims on commercial sector	5,535	6,113	6,092	6,078	6,065	6,089
(b) Non-monetary liabilities of banks	3,553	4,219	4,242	4,262	4,286	4,302
3. Net foreign exchange assets of banking sector	566	594	596	593	602	604
4. Government's net currency liabilities to the public	390	398	398	397	397	400
5. Net non-monetary liabilities of the Reserve Bank	744	1,034	1,009	1,017	1,027	751
6. Residual	623	456	520	549	514	463

*Excluding Reserve Bank.

Source : Reserve Bank of India.

Consumer Price Index Numbers for Industrial Workers

(Base : 1960=100)

Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971		1971*				1972*
							Jan	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
All India	..	..	..	174**	177	186	184	194	196	196	197	195	194
Ahmedabad	130	148	168	165	169	176	175	181	183	182	186	184	185
Alwaye	145	148	183	198	197	198	195	203	204	204	206	210	205
Asansol	140	145	168	176	178	189	187	196	198	199	199	195	195
Bangalore	144	159	172	180	183	196	190	193	197	197	199	197	197
Bhavnagar	132	152	173	176	178	186	186	193	195	196	195	199	199
Bombay	130	147	164	167	175	182	181	190	192	193	194	191	190
Calcutta	131	148	163	170	172	182	177	189	194	198	200	193	187
Coimbatore	132	144	151	147	154	164	169	178	178	177	180	184	185
Delhi	136	152	172	178	185	199	203	216	215	213	218	211	213
Dighboi	138	160	198	185	180	189	190	191	192	191	191	190	190
Gwalior	139	160	191	179	184	191	189	200	201	201	200	198	199
Howrah	137	154	178	181	176	186	182	189	194	200	201	196	191
Hyderabad	140	158	167	173	185	189	189	195	199	200	200	197	197
Jamshedpur	136	158	183	171	170	183	178	191	191	191	192	186	187
Madras	134	144	151	150	160	170	173	182	183	185	187	188	194
Madurai	128	142	146	148	160	177	182	193	200	194	197	196	200
Monghyr	151	187	215	185	188	204	196	211	211	213	209	202	201
Mundakayam	138	152	173	186	191	197	197	202	204	200	204	206	202
Nagpur	138	148	164	166	176	187	188	193	194	194	196	197	196
Saharanpur	141	163	188	176	181	186	187	193	195	194	198	200	203
Sholapur	128	150	165	167	176	185	187	203	206	204	201	207	205

*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*				
							Dec.	June	July	Aug.	Sept.	Oct.	Dec.
All India	132	146	159	161	167	174	175	178	181	183	183	183	182
Bombay	132	142	153	156	162	168	168	173	173	174	174	174	171
Delhi-New Delhi	131	142	154	162	168	174	173	179	182	181	181	180	180
Calcutta	126	139	152	156	162	170	171	174	177	179	179	179	175
Madras	133	147	154	154	161	175	181	183	186	187	189	191	193
Hyderabad-Secunderabad	133	147	155	159	167	174	177	186	179	181	181	181	184
Bangalore	133	145	156	160	164	172	176	177	179	180	181	182	182
Lucknow	132	146	159	156	161	166	166	171	175	177	177	178	176
Ahmedabad	131	146	160	162	168	171	171	171	174	176	174	175	175
Jaipur	133	150	162	168	176	183	182	186	189	189	189	189	188
Patna	139	160	179	180	180	191	191	191	196	196	195	193	190
Srinagar	134	143	160	167	174	184	187	187	188	191	191	192	193
Trivandrum	131	146	165	168	172	178	182	180	183	184	184	186	187
Cuttack-Bhubaneswar	142	154	164	167	169	176	198	181	183	188	185	189	188
Bhopal	133	144	166	166	172	180	179	186	191	191	189	191	191
Chandigarh	129	143	155	164	171	178	177	180	185	186	183	184	185
Shillong	123	134	155	163	164	166	166	173	178	177	180	182	179

*Provisional.

Source : C.S.O.

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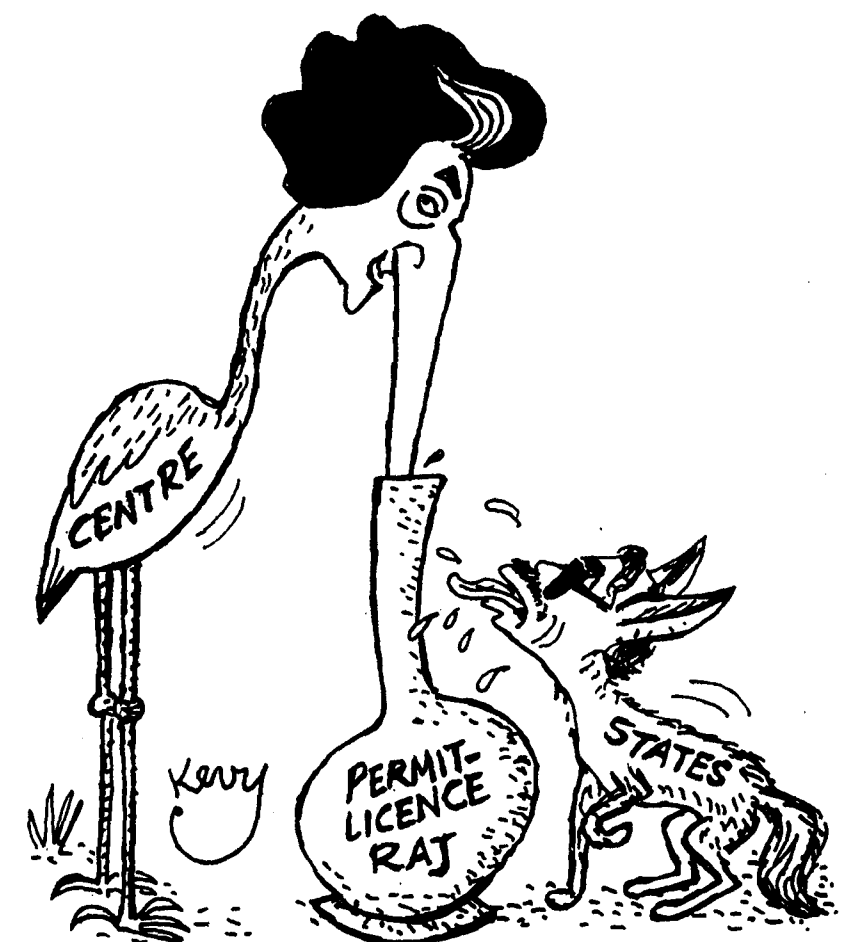


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An approach to an approach

THE PAPER presented to the National Development Council on behalf of the Planning Commission, which has been entitled "Towards an approach to the Fifth Plan" obviously begs to be excused from detailed or even serious consideration. It is primarily yet another political document, not essentially different from the election manifestos of the ruling party which are now attempted to be carried in the form of a little green book in the person certainly and the conscience possibly of our new breed of congressmen. The effort which the Minister for Planning, under the watchful eye of the Prime Minister, has made to dress this political document up in pseudo-economic jargon only succeeds in exposing the intellectual dishonesty of the powers-that-be.

Such is the naked and unashamed opportunism of the authors of this approach to an approach to a fifth Plan that they have not hesitated to foul their own nest in the grossest manner possible. The Paper starts with the lie that "in elaborating our strategy of development in the earlier Plan documents, we seem to have assumed that a fast rate of growth of national income will by itself create more and fuller employment and produce higher living standards for the poor". From this point onwards, lie is piled upon lie until a Himalayan structure of falsehood and prevarication is built up. Apart from the fact that there is a snide attempt here to denigrate the concept of economic growth, partly to suit the political convenience of the ruling party and partly to play down the gravity of its failure to achieve sufficient expansion of economy, there is also the wholly inexcusable insinuation that the previous Plans did not care for the socio-economic objectives, which are relevant to the all-round progress of our people.

Whether Mr C. Subramaniam & Co. have a short memory or not they certainly have a convenient one. Evidently in their desire to please the daughter they are only too willing to be less than fair—if this is necessary—to the father. Ever since Jawaharlal Nehru had anything to do with economic planning or the five-year Plans he and, under his leadership, his associates and advisers, whether in the government or in the party, did emphasize at every stage the need for development being directed towards increasing employment or raising the consumption levels of the poorer, the weaker and the vulnerable sections of the community. While it is true that there has been general dissatisfaction in the nation with the pace of growth of the economy it has nevertheless been felt by the people in their bones that, over the last thirty five years or more, there has been gradual amelioration of the living conditions of the poor of this land. The present Paper of the Planning Commission itself has been forced to concede that the "proportion of the poor, defined as those living below a basic minimum standard of consumption has slightly come down".

If more has not been achieved in this direction it is basically for two reasons. In the first place population has continued to grow and secondly, around the middle of the sixties, the administrative competence of the government to maintain the tempo of economic development had begun to break down. This was largely due to the fact that the economy was becoming over-regimented through the proliferation of the 'licence-permit Raj' which was steadily corrupting business and government and paralysing private enterprise. This unfortunate development was disagreeably reinforced by the growth of the public sector involving the wasteful use of scarce financial and physical resources. In the latter sixties and down to the present time, the progress of the economy has been slowed down further because economically irrelevant, but politically paying passions and prejudices have been deliberately cultivated and imported into the framing or application of the government's economic policies.

Since this is the objective background to our current problems of planning, it is apparent that the lot of the poor is not going to be improved appreciably merely by the politicians in power formally mouthing new incantations of welfare economics. Whether we consider the employment-oriented programmes listed in the Paper or the priorities of public consumption catalogued therein, we must surely realize that they are basically schemes of expenditure. Unless they are related to investment programmes which, in turn, are geared to certain capital output ratios, they will have no more worth than toy balloons sent into the air. To argue, as the Paper does, that poverty could be significantly reduced in a shorter time through redistributive policies, is an exercise far less innocent than it seems, since to try to treat as a matter of secondary importance the issue of economic growth in a country of mass poverty is not cleverness but low cunning of a kind which, it is to be hoped, will be self-defeating. Given the continuing growth of the population and the arrears in development occasioned by the administrative breakdown and the political opportunism of the government over the last seven or eight years, only an accelerated rate of economic growth in the period that lies ahead can create conditions in which schemes intended to reduce the rigours or the extent of mass poverty can hopefully go to work.

Eastern ECONOMIST

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No 'heil' to HEIL

A RECENT advertisement released by Heavy Electricals (India) Ltd. (HEIL)—a public sector undertaking—states that its output since inception has been of the order of Rs 158 crores and that its production in 1971-72 at Rs 32.76 crores was higher by five crores of rupees over its output in 1970-71. The major accomplishments of HEIL, according to the copywriter, included three hydro power stations, two thermal power stations, over 230 diesel electric locomotives, three out of every four suburban trains operating in Calcutta area, one out of every four suburban trains operating in Bombay area, main steam turbines for propelling Indian navy ships and 120,000 kw steam turbine generator. This is indeed a formidable list of achievements but it has to be read with the 19th report of the Committee on Public Undertakings (CPU) if a full and true picture is to be obtained.

The CPU has not minced words in declaring that gross mis-management, lack of planning and absence of co-ordination of activities have resulted in the accumulation of losses up to Rs 58.97 crores at the end of 1970-71 as against HEIL's paid-up capital at Rs 50 crores. The CPU is naturally perturbed over this grave financial position of the undertaking and has urged that "it should improve its financial position by greater utilisation of its capacity, effecting maximum economies and review of its pricing policy".

Most of HEIL's customers were and continue to be government or semi-government undertakings. It was, therefore, not necessary for this undertaking to incur losses year after year as it could review its pricing policy taking into account all the elements in its cost structure. However, it is never too late to learn from past errors. The advice of the CPU that HEIL should review its pricing policy has pertinent relevance though this measure alone would not put an end to and its troubles. It is necessary that steps should be taken to increase the utilisation of machine capacity. The present "Job Card System" which records the work put in by a worker is defective and does not give a true picture of the working of machines. The CPU has rightly suggested that the "machine hour utilisation system" should be introduced in the undertaking because then alone it would be possible for the management to estimate the extent of under-utilisation of machines.

As far back as 1956, the consultants

had indicated in their report that HEIL's annual output would be worth Rs 12.5 crores of rupees on single shift basis. A decade later—in 1965-66—the total production of the undertaking was Rs 10.14 crores only. Again, it was in April 1966 that the management of HEIL had estimated that on attainment of full rated capacity the value of annual production would be Rs 33.65 crores. The undertaking had not attained this level even in 1971-72. The actual performance has thus shown a wide gap between target and achievement year after year.

In an undertaking of the size of HEIL, detailed planning for a period of four or five years is absolutely essential. This is not impossible to achieve especially because, as stated above, the undertakings which place orders on it are by and large in the public sector. The CPU noted during its examination of HEIL's affairs that different sections of the unit had orders for varying periods with the result that some sections were bound to remain idle if adequate arrangements were not made in time. The explanation put forward by the Ministry of Industrial Department that it was difficult for HEIL to keep track of all individual orders because it had to follow up the production of 500 individual items, did not satisfy the CPU; hence the recommendation that "integrated and detailed planning" of the working of HEIL should be ensured.

Not only has HEIL shown lack of foresight; it has even failed to streamline its working operations so as to deliver equipment to its customers on schedule. The blame for these failures is however passed on by HEIL to foreign and indigenous suppliers of castings and forgings. After analysing the data put before it, the CPU has come to the conclusion that the completion of six hydro projects and three thermal projects in the country has been delayed or would be delayed due to HEIL's non-adherence to delivery schedule. This has shifted back the generation of power equipment to nearly 1,425 Mw. If this dismal performance of the undertaking is due to sheer negligence and carelessness in planning its affairs, then its shift from the Ministry of Industrial Development to the Ministry of Irrigation and Power—as suggested by the CPU—will be of little use.

The sloppy manner in which HEIL is being run is evident from the treatment meted out to instructions issued by the Bureau of Public Enterprises (BPE) regarding the purchase orders. The instructions issued by the BPE in January 1969 were received by HEIL in August, 1969

i.e. after seven months. The CPU has not made it clear as to who was responsible for this delay. One more year passed in seeking clarifications and another seven to eight months in putting them before the board of directors for obtaining a decision. Surely, it is this lack of a sense of urgency which has made HEIL one of the most inefficient undertakings in the public sector. The BPE also should see to it that instructions issued by it are followed by the undertakings.

The undertaking suffers from gross mis-management. This is evident from the fact that on the one hand it has a heavy inventory and surplus of stores while the delay in the manufacture of equipment is often attributed to want of raw materials. The CPU found that the value of non-moving stores (those which had not moved for two years or more) at the end of 1970-71 was Rs 115.20 lakhs and the value of surplus stores as on March 31 1969 was valued at Rs 61.36 lakhs. Obviously no effort has been made in working out a relationship between this undertaking's inventories and its schedule of production. Also, the maintenance of records in respect of inventories was found to be defective as "value of raw materials and components not processed or consumed at the end of the year but issued to workshops were shown as work in progress". The CPU is right in holding that this procedure gives a misleading picture about the level of inventories.

The failure of HEIL (and also of Bharat Heavy Electricals Ltd) has caused great anxiety to the heads of the State Electricity Boards (SEBs) who assembled recently in the capital to chalk out a programme for the fifth five-year Plan. They expressed their dissatisfaction with the working of both these public sector undertakings to which they had been tied. Besides clearing a backlog of 500,000 kw for 1971-72, the SEBs had been urged by Dr K. L. Rao, union Minister for Irrigation and Power to build up generating capacity of the order of 1.9 million kw in 1972-73 and to make preparations for additional 21.8 million kw in the fifth five-year Plan period. In view of the poor performance of the public sector units, they appealed to the government to allow import of equipment wherever the indigenous manufacturers were not in a position to supply the equipment. Such imports would no doubt be a burden on our foreign exchange reserves for which the responsibility must rest on undertakings such as the HEIL which are consistently failing to deliver the goods.

Planning the steel map

THE statement in Parliament by Mr Mohan Kumaramangalam, union Minister for Steel and Mines, that it would be advantageous to give priority to the expansion schemes of the existing steel units instead of concentrating on the construction of entirely new plants was construed for a time as suggesting that there might be soft pedalling of the construction of the Vijayanagar and the Vishakhapatnam steel plants. That this was not the government's intention was subsequently clear from the statement by the same minister that the Salem steel plant may be ready by 1977-78. While this schedule may not be adhered to, there is the likelihood of this project being completed by the end of the fifth Plan. Mr Kumaramangalam, was making the earlier observation as it was demanded in Parliament that new steel plants should be established in Madhya Pradesh and Orissa which had all the facilities for such new units. The cost of new steel units will necessarily be more than that involved in expansion schemes as the mining facilities already exist and transport arrangements have to be only augmented. There will be no need for constructing housing colonies in a big way while excess capacity may exist in some departments.

It is no surprise, therefore, that the cost of new construction is nearly double that of expansion schemes. In the case of Bokaro particularly, the low cost of expansion is mainly due to deliberate heavy expenditure incurred, in the first phase, on the lay-out of the plant which was intended to facilitate future expansion and public memory is always short. In fact, it had been emphasised by experts that it would not be advisable for this sophisticated plant to continue to operate on the basis of a capacity of 1.7 million tonnes of ingots as heavy losses would have to be incurred and the break-even point may not be reached until a capacity of 2.5 million tonnes was achieved. In view of the need to eliminate losses and secure a higher level of production within a short period, there will necessarily have to be continuous expansion of the Bokaro unit until the four million-tonne and even the 5.5 million-tonne stage as it has been emphasised that the cost of additional capacity will be cheaper than in the case of new units. The government has rightly decided to accord higher priority for Bokaro's expansion though there may be difference of opinion over the conception of the project and the blueprint for a lay-

out which has compulsion about expansion in a big way resulting in the shutting out of other projects.

A similar approach also is being adopted in the case of Bhilai with greater justification and the capacity of this unit is being raised to four million tonnes from 2.5 million tonnes. While the compulsion and the desirability of expanding capacity of these two units were never in doubt what is really sad is the fact that no attempts have been made so far to expand the capacity of the two private sector units, which are the only steel plants functioning on a sustained profitable basis in spite of many handicaps. The government is culpable for not thinking of expanding the capacity of these two units because of ideological inhibitions and has needlessly inflicted a heavy loss on the nation in the shape of lost and cheaper production because of lower capital cost. The expansion scheme of Indian Iron and Steel Company particularly for raising capacity by three lakh tonnes with a small outlay, which even on the revised basis works out to only a little over Rs 2,000 per tonne of capacity, has been needlessly delayed. It has now been indicated that this project is being taken up. While an early decision may be taken in this regard and the project implemented without any further delay, what is more important is the need for thinking on ambitious line so that between Tata Iron and Steel Company Limited and Indian Iron & Steel Company Limited there can be a doubling of capacity to six million tonnes. Mr Kumaramangalam has given enough indication to suggest that he is in favour of expanding the capacity of these units and some tangible proposals may be made in the coming months.

Besides the lower capital outlay on the expansion of TISCO and IISCO, what is more important in the present context is the need for a continuing rise in production in the coming years. There has been an awkward increase in consumption of steel laterally and with greater emphasis on exports of engineering goods, it may well happen that an increase in production, with better use of existing capacity and the implementation of expansion schemes of Bhilai and Bokaro, will take care only of the rise in consumption in the next three or four years and it will not be possible to reduce imports. It may not actually be possible to effect a reduction in steel imports in the current year as even with a higher output of 7.2 million tonnes of ingots, availability may fall short of actual demand. Internal consumption and exports may require additionally one million tonnes of finished steel while the increase in output will be only 7.5 lakh tonnes of finished steel. Since it is unlikely that the

two new steel units proposed to be located in the southern region will commence production before the commencement of the sixth Plan, some more expansion schemes have to be taken up immediately for preventing the emergence of acute scarcity midway through the fifth Plan.

It has been conservatively estimated that aggregate capacity will have to rise to 19 million tonnes of ingots by 1978-79. The actual need, however, may be much higher at 22 million tonnes. How can this capacity be achieved? The present capacity is nearly nine million tonnes while Bhilai and Bokaro will be adding between themselves 5.3 million tonnes of new capacity. Assuming that it will be possible to raise the capacity of Bokaro to only four million tonnes by the end of the fifth Plan, there will be an aggregate capacity of only 13.5 million tonnes. Even granting that Bokaro's capacity can be raised to 5.5 million tonnes by 1978-79, the total will increase to only 15 million tonnes. The expansion schemes of TISCO and IISCO have, therefore, to be accorded the highest priority even for attaining the Planning Commission's target of 19 million tonnes. As there may be a faster growth of demand once the desired momentum had been gained by the economy, the capacity of the Durgapur and Rourkela plants also have to be raised to three million tonnes each which will give an additional capacity of 2.6 million tonnes. The balance of 14 lakh tonnes can be expected to be made up by mini steel plants and other measures.

Mr Mohan Kumaramangalam should be aware of these compulsions and early decisions on expansion schemes may be announced. But it is clear beyond doubt that only expansion schemes can meet the growing needs of the country in terms of steel in the next seven years. There will also have to be perspective planning for the sixth Plan as in 1979-84 only new plants can deliver the goods. If there is to be a target of at least 30 million tonnes for 1983-84, it will have to be decided that three more units should be located in different parts of the country with an initial capacity of even 2.5 million tonnes each. A decision about two more new steel plants, one in Orissa and another in Madhya Pradesh, cannot, therefore, be postponed for long. It may even be necessary to erect a third new plant and fifth in the new series in order to broaden and disperse the base further and improve the stature of the industry. The steel map is becoming important and it should not happen that the country is caught napping when new trends in steel consumption assert themselves forcefully.

Unreasonable attitude of UPSEB

THE Planning Commission and the Central government have clearly told state governments to raise more resources to finance their respective plans, none of which can be described as being non-ambitious. But the same fervour seems to be lacking in their insistence on state governments refraining from certain actions which have the effect of sharply reducing revenue both directly and indirectly. Otherwise, it is difficult to explain the actions of the UP government and, more particularly, the UP State Electricity Board, which run counter to advices and suggestions from the government of India, the Planning Commission and the Tariff Commission, among others, in the matter of rates charged for electrical energy to a basic and strategic industry like the Aluminium industry. The question of electricity rates charged to the industry, in particular to Hindustan Aluminium Corporation Ltd (HINDALCO) *vis-a-vis* the rates charged by other states governments to aluminium companies in their states (*i.e.* outside the UP) accordingly figured prominently at the annual general meeting of Hindalco (held in Bombay recently).

Mr G. D. Birla, Hindalco's Chairman, explained at length the position in regard to power supply from the UP State Electricity Board (UPSEB). There is a long-term agreement between the company and the UPSEB which is, more often than not, ignored by the latter. Not only does the UPSEB charge to Hindalco by far the highest rates paid by any aluminium producer in India; it also does not supply the quantum of energy undertaken to be supplied under an agreement. The situation gets aggravated every year by the power cuts imposed by the UPSEB on some pretext or the other. If complaints are made to the Board, instead of referring the matter to arbitration as has been mutually agreed upon, the UPSEB serves notices threatening to cut off even this reduced supply. Similarly, the Board has refused to renew the agreement providing for the supply of additional energy in case of an emergency or shutdown of any of the Renu-sagar thermal units for repairs, forcing the company to move the High Court so as to ensure continuance of power supply. Again, for the efficient functioning of its own thermal units, Hindalco has to depend on coal supplied by the National Coal Development Corporation (NCDC)—

another Public Sector project—which not only supplies bad quality coal but even this supply is woefully inadequate. So it remains to be seen how far Hindalco's power problem would be mitigated by the new licence for additional power production which Mr Birla told Hindalco shareholders, the company is likely to get. Meanwhile, it may be noted, the government of the UP and the UPSEB have already issued letters of authorisation for expansion of the company's Renu-sagar power plant to take care of the permanent requirements of power for its proposed expansion of production capacity by a further 30,000 tonnes.

Normally, the cost of electrical energy accounts for a major portion of the cost of making aluminium. It is, therefore, a matter of concern to Hindalco that the rates of tariff for the power supplied by UPSEB under the Emergency Assistance Agreement, which are high enough as originally fixed, are proposed to be stepped up further. (These have actually been raised with effect from January 1, 1972, making the power cost even more prohibitive, but the company has contested the rise). Mr Birla indicated that this would lead to an increase of Rs 1.22 lakhs over the 1970 figure under this head. Even in regard to the supply of power to Hindalco pending the expansion of its Renu-sagar thermal Plant, after the UP government had agreed to charge at the rate of four paise per unit, the UPSEB has stalled it on the score that this rate is not profitable.

One is at a loss to account for this strange attitude on the part of the UPSEB in particular and of the UP government generally. It cannot be that these authorities are unaware of the importance of the aluminium industry, especially as it is now in demand more and more for defence uses. This apart, the state government ought to be really concerned about any setback to this industry—in its case Hindalco—as this would adversely affect employment in the state (currently, staff and workers in Hindalco number over 4,000) and also state revenues. For instance, if production in Hindalco goes down, the state's revenue by way of sales tax would also go down. Instead of giving all encouragement to an industry like this, as other state governments have been doing the UP government would appear to be adding to its burdens. No less a person than a central minister informed the Lok Sabha recently that, compared to aluminium industries elsewhere, the aluminium industry in the UP *i.e.* Hindalco, suffered from a difference in costs of production on account of electricity to the tune of some six crores of rupees.

No chairman of the board of directors

of a company would like to present poor results of working of an industrial unit under his charge, if he can. Before any shareholder could point out to this, therefore, Mr Birla himself said, in the course of his introductory remarks at the last annual general meeting of Hindalco, that he was rather disappointed at the poor results, although he was at pains to explain why this was so—"for reasons beyond our control". Among the major causes he listed were prohibitive cost of electrical power, reduced prices of aluminium, rise in raw materials prices, tax liability and provision for gratuity. But the veteran captain of industry that he is, he said he was undaunted and would "depend on our own efficiency" to maintain profits. "We are trying our best to economise". However, he added significantly, "where a plant is already working efficiently, there is little scope, if any, for economy". Even so, Mr Birla pointed to efforts being made in the direction, such as establishment of a Recovery Division to plug all loopholes wastage and setting up of an Economy Division to effect further economies where feasible.

Explaining why the cost of production of aluminium has gone up so much over the past year, Mr. Birla said this was primarily due to the increase in prices of power, aluminium fluoride, cryolite CP coke, caustic soda, hard pitch and soda ash (both imported and indigenous) and also the rise in costs of steel and spare parts. He also made the point that the public sector concerns were frequently raising the prices of items supplied by them, thereby dispelling the popular illusion that prices charged by public sector concerns are reasonably stable. This is rather disturbing, because, if prices cannot be held by the public sector units which have come to occupy "commanding heights" the prospects of the government being able to hold the price line would be bleak indeed.

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POINTS OF VIEW

The arithmetic of farm mechanization

L.R. Singh and J.P. Bhati

THE technological breakthrough in our agriculture has increased the farm income. The introduction of short duration high-yielding crop varieties is fast replacing locally adopted crop varieties and thus opens new avenues for following multiple cropping. This has not only led to increased employment of human and bullock labour but has also helped to create employment for the major part of the year for small and medium farmers. On large farms, on the other hand, this increased demand of human and bullock labour brought forth by new technology would tend to increase the demand for farm mechanization. Farm mechanization replaces human and bullock power in preparatory tillage and threshing operations and thus creates unemployment. However, it ensures the completion of these operations well in time on large farms. Also mechanization increases employment of human and bullock labour in operation like lift irrigation involving use of persian wheels and tubewell. Since the employment situation in the country is alarming, the unemployment creating aspect of mechanization may be socially undesirable but increased productivity of the land due to timely operations and multiple cropping may be an economically desirable preposition particularly on large farms. In this paper an attempt has been made to examine the impact of mechanization on human labour employment and land productivity and its value in the context of new agricultural technology.

The paper is based on the data taken from a study¹ conducted in Nainital Tarai and Baduan district of north-western Uttar Pradesh in 1967-68. The selections

1. Changing Agriculture and Rural life in a part of Northern India-Socio-Economic Behaviour of Progressive Farmers in North-West U.P., UP Agricultural University and Rockefeller Foundation Co-operative Project.
2. A farmer was classified progressive if he satisfied any three of the following criteria (1) having at least 30 per cent of his sown area under HYV, (2) having at least 20 per cent of his sown area irrigated, (3) having at least 20 per cent of his sown area chemically fertilized, (4) having owned means of irrigation (5) having one agricultural machinery as tractor, thresher, etc.

of farmers was made by following a four stage stratified sample design, with district as the 1st stage unit, development block within the district as the second stage, agriculturally progressive locality (gaon sabha) within the blocks as the third stage and farmers within selected localities as the fourth stage units. Two blocks in each district and 6 gaon sabhas in each block were selected. From these gaon sabhas all the progressive farmers and 10 per cent of less progressive farmers were selected. In all 245 progressive² and 158 less progressive farmers representing three size groups of holdings *viz*; small with less than 10 acres, medium between 10-30 acres and large with 30 acres and above were interviewed.

To examine the impact of mechanization on farm productivity and its substitution rate with labour, aggregate farm production function for the two groups of farm separately were fitted in the following form :

$$[Y = a x_1^{b_1} x_2^{b_2} x_3^{b_3} x_4^{b_4} x_5^{b_5}]$$

The variable included are:

Y =The total value of farm crop output in Rs 100

X_1 =Expenditure on bullock labour in Rs.
 X_2 =Expenditure on technology (HYV, fertilizer and irrigation) in Rs.
 X_3 =Expenditure on machinery in Rs.
 X_4 =Operated area in acres.
 X_5 =Expenditure in labour in Rs.

a is constant and $b_1, \dots, b_5$ are the regression coefficients of respective variables.

The examination of simple correlation matrices indicated the absence of multicollinearity in the data for both the equations pertaining to progressive and less progressive farms.

results and interpretation

Table I indicates that the adoption of mechanization is visible only on medium and large farms. As a result of increase in the level of mechanization as reflected through expenditure per acre on machinery, there is decrease in the level of expenditure on labour. This in turn reflects the emergence of unemployment as a consequence of increased mechanization.

TABLE I
Findings : Per Acre Level of Resource Use on Farms of North-West Uttar Pradesh : 1967-68

Type of farms	No.	Size of holding (acres)	Exp. on bullock labour (Rs) X_1	Exp. on technology (Rs) X_2	Exp. on machinery (Rs) X_3	Exp. on labour (Rs) X_5
Progressive						
Small	41	6.73	96.70	129.2	2.52	259.10
Medium	120	17.20	65.11	105.0	29.30	247.26
Large	84	60.40	24.18	106.9	57.00	182.41
Average	245	30.32	38.21	106.9	47.20	203.22
Less Progressive						
Small	64	6.72	76.87	38.2	3.10	218.27
Medium	82	15.54	48.07	29.4	7.30	169.27
Large	12	49.80	22.09	23.1	27.70	118.47
Average	158	14.58	46.70	29.4	12.00	165.18

(Technology is defined as a package consisting of the expenditure on high yield variety seed, irrigation and Fertilizer).

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However, if now agricultural technology is adopted as could be seen for progressive farms, mechanization would make it possible to grow more than one crop and could not only offset the unemployment effect of mechanization but also create additional employment opportunity on the farms.

From table II it is clear that except the bullock labour, the coefficients of all variables are significant statistically. The non significant coefficient of bullock labour could be contributed to its indivisibility. Also on less progressive farm the impact of technology is not significant statistically.

The marginal value products of technology, machinery and operated area are significantly higher than that of their respective acquisition costs on progressive farms which indicate the scope for increasing use of these resources to increase farm returns. On less progressive farms only machinery has higher marginal value product than its acquisition cost. The productivity of labour on both types of farms is statistically equal to its acquisition cost indicating thereby an efficient and rational use of this resource. This seems quite plausible as labour supply in this region is scarce and most of the labour comes from the eastern part of Uttar Pradesh (a relatively surplus region of the state).

resource substitution

The rate of technical substitution between two inputs is computed by holding other inputs in the equation constant at their geometric mean levels (Table IV.)

Land is a scarce resource. It is seen that to replace one acre of operated area on progressive farms, Rs 203.78 worth of technology is needed. The annual acquisition cost of one acre of land is Rs 320.00. Thus it is economical to push the technology and substitute it for land.

Labour substitution through mechanization would reduce the cost considerably. To replace one rupee worth of labour the expenditure on machinery is 0.11 and 0.03 on progressive and less progressive farms respectively. Hence it is economical to have mechanization on both types of farms but relative economic efficiency of mechanization in terms of labour replacement would be higher on less progressive farms as compared to progressive to achieve the existing level of farm income.

Although this creates unemployment, its magnitude however would be less on progressive farms.

As a result of diversion of funds from labour to machinery, the productivity of land, technology and labour would increase and that of machinery would go down. On progressive farms the produc-

tivity of land is statistically higher than the acquisition cost and a further increase in its productivity as a result of increased mechanization would attract these farmers to increase their operated holdings by purchasing land even at higher acquisition cost. The existing land productivity on less progressive farms on the other hand is statistically equal to acquisition cost. The

TABLE II

Elasticity of Production R^2 and Return to Scale

Type of farms	Bullock labour	Technology	Machinery	Operated area	Labour	R^2	Return to scale as ind. by t-test
	X_1	X_2	X_3	X_4	X_5		
Progressive (245)	0.02157 (0.02156)	0.27403** (0.04432)	0.0293* (0.01064)	0.59836** (0.06114)	0.30512** (0.05366)	0.82	Increasing
Less Progressive (150)	0.00577 (0.03111)	0.04407 (0.02647)	0.03798* (0.01828)	0.70503 (0.09280)	0.30815** (0.08613)	0.64	Constant

Note: Figures in parenthesis denote standard errors of respective regression coefficients.

* Significant at 5 per cent level.

** Significant at 1 per cent level.

TABLE III

Marginal Value Products of Farm Resources

Type of farm	Bullock labour	Technology	Farm machinery	Operated area	Labour
Progressive	0.46 (0.46)	2.47** (0.40)	9.73* (4.15)	503.36** (51.43)	1.25 (0.21)
Less Progressive	0.06 (0.35)	1.31 (0.79)	34.02* (16.37)	320.85 (42.23)	0.85 (0.24)

Note: Figures in parenthesis denote standard errors of marginal value products.

* M.V.P. significantly different from annual acquisition cost at 5 per cent level.

** M.V.P. significantly different from annual acquisition cost at 1 per cent level.

TABLE IV

Rate of Technical Substitution on Progressive and Less Progressive Farms of North-West (UP): 1967-68

Type of farm	Substitution between	Rate of technical substitution $\frac{dx_i}{dx_k}$
Progressive	Technology and operated area	-203.78
Progressive	Machine and labour	-0.11
Less Progressive	Machine and labour	-0.03

substitution of labour through machinery may not boost the productivity of land to such an extent that the less progressive farmers could compete with the progressive counterpart in acquiring more land from the inflexible market dominated by higher prices put forth by progressive farmer. Thus progressive farmers tend to increase their farm size. But due to the fact that the attachment to land in India is

high and alternative employment opportunities are rare, the less progressive farmers may not dispose of their land so readily. However, the less progressive farmers particularly the small ones are finding it hard to survive due to (a) a decline in product price from a shift in product supply function whose benefit they have not reaped fully (b) by their failure to share in increased land values, through

denial of access to the land market which would otherwise transmit the machine effect. Both the things are clearly visible in this area where the land prices have gone upto Rs 4,000/- per acre, (the price of land was comparatively very low before the advancement of new agricultural technology) and the small and less progressive farmers are finding it difficult to hold their own.

Economics of Tourism

S. Venu

INTERNATIONAL TOURISM is the largest single item in the world's foreign trade and for some countries the most important earner of foreign exchange. For other countries, it represents a promising new source of economic growth.

In economics, the demand for goods and services is regarded primarily as a function of price. Some public products are supplied free. Others are determined by the 'Invisible Hand'. Tourism is somewhere midway between these extremes. The costs of transportation are borne by the consumer, while others, such as infrastructure costs are borne by the public sector. The tourist, as a buyer, travels to the origin of the product to acquire it.

Apart from the balance of payments aspects, tourism's benefits extend to other directions. It promotes balanced regional development as tourist centres are developed away from the industrial areas. The money spent by tourists is re-spent or saved by the local population. The income 'multiplier' effect determines further employment and output. It is a service industry and labour-intensive; hence of special interest to the labour-surplus traditional societies. Finally, the 'cross-fertilization' of ideas between peoples has intangible social benefits.

Who is a tourist? He may be regarded as a recreational traveller, a business traveller or a traveller for other purposes such as meetings. The recreational traveller's demand is price-elastic as tourism has rapidly extended to the middle income classes in the age-group of 25-40. The business traveller's expenses are usually "on the house"; his demand is neither price nor income elasticity over a wide range. The third category is the miscellaneous traveller who goes abroad for health reasons, to international conferences or for domestic reasons etc. The 'stopover' visitors are excluded from the purview as

statistical data on this category will be difficult to compute. His behavioural pattern, too, is indeterminate.

The receipts from international tourism over the period 1955-1968 increased, at a phenomenal annual average rate of 20 per cent, while world exports increased at 7.8 per cent. Tourist receipts as a proportion of world exports increased from 4.2 per cent in 1955 to 7.1 per cent in 1968 (Table I.)

Unlike many of the developing and developed countries, India suffers from a paucity of statistics regarding receipts from tourism. In the Reserve Bank of India's annual reports no attempt has been made at any estimation of tourism earnings under 'invisibles'.

A tentative estimate can be made thus. In 1968, approximately 2,00,000 tourists came into India. Assuming a per capita outlay of \$250, and allowing for a leakage of 25 per cent by way of 'blackmarket sales' of currency and expenditure on imported content of products purchased, the net foreign exchange earnings would be in the region of Rs 25 to 30 crores per annum. More detailed presentation of a model to work out all the income and foreign exchange effects will be attempted later.

For 1968, on this basis, tourism receipts

as percentages of value of exports and gross domestic product in various countries are given in Table II.

TABLE II

Tourism Receipt as Percentage of Export and Gross National Product 1968 and Ranking of Receipts in Export Trade

	% of export earnings	% of GNP	Ranking in export trade
Barbados	32.4	14.3	1
Ceylon	2.6	.6	7
Jordan	21.6	5.1	1
Malta	17.8	4.4	3
Spain	22.3	5.2	1
INDIA	2.4	.0102	12

Note: For Hong Kong, Mexico and Panama also the receipts from tourism exceeded those from any industry.

Source: Individual statistics of different countries.

It is evident that India is a 'laggard' with 'miles to go'. But before we propose any specific panacea a model analysing the economic effects of tourism is necessary.

the Zinder report—a critique

This report* has had considerable in-

TABLE I

Tourism Receipts and World Exports

Item	Amount in £ Billion 1955	1960	1968	Percent increase	Average annual growth rate
World export of all goods	32	44	67	101	7.8
Value of tourist receipts	1.36	2.43	4.76	250	20.0 (Approx.)
Tourist receipts as percentage of world exports	4.2	5.4	7.1	—	—

Source: U.N. Balance of Payments Statistics.

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fluence on economic precept and practice in the field of tourism.

The crux of the report is the 'multiplier' effect of tourist spending in different countries where the following figures are derived :

Yugoslavia	8.4
South-east Asia	3.2
Caribbean	2.3

These are specific income multipliers. One thousand dollars spent by tourists would add \$2300 or \$3200 as the case may be before the impact wears off by leakage.

However, all the calculations rest on the unrealistic assumption that the propensity to import and consume, the ratio of yield from taxation to the national income and the share of wages in the national income are constant.

The basic fallacy is that the income multiplier is in reality only a transactions multiplier. It is merely a measure of "dollars changing hands" as under:

First Round	Tourist pays hotelier	315.00
Second Round	Hotelier pays wages, buys goods, pays taxes on the goods.	248.37
Third Round	Wages and salary receipts; spent on goods; government spends tax revenue.	151.91
Fourth Round	Same as above	61.00
		776.28

(I) The General Multiplier

In an open Keynesian Economy, the basic equation is :

$$S + E_a = I + E_t \quad (1)$$

Where S and E_a represent 'leakages' from the tourists' home country in the shape of savings and expenditure on tourism abroad. I and E_t represent injections of investment and expenditure by foreign tourists in the nation visited.

It is assumed that S and E_a vary solely with households' income within a relatively narrow price range of services. Thus

$$S = f_1(y) \quad (2)$$

$$E_a = f_2(y) \quad (3)$$

$$\text{Further } \Delta S = s \Delta y$$

$$\Delta E_a = ea \Delta y$$

These equations mean that 'S', the marginal propensity to save out of incremental income is constant; the expenditure on tourism ' ea ' is the marginal expenditure propensity, also constant in terms of incremental incomes.

From the equilibrium condition of (1)

$$\Delta S + \Delta E_a = \Delta I + \Delta E_t \quad (4)$$

from (2), (3) and (4) we get

$$S \Delta Y + ea \Delta Y = \Delta I + \Delta E_t$$

$$\Delta Y = \frac{I}{S + ea} (I + E_t)$$

Thus, the change in income will be K_t times the change in investment or expenditure by foreign tourists where K_t is equal to the reciprocal of the marginal propensity to save plus the marginal propensity to spend abroad. If 25 per cent of an increment in income is saved and 15 per cent spent on tourism, then $S = .25$ and $K = 15$.

$$\text{Hence } K_t = \frac{1}{.25 + .15} = 2.5$$

A change in I or E_t will lead to an increase in income of two and half times the amount. This is the *tourism multiplier*.

(II) Income Multiplier and Import Coefficient

Let us assume that the import coefficient is .1 or 10 per cent. This refers to the imported goods bought by tourists and

also accounts for the net foreign earnings after allowing for the cost of imported materials bought by hotels in developing countries. For India, this assumption seems reasonable. For a Rs 50 million '5-Star' hotel, the foreign exchange allowed for acquisition of fixed assets is usually Rs four million and allowing for imported supplies of liquor and any 'overrun' on costs, the 10 per cent assumption is valid. Most consumer goods are made indigenously; antiques are entirely of local origin.

The final multiplier can be calculated on the assumption that the propensity to consume and the government propensity to spend both equal unity with the import coefficient at 10 per cent.

If \$ 100 is spent on accommodation, local expenditure is generated as given in Table III.

The initial accommodation multiplier is \$ 180. Allowing for a second and third round effect with smaller incremental doses, the total works out to \$ 250 as an approximation. The accommodation multiplier is 2.5.

The Food and Drinks (F & D) multiplier can now be calculated. The total volume spent on F and D is about 50 per cent of that on accommodation. Allowing for a 20 per cent imported content, \$ 40 is the net local proceeds for every \$ 50 spent. The multiplier is given in Table IV.

Successive rounds of decreasing intensity

TABLE III
Accommodation Expenditure

First Round :	Tourist to hotelier	Local Purchase	\$ 90
	Leakage		\$ 10
Second Round:	Hotelier's expenditure		\$ 80
	profit		\$ 20
Third Round :	Wages spent		\$ 80 (c, the consumption propensity is unit
	Hotelier's expenditure from profits		\$ 10 (his value of $c = .5$)
	Tax yield		\$ 10
	Government expenditure		\$ 10

TABLE IV
Food and Drinks Expenditure

First Round :	Tourist to hotelier	\$ 50
	Import content	\$ 10
Second Round :	Hotelier's expenditure	\$ 40
	profit	\$ 10
Third Round :	Wages spent	\$ 40
	Hotelier's expenditure	\$ 5
	Tax yield	\$ 20 (high liquor taxes)
	Government expenditure	\$ 20

*Report prepared by H. Zinder and Associates for the US AID in 1969.

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can be assumed. The F & D final multiplier is about 3.0.

Allowing for a 1.5 multiplier value without import leakages from spending on local transportation and shopping, on a \$50 initial outlay, the total income multiplier from an outlay of \$200 is :

$$\$250 + \$150 + \$95 = \$475.$$

The final multiplier in India is around 2.37. It must be emphasised that this is highly tentative and more data on the domestic marginal propensity to save is necessary. Allowing for errors of estimation or extrapolation, the multiplier could easily reach 3.0, if not more, by 1975.

(III) Foreign Exchange Earnings

Postulating a savings rate of .2 and import coefficient of .2 (on the high side for India) the position would be :

Foreign Exchange brought in	Tourists' spending Spent	Local income Saved	Spent	Saved
\$ 200	\$ 160	\$ 40	\$ 128	\$ 32

The pure 'isolated multiplier' of foreign exchange spending is $288 \div 200 = 1.44$, but this has been included in our earlier estimates.

Tourist Multipliers for other countries as assessed in different reports are :

Pacific and Far East	3.2 to 4.3
Hawaii	1.3
Pakistan	3.3
Ireland	2.7

Thus, our results appear to be valid.

(IV) Tax Revenues

The proportion of tax revenue to national income varies from 10 to 20 per cent in the developing societies. The revenues accruing to the government can be ex-

pressed by the following equation :

$$T = E_f K_t p$$

Where T=Tax revenue, E=expenditure by tourists, K_t is the tourism multiplier, and p=proportion of national income accruing to the government by all taxation.

Where statistics are available of the revenue from tourists' spending it should be possible to effect broad assessments of the cost-benefit ratios of public outlays to achieve these revenues.

policy implications

The volume of tourist traffic is estimated to go up to 5,00,000 in 1975 and 9,00,000 in 1980.

This indicates that about 45,000 rooms are required by 1980 as against 9,000 rooms available in 1971. A total outlay of Rs 350 crores is indicated and the capital-output ratio is in the range of 3:1.

On our previous analysis, the estimated foreign exchange earnings for 1975 and

1980 are:

	Multiplier	Foreign exchange earnings
1975	\$ 27 billion Rs 202 crores	\$ 8 million Rs 60 crores
1980	\$ 31 billion Rs 225 crores	\$ 1.4 billion Rs 105 crores

The moral of these findings is quite clear. While the Ministry of Tourism is looking on proposals to put up hotels with favour, the Ministry of Company Law is regarding this area as a loophole used by 'monopoly houses' to increase their stronghold on the economy. Our analysis shows that irrespective of ideological considerations, the building of hotels is a must as the benefits far outweigh the visible costs and also the invisible costs of any 'concentration'.

It is also essential that foreign firms operating in India are encouraged to go into this line with expansion of Indian equity holding. Thus, the government fulfils two objectives; first, greater domestic ownership and second, reducing the strain on the balance of payments as exchange earnings will be greater than the marginally greater flow of repatriation abroad.

Eastern Economist 25 Years Ago

June 13, 1947

A document of some practical value reflecting the judgement of men intimately connected with the industry was rescued from the dusty archives of the Central Secretariat a few days back. It is the report of the Post-war Sub Committee which was constituted in September 1944 and considering the nature of the report itself there is no doubt that it must have taken at best a few months to cover the subject of enquiry. The date of its preparation has been conveniently left to the imagination of the reader, but there is cogent internal evidence to show that it is in any case prior to the Insurance (Second) Amendment Bill which is on the legislative anvil for more than one year. The first Amendment Bill to the Insurance Act of 1938, the appointment of the Jehangir Committee; the Second Amendment Bill embodying practically all its recommendations and the setting up of the Sub-committee of the Advisory

Committee almost about the same time are proof positive that the former Government of India did not feel it worthwhile to formulate a definite and clear-cut policy in respect of this vital national industry. The sole term of reference of Sub-Committee was couched in vague and rather indifferant language—to consider "all the problems relating to Post-War India"—as if the entire vast field from corp and cattle insurance right up to social security can be covered in a brief investigation. But the Sub-Committee has done well to confine its attention to life insurance in particular and also to the main problems of general insurance. Its recommendations clearly point out what independent action insurers on their own part can and ought to take to revitalise the industry and at the same time indicate lines on which the Government should contribute its primary share to the requisite reform.

India, Nehru and Australia

Josselyn
Hennessy

London.

Some Forthright Views

I FIRST began contributing this column to *Eastern Economist* in October, 1946.

With a glow of modest pride and keen gratitude I record that, in these 26 years, on the one hand, I have received only a single letter of criticism (which I published) for what the writer amiably called my "laughably obsolete economics" and my "quaintly archaic social outlook", while, on the other, it has won, from countries far apart—including India, Australia, England, Kenya and the USA—a continuing trickle of fan mail, applauding the beams of free enterprise that I send forth in skies heavy with dark clouds of social

industrial civilisation, anti-colonialism, Zionism, the United Nations and other topics, spiced with lively portraits, including Dulles, Nehru, Sukarno, Kenyatta, Haile Selassie, Henri Spaak, and Australians such as Casey, Hasluck and Evatt—altogether an interesting historical record.

Not all Mr Crocker's views will be popular either in India or in Australia, but whatever one thinks of them, the experience and observation of men and affairs behind them compel one to reflect. One cannot brush them lightly aside or ignore them. I will quote three examples, the first on India, the second on Pandit Nehru, and the third on Australia's foreign policy.

"I will not go into Indian politics or

pritated, but now many millions are being made out of speculating in real estate in the ever-growing urban areas?

Non-violence was the sincere creed of Gandhi but not of many other Indians."

Crocker on Nehru

"I have given some impressions of the India of those days in my book *Nehru*. As Galbraith's *Ambassador's Journal* testifies, Nehru, like other Indians panicked in 1963 when China decided to give India a reminder. Nehru's twenty-one years' Prime Ministership will probably come to be seen as having had less effect on India than had been thought. His driving passions are largely irrelevant to the India he bequeathed. And Nehru will have to take his share of the blame for nationalist fury, for false hopes about paradise regained once independence had been gained and, above all, for bringing the mob on to the stage, including student mobs (which now riot because examinations are 'too hard' or they cannot get free or cheap cinema tickets). His enormous prestige will probably be written down in the future. That of Gandhi, on the contrary, will wear better. Gandhi was an Indian Nationalist but much more; for instance, he had taken the measure of machine civilisation and of some great truths. Yet whatever mistakes Nehru made they will never diminish his interest as a man. For me he was so fascinating as by himself to make my India assignment fascinating."

II

Australia as Crocker Sees Her

Mr Crocker has contributed to the latest issue of the *Australia Institute of Public Affairs Review* (289 Flinders Lane, Melbourne 3000) a reconsideration of Australia's foreign policy, which the pundits of India's External Affairs Department, and all interested in the current international kaleidoscope, should ponder.

Mr Crocker begins by asking "Does Australia know what she is doing?" I summarise his reply:

Australian foreign policy has been founded too much on fear, notably the fear that "they"—"they" being all the more menacing because of their shadowy vagueness, sometimes the Japanese, as twenty years ago, then the Indonesians, but more and more the Chinese, and more and more the all-comprehensive

devils, the unfailing stand-by of politicians at a loss, the communists—will come down and get us. Fear as a major ingredient of foreign policy is neither unusual nor unreasonable. But if fear takes on too much fantasy, if it is too disconnected from the facts, it becomes costly and perilous in foreign and in defence policy. The essential criticism of Australia's foreign policy is that it has been based too much on ignorance. It seems incredible but it is true that until last year at least, though the public had been made familiar with the phrase "the threat from China" as it had been with the phrase "there is no substitute for wool", our Department of Foreign Affairs had no section, no person even, specialising on China.

The first, and the never-ending, need in foreign relations is to get at the facts. This can be done only in a spirit of objectivity. The half facts or pseudo-facts of the mass media are not good enough. Nor are the highly selective tit-bits, which the (American) CIA might care to provide us with. A primary function of our Foreign Office doing its job properly, is to work at the balance sheet of likely developments and to calculate our true interests, as distinguished from our alleged or apparent interests. China is an obvious case for such an exercise. So too is the hypothetical situation of a Malaysia or an Indonesia going communist, or the lessons of events in Vietnam and the rest of south-east Asia since the expulsion of the French. The Pentagon Papers, recently leaked and published, illustrate the yawning gap between public beliefs and the realities.

Australia has no foreign policy

As a result of our ignorance, Australia has been prone to a satellitism to the United States of a singularly passive and uncritical sort. "All the way with LBJ". The case for the American alliance was clear, but we went too far. Indeed it could almost be said that the essential characteristic of Australian foreign policy is that Australia has no foreign policy of its own. We accepted American public estimates and attitudes on virtually all the great issues of the last two decades. We made speeches at the UN, and we made diplomatic representations in various capitals, at American behests, and at times in the very phrases concocted in Washington. Our assiduity and docility have been paralleled only by Russia's tame, or most cowed, satellites. That is why Nehru could not be shaken in his belief that Australia did not have an independent foreign policy.

Moreover, and leaving aside questions at the sufficiency or insufficiency of our

senior officials in Canberra for working out cohesive independent foreign policy, too much of the time and staff of the Department of Foreign Affairs has been taken up with peripheral matters. These become a substitute for the real thing. A glaring example is attendance at the innumerable and largely useless meetings at the UN and its dozen Specialised Agencies (FAO, ILO, etc.), a hangover from Evatt's days but greatly multiplied. There is probably not a day in the year, certainly not a week, outside of the holiday periods, when the Australian taxpayer is not supporting some delegation or other at some UN meeting or another.

conditions for development aid

Another example of the substitute taking the place of the real thing is aid to foreign or developing countries. The idea of aid as an expression or human solidarity is in itself good up to a point. The question is, or should be, in each specific case: How far can this aid be effective in any meaningful sense? For the painful truth is that the gap in economic development between, say, Canada and the Congo is the expression of a historical if not a mental gap, and this is not to be closed just by shovelling in tractors, iron works, or technicians. The Australian taxpayer has been paying a heavy bill for aid—nearly \$14 per man, woman and child annually, about \$1500 million since the war. We pay out a bigger proportion per capita of our national income than USA or Canada. And of course, a sizeable bureaucracy has grown up to deal with it. Vested interests are now deeply and powerfully involved. The UN and its agencies have thousands of tax-free employees spanning the world on aid programmes. There had been tremendous waste. There is little gratitude in the receiving countries. There has not been a proportionate effect for the expenditure. The whole aid phenomenon has been shot through with fictions and misapprehensions, such as about hunger. There is no world shortage of foodgrains. Even India has a surplus. The handling of aids has improved in recent years but the requirements I listed a decade or more ago when I was responsible for aid programmes have not yet been achieved: in the receiving country a proper budget system, a proper plan, proper preliminary investigation, an adequate public service which can use the aid, a proper appreciation of the population problem (rampant in the so-called developing countries), and aid not to be diverted to military purposes.

It is significant that the Australian Commonwealth Parliament in this year of high inflation and budgetary difficulties has made no comment on our aid bill of about \$14 million to Indonesia—an

expenditure hard to justify on any objective count.

The ignorance predisposing us, as our relative defencelessness predisposes us, to satellitism, is connected with Australia's geographical position and our newness to the responsibilities of foreign relations. Until recently, when the aeroplane drastically reduced distance, Australia was remote from the world—a far-away continent, mostly desert and populated thinly around some of its edges. The world scarcely knew us. And we knew little of the world. Until recently only an infinitesimal number of Australians had seen Chinese, or Africans, or Spaniards, or even Americans, at home; and the proportion which knew a foreign language was (with New Zealand) probably the lowest in the world of the white races. A special responsibility as regards the ignorance behind our foreign policy belongs to our parliamentarians.

Australia's legislators are near the world record for their numbers in proportion to the population and also for the scale of their remuneration. Yet no parliaments in the White World (other than New Zealand) have had such a small proportion of members with a tertiary education. I have no undue respect for formal education, the value of which is often exaggerated in this epoch of the neo-literate. There is no necessary correlation between diplomas and force of mind. But there are limits to the acceptability of average uneducatedness. The stark truth is that Australia has had the worst informed parliaments, as well as carrying on proceedings with the worst manners in the White World. There has been nothing to choose between the parties in this respect. More disturbing even than the ignorance of the average MP about the outside world is his lack of curiosity about it. Such parliaments are an easy prey to shibboleths and subjectivity. And equally bad is the mentality of treating every issue according to what party advantage can be got out of it. The need for bipartisan approach to foreign affairs is urgent.

III

Facts of Australia's Position

The press and the mass media, which are controlled by a handful of men, have done too little to rectify the error and illusion. They deny to the citizen his rights as regards adequacy of relevant information or of comment though Australia has some journalists of outstanding capacity who could well meet the need.

How much basis is there to the fears

WINDOW ON THE WORLD

ism, whose silver linings are streaked with bureaucratic red tape. Every now and again one of my correspondents publishes his views, and I seize the opportunity to give them wider publicity in this column.

The latest example is Walter Crocker, who first wrote me a letter of gracious appreciation as far back as 1954, when he was High Commissioner for Australia in India, and with whom—although I have not yet had the pleasure of meeting him—I have ever since periodically exchanged views. He published an intimate first hand assessment of Pandit Nehru in 1955, entitled *Nehru* (Allen and Unwin). Having retired from Australia's diplomatic service, he has just published a very personal account of his experiences of international relations in eleven countries since World War II, entitled *Australian Ambassador* (Melbourne Univ. Press), in which he offers challenging thoughts on the adequacy of the USA for world leadership, Australia's immigration policy,

politicians though they were my daily environment for some years. Politics meant personalities and these in turn meant largely personal interests. But there were ideological alignments too. And there was some corruption. The higher levels of the Civil Service, formed by, or formed in the image of, the British Civil Service, had some very able men. The lower levels, which meant over 75 per cent, and which numbered tens and tens of thousands, were a marvel of inertia, fussy inefficiency and predatoriness. One could not see how normal decent day-to-day government could ever be carried on by such people let alone huge development plans involving hundreds of millions of human beings. Today, twelve years after beginning arrangements, how much of the oil in Cambay is being brought into use? How much of India's equally vital needs of fertilizers are being produced, as they can be produced, in India? The old and useful landowning class, the zamindars, have been expro-

about someone coming down and getting us? Have certain primary facts about Australia's strategic position been grasped?

No country, no matter how powerful or how favourably placed by geography it might be, can have complete security any more than any human being, however strong and well doctored, can have complete security against cancer, or heart disease or earthquakes. Australia is no exception. Some risks have to be accepted. Over-insurance is no safeguard. Australia, within the foreseeable future, cannot indulge in an arms race with China or Japan or perhaps even India. Population and other military potential make that self-evident. China is developing thermo-nuclear capacity. It is not excluded that Japan will be starting on the process soon. This is likely to increase the claims, so far muted, that Australia should make the bomb. A thermo-nuclear arms race on Australia's part will not only eat up our resources enormously but instead of adding to our security is likely to lessen it. The bomb would put us among the potential targets for one

or more of the thermo-nuclear powers much greater than ourselves. (The present American gases in Australia could do the same).

There can of course be several views on this subject. It is highly technical. What is needed is calm discussion and cold evaluation, not emotionalism. My own view, concludes Crocker, is that in the long run Australia not only gains nothing by satellitism or commitments but does not require them. We are blessed with a strategical position which is as inherently favourable as Canada's.

China ? Japan ? India ?

Who is likely to come down and get us?

To examine China, India or Indonesia one by one, or that old favourite "world communism", with objectivity and in depth, would give us encouragement, either from the point of view of motive or of capacity. Still more to the point, none of these Powers would acquiesce in the

take-over, or a threat of take-over, of Australia by any one of the others. Nor would either Russia or the United States. This pleasing situation is not because anyone of them loves us, or because we are such fine fellows, but because such a take-over would upset the world strategical balance and especially the balance of the Pacific-Orient region. England and France declared war on Germany in 1939 because it took over distant Poland. In the last fifteen year we have heard much nonsense about Laos or some other area in south-east Asia being a vital national interest for Australia; but if any Power seriously threatened Australia we can be sure that we would become or be treated, as a matter of truth and not of slogans, as a vital national interest for half a dozen powerful countries. The balance of power is no empty phrase. Australia will have a major defence policy problem only if it is foolish enough, through phobias or fantasies or slogans (such as "Australia's responsibilities in the Pacific") to meddle in Asia's stresses and struggles. What we should be studying is the defence policies of Switzerland and Sweden. They have much meaning for Australia.

Investment Opportunities in Malaysia

B. S. Venkata Rao

Malaysia offers impressive opportunities for overseas investors seeking joint venture participation in the industrial field. Judged from the standpoint of governmental support for industrialisation, the fiscal and other incentives offered by the Malaysian government must be rated as very outstanding, and are among the most attractive ones available from newly industrialising countries. In the south-east Asian region, Malaysia is well known as a country which continues to enjoy a very high degree of social and political stability. She has a well-knit national government which is dedicated to the advancement of people's living standards through the implementation of well conceived economic development plans.

Malaysia has a forward-looking economy with economic growth and living standards continuously on the upward trend since the country attained independence. Her gross national product (at current prices) has risen from \$6,649 million in 1960 to \$11,951 million in 1970 and increase of about 80 per cent in 10 years, or an annual average rate of eight per cent. The GNP for 1971 is placed at

Ms12,170 million. Her per capita income is one of the highest in south-east Asia, an index of the high standard of living enjoyed by the people: it is estimated to have risen from \$845 in 1963 to \$1,099 in 1970 an increase of 30 per cent in seven years, or an annual average rate of about 4.3 per cent. The rate of economic growth has been particularly impressive under the stimulus of the first Malaysia Plan, the rate of increase in GNP having averaged over eight per cent during the period. According to present indications, the planners expect that by 1985, the GNP will go up to about \$27,000 million, which means that Malaysia will then be producing four times as much goods and services as in 1960. The per capita income is expected to go up to \$1,580 in 1985. An idea of the living standards of the people may be gained from the fact that out of the total GNP of \$11,951 million in 1970, consumption expenditure accounted for \$9,400 million, of which \$7,030 million was private consumption expenditure.

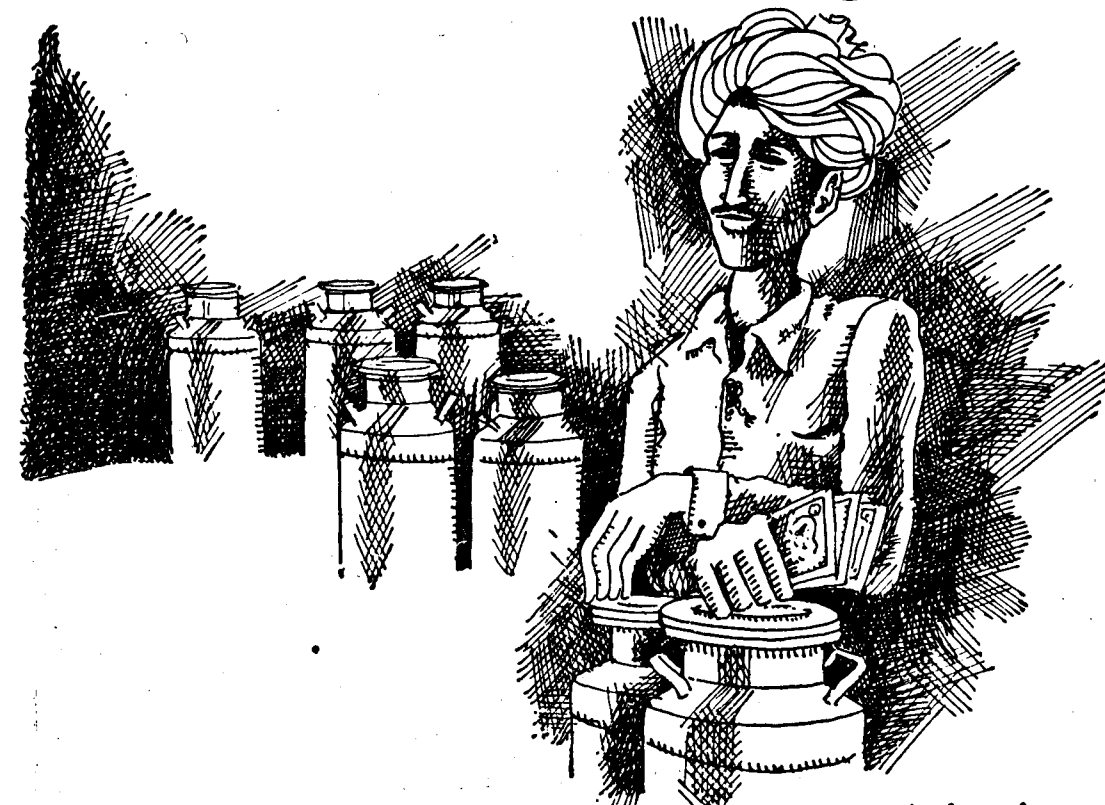
Although the high purchasing power of the people provides a solid base for the production and sale of goods and services,

the domestic market is small in absolute terms, with a population of about 10 million. However, in considering the size of the market in Malaysia, one has to take into account two essential factors, viz. (i) the country's high and continuously rising per capita income and (ii) the market potential in the countries of the south-east Asian region. As against Malaysia's population of 10 million, others in the region have a population of about 260 million. Besides, both Malaysia and her neighbours continue to depend on imports for substantial part of their requirements of industrial goods and services. These factors should place the market 'potential in Malaysia in its perspective.

Despite the economy's somewhat heavy dependence on the exports of a few primary commodities, viz rubber, tin, timber, and oil palm, it must be noted that these commodities have a reasonably assured international market. Any possible downward change in prices, which is relevant perhaps in the case of rubber, is not likely to produce any seriously adverse effect on the country's econo-

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 computed income included remittances from relatives in Africa.

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my. This is because of two important reasons—the efforts being made to set up a joint regional marketing system for rubber will prove helpful in exercising control over the production and prices of natural rubber. Secondly, by launching bold and progressive agricultural development and industrialisation programmes, a diversification of the economy is steadily taking place.

Excepting for a dip in 1967, the value of exports have maintained a steadily rising trend, having gone up from M\$3,749 million in 1965 to M\$5,106 million in 1970, an increase of about 24 per cent. Malaysia has, therefore, enjoyed a highly favourable balance on merchandise account, the surplus on this account having increased from M\$531 million in 1965 to M\$948 in 1970. The overall balance of payments position on current account has also continued to be favourable, the surplus having risen from \$127 million in 1965 to M\$976 million in 1969, M\$281 million in 1970 and M\$427 million in 1971. A significant feature of the Malaysian economy is the maintenance of a remarkable degree of price and monetary stability. While the US dollar lost 1.86 per cent of its purchasing power during the period 1956-1966, and is still under pressure, the loss in the case of the Malaysian dollar was only 0.45 per cent.

The country has a well organised stock market and a developed banking system. There is no dearth of private savings, and in fact many of the stock issues in the last couple of years have been over-subscribed. An important developmental institution, which has played a significant role in industrial financing, is the Malaysian Industrial Development Finance Limited (MIDFL) which provides medium and long-term loans to industries in Malaysia, and underwrites new stock issues.

aggressive approach

The enunciation, by the government, of its new economic development policy about the middle of 1969, calling for an aggressive approach to industrialisation, greater federal-state government cooperation, a greater dispersal of industries to the smaller towns and rural areas, etc. has infused additional dynamism into the country's industrialisation programmes. And the constitution of a Capital Investment Committee in June 1969, "to provide for top level review of the country's industrial development policies and programmes... with a view to co-ordinating these into a stronger, more consistent and integrated development strategy" augurs well for the acceleration of the industrialisation process.

Malaysia has well developed infra-

structure facilities which are a prerequisite for industrial development—roads, rails, ports, civil aviation, electricity, telephones etc. She has more than 11,000 miles of first class roads and highways; good ports at Port Swettenham (now Port Klang) and Penang where containerisation facilities are being developed; and fast and efficient air transport providing international contact, and connecting important commercial and industrial centres in the country. It is the policy of the government to promote industrialisation mainly through (i) a programme of building infrastructure, (ii) a scheme of appropriate incentives to industry owners; (iii) provision of technical assistance services, where needed; and (iv) stimulation of and assistance to private enterprise in the field of industry.

Under the Investment Incentives Act of 1968 as amended in 1969 and 1971, the following types of incentives are given to industrial establishments which are "resident companies", i.e. companies whose control and management are exercised in Malaysia.

pioneer status

Pioneer Status is given to industrial firms which manufacture products which are gazetted as *pioneer*. This entitles the firm to certain fiscal incentives which are related to the amount of fixed capital investment made by it during a given period. The firm is exempted from the company tax of 40 per cent and a development tax of five per cent for a period of two years regardless of the amount of investment made; for three years if investment is not less than M\$250,000; for four years if investment is not less than M\$500,000 and for five years if the investment is not less than M\$ one million.

An additional three years of tax holiday can be claimed by the firm if it (a) manufactures a priority product; (b) uses specified local content in the end product; and (c) is established in a development area. The areas declared as development areas by government are the states of Perlis, Kedah, Kelantan, Trengganu, Pahang, Sabah and Sarawak.

Where a pioneer firm incurs losses throughout its tax holiday period, capital allowances are allowed to be accumulated and carried forward for deduction in the post-pioneer period.

In addition to the above, pioneer firms are exempted from the payment of pay roll tax of two per cent and a surtax of two per cent on imported raw materials and machinery. In the budget of 1971, this tax has been abolished for all

industrial firms. The dividends paid by pioneer firms are exempted from tax in the hands of shareholders.

investment tax credit

This credit is given to a firm not qualifying for pioneer status or to a firm which does not apply for pioneer status. It takes the form of deductions from taxable income. The rate of Investment Tax Credit given will not be less than 25 per cent of the capital expenditure incurred on a factory, plant or machinery for approved projects. The amount of credit tax-exempted during the first five years, however, can be carried forward in case of loss or insufficiency of income until fully utilised against subsequent profits. If the approved company establishes its factory in :

- (i) a development area;
- (ii) produces a priority product or products;
- (iii) uses specified percentage of Malaysian content, an additional tax credit of five per cent will be given for each of the three conditions fulfilled.

The following export incentives are given :

(i) Deduction of expenses for promotion of exports: The expenses qualifying for deductions for tax purposes under this Act includes:

- (i) Overseas advertising expenses;
- (ii) Cost of supplying and delivering free samples;
- (iii) Expenses of carrying out market research or obtaining export market information, etc. etc.

(iv) Foreign investment guarantee agreements (against expropriation) with US and West Germany. Malaysia is prepared to sign similar guarantee agreements with other governments. Malaysia is also a member of the Convention for the Settlement of Investment Disputes.

(v) Protection against dumping: Malaysia has anti-dumping laws to take care of this eventuality.

(vi) Preferential government buying of locally manufactured products : All government ministries, departments and quasi-government bodies are required to purchase locally manufactured products provided their quality is acceptable and their price does not exceed equivalent imported price by 10 per cent.

(vii) A number of well developed

Industrial areas and estates are available close to air and sea ports. The premium for industrial sites varies from 3.5 cent to 70 cents per sq. ft. (The values given are in Malaysian currency). All the industrial estates of which there are 11 in West Malaysia (3 proposed/being developed) and four in East Malaysia (2 proposed/being developed) are provided with water, telecommunications, power, roads, etc. facilities. The Malaysian Industrial Estates Ltd which is a subsidiary of the Malaysian Industrial Finance Ltd provides standard factory buildings on selected sites either on hire-purchase or outright sale basis.

Incentives are also available for encouraging hotels of international standard, and tourism. The following three types of incentives are given to hotels depending on their geographical location:

(a) An annual abatement of profits to the extent of 20 to 30 per cent for 12 years excepting for hotels in Kuala Lumpur and Penang Island;

(b) Normal industrial building allowances with the exception of Kuala Lumpur and Penang Island;

(c) Accelerated depreciation for qualifying plant and machinery for all hotels irrespective of location.

Tourist resort complexes are eligible for pioneer status irrespective of their location. Hotels in such complexes enjoying pioneer status will not qualify for incentives offered to the hotel industry after the end of the tax relief period.

utilisation of labour

Under an amendment to the Investment Incentives Act 1968 made in October, 1971, additional incentives are offered for encouraging increased utilisation of labour and the growth of electronics manufacture. A new incentive known as the Labour Utilisation Relief provides for exemption of income of manufacturing concerns from income tax in the same way as in the case of pioneer companies. The difference is that in this case, tax exemption is based on the number of full time paid employees working in the concern instead of the amount of fixed capital expenditure incurred. The tax exemption period and qualifying requirements are as follows:

(a) For companies employing 51—100 workers, the tax exemption period is two years.

(b) For companies employing 101—200

workers, the tax exemption period is three years.

(c) For companies employing 201—350 workers, the tax exemption period is four years.

(d) For companies employing more than 351 workers, the tax exemption period is five years.

To encourage the growth of the electronics industry, electronics projects which are approved by the government prior to January 31, 1973, will be given tax exemption for periods ranging from 4 to 7 years. In addition to this the projects are also eligible for a further extension of one year of tax holiday, if they satisfy any of the three conditions which are applicable to other projects as well, namely location in a development area; production of priority product; and utilisation of a specified percentage of local content. In other words, electronics industries will be entitled for a maximum tax relief period of 10 years as against eight years in the case of non-electronic companies.

Under the amended Investment Incentives Act, provision is also made for the grant of *increased capital allowances* at specified rates for qualifying building or plant expenditure in respect of approved projects to encourage modernisation.

abundant labour

Labour is abundant and highly adaptable. Wage rates are reasonable and compare favourably with those in other countries in the region, such as Hong Kong, Singapore and Japan. Depending on the nature of industry, location of the factory, whether the worker is male or female, and the nature of in-school or post-school training undergone, wages for skilled workers range from M\$4 to M\$10 per day. Those for semi-skilled and unskilled workers range from M\$1.50 to M\$3.50.

The level of salaries for technical and managerial personnel varies according to the nature of the industry and its location. Generally, the salary range for top level management personnel is M\$2,000 to M\$5,000. Engineers of various categories are available in the salary range of M\$800—M\$1,850. Trainee engineers generally ask for salary of about M\$450 to M\$500. Technicians in the engineering category and chemists will have to be paid between M\$500 to M\$1,100. Administrative assistants can be employed in the range of M\$600 to M\$1,000.

Foreigners setting up industries on a

joint venture basis in Malaysia may bring in skilled personnel from their home country, subject to the regulations of the Immigration Ordinance of 1959 and the Immigration Act of 1965. It is the government's policy that as many Malaysians as possible are employed by industries in the country. However, a certain minimum number of key posts in a joint-venture industry are allowed on a continuing basis to be filled by foreigners. All this is however, subject to the prior approval of government.

Malaysia has a high reputation for maintaining industrial peace. While trade unionism and collective bargaining are recognised, the government's mediation machinery is effective in ensuring good worker-employer relations. Industrial strikes are on the decrease and the number of man-days lost due to these fell sharply by 44 per cent from 580,000 in 1964 to 280,000 in 1968. Number of workers involved in the strikes decreased by about 87 per cent from about 226,000 to about 31,000 during the same period.

investment opportunities

There are a number of ways in which Indian private industry can offer partnership to Malaysian industrialists to set up industrial ventures. These include participation in joint-ventures; provision of technical and managerial expertise; carrying out feasibility studies; and undertaking turn-key projects. The specific areas in which such collaboration can be forged will have to be determined after mutual consultation and careful studies. In the meanwhile some of the industries which Indian investors can think of include machine tools; industrial and scientific instruments; electronics; castings and forgings; automobile ancillaries; small-scale and medium-sized metal working industries; electrical machinery and equipment; industrial plastics; rubber manufactures; knock-down furniture and plywood; food processing and chemical industries.

Already more than 20 Indo-Malaysian joint ventures have been approved, and some of these have already gone into production. Some of the products which have been taken up by such ventures are textiles; sugar; glass; steel furniture; electric motors and transformers; synthetic resins; scooters; steel castings and confectionery. Well known among the Indian partners in such ventures are Birlas, Kirloskars; Godraj & Boyce; Mukand, API; Asia Paints and Parry's.

Shades of panch sheel

or panch sheela or Panchsila or whatever it may be! The Soviet-American joint declaration on the basic principles which are expected to guide the relations between the two countries in the future smells to me of the statement on peaceful co-existence on which China and India were once supposed to be keen on building their mutual relations. It could be assumed that Jawaharlal Nehru signed then hopefully and Mr Chou en Lai with at least a part of his barrel of his pen pushed well back up his sleeves. On the present occasion, however, Dr Kissinger has chosen to be promptly cynical. He blandly told the world that the Moscow summit documents represented "aspirations and an attitude" and that either side could ignore it at will. This means that there is to be no shouting of *Russi-Amriki bhai bhai* either in Washington or in Moscow. Business, in other words, will be much as usual. The pessimist may say that the people are becoming more cynical but the optimist could believe that governments are becoming more realistic.

The Pakistan lobby in

our country has always been a very resolute one and it is therefore unlikely to let itself be unduly embarrassed by Mr Bhutto's latest indiscretion. I have no doubt at all that this lobby is capable of arguing that his fulminations against Mrs Gandhi only reveal how acute the feeling of insecurity which the people and the government of Pakistan are suffering from is and that this is one more reason for the Prime Minister and the government of India being generous in dealing with Mr Bhutto when he comes for the talks. In other words, the basic position which is sought to be sold by the Pakistani lobby is that that country is merely a spoilt child and that its tantrums therefore ought not to be taken seriously.

According to this reasoning, the government of India is under an eternal obligation to be infinitely patient with Pakistan. Whatever may be the validity of this logic before Bangladesh, it is now clear enough that Pakistan as it now is has no special significance for us in political, economic or cultural terms. It is just

another neighbour, no more, if no less important than Burma or Ceylon. In fairness to Mr Bhutto it must be said that he is not at all muddle-headed on this point. His current diplomatic excursions show that he views Pakistan essentially as a West Asian country the relevance of which to the Indian sub-continent has greatly diminished and is diminishing.

It is in our interest to encourage this trend of thinking in Pakistan and other West Asian countries, particularly Iran and Saudi Arabia, so that we may gradually rid our national psyche of the incubus of Jinnah's nightmare state. Unfortunately, the Pakistan lobby will continue to obstruct this process of rationalisation by confusing issues and peddling one false gospel after another.

I was recently in Cal-

cutta and one of the more important impressions I gathered was that the people who are actually concerned with the revival of industrial activity in West Bengal seem to think that what would be of the greatest relevance is the sufficient availability of raw materials and early prospects of improvement in power generation and distribution. The economic future for West Bengal may in fact be defined as a function of steel plus electricity. Responsible observers suggest that the supply of raw materials and power must vastly improve before any significant results may be achieved in terms of creating productive employment in the state.

To the question whether the leadership of the present state government is adequate for its responsibilities in the economic sphere, I got answers which were rather discouraging. It seems to me that not much faith is being placed in the Chief Minister's qualifications or talents so far as the prompt economic regeneration of West Bengal is concerned. A view I often heard expressed is that Mr Siddhartha Shankar Ray is neither politician enough nor tough enough. It is being freely said that he has come to political prominence and high political authority too easily too soon and that his qualities of leadership therefore still remain to be formed, let alone tested. His chief ministership is widely regarded simply as a gift which has been given to

him by the Prime Minister and that, so far as the people of his own state are concerned, he has still to earn it. Mr Ray then is very much on trial in Calcutta although he may have been taken on trust in New Delhi.

Meanwhile the West Bengal government seems to be doing all the easier things to show that it is concerned about the unemployment prevailing in the state. The Minister for Industries, for instance, has been writing to trade associations and chambers of commerce emphasising the need for business firms recruiting only 'the sons of the soil' for factory employment or clerical or white collar jobs. Here the West Bengal government is only following in the foot-steps of the government of Maharashtra. Nevertheless it is still relevant to point out that jobs have to be created before they can be reserved for 'the sons of the soil'. West Bengal as a state has many legitimate grievances and it is perhaps natural that it should try to unburden itself of them in ways which may be politically attractive. Only, in the process, it should not sin against itself even more than others may have sinned against it. Economic growth must be the first priority of the state government and if it must battle with New Delhi in this cause, it must do so boldly and even rashly and if it finds it necessary to get itself a sufficiently forceful chief minister for the purpose, it need not be over-patient with the dilettantism of Mrs Gandhi's favourite Bengali non-politician.

I am sorry I cannot

congratulate Mr Sudhir Dar of *The Hindustan Times* on his pocket cartoon which appeared on the front page of that paper on May 27. In my view it was an unnecessarily cruel cartoon which made savage fun of an intensely personal and private tragedy. It is true that the involvement of the son of our Deputy High Commissioner in Australia in an act of smuggling hashish into that country has public aspects, but my complaint against Mr Dar is that he has exploited without mercy and with gross insensitivity its 'family' aspect. Incidentally I wonder whether our Deputy High Commissioner in Australia should not be considered by our Ministry of External Affairs for a change of assignment. It seems to me that, a 'home posting for a period would, all thing considered, be a suitable arrangement. Drugs and more especially the international traffic in drugs are now an extremely sensitive business and India's image certainly does not profit when one of its senior diplomats happens to get dragged, however unfortunately or unwittingly, into such episodes.



MOVING FINGER

TRADE WINDS

L. N. Mishra on UNCTAD-III

At a meeting of the Parliamentary Consultative Committee for the Foreign Trade Ministry held on May 31, Mr L.N. Mishra, union Foreign Trade Minister, is understood to have told members that the results of UNCTAD-III have been far from satisfactory. The attitude of the rich nations of the west at the Conference has been unhelpful and negative. In contrast to this, Mr Mishra said the socialist countries of eastern Europe have taken an extremely helpful and constructive stand.

Outlining government's approach to some of the important problems dealt with by UNCTAD-III, Mr Mishra stressed that the developing countries must be actively associated in the search for solutions to the international monetary crisis and remedial measures. The developing countries have suffered enormously on account of the tariff barriers, monetary crisis and other restrictive policies followed by the rich nations of the west. Even Mr McNamara has recognised, in the course of his address at UNCTAD-III, how discriminatory are the tariff walls raised by the rich nations to shut out exports from the developed countries.

Mr Mishra is understood to have criticised the unhelpful and negative role played by the USA in UNCTAD-III. He made it clear that decisions arrived at by the rich western nations, without full consultation with and concurrence of the developing countries, would not be acceptable to India. "We shall not implement unilateral decisions arrived at by

the Rich Men's Club after consultations among themselves", he added.

The committee discussed the problems concerning the textile industry and exports. Members are understood to have stressed the need for speedy implementation of the modernisation programme so that the industry's competitive efficiency could be stepped up and exports increased.

The committee was informed that the textile export trend during the current year has been encouraging. Exports during the first three months of 1972 have been estimated at Rs 34 crores as against Rs 29 crores during the corresponding period of the previous year. Similarly, the downward trend of yarn export has also shown signs of being reversed. For 1972, an export target of Rs 142 crores of textiles has been envisaged as against Rs 106 crores in 1971.

Mr Mishra also informed the members that a Task Force has been set up to review periodically textile exports and formulate suitable measures to rectify "unforeseen situations on an emergent basis".

IDA Replenishments by USA

The US Congress is now reported to have cleared the way for the overdue replenishment of IDA, the World Bank's soft loan agency. A compromise formula has been evolved which should enable the US to ratify the agreement it made with the other donors over its contribution to the \$2,400 million operation. A pledge by the US Congress will provide the full \$960m. which the adminis-

tration had promised. However the first instalment of \$320 million would be paid later than expected, and only after the start of fiscal year 1973.

In the past American practice has been to withhold this authorisation until Congress has approved the whole aid programme and appropriated funds for at least one year's contributions as a sign of good faith. However in this case there is a feeling in the US Treasury that the instrument of ratification should be deposited with the World Bank as soon as possible to enable the whole replenishment to go ahead. Nevertheless, throughout the three years period covered by the agreement the US contribution will be running a year late. This could create technical problems with the Bank's lending schedule.

IDA Aid

The Finance Minister, Mr Y.B. Chavan told the Rajya Sabha that some of the projects in the country would be delayed for want of assistance from the International Development Association (IDA). Mr Chavan said the US was to provide assistance to the tune of \$960 million to IDA for the three year period beginning from July 1971. That had been delayed. "It is understood that the intention is to make the US contribution to the IDA for the three-year period beginning from the next fiscal year commencing from July 1972". Mr Chavan said: "It is likely that further commitments of assistance by IDA will be delayed. The proposal for an IDA credit of \$83 million for the acquisition of oil tankers has been approved but the credit agreement can be signed only after IDA funds.

"Proposals at an advance stage of consideration for IDA assistance were: industrial imports, non-project credit, power transmission project, agricultural universities project and assistance to the industrial Development Bank of India."

The Finance Minister said that in regard to some projects

negotiations had been completed but agreements had not been signed. In some other cases, the World Bank had approved the schemes but agreements could not be signed for want of funds with the IDA.

IDB Transport Survey

An Asian Development Bank (ADB) transport survey team has predicted that the volume of trade in south-east Asia will triple over the next 18 years and the poorly-located and inadequate sea ports of this region will bear the brunt of this growth. The IDB survey covers seven countries: Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam. Analysis of port possibilities forms part of the survey report.

"Container traffic (alone) will rise from one per cent of general cargo in 1970 to 50 per cent in 1990," the ADB survey team has said. "There will be a need for some \$233 million in new port investments as well as major changes in port management and operation." The ADB projections reveal that the volume of cargo for the whole region will rise from 45.1 million tonnes in 1975 to 118.4 million tonnes in 1990. Port capacity will be strained unless improvements start early enough.

FICCI on Nationalisation

At a meeting held recently the Standing Advisory Committee of the Federation of Indian Chambers of Commerce and Industry expressed the view that in the event the government felt that nationalisation of an industry or business was desirable, the matter should be referred for study to an independent body. This body ought to be entrusted with the task of finding out as to how best the objectives of nationalisation could be realised and also the quantum of payment to be made to those who were dispossessed of their interests in business.

The committee felt that such a payment should be made not only when industrial under-

takings were nationalised but also in the case of take-overs of trade by the government. This was necessary because besides the traders being deprived of their means of livelihood, they had to give compensation to their employees who lost their jobs. The committee pointed out that in the recent past, a variety of imports and even some sectors of internal trade have been canalised and no compensation whatsoever has been paid to the importers or traders. For example, the canalisation of cotton imports has deprived the importers of a gross commission of approximately Rs 80-100 lakhs annually. After the canalisation of cotton imports, the erstwhile importers of this commodity are now in a dilemma.

The committee stressed that the basis of payment for nationalisation of an industrial unit ought to be fair to the shareholders. It regretted that no specific principle had been enunciated by the government in the case of payments to be made to the shareholders of the general insurance companies under the nationalisation bill and even the principles set out in the Insurance Act for the take-over of companies which were mismanaged, had not been followed. Besides being inequitable, the inadequacy of payments to general insurers, the committee feared, was bound to affect the general sentiment and discourage general public from holding any shares as worthwhile assets. The committee called upon the Select Committee of Parliament to which the general insurance nationalisation bill has been referred recently to take the above factors into consideration and provide an economic basis for determining the amounts payable to the erstwhile insurers.

Automation

The Committee on Automation has recommended that the use of computers by commercial and industrial establishments should be subject to a prior agreement with the workers. As far as possible, the needs of computer use should

be met from computer centre facilities, it observes. The ten-member committee headed by Prof V.M. Dandekar submitted its report to Mr R.K. Khadilkar, union Labour Minister on June 2. According to the committee, computer facility should be as far as possible created in the public sector as it is in the nature of a public utility facility. It has recommended the provision of adequate computer service facilities in appropriately located Computer Service centres.

The committee was set up by the central government in July 1969 with Mr R. Venkataraman as chairman, to review among other things the effects of automation in enterprises in which it has already been introduced, to recommend criteria for the determination of areas in which automation may be permitted or restricted and to recommend safeguards for avoiding or minimising any harmful social effects of the introduction of automation. Subsequent to the resignation of Mr R. Venkataraman from the chairmanship of the committee, Prof V.M. Dandekar was appointed the chairman in July 1971.

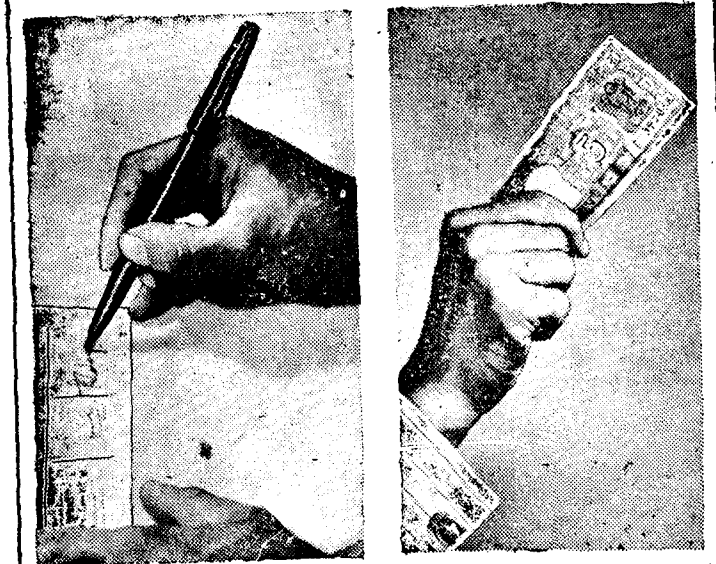
The report says that if an agreement is reached between the management and the workers on the repetitive use of computers through negotiations on the basis of a justification report, the use of computers should be permitted according to the terms of the agreement. In case no agreement is reached the matter should be referred to a bipartite machinery at the national level, comprising representatives of the employers and trade unions. As for the use of computer on a casual or non-repetitive basis, the job may be directly sent to an approved computer centre with intimation to the workers.

The committee has emphasised the need for appropriate regulation of the use of computers in the present stage of socio-economic development in the country and safeguards to prevent its adverse effects. The use of computers by educational, research and scienti-

fic institutions (non-profit making), statistical organisations of the central and state governments and defence establishments should be permitted, subject to reasonable provisions to protect the existing employment and ensuring proper working conditions.

In August 1971, there were 140 computers in India, out of which 55 were in the private

sector, 39 in public sector undertakings, 10 in government departments and 36 in centres of research and development. A majority of the computers are in use in a few major centres of industry such as Bombay (35), Delhi (20), Calcutta (14), Bangalore (11), and Madras (7). Statewise, the largest number of computers (39) was in Maharashtra, followed by Delhi (20) and



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Bank of Baroda

The annual report of the Bank of Baroda for the year ended December 31, 1971 shows a sizeable rise in deposits from Rs 421 crores to Rs 489 crores. As against an increase in deposits by 12.7 per cent in 1969, 18.6 per cent in 1970, the growth rate in 1971 was 16.18 per cent which was higher than the average growth rate for the previous four years. The deposits of the rural branches of the bank increased by 23.06 per cent and those of semi-urban branches increased by 33.03 per cent during the year under review. This was made possible by the marked increase in the number of branches in rural and semi-urban areas.

The bank's credit expanded from Rs 310.14 crores to Rs 337.47 crores recording a rise of 8.81 per cent only. Because of the tight resources position in the 1970-71 busy season, the bank fell in line with the restrictive credit policy pursued by the Reserve Bank of India.

Even though the bank continued to support the priority sectors of the economy, its advances stood at a lower level in 1971 as compared to the previous year. The outstanding advances to agriculture and small industry did show an increase but outstanding advances to exports and small borrowers declined marginally.

The programme of branch expansion has been carried forward by the bank with great zeal. The bank had 538 branches at the beginning of 1971; out of these 21 were overseas. During the year under review, the bank opened 95 branches—93 in India and two in Fiji islands. Thus the total number of branches of the bank at the end of 1971 totalled 633—610 in India and 23 in foreign countries.

As a result of the all-round progress of the bank, the profit, subject to bonus, for the year stood at Rs 218.79 lakhs as against Rs 143.48 lakhs in 1970. The increase in business

necessitated increase in manpower at various levels; there was a sharp rise of 2652 in the working force to 15,181 at the end of 1971.

ECGC

The Export Credit and Guarantee Corporation Ltd. (ECGC)—a public sector undertaking—has shown sizeable increase in its business in the year ended December 31, 1970. The value of risks cover increased by 19.0 per cent to Rs 318.21 crores during the year under report. Out of this as much as Rs 207.93 crores were accounted for by bank advances covered under the corporation's guarantees. The business under the guarantees accounted for about two-thirds of the total business of the corporation and contributed more than 45 per cent of the total premium receipts.

The total number of policies issued during the year totalled 1,774 out of which as many as 952 were issued to exporters who came into the corporation's fold for the first time. At the end of the year as many 3,361 policies were current and the maximum liability of the corporation under them came to Rs 156.22 crores.

The premium income for the year under review amounted to Rs 95.77 lakhs as compared to Rs 70.47 lakhs in 1969 showing an increase of 35.9 per cent. The total value of claims paid during the year was Rs 10.97 lakhs as against Rs 9.47 lakhs in 1969.

The corporation now covers about seven to eight per cent of the total exports of the country or roughly 20 per cent of the insurable exports under its insurance schemes. According to the chairman, Mr T.R. Varadachary, there can be only two reasons for the large number of exporters doing business without seeking the protection of ECGC: (1) lack of knowledge or understanding of the corporation's schemes; and (2) the cost of insurance cover. The directors of the corporation feel that more effective publicity for the

schemes operated by the corporation would go a long way in bringing more exporters to its fold. Consequently, arrangements have been made to launch a concerted publicity campaign and to give the corporation a new symbol which will signify the new dynamism which is being injected into the organisation.

Lotteries and Crossword Puzzles

The Finance Act of 1972 has made provisions in the Income-Tax Act for deduction of tax at source from winnings from lotteries or crossword puzzles and from payments made to contractors and sub-contractors at the specified rates with effect from June 1, 1972.

Every person responsible for making any payment by way of winnings from any lottery or crossword puzzle being an amount exceeding Rs 1000 will be under statutory obligation to deduct income-tax at source from such payment. Income-tax will be deductible from prizes given after May 31, 1972, even if the relevant draw or competition may have been held on or before that date. Where prizes are paid in instalments, tax will have to be deducted on each instalment paid. Liability for deduction of tax will arise in all cases except where the prizes are paid entirely in kind.

Provision for deduction of tax from payments to non-residents already exists under Section 195. According to the amendments now made, every person responsible for making any payment to a resident contractor and every contractor, not being an individual or Hindu undivided family, making any payment to a resident sub-contractor, will be under statutory obligation to deduct income-tax at source from such payment. The provision will apply only in relation to 'work contracts' and 'labour contracts' and will not cover contracts for sale of goods. No deduction is required to be made if the consideration for the contracts

does not exceed Rs 5000. Income-tax will be deductible in cases where the payments are made after May 31, 1972, even in relation to contracts or sub-contracts entered into on or before that date.

Engineers India

Engineers India Limited, a public sector undertaking under the Ministry of Petroleum & Chemicals provided engineering and consultancy services from concept to commissioning to a broad range of industrial projects both in the public and private sectors during the year 1970-71, according to the Annual Report of the company.

The company, which was set up in March 1965, had a total turnover of Rs 277.63 lakhs as compared to the previous year's turnover of Rs 182.91 lakhs, earning a gross profit of Rs 79.24 lakhs. This was Rs 29.12 lakhs more than the gross profits earned in 1969-70.

During the year under review the company was engaged in design engineering, equipment procurement, construction and supervision of the Haldia Refinery, Koyali Aromatics Project, Cochin Refinery Expansion and Coke Calcination Plant and LPG bottling facilities at Barauni. The modernisation of LPG facilities at Barauni and the Coke Calcination Plant there had been completed.

During the year, the company also provided a whole range of services for petroleum refineries, petrochemical and chemical plants, fertilizer plants, breweries, offshore engineering, ports and harbour engineering and non-ferrous metallurgical plants.

Mineral Resources

Several important measures were taken during 1971-72 to ensure planned conservation, exploitation and rapid development of mineral resources in the country, which constitute an important base of economy. This has been revealed in the annual report of the

Department of Mines for 1971-72.

During the year under review the government decided to set up an explosives factory in the public sector. Preliminary examination of the techno-economic feasibility report of the project has been completed and further action is in progress.

A long-term national programme for exploration and quantitative evaluation of groundwater resources in all the major river basins, minor and sub-basins and in hard-rock areas was launched by the Geological Survey of India in the country. Under this programme 430 permanent groundwater level observation stations were set up. In the hard rock areas of Chotanagpur plateau, Deccan Trap area in central India, interior parts of Andhra Pradesh, northern Mysore and in Rajasthan and Gujarat surveys for groundwater resources were undertaken.

During the year management of 214 coking coal mines and 12 coke oven plants was taken over. This was done to ensure scientific exploitation of coking coal mines and proper conservation of limited resources of coking coal. With this, about 50 per cent of the production capacity of coal in the country has been brought in the public sector.

Copper: To ensure conservation and exploitation of copper deposits in the Singhbhum belt in Bihar in a scientific and rational manner, government took over the management of the private sector Indian Copper Corporation through an Ordinance. This has been a significant measure as this will enable to increase production on priority basis. During the year, the Khetri Copper Project in Rajasthan made satisfactory progress. The concentrator plant of Khetri project is expected to be commissioned by the end of 1972 and production of copper will commence towards the end of 1973. The targeted production of 31,000 tonnes of copper metal and two lakh tonnes of triple super-phosphate is expected to be achieved by 1975.

Aluminium: Work on the first phase of the Korba complex, one of the two projects of Bharat Aluminium Co., has made considerable headway. The alumina plant of this project is scheduled to be commissioned in early 1973. In the second phase the smelter and rolling mill are expected to be commissioned in phases starting from September, 1974. Another aluminium project, the Koyna plant, will be completed by 1975-76.

Ore Production: The expansion and modification scheme of the Kiriburu mines, which will supply ore to Bokaro Steel Plant made considerable progress during the year. The project is expected to be completed by August 1973. Bailadila project (Deposit No. 5) being developed for the production of four million tonnes of ore annually for export to Japan is likely to be completed by June 1974.

Export: Export of iron ore increased from 0.8 million tonnes in 1950 to nine million tonnes in 1960 and 20.82 million tonnes in 1970-71. During 1970-71 such exports fetched about Rs 115 crores in foreign exchange. The anticipated exports during 1971-72 are placed at 21.5 million tonnes. In achieving the remarkable progress in the last decade, the National Mineral Development Corporation Ltd played a notable role.

Coal: The year 1971-72 has been a hard one for the coal industry. There was large unutilised capacity in the coal mines due to shortage of transport and non-materialisation of demand, particularly from metallurgical consumers. Thus the coal industry during the year continued to face serious difficulties due to poor wagon availability for the transport of coal and shortfall in the estimated off-take of coal by the steel plants, and other large consumers. This resulted in piling up of pit head stocks. The pit head stocks were as much as 9.21 million tonnes at the end of 1970-71 and 8.40 million tonnes at the end of November 1971 as against normal level

of about six million tonnes.

Tourism and Civil, Aviation

At a meeting of the Consultative Committee of Members of Parliament of the Ministry of Tourism and Civil Aviation held on May 17, Dr Karan Singh said that with the commissioning of Air-India's flight kitchens, "Chefair", the Indian Airlines were picking up a large proportion of their flight meals from them. This had led to a considerable improvement in quality of food served over board. The Minister added that by 1973, India Tourism Development Corporation's hotel being set-up at Calcutta will start providing food for the two airlines.

Regarding the punctuality performance of the Indian Airlines, Dr Karan Singh said that he was concerned over the deterioration in the services of the airlines. He explained that a variety of reasons were responsible for the unpunctuality of Indian Airlines services including weather, technical and operational. Since Indian Airlines could not afford to keep spare aircraft in the regions, if a flight was delayed for any reason, a number of consequential delays became inevitable, he added.

Speaking in the context of the jumbo jets, the Minister told the members that expenditure on a new aircraft was higher in the first year of operation because of outlay on spares, stores and equipment, interest on loans and burden of depreciation and insurance. He expressed hope that with the addition of third and fourth jumbo jets to the fleet shortly, and the steady rise in passenger traffic, the losses will come down.

A suggestion was made by Mr Shankar Dayal Singh that the variety of articles offered for sale at the duty free shops at international airports should be increased. Dr Karan Singh explained that a sum of Rs one lakh had already been spent on the renovation and decoration of the duty free shop run by the India Tourism Development Corporation at Santa Cruz and the development and expansion of such shops at other airports would be taken up shortly.

Revenue Collections

During the financial year 1971-72, the revenue realised by the central government under various heads and revenue from opium amounted to Rs 3803.15 crores. This was Rs 667.91 crores more than the collections during the year 1970-71. The revenue collected in March 1972 was Rs 523.33 crores as against Rs 424.39 crores in the corresponding month of the previous year.

The following are details of the revenue collected under various heads:

Revenue Heads	(Rs lakhs)			
	During March		Upto March	
	1972	1971	1971-72	1970-71
Customs	7,719	7,000	68,365	49,462
Union Excise (excluding cess on salt, rubber, coal and Iron ore)	20,908	16,133	2,08,746	1,76,767
Corporation Tax	10,571	7,275	48,669	38,556
Income Tax	12,208	11,247	49,680	45,260
Wealth Tax	524	301	2,530	1,558
Expenditure Tax	73	52	354	236
Gift Tax	233	235	906	777
Estate Duty	97	196	1,065	908
Opium				
Total	52,333	42,439	3,80,315	3,13,524

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Madras Refineries

Madras Refineries Limited processed during 1970-71, the second year of its operation, 2.09 million tonnes of Darius Crude, achieving a throughput of 84 per cent of the installed capacity. Asphalt production increased from the designed capacity of 3.23 per cent to 6.4 per cent of crude throughput.

A joint venture of the government of India, the National Iranian Oil Company and Amoco India Incorporated, a subsidiary of American International Oil Company, the Madras Refineries Limited earned during 1970-71 a net profit of Rs 405.01 lakhs. In 1969-70 the company had showed a loss of Rs 367.31 lakhs

According to the Annual Report of the company for the period July 1, 1970 to June 30, 1973 the refineries exported 1,35,623 tonnes of Naphtha earning foreign exchange of \$22,87,540.

Foreign Exchange for Import of Crude

The Minister for Law and Justice and Petroleum and Chemicals, Mr H.R. Gokhale informed members of the Parliamentary Consultative Committee of the Ministry of Petroleum and Chemicals on May 27 that the government had not accepted the price increases claimed by the three foreign oil companies and that foreign exchange for crude was being released to them on an *ad hoc* basis determined in 1971 to meet the developing emergency at that time.

The committee was told that, as a result, oil companies were importing lesser quantities of crude by charging higher prices. The deficit in product availability was being made good by import of petroleum products whose prices have presently slumped in contrast to the foreign oil companies claim of increases in crude oil prices.

The Minister informed members that after the Tehran Agreement of February 1971 between international oil companies and Organisa-

tion of Petroleum Exporting Countries, the oil companies in India had also asked for an increase in the prices of petroleum products commensurate with the increase in their "tax paid costs" of crude. The government decided to increase from May 28, 1971 the FOB value of each major petroleum products by only eight per cent as against 16 per cent claimed by these companies. These prices have continued to be in force except for changes on account of excise duties levied from time to time. The government had not agreed to any increases in ex-refinery prices beyond eight per cent.

Mr Raja Kulkarni said that in view of the Tehran agreement between international oil companies and OPEC which had put consumer countries on the defensive, the government should reorient its national oil policy and urged that decision may be taken soon on the three alternatives before it viz nationalisation of foreign oil companies in a broad economic sense, holding majority shares in those companies and revision of the refinery agreements with them earlier than it was due. He also suggested that government may consider offering excise concessions to bring down prices of petroleum products.

The Minister informed the members that a detailed study of the various alternatives open to the government to deal with the question of refinery agreements and other connected matters had been undertaken. A final view would be taken after this study had been completed.

The members were also told that offering of excise concessions to cut down prices of products will only boost up demand whereas the government was striving to curb consumption of certain products to depress crude import requirements. Moreover, excise concessions will mean loss of revenue to the government.

Raising the issue of structural changes in Public Sector undertakings in the oil industry, Mr Raja Kulkarni pointed out that the Malviya Committee set up to review working of the Oil and Na-

tural Gas Commission had so far not submitted its recommendations to the government. Meanwhile, the Public Undertakings Committee of Parliament had made certain suggestions in their report regarding structural changes in the ONGC. The government may, therefore, consider acting on the PUC report to stem deterioration in the performance of ONGC. He also suggested that a common holding company may be formed for the Indian Oil Corporation and the Oil and Natural Gas Commission.

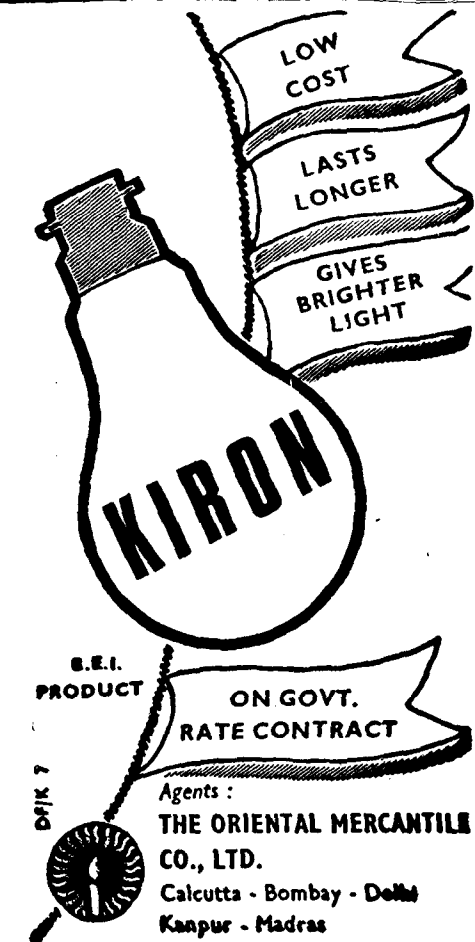
Names in the News

Mr R. Ray Chaudhuri is taking over as General Manager of the Assam Oil Company Limited, a subsidiary of The Burmah Oil Company Limited, in June. He will be the first Indian to hold the post. Mr J. W. Wilkinson, who was the General Manager of the company before Mr Ray Chaudhuri, is proceeding on leave prior to taking up a senior appointment with Burmah Oil Group in Australia.

Mr Ray Chaudhuri, who has successively held the posts of Chief Marketing Manager, Operations Manager and Technical Manager of Assam Oil Company, has wide experience of all aspects of petroleum industry covering crude oil production, refining operation, distribution and marketing.

Mr Geoffrey Cross has been appointed Managing Director of International Computers (Holdings) Ltd, and International Computers Ltd.

Mr M. L. Capoor of Dunlop and Mr S. K. Datta of William Jacks have been elected Chairman and Vice-chairman respectively of the Calcutta Import and Export Trade Association for 1972-73. The other members of the committee are: Mr V.S. Bhatia (Industrial Development Services), Mr R.C. Chaudhuri (Imlemex India), Mr H.C. Dewan (Bata Shoe), Mr M.L. Nayar (India Tobacco), Mr Aloke Ray (Union Carbide) and Mr D.K. Choudhuri, the past chairman, are ex-officio members.



COMPANY AFFAIRS

India Tobacco

INDIA TOBACCO Company Ltd has declared a final dividend of 7.5 per cent for the year ended March 31, 1972, which together with the interim makes a total of 14.5 per cent against 14 per cent paid for 1970-71. The pre-tax profit has edged up from Rs 7.42 crores to Rs 7.59 crores during the year under review. The directors have enhanced the allocation to development rebate reserve by Rs 12.74 lakhs to Rs 23.41 lakhs while taxation has claimed Rs 3.56 crores as against Rs 3.84 crores in 1970-71. This leaves a higher net profit of Rs 3.80 crores as compared to Rs 3.47 crores in the preceding year.

National Tobacco

National Tobacco Co. of India Ltd has maintained the equity dividend for 1971 at 10 per cent. Despite a smart rise in sales from Rs 27.43 crores to Rs 29.04 crores the company's net profit has declined to Rs 15.02 lakhs from Rs 21.56 lakhs in the preceding year. The net profit has been arrived at after providing Rs 11.73 lakhs for depreciation, Rs 70,403 for development rebate reserve and Rs 19.90 lakhs for taxation as against Rs 12.46 lakhs, Rs 26,687 and Rs 27.32 lakhs provided respectively in the previous year. The entire net profit had been transferred to the general reserve. The dividends—equity and preference—will be paid out of the general reserve. The directors have attributed the reduction in profit margins to substantial increase in operational and material costs and to a steep rise in prices of cigarettes brought about by heavy imposts in excise levies.

Exports have amounted to Rs 2.72 crores in 1971 as

against Rs 2.24 crores in 1970. The company is currently engaged in developing tobacco cultivation in the new areas of Mysore state where there are good prospects for producing exportable flue-cured virginia tobacco of superior quality.

Metal Box

Metal Box Company of India Ltd has declared a final equity dividend of six per cent for the year ended March 31, 1972 which with the interim makes a total dividend of nine per cent as against eight per cent paid for 1970-71. During the year under review the company has earned a higher pre-tax profit of Rs 1.85 crores as compared to Rs 1.69 crores in the previous year. Out of the profit a sum of Rs 94.79 lakhs was earmarked for taxation, Rs 13.75 lakhs for development rebate reserve, Rs 15 lakhs for debenture redemption reserve and Rs six lakhs for general reserve.

Bharat Commerce

An extraordinary general meeting of Bharat Commerce and Industries Ltd will be held in New Delhi on June 26 to consider the company's proposal to issue 25,000 third redeemable cumulative preference shares of Rs 100 each to the public for subscription. The preference shares will be offered at par and the entire amount is payable in full on application. The preference shares will be carrying dividend at the rate of 9.5 per cent per annum free of company's tax but subject to deduction of tax at source and they will be redeemed by the company at par after December 31, 1982 but not later than June 30, 1984 by giving not less than three months' notice to the holders of such shares.

In case the public issue is

oversubscribed, the shares will be allotted to the applicants in the manner as may be decided in consultation with the Calcutta Stock Exchange. The company has embarked on a substantial renovation and modernisation programme in some of its units and the proceeds of this issue will be utilised for financing these schemes.

Ceat Tyres

Although the supply position of tyres is quite comfortable during the current year, shortages are likely to arise in 1973 and the situation may become even critical in 1974 unless immediate steps are taken to license additional capacities. Moreover, it is desirable to have a small surplus in the licensed capacity as it will serve as a safeguard and a cushion against plant stoppages and recurrence of shortages. Mr P. A. Narielwala, Chairman of Ceat Tyres of India Ltd had made these observations in his annual statement circulated to the shareholders of the company.

As it takes anything between 24 and 30 months to install a new plant and commission it into production the chairman had urged the government to permit either the existing units to expand or grant licences for the setting up of new units. Meanwhile the company has submitted to the government an application for establishing a new automotive tyre factory for producing 400,000 tyres per annum in an underdeveloped area of one of the states. The proposal is still under the consideration of the government.

Although the supplies of raw materials was more or less satisfactory, the unilateral increases in prices resorted to by the suppliers were causing much embarrassment and great concern to the industry. As the

selling prices of tyres cannot be altered without the permission of the government the industry is not in a position to pass on to the consumers the increase in the direct material costs of its products. Representations are being made to the government but with no encouraging response so far.

The year 1971 was a significant year for the company. The expansion programme was completed ahead of schedule. The result had been a spectacular improvement in the company's output of tyres from 483,544 units in 1969 to 724,265 units in 1971 and a handsome rise in profits. The company too had made satisfactory progress in the implementation of its bicycle tyre plant at Nasik. The plant is expected to go on stream in the second half of the current year. Its performance on the export front was also equally impressive. Its exports in 1971 amounted to Rs 2.09 crores and the company had more than fulfilled the guarantee given by it to the government for exporting 10 per cent of its total production. Encouraged by the working results the directors have declared a higher dividend of Rs 15 per share, an increase of 36 per cent above the dividend of Rs 11 per share distributed in each of the years of 1969 and 1970. It is heartening to note that the new 30,360 rights shares issued by the company to the Indian shareholders at a premium of Rs 100 per share had been oversubscribed. The company had received amounts totalling Rs 66.44 lakhs.

With the plant continuing to run at more than its full capacity during the first four months of the current year and a ready off-take of the entire output the company is looking forward confidently to another successful and profitable year.

News and Notes

Expansion & Diversification

The Indian Cable Company Ltd has started manufacturing for the first time in India, continuously transposed conductors (CTC), a major development in the field of high

voltage transformer winding. Commissioned in March 1972, INCAB's new CTC plant is claimed to be the only one of its kind in Asia, apart from Japan. Continuously transposed conductors incorporate a number of individual rectangular copper conductors each covered with polyvinyl acetal-based enamel having excellent and well proven resistance to transformer oils and abrasion. Arranged in two groups side by side with a paper separator in between 5 to 31 (always on odd number) such enamelled conductors are continuously transposed mechanically and paper-lapped overall. As opposed to individual paper lapping of conventional conductors, CTC greatly improves the winding space factor, reduces stray losses and loads to better heat dissipation resulting in efficient cooling of power transformers. All these add up to considerable savings in material, time and labour costs.

Omega Cables has taken up the manufacture of armoured cables up to 4 core $\times$ 16 sq. mm. size. In addition to the two extruders one more was installed during November last to cover the manufacture of cables of sizes from 6 mm to 12 mm. OD. The company has also under consideration to take up the manufacture of new varieties such as cross-linked polythene cables to replace paper insulated cables in 1.1 kv to 11 kv varieties, radio frequency cables (used in sound recording and communication equipments in studios) and asbestos covered cables for ships and furnaces. Recently it has developed a new type of cable called the 'Television radio suppression cable' and it will be meeting the requirements of defence services, automobiles, television and a host of other industries.

New Venture

Saru Engineering Corporation has commissioned its new plant designed for the manufacture of aluminium, and aluminium alloys. Its aluminium tube drawing unit is expected to go on stream shortly, while its rerolling mills and wire drawing and wire flattening plants are

scheduled to commence production in August. On completion of the entire manufacturing schedule, the company's turnover is expected to be around Rs three crores.

Joint Venture

Phaltan Sugar Works Ltd, Maharashtra, is setting up a sugar unit in Malaysia in collaboration with the State Industrial Development Corporation of Negri Sembilan. The plant will have installed capacity of 2,500 tonnes per day. Crushing activities are expected to be started in early 1974. Messrs Phaltan Sugar Works will be providing all the technical know-how right from sugarcane cultivation to sugar production as well as marketing. The capital outlay on the project is estimated at Rs 15 crores.

New Issues

Rathi Ispat Ltd is offering for public subscription 2,00,000 equity shares of Rs 10 each and 5,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each, both at par. The list for the fully underwritten issue opens on June 12 and will close on June 21 or earlier but not before June 14. Applications for shares must be for a minimum of 50 shares of multiples thereof in the case of equity shares and five shares or multiples thereof in the case of preference shares. The proceeds of the issue will be utilised for financing partly for the installation of the second 10-tonne electric arc melting furnace at its factory at Ghaziabad, UP. The plant will be producing mild steel and alloy steel, ingotstor, steel and other sophisticated steel items and is expected to go on stream by the end of June. The project cost for the second phase is estimated at Rs 66 lakhs and it will be financed through the present public issue of Rs 25 lakhs, term loans of Rs 23.40 lakhs and internal sources of Rs 17.60 lakhs.

The company has already commissioned its first electric arc furnace and it went into production in September last. During the year ended March

31, 1972 the company earned a gross profit of Rs 15.69 lakhs while its sales amounted to Rs 84.62 lakhs. During the year ending June 1972, the gross profit is expected to be around Rs 25 to Rs 27 lakhs. The company has declared recently a maiden interim equity dividend of five per cent, and hopes to pay a final dividend of five per cent during the current year. The directors are hopeful of raising the dividend to 12.5 per cent for 1972-73.

Vidarbha Glass Works will be issuing shortly for public subscription equity shares worth Rs six lakhs. The company proposes to manufacture 2700 tonnes of glass bottles per annum in the first two years and more than double the production thereafter. Land has already been acquired at Nagpur and construction of buildings and erection of plant and machinery is proceeding apace. If all goes well the plant is expected to commence production in October 1972. As the present requirement of glass containers in the central region is met entirely from manufacturers from other parts of the country, a glass factory in Nagpur can attract a fairly large volume of business in view of the substantial savings in freight. Hence the company does not expect any difficulty in marketing its products. The cost of the project is estimated at Rs 25.55 lakhs.

The debenture issue of Surat Electricity Company Ltd which opened for subscription on May 29 had been oversubscribed and hence the subscription list was closed on May 31. The company offered for public subscription 50,000 (eight per cent) convertible debentures of Rs 100 each at par for cash payable in full on application.

Capital and Bonus Issues

Consent has been accorded to 17 companies to raise capital of over Rs 18.17 crores. Six of them are to issue bonus shares totalling over Rs 95.17 lakhs and the amount of bonus shares ranges between Rs 1.50 lakhs and Rs 65.08 lakhs. Following are the details:

The Share Investment Trust

Private Limited, Bombay, has been accorded consent, valid for three months, to capitalise Rs 1,50,000 out of its Free Reserves and issue fully paid equity shares of Rs 1000 each as bonus shares in the ratio of one bonus share for every two equity shares held.

The India Thermit Corporation Limited, Gwalior, has been accorded consent, valid for three months, to capitalise Rs 10,00,000 out of its General Reserves and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Sukhjit Starch & Chemicals Limited, Phagwara, Punjab, have been accorded consent, valid for three months, to capitalise Rs 8,99,150 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 one equity share held.

Gokak Mills Limited, Bombay, has been accorded consent, valid for three months, to capitalise Rs 65,08,000 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 two equity shares held.

Recondo Private Limited, Bombay, has been accorded consent, valid for three months, to capitalise Rs 3,00,000 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 equity share held.

National Wire Herald Works Private Limited, Bombay, has been accorded consent, valid for three months, to capitalise Rs 6,60,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of three bonus shares for every equity share held.

The Industrial Credit & Investment Corporation of India Limited, Bombay, has been accorded consent, valid for 12 months, to issue redeemable unsecured debentures of the value of Rs seven crores in units of

Rs 3,000 each for cash at 99.5 per cent of the nominal value. The debentures will carry interest at six per cent per annum and will be redeemed at par after the expiry of 12 years. The proceeds will be utilised to augment the rupee resources for meeting the demands of industries for financial assistance.

The Coromandel Engineering Company Private Limited, Madras, has been granted consent for issue of Rs two lakhs value of equity shares of Rs 100 each, to be offered to the existing shareholders of the company for cash at par on rights basis. The proceeds of the issue will be utilised in meeting the working capital requirements of the company.

Aluminium Corporation of India Limited Calcutta, have been granted consent for issue of Rs 250 lakhs capital comprising of Rs 100 lakhs in 9.5 per cent redeemable preference shares and Rs 150 lakhs in equity shares. All the shares will be issued for cash at par. The proceeds of the issue will be utilised in financing an integrated aluminium plant with an annual capacity of 30,000 tonnes of aluminium metal in Orissa.

Modi Rubber Limited, Modinagar, has communicated to the government its proposal to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969, to the value of Rs 3,60,00,000 in equity shares of Rs 10 each to be offered to the public for providing part of the finance required for implementing the automobile tyre and tube project.

Rajgarh Tea Company Limited, Calcutta, has been accorded consent to issue a capital of Rs six lakhs in equity shares of Rs 10 each as rights shares in the ratio of one equity share for every share held. The proceeds will be utilised for meeting a part of the purchase price of the Tinkong Division of Assam Consolidated Tea Estates (India) Limited. The consent is valid for 12 months.

Andhra Pradesh Paper Mills Limited, Bombay, has communicated to government its

proposal to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969, to the value of Rs 75,00,000 in equity shares of Rs 100 each as right shares for cash at par for expansion under the crash programme for paper initiated by government.

Voltas Limited, Bombay, has been accorded consent for issue of capital of Rs 103,89,600 in equity shares of Rs 100 each, as right shares for cash at premium of Rs 50 per share. The proceeds will be utilised for augmenting the working capital requirements of the company. The consent order is valid for 12 months.

Andhra Sugars Limited, Andhra Pradesh, has been accorded consent to the issue of 8½ per cent debentures of the value of Rs 35 Lakhs, to be offered to the Unit Trust of India for cash at par.

English Electric Company of India Limited, Calcutta, have been granted consent to further issue of Rs 25 lakhs in 2,50,000 equity shares of Rs 10 each, for cash at a premium of Rs three per share. The shares will be offered on rights basis only to the Indian shareholders of the company. The object of the issue is to raise Indian participation in the share capital from 25 per cent to 33½ per cent.

Punjab Tractors Limited, Chandigarh, has communicated to government of their proposals to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969, to the extent of Rs 140,00,000 (including Rs 7,02,030 already subscribed) divided into 11,00,000 equity shares of Rs 10 each and 30,333 9.5% per annum cum. red. preference shares of Rs 100 each, for cash at par. The proceeds are for establishing a plant for the manufacture of 5,000 'Swaraj' 20/30 HP agricultural tractors per annum at Mohali Industrial Estate, Punjab.

Engineering Construction Corporation Limited, Bombay, has been granted consent to the issue of Rs 25 lakhs in 2,50,000 equity shares of Rs 10 each, to be offered to the existing shareholders of the company, for cash at par. The object of the

issue is to increase the liquid resources of the company for meeting increased turnover.

Company Meetings

The Century Spinning and Manufacturing Company Ltd; Birla Matushri Sabhagar, 19, Marine Lines, Bombay-20; June 14; 4 P.M.

Textile Machinery Corporation Ltd; Registered Office Belgharia, Calcutta-56; June 28; 4 P.M.

Coromandel Fertilisers Ltd; 126, Sarojini Devi Road, Secunderabad; June 21; 11.00 A.M.

Interim Dividends

Pfizer Ltd has declared the first interim dividend of 50 paise per share of Rs 10 each for the current year ending November 30, 1972. This dividend is payable on an enlarged capital resulting from the recent issue of bonus shares in the ratio of two shares for every

five shares held. In 1970-71 the company had declared four interim dividends totalling 27 per cent, the first two of 60 paise each, the third of 70 paise and the last one of 80 paise per share.

Alkali and Chemical Corporation of India Ltd has maintained the interim equity dividend at 7.5 per cent for the year ending September 30, 1972.

Rathi Ispat Ltd has declared a maiden interim dividend of five per cent for the year ending June 30, 1972.

Chemicals and Fibres of India has announced an interim dividend of 10 per cent for the year ending September 30, 1972 on the increased capital of Rs 5.35 crores resulting from the rights issue and public issue of shares. The company paid in 1970-71 a first interim of 11 per cent and a second interim of 10 per cent on the capital of Rs 4.90 crores. It paid a final divi-

Dividends

Name of the company	Year ended	Equity Dividend declared for	
		Current year	Previous year
Higher Dividend			
Mysore Lamp Works	Dec. 1971	12.5	10.0
Bombay Paints	Dec. 1971	12.0	10.0
Aspinwall and Company	Dec. 1971	6.0	4.0
Aspinwall and Company (Travancore)	Dec. 1971	10.0	7.5
Shree Digvijay Cement Company	Dec. 1971	12.0	11.0
Tirumurti Mills	Dec. 1971	4.0	Nil
Same Dividend			
Nutan Mills	Dec. 1971	18.0	18.0
Travancore Chemical & Manufacturing Co.	June 1971	25.0*	25.0
Ganges Rope	Dec. 1971	7.5	7.5
Wandlesside National Conductors	Dec. 1971	Nil	Nil
J. K. Cotton	Dec. 1971	Nil	Nil
Radhakrishna Mills	Dec. 1971	10.0	10.0
Reduced Dividend			
Kolhapur Sugar	June 1971	8.0*	10.0
Tungabhadra Industries	Sep. 1971	5.0*	10.0
Indabrador Ltd	Dec. 1971	12.0*	15.0
Tubes and Malleables	Dec. 1971	10.0	15.0
Grauer and Weil	Dec. 1971	Nil	8.0

*On increased capital.

dend of four per cent on the enlarged capital.

Licences & Letters of Intent

The following licences and letters of intent were issued under the Industrial (Development and Regulation) Act 1951, during the three weeks ended March 18, 1972. The list contain names and addresses of the licensees, articles of manufacture type of licences—New Undertakings (NU); New Articles (NA); Substantial Expansion (SE); Carry on Business (COB); Shifting—and annual installed capacity.

Licences Issued

Metallurgical Industry (Ferrous)

M/s. Bhoruka Steel Ltd, 57/58, 2nd Cross, New Kalasipalyam Extn., Bangalore-2, Mysore. (Bangalore—Mysore) —M.S. Billets—50,000 tonnes p.a.—(NU); M/s Hyderabad Tools (P) Ltd, 4-1-920, Dinabad Estate, Tilak Road, Hyderabad-1. (Visakhapatnam—Andhra Pradesh)—Ferro Silicon—20,000 Tonnes p.a.—(NU); M/s Steel Complex Ltd, Wisco Manor Feroke, Kerala. (Calicut—Kerala)—Mild, Medium, Carbon and Spring Steel Billets—50,000 tonnes p.a.—(NU).

Fuels

M/s The Tata Iron and Steel Co Pvt Ltd, Bombay House, 24, Bruce Street, Fort, Bombay-1. (Jamadoba/Sijua/Bihar)—Coal (at Jamadoba and Sijua) & 80 million—1.20 million/tonnes p.a. after expansion respectively)—(SE).

Electrical Equipment

M/s Sahney Kirkwood Commutators Pvt Ltd, 27, Kirol, Near Vidyabihar Station, Bombay-77. (Kirol—Ghatkopar—Bombay—Maharashtra)—Micanite Products—240 tonnes—(NA); M/s Standard Batteries Ltd, Vakola, Santa Cruz, Bombay-55, (Maharashtra)—Train Lighting Cells—Capacity 24,000 Nos. p.a. capacity will be 48,000 nos. p.a. after expansion—(SE); M/s Bijlee Products (India) Pvt Ltd, 70, Hadapsar, Industrial Estate, Poona-19. (Poona—Maharashtra)—Motor car Head light

side and Tail Lamps—3 million Nos. p.a.; Photo flash lamps—1.5 million Nos. p.a.—(SE); M/s Gramophone Co of India Ltd, 5, Old Court House Street, Calcutta-1. (Calcutta—West Bengal)—I. Pick up Cartridges for complete equipment and replacement purpose—2,30,000 nos. p.a.; Pick up cartridges for export—12,000 nos. p.a. (Total capacity for (I) 350,000 Nos. p.a.; II. Stylus for replacement purposes—1,80,000 nos. p.a.; Stylus for exports—1,20,000 nos. p.a.—(Total capacity for (II) 3,00,000 Nos. p.a.—N.A.; M/s D.P.V. Industries, Pollachi Road, Podanur Post, Coimbatore-18. (Coimbatore—Tamil Nadu)—Electrical Stampings—1,800 tonnes p.a.—(NU).

Telecommunications

M/s Nippon Electronics (India) Pvt Ltd, Bull Temple Road, P.B. No. 1905, Bangalore-19. (Bangalore—Mysore)—Plastic Film Capacitors.—Expansion from 5.0 million nos. p.a. to 15.0 million nos. p.a.—(SE).

Transportation

M/s Standard Radiators Pvt Ltd, Industrial Estate, Baroda-3. (Baroda—Gujarat)—Radiators—24,000 Nos. p.a.—(NU).

Industrial Machinery

M/s Shalimar Wires and Industries Ltd, 25, Ganesh Chandra Avenue, Calcutta-13. (Calcutta—West Bengal)—Dandy Rolls for Paper Mills Machinery. (capacity to be determined, after-words)—(NA); M/s Elecon Engineering Co Ltd, Vallabh Vidyanagar, Distt. Kaira, Gujarat. (Vallabh, Vidyanagar—Distt. Kaira—Gujarat)—Large capacity mobile crawler mounted and rail mounted type spreaders for overburden and free flowing material such as iron ore, lignite, manganese ore and coal, etc.; Bucket Wheel and Bucket Drum Stackers/Reclaimers/Blenders and Excavators; Mobile Scrapers for reclaiming Fertilizers from Silos; Rotary Disc Loaders—Rs 34.00 lakhs p.a.—(COB); M/s Jessop & Co Ltd, 63, Netaji Subhas Road, Calcutta-1. (24-Parganas—West Bengal)—Aerial Ropeways—Rs 5 crores p.a.—

(NA); M/s Bharat Heavy Plate and Vessels Ltd, Post Box No. 100, Visakhapatnam-1 A.P. (Visakhapatnam—Andhra Pradesh)—Oxygen, Nitrogen and other gas separation plants—Worth Rs 600 lakhs per annum; Multilayer Vessels for high pressure—Worth Rs 96 lakhs p.a.—NA.

Machine Tools

M/s Promain Ltd, D-24, Himalaya House, 2nd Floor, Kasturba Gandhi Marg, New Delhi-1. (Ballabgarh—Gurgaon—Haryana)—Bar Twisting Machine—Rs 4.5 lakhs p.a.; Straightening Machine—Rs 3.5 lakhs p.a.; Cold Shears—Rs 1.5 lakhs p.a.; Equipment for finishing of Tubes such as; (a) Straightening Machines—4.5 lakhs p.a.; (b) End Milling Machines—2.5 Lakhs p.a.; (c) Threading Machine—4.0 Lakhs p.a.; (d) Embossing Machine—1.0 Lakhs p.a.; Complete Tube Galvanising plant (6" size) including furnace etc.—Rs 15.0 lakhs p.a.; Draw Benches for Bars and Tubes Rs 3.5 lakhs p.a.; Swaged Poles—Complete Plant—Rs 8.0 lakhs p.a.; 8.6" Tube Mills—20.0 lakhs p.a.—(NA); M/s Raja Bahadur Motilal Poona Mills Ltd, Hamam House, Hamam Street, Fort, Bombay-1 BR. (Poona—Maharashtra)—Internal Grinding Machines (Max. swing over table 400 mm Max min diameter to be ground 125/8 mm)—24 nos. p.a. (Worth Rs 16.80 lakhs)—(NA).

Agricultural Machinery

The Chairman & Managing Director, Hindustan Machine Tools Ltd., P.O. HMT, Bangalore-31. (Pinjore—Haryana)—Agricultural Tractors 'Zetor' (Model 2011/2511 of 20 HP)—(NA); M/s Raja Bahadur Moti Lal Poona Mills Ltd, 5, Raja Bahadur Moti Lal Road, P.O. Box No. 50, Poona-1. (Maharashtra)—Agriculture Tractors (Indigenous-37 HP—10,000 Nos p.a.—(NA).

Office and House Hold Equipment

M/s IBM World Trade Corporation, Nehru House, 4-Bahadur Shah Zafar Marg, New Delhi. (Bombay—Maharashtra)—Key Punch Model-

129—2,000 Nos. p.a.—(NA).

Chemical (other than fertilizers)

M/s Eastern Air Products Private Ltd, 1 & 2, Industrial Estate, Govindpura, Bhopal (MP)—Oxygen Gas—0.45 million cubic meters p.a.—(SE); M/s Bombay Oxygen Corpn Ltd, 5-Convent Street, Colaba, Bombay-1 (BR) (Muland—Bombay—Maharashtra)—Oxygen Gas—0.45 million cu. m. p.a.—(SE); M/s Allied Resins and Chemicals Limited, 13, Camac Street, Calcutta-17. (Rampur—West Bengal)—Paraformaldehyde—600 tonnes p.a. with existing capacity for Formaldehyde—(NA).

Drugs and Pharmaceuticals

M/s Chemical Industrial and Pharmaceutical Laboratory Ltd, 289, Bellasis Road, Byculia, Bombay-8. (Bombay—Maharashtra)—Ampicillin Capsules B.P.—one million Nos. per annum; Ampicillin Syrup BPC—one lac bottles p.a.; Ampicillin Sodium for Injection B.P.—one lakh vials p.a.—(NA).

Textiles

M/s Nirlon Synthetic Fibres and Chemicals Ltd, 115, Mahatma Gandhi Road, Bombay-1. (Bombay—Maharashtra)—Polyester Filament yarn—360 tonnes p.a.—(COB); M/s J.K. Synthetics Ltd, Kamla Tower, Kanpur, (Kota—Rajasthan)—Polyester Filament yarn—360 Tonnes p.a.—(COB).

Paper & Pulp

M/s Cellulose Products of India Ltd, P.O. Kethwada Maize Products, Distt. Ahmedabad, (Gujarat) (Ramol, Dist. Ahmedabad—Gujarat)—Filled corrugated Boards—6,000 tonnes per annum; Pulp—6,000 tonnes p.a. (COB).

Rubber Goods

M/s Modi Rubber Ltd, Modinagar, U.P., (Daurala, Distt. Meerut—Uttar Pradesh)—Automobile Tyres—4,00,000 Nos. p.a.; Automobile Tubes—4,00,000 Nos. p.a.—(NU).

Leather Products

M/s T. Abdul Wahid & Co. No. 19, Vepery High Road, Pariamet, Madras-3. (Aubr—

RECORDS AND STATISTICS

Approach to the Fifth Plan

AT THE two-day session of the National Development Council held in the capital on May 30 and 31, a special paper prepared by the Planning Commission entitled "Towards an Approach to the Fifth Plan" was discussed. The central theme of the paper was intensification of the war on poverty. While the emphasis in the earlier five-year plans has been on economic growth, the fifth five-year Plan will take specific measures in order to raise the standard of living of the underprivileged sections of society. At the end of the session, Mr C. Subramaniam told correspondents that the war on poverty did not imply wholesale nationalisation. He said that there would be no nationalisation for the sake of nationalisation. Full text of the Approach paper is given below:—

The basic premise of our five year Plans has been development along socialist lines to secure rapid economic growth and expansion of employment, reduction of disparities in income and wealth, prevention of concentration of economic power, and creation of the values and attitudes of a free and equal society.

In elaborating our strategy of development in the earlier Plan documents, we seem to have assumed that a fast rate of growth of national income

will by itself create more and fuller employment and produce higher living standards for the poor. We also seem to have assumed that, for reduction of disparities in income and wealth, the scope of redistributive policies is severely limited.

Economic development in the last two decades has resulted in an all-round increase in per capita income. The proportion of the poor, defined as those living below a basic minimum standard of consumption, has slightly come down. Yet the absolute number of people below the poverty line today is just as large as it was two decades ago. And these people living in abject poverty constitute between two-fifths and one-half of all Indian citizens. Available projections suggest that if one were to rely on growth alone without directly tackling the problems of unemployment and income distribution, it may take another 30 to 50 years for the poorer sections of the people to reach the minimum consumption levels. It will neither be feasible nor desirable to contemplate a waiting period of anywhere near such a duration.

assumed debate

The assumed conflict between growth and social justice in earlier Plans has been premised on arguments which assert that whatever surpluses can be mobilised from the richer classes are needed for investments primarily directed at raising the future rate of growth. There might have been some justification for this view in the initial years of planning. However, the economy now has reached a stage where larger availability of resources makes it possible to launch a direct attack on un-

employment, underemployment and poverty, and also assure adequate growth.

There would seem to be a conspicuous element of historic inevitability in a direct approach to reducing poverty becoming the main thrust of the fifth five year Plan. The Plan is being formulated by a government that has won a massive mandate from the people, both in the parliamentary elections of 1971 and the state elections of 1972, on the basis of a programme whose centre piece is 'Garibi Hatao'. The homogeneity of the governments in the Centre and most of the states during the formulation and early years of the fifth Plan is guaranteed. This should enable bold and imaginative proposals being put through on the basis of an enlightened national consensus. Another element which lends support to a strategy of development being directly anchored to the objective of removal of poverty in the fifth Plan is the existence of some sustained thinking on the part of economists in this country on this very problem in the last three years.

double concept

Poverty is both an absolute and a relative concept. When we talk about the elimination of poverty as a goal development, what we have in mind is not the relative concept but a definition of what could reasonably be considered as an absolute level of poverty. This poverty line has to be defined in terms of a minimum level of consumption. Available estimates show that at 1960-61 prices, private consumption of Rs 20 per capita per mensem would be needed to assure a reasonable minimum level. In present day prices, these figures will have to be multiplied by a factor of about 1.86. At present over 220 million people are estimated to be living below this level. The size of the problem and absolute numbers vary from State to State. The urban poor, to a large extent, are an over-flow of the rural poor. The main attack will therefore have to be on rural poverty. A little less than half of the rural poor are landless

labour and a little more than half are small and marginal farmers. The two categories overlap since small farmers also work as agricultural labour.

II

Employment Opportunities

The main causes of abject poverty are :

- (1) open unemployment;
- (2) under-employment; and
- (3) low resource base of a very large number of producers in agriculture and service sectors.

The elimination of abject poverty will not be attained as a corollary to a certain acceleration in the rate of growth of the economy alone. In the fifth Plan, it will be necessary to launch a direct attack on the problems of unemployment, underemployment and massive low-end poverty. The essential ingredient of this line of attack would have to be provision of employment opportunities on as large and wide a scale as necessary and to make this effort technically and administratively feasible.

In order to improve their lot, the poor would have to have incomes. Incomes will accrue to them only if they have meaningful employment. However, the generation of employment (with low per capita incomes) by itself would not be enough to provide a minimum level of consumption for the poor unless prices of essential goods such as foodgrains including pulses, edible oils, standard cloth, sugar and cooking fuels are stabilised. Ensuring stable prices at a reasonable level for these basic elements of consumption must, therefore, be one of the dominant objectives of the fifth Plan. Appropriate prices and distribution policies will be necessary for this purpose.

Price stability in items of essential consumption can be ensured only if production policy is also oriented to increasing availabilities of these items. The pattern of investment and the composition of output in the fifth Plan will specifically need to take into account this aspect, and the

implications for industrial policy to achieve these objectives will have to be studied in detail. Secondly, the potential of science and technology for increasing production, locating substitutes and substituting imports will have to be fully exploited. At the same time there will have to be a much more determined restraint on inessential consumption of the relatively well-to-do classes than in the past so that national resources are effectively mobilised for priorities. A consumption policy of this kind will have to include an approach towards wages, incomes and profits and its implications will also have to be studied.

maximising production

Our march towards a minimum level of income for all can be conceived only on the basis of a programme of maximising all possible avenues for productive employment. Leaving aside the question of employment generation an expanded programme of social services in the fifth Plan (this is dealt with separately in the latter part of this paper) employment-intensive heads of development would include :

- (1) minor irrigation;
- (2) soil conservation;
- (3) area development;
- (4) dairying and animal husbandry;
- (5) forestry;
- (6) fisheries;
- (7) ware-housing and marketing;
- (8) small scale industries including agro-industries;
- (9) roads; and
- (10) special programmes such as the small farmers development agencies, marginal farmers and agricultural labour agencies, crash scheme for rural employment and drought prone areas programme.

The outlay on these heads of development by the Centre and the states (including institutional finance) during fourth Plan works to about Rs 3600 to 3900 crores. The level of outlay on these employment-intensive programmes in the last year of the Plan would be

around Rs 1075 crores. The tempo of investment in these employment-intensive programmes as well as on similar other programmes such as construction activity, road transport and processing could be substantially stepped up in the fifth Plan.

While the goal of the 'Garibi Hatao' programme will have to be the provision of a guarantee of a minimum level of income from work hypothesis for the fifth Plan, however, should be to explore to what extent employment can be expanded by stretching administrative, institutional and financial efforts to the maximum. In this context a number of questions arise. These are :

- (i) The maximum possible that can be provided in the rural areas in a way that the assets created increase productivity and the welfare of the people;
- (ii) The maximum employment that can be provided in urban areas in small scale industries, trade and services;
- (iii) The extent to which the present institutional, administrative, technical and financial constraints on the expansion of productive employment can be removed;
- (iv) The extent to which the quantum of employment likely to be created will fall short of that needed to bring the poor up to the minimum levels; and
- (v) Any further measures to this end that will be necessary to this end.

specific programmes

The general programmes for expanding employment opportunities will have to be supplemented and co-ordinated with specific programmes to tackle the problem of the educated unemployed. The special schemes that have been introduced during the fourth Plan are a recognition that the original programmes included in the Plan were inadequate for the purpose. In formulating the fifth Plan we shall have to bring these special programmes into the Plan itself. Many of the programmes outlined above for tackling rural unemployment and the pro-

grammes for meeting basic minimum needs outlined in Section III will provide employment to teachers, doctors, para-medical personnel, engineers, veterinarians, agronomists and other educated unemployed. In addition, the programmes for surveys of natural resources and those in the field of science and technology can substantially increase employment opportunities for the educated.

principal causes

Unemployment, under-employment and low resource base of a multitude of producers, particularly in agriculture, are the principal causes of poverty. An expanded programme of employment generation will, therefore, have to be supplemented by redistributing the means of production in favour of the poor, in part by providing the self-employed with the wherewithal to achieve greater productivity from land and also through a programme of land redistribution and other transfers. Profiting from past experience, land policy decisions on the nature of the legislation and the processes of implementation will be necessary. The problem of an appropriate balance in the redistribution of available surpluses as between farmers with small holdings and landless labour is also an issue which will have to be faced. An assessment will have to be made during the current year of the impact of the envisaged land reform measures on the problem of rural poverty. The employment programme for the rural areas will have to be so designed that it can meet the requirements of the small and marginal farmers and the landless labour after allowing for the effect of the land reform measures as finally decided upon.

We have to ensure a credit structure that provides money to the smallest farmer and is capable of recovering it from him. Further, in order to expand employment opportunities for the rural landless labour to the maximum and to cut down the degree of under-employment from which the small and marginal farmers

suffer at present, it will be necessary to reorient and integrate various schemes of rural development (such as minor irrigation, soil conservation, area development, animal husbandry, forestry, fisheries, roads, and certain special programmes like SFDA and MFAL, Crach Scheme of Rural Employment and Drought Prone Areas programmes) into a comprehensive programme of land consolidation, land and water development, drainage and other infra-structural activities in the rural areas.

Even if we succeed in producing vast employment opportunities for the poor, they will not be able, with their level of earnings, to buy for themselves all the essential goods and services which constitute quality of life. The programme for providing larger employment and incomes to the poorer sections of the population will, therefore, have to be supplemented by a national plan for the provision of social consumption in the form of education, health, nutrition, drinking water, housing, communications and electricity up to a minimum standard.

III

As a natural first step, it is necessary to identify the items of public consumption that need to be included in the list of basic minimum needs and to lay down the minimum acceptable norms for them. Taking into account the constraints, it would be necessary to work out a reasonable time-phasing for meeting these needs fully. Furthermore, it will also be necessary to work out (i) the order of financial outlays required to fulfil the above commitments, (ii) the financial mechanism to ensure that these outlays constitute a prior charge on the national resources and (iii) the administrative innovations that would ensure efficient implementation of the programme.

The list of basic minimum needs will have to be short and self-evident so that realistic time-frames could be adopted. The following are suggested:

- (i) Elementary education for

children up to the age of 14;

(ii) Minimum public health facilities integrated with family planning and nutrition for children;

(iii) Rural water supply;

(iv) Home-sites for landless labour;

(v) Rural road;

(vi) Rural electrification; and

(vii) Slum improvement in the larger towns.

elementary education

The Constitutional directive is that children upto the age of 14 should be provided with free and compulsory education within a period of ten years of the commencement of the Constitution. That date was passed in January 1960. The likely enrolment at the end of the fourth Plan will be 84 per cent in the age-group 6-11 and 40 per cent in the age-group 11-14. There are wide regional disparities in aggregate enrolment particularly among girls. While it should be possible to cover fully boys in the age group 6-11 by 1975, the problem in regard to full enrolment of girls will pose special difficulties. The constraints are mostly social and non-availability of women teachers in adequate numbers. Special measures will therefore be called for tackling these difficulties and stepping up enrolment of girls to acceptable levels. In respect of age-group 11-14, while it may not be possible to go beyond overall coverage of 50% by the end of the fifth Plan special efforts at accelerated enrolment could achieve the target of 100 per cent in respect of boys in the early years of the sixth Plan. The problem being basic to our objective of creating a socialistic society, special attention will be required for devising a set of measures that will improve enrolment and reduce wastage at all levels.

A primary school within 1.5 Kms. and a middle school within five Kms. of each village appear to be an adequate geographical norm. At the same time, expenditure will have to be stepped up on items such as

free text books and midday meals. Adequate provision will have to be made for school inspectors. Large expenditure will be necessary on the construction of class-rooms. This, incidentally, will also provide employment. Taking into account the condition in each state, detailed state-wise plans will have to be drawn up covering the manpower, financial and other requirements for the implementation of the programme by the target date.

public health

In regard to minimum public health facilities, generalised norms such as improvement in the doctor-population ratio or the bed-population ratio or per capita expenditure on health are not enough since the availability of health facilities in rural *vis-a-vis* urban areas has continued to be extremely lopsided. Instead, the norm will have to be related to adequate extension of medical care in the rural areas. The present standards is one public health centre for a block population of 80,000 to 100,000 supported by eight to 10 sub-centres, each serving a population of 10,000. Accepting this as the minimum, the programme should consist in filling up deficiencies in construction of buildings, of staff, equipment and drugs in a co-ordinated way. This may be a realistic target for the fifth Plan. Ultimately, the coverage of a sub-centre will have to be reduced to a population of 4,000 to 5,000. The emphasis in rural health will have to be on prevention, family nutrition and detection of early morbidity with adequate arrangements for referring serious cases to an appropriate higher echelon such as the tehsil or the district Hospital. Such a multi-tier system cannot be built on a national scale on the basis of the present expensive system of prolonged medical education. A new approach towards the raising of suitable medical and paramedical cadres for the lower tiers has to be worked out. It is necessary that health education should be woven into the general education system. In order to provide an adequate number of doctors for

the fifth Plan programme and as advance preparation for a more intensive coverage later, it would be necessary to consider the revival of the three-year medical diploma. Indigenous systems of medicine will also have to be utilised for the purpose.

The Family Planning programme will need continued emphasis. Apart from the intensification of methods currently adopted, rapid progress will have to be made in integrating family planning with health and nutrition facilities. It is only in this manner that the concept of small families can be promoted on a durable basis among our people.

As part of the minimum needs programme, it will be necessary to take care of pregnant mothers and pre-school children so as to attack the problem of protein malnutrition at its root. The benefits of schooling can be safeguarded and the problems of wastage and stagnation tackled only if nutrition programmes are commenced right at this stage. Nutrition facilities to pregnant mothers and young children will need the highest priority consistent with our ability to design an adequate delivery system.

There is the need to take care of the old and the handicapped who, being unemployable, cannot be brought into the mainstream of economic activity. Outlays will have to be enlarged, to the extent feasible, on special programmes for this segment of the population.

drinking water

In the matter of drinking water supply it has been estimated that about 150,000 villages out of a total of 567,000 villages suffer from either scarcity and health hazards or special problems such as salinity, iron and fluorides. In addition, there are villages which do not have an adequate supply of drinking water or where the provision of water supply to Harijans and backward classes is inadequate. Currently the states spend about Rs 40 crores annually on rural water supply. This provision has been in-

creased by Rs 20 crores in 1972-73. In order to meet this basic minimum need by the end of the fifth Plan, it may be necessary to step up expenditure to an average of Rs 100 to 120 crores per annum.

sites for homes

Home sites for landless rural labour also fall in the category of minimum needs. They are as important to them as employment opportunities. A considerably enlarged programme will have to be taken up in the fifth Plan with a view to securing a substantial coverage of landless labour in all the states. The need for land reform of the kind referred to earlier is further underlined by the scope it would offer for providing home sites to the landless.

roads and electricity

Roads and electricity in rural areas have so far more or less been conceived as part of the productive infrastructure; roads being primarily intended for marketing, and electrification for the energisation of agricultural pump acts. It is expected that by the end of the fourth Plan about 40 per cent of the rural population will have electricity. There are, however, very wide regional variations. The highly industrialised state of West Bengal for instance, has less than about 10 per cent of its rural population enjoying the benefits of power. Similarly, a large majority of villages do not have the facility of an all-weather road. The time has come to recognise that roads and electricity contribute to quality of life. It is necessary to aim at providing all-weather roads by the end of the fifth Plan to all villages above a minimum population size, say 1500 people. The strategy of linking these villages will automatically attract feeder roads to them from villages with smaller populations and eventually cater to about 80 per cent of the entire rural population. Similarly electricity will have to be extended so that by the end of the fifth Plan, at least 30-40 per cent of the rural population receive this facility in all states. For

both these items, planning will have to be on an integrated basis. Village roads should be properly linked to district roads and plans for rural electrification will have to be on a minimum cost-maximum population coverage basis, consistent with generation and transmission capacities.

slum improvement

The long-term solution to urban poverty lies in tackling the root of it—which is rural unemployment. In the interim, the living conditions of the poorest section of the population such as slum and pavement dwellers have to be brought up to some minimum standards. The approach to the problem of *slums* will have to consist in a mix of slum clearance and re-development and environmental improvements. Acquisition of land will be necessary, subject to local conditions, for both types of schemes. In 1972-73 a beginning has been made with a Rs 20 crores scheme for slum clearance and re-housing and slum improvement in eleven cities. These are, Calcutta, Bombay, Delhi, Madras, Hyderabad, Bangalore, Ahmedabad, Kanpur, Poona, Lucknow and Nagpur. In respect of the remaining areas, it will be necessary to identify problem cities and devise suitable programmes of urban development for their improvement. Considering that many of our existing programmes have been launched, but recently, the further experience we gain in the next two years should prove valuable in designing an appropriate programme to cover more cities. In the light of the above, the immediate programme for action will consist;

(1) States will be requested to prepare detailed district plans for ensuring full enrolment of all children up to age 11 during the fifth Plan and spell out the expenditure required on teachers, buildings, text-books, mid-day meals and special incentives for the enrolment of girls. In regard to the age group 11-14, states will be requested to outline the maximum programmes for pos-

sible enrolment by the end of the fifth Plan the target being to push up the enrolment percentage to a minimum of 50 per cent in all states.

(2) The implication of reviving the three year medical diploma course will have to be examined in detail. States will be requested to undertake detailed planning for providing a primary health centre in each block with the full complement of sub-centres, adequate staff, equipment and drugs by the end of the fifth Plan.

(3) States will be requested to draw up detailed plans for providing drinking water supply to all villages by the end of the fifth Plan.

(4) States will be requested to estimate the financial requirements of providing all-weather roads to villages with a population of 1500 or more. These plans will have to be ranked in order of priority, having regard to population, availability of main roads to which they can be linked and marketing requirements, so that a phased programmes of road construction can be formulated.

(5) The backward states will be requested to work out, consisted with generation capacity, an economical programme for rural electrification which may cover up to 40 per cent of the population.

(6) States will be requested to prepare master plans for slum clearance and improvement in respect of towns with a population of five lakhs or more.

(7) States will be requested to authorise expenditure for technical investigations and preparation of suitable programmes and projects reflecting the new approach.

The minimum needs programme will naturally have to be based on the active involvement of all sections of the population. For the success of this programme, financial and administrative decentralisation will be necessary which will ensure public co-operative as well.

Both in regard to the inten-

sive employment programme and the basic minimum needs programme, the importance of implementation cannot be over-emphasised. There is need to avoid delays, leakage and waste. Part of the problem of implementation arises because programmes are not soundly conceived and properly structured. Co-ordination of the various schemes for rural employment and those for the benefit of small and marginal farmers and landless labour would ensure a more effective and fruitful implementation. Secondly, there will have to be a considerable decentralisation of planning, decision-making and implementation. This would call for an effective system of multi-level Planning.

A very tentative estimate of the cost of the proposed needs programme is Rs 3000 to Rs. 3500 crores for the five year period. The concept of a national programme designed to provide facilities in every state to satisfy the minimum norms entails that the necessary financial resources should be made available to each state in accordance with proven needs. To ensure effective utilisation of funds released for these programmes, the implementation capacity of each state will have to be adequately strengthened. Effective mechanisms to ensure both these objectives will have to be evolved.

resource mobilisation

The level of development outlays on employment-intensive programmes, enumerated earlier, during the fourth Plan is anticipated at Rs 3600 to Rs 3900 crores. The outlay on those and other employment intensive programmes indicated above, may have to be about twice as much in the fifth Plan. The National Plan for the provision of basic minimum needs in education, public health, nutrition for pre-school children, drinking water supply, rural homesites, rural roads, rural electrification, and slum improvement and clearance in the larger towns may involve a further outlay of Rs 3000 to

3500 crores during the Fifth Plan. It may be noted that these programmes are also labour intensives. These two sets of programmes will involve an outlay of the order of Rs 10,500 to Rs 11,500 crores during the fifth Plan. While these estimates will have to be firmed up by detailed calculations, nonetheless they are fairly indicative of the order of effort that could make a substantial impact on employment and on the progress towards the objective of Garibi Hatao.

small part

It is needless to say that these programmes, while they are very important from the point of view of social justice, would nevertheless be a comparatively small part of the total Plan. In order to ensure adequate development of agriculture, industry, transport and communications to support the above programmes and to safeguard sustained growth in the period beyond 1978-79, the total level of outlay in the fifth Plan period would have to be around twice the size of the fourth Plan. To firm up the content of the fifth Plan, profiles of investment and output in different sectors will have to be worked out. In order to carry out these exercises in the proper context, it is essential to have a prior consensus about the orientation of the Plan towards the provision of larger employment opportunities and basic minimum needs. Given this a consensus, the implications of different rates of growth of national production and the composition of investment and the implied efforts for resource mobilisation in the fifth Plan can be worked out in detail. In order to finance an outlay of the required order, it would seem necessary to raise Rs 6,000 to Rs 7,500 crores by way of additional resource mobilisation. This would compare to the effort of about Rs 4000 crores undertaken during the fourth Plan period. The effort would call for the states raising around Rs 2500 crores, the Centre making up the balance. Besides, the efforts along conventional lines, major thrust

will have to be in the following directions :

(1) Comprehensive direct tax reform to check evasion and avoidance of all kinds and to make the tax system elastic to income growth, and

(2) To bring agricultural incomes within the tax net. In this effort it may be necessary to go beyond the recommendations of the Wanchoo Committee. It is expected that the Raj Committee would provide valuable suggestions in regard to taxation of agricultural incomes. The remaining two years of the fourth Plan must be utilised to push through this comprehensive tax reform.

The resource mobilisation effort will have to take into account the need for mopping up surpluses arising from existing wealth. Large unearned incomes accrue in the urban areas from property and from transactions relating to land. The recent constitutional amendments have cleared the deck for an approach oriented to changing property relationships, both in urban and rural areas. Reforms in the tax system will have to take fully into account the redistributive aspects and ensure that a significant proportion of wealth as well as income arising from wealth is channelled into public resources.

self reliance

The profile of balance of payments, the size and pattern of investment in the fifth Plan and quantum of domestic resource mobilisation are inter-linked. It is, therefore, necessary to clarify the approach to self-reliance at this initial stage of the fifth Plan exercises.

The objective of self-reliance within a definite time-schedule was formulated for the first time in the third Plan in the following terms;

"The balance of payments difficulties the country is facing are, it must be stressed, not short-term or temporary; they will continue for several years to come. The external assistance is essential for this period, but the aim must be to make the economy more and more self-reliant, so that it is able

to support within a period of 10 or 12 years and adequate scale of investment from its own production and savings. Normal inflow of foreign capital may continue but reliance on special forms of external assistance has to be reduced progressively and eliminated. The third Plan represents a very crucial stage in this process."

While the third Plan gave an indicative schedule of 10 or 12 years from 1961 from the termination of aid, the fourth Plan adopted a more concrete policy objective which was defined as follows:

"...reducing foreign aid net of the debt servicing (inclusive of interest payment) to half of the current level by the end of the fourth Plan and to eliminate it altogether as speedily as possible thereafter."

projections for 1980-81

In the chapter, "Long-term Perspective of Development" in the fourth Plan document, there is also a projection for 1980-81. This shows that on certain assumptions regarding the growth of exports, the foreign exchange resources generated would be adequate to meet import requirements as well as interest obligations on foreign debt. The position anticipated for 1980-81 was a projection based on certain assumptions and was neither meant to be nor presented as an objective.

Net aid in 1965-66, the last year of the third Plan, was Rs 701 crores including food aid and Rs 472 crores excluding food aid. The corresponding figures for 1971-72 are estimated as Rs 328 crores and Rs 202 crores respectively. With continued restriction of imports and promotion of exports, it will be possible to do even better than the fourth Plan objective of reducing net aid in 1973-74 to half the level in 1965-66.

The balance of payments gap during the fifth Plan period and in the last year of the Plan can be worked out only on the basis of certain detailed assumptions. These include growth

rates in the commodity producing sectors, size and content of the investment programme, rates of utilisation of existing capacities, availabilities from capacities under construction, likely performance of exports taking into account also the exogenous factors pertaining to the world markets, trends in invisibles, and so forth. This kind of projection has to be consistent with the rest of the Plan and can therefore be firmed up only as an integral part of Plan formulation. Secondly, the projection cannot be a static extrapolation of present trends and policies but will have fully to take into account the feasible policy changes in regard to exports, invisibles such as shipping, tourism and remittances, import substitution, accent in investment policy for stimulating new capacity in critical sectors, and the like.

In view of the paramount need to achieve by the end of the fifth Plan, self-reliance in the sense of zero net concessional aid, the magnitude and kind of effort required on the different aspects relevant to the balance of payments will need to be carefully worked out. It will be necessary to examine the policy, organisation and resource mobilisation implications of this objective. It is only on the basis of such a thorough exercise that it will be possible to say whether the zero net aid position can be achieved without too great a cost in terms of growth and, if not, in what ways the investment pattern needs to be adjusted to fulfil the objective. In other words, it is suggested that, to start with the exercises connected with the fifth Plan may proceed on the basis of zero net aid position by 1978-79. The objective of bringing down net aid to zero implies that gross aid will be required only to the extent of repayments of principal and interest. To the extent that debt rescheduling is available, the requirements of other gross aid can be reduced. Where debt repayments have to be met from free foreign exchange, debt relief is in fact equivalent to united aid. For these reasons, it is necessary to emphasise debt relief more and

more as a referred form of assistance.

The time schedule for the formulation of the fifth Plan is given in Appendix. The fifth Plan document will be finalised by March 31, 1974.

APPENDIX

Time Schedule for the fifth five year Plan

The following time schedule for the preparation of the fifth Plans has been drawn up so as to finalise the document at the latest by March 31, 1974, that is by the beginning of the fifth Plan period:

30-9-72: Preparation of an **Approach Paper** on dimensions, hypotheses for the fifth Plan, the policy and resource-(domestic and foreign exchange) implications of alternative rates of growth (macro and sectoral) and of other objectives such as employment, income distribution, regional balance, satisfaction of basic minimum needs, self-reliance.

15-10-72: Consideration of the **Approach Paper** by the Planning Commission and approval of guidelines for (a) preparation of a Draft Outline of the fifth five year Plan and (b) size and content of state plans.

30-4-73: First version of **Draft Outline**.

15-5-73: Consideration of **Draft Outline** by Planning Commission.

1-6-73 Consideration of **Draft Outline** by the National Development Council.

30-6-73: Publication of final version of **Draft Outline** after incorporating the views of the National Development Council.

30-1-74: Preparation of **Draft Outline** document after discussions with ministries and states and after bringing the resources estimates up to date.

15-2-74: Consideration and approval of **Draft Fifth Plan** by the Commission and by the Cabinet.

28-2-74: Consideration and approval by the National Development Council.

31-3-74: Publication of the **Fifth Plan**.

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ABBREVIATIONS

Leading Article	LA
Special Article	SA
From the Press Gallery	PG
Window on the World	WW
The Moving Finger Writes	MF
Trade Winds	TW
Books Briefly	BB
Readers' Roundtable	RR
Records and Statistics	RS
Feature	FE
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JUNE 16, 1972

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Government by Dishonesty

Fuel Policy for the Seventies

To the Rescue of the Sick

USA Through British
and American Eyes

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Government by Dishonesty

WE ARE surprised that many newspapers have expressed surprise at the Finance Ministry's recent effort at stage-managing a meeting of economists so as to pave the way for the government rejecting the Wanchoo Committee's recommendation in favour of a reduction in the rate of tax. It was evident from the beginning that the government was not going to play fair. In the wake of the last central budget, this journal wrote:

"...the Wanchoo Committee's main recommendation that rates of income-tax should be moderated to more reasonable levels is 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 reorganize 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 *zamindari* of political influence and authority over the mass mind." (cf *Eastern Economist*, March 31, 1972, p. 505).

It follows that this journal cannot have a quarrel with the Finance Minister for acting as it knew he would. At the same time it is entitled to rebuke the government for having been mean and dishonest about it. This farce of consulting economists on an issue on which a political decision has already been arrived at is a fraud on the public. Boasting as it does in season and out of season of its massive mandate from the electorate, New Delhi, surely, should have had the guts to shout openly "To hell with the Wanchoo Committee's advice. We will do exactly what suits us".

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Fuel policy for the seventies

IN THE absence of the complete details of the interim report of the Fuel Policy Committee (FPC), which the union government has preferred to keep back from the public view at least for the time being, it is difficult to appreciate the rationale of the committee's assessment of the country's requirements of the various types of fuel in 1978-79 — the end of the fifth Plan period — and in 1980-81, as also of some of its suggestions. Taking the overall growth in the economy at 6.2 per cent per annum, as assumed in the Perspective Plan, the FPC, according to the brief summary of its interim report, which was released to the press a few days ago, has estimated that the demand for coal (excluding that used in power generation) would go up to 108 million tonnes in 1978-79 and 125 million tonnes in 1980-81. The estimated requirements of oil for fuel purposes are put at 27.2 million tonnes in 1978-79 and 31.7 million tonnes in 1980-81 and those of electricity at 125 billion kwh and 150 billion kwh, respectively. Including the coal used in the generation of power, the total requirements of coal in 1978-79 are estimated around 165 million tonnes. The aggregate demand for oil products, including those used in fertilizer manufacture and other sectors, is anticipated in the terminal year of the fifth Plan at about 34 million tonnes. The total generation of electricity required to meet the 1978-79 demand of 125 billion kwh is envisaged around 156 million kwh. This will need an installed power generation capacity between 37 and 40 million kw.

These estimates are at variance with those of the concerned ministries which too take into consideration the calculations in the perspective Plan. The preliminary proposals for power development during the fifth Plan period, which have been recently drawn up by the union Ministry of Irrigation and Power, for instance, suggest that the installed generation capacity will have to be raised by 1978-79 to as much as 41.5 million kw and not to only 37 to 40 million kw, as envisaged by FPC. In the case of oil, similarly, a committee of officials of the union Ministry of Petroleum and Chemicals worked out about two years ago the requirements at 34.1 million tonnes in 1975 itself. Later on, towards the close of last year, the demand for petroleum products in 1975, however, was estimated by the Ministry at about 32.8 million tonnes on the basis of macro-economic indicators and between 31.9 and 32.3 million tonnes on the basis of sectorial targets. Even if the lowest

The Prime Minister is

like a fountain which feeds on its own waters. Her ideas being strictly limited, her arguments are necessarily repetitive. Her party and her government having decided for reasons of their own to discipline the press, she has been straining her capacity for logical discussion in her attempt to invent more and more justification. Last month, speaking at the golden jubilee celebrations of the *Ananda Bazar Patrika* in Calcutta, Mrs Gandhi, for a change, trained her guns on the editors of newspapers instead of the proprietors. She accused the present generation of editors of having fallen from both the high professional and even more elevated patriotic standards set by the eminent journalists of the era of the nation's freedom struggle. She suggested that the editors of today had sold their souls not indeed for a mess of pottage but for a fat packet of pay and perks. As

history. I do not suggest that Mrs Gandhi is at fault in pointing to the venality of the journalist profession as it is now being practised. But I would certainly ask her to consider the possibility that today's politicians may be getting the press they deserve. When the pot calls the kettle black, the kettle is entitled to be amused.

The Prime Minister virtuously declared that newspapers should not be house magazines for big business. The phraseology is significant, since the *National Herald* has often been described as her house magazine. There are house magazines and house magazines and some of the newspapers have been accused of either drawing their capital from the industrial units of big business houses or investing their own earnings in such undertakings. There are again other newspapers whose financial affairs are of a different category. They apparently are blessed with

WITHOUT CHARITY

she put it, there is no longer to be seen the reforming zeal of the best journalist of olden days. Increasing prosperity, Mrs Gandhi observed, has taken the present-day editors further away from the people.

I wonder whether it has struck her that the charges she makes against present-day editors or other journalists are on the very same lines as the charges levelled by journalists, as well as a much larger public, against the politicians of today. Surely it cannot have failed to reach the ears of the Prime Minister that she and her tribe of politicians are also generally held to have betrayed the values and standards of the politicians of an earlier generation. It was said of Gandhiji that out of dust he made us men. What he achieved thus lasted long enough for Jawaharlal Nehru to be able to serve the people reasonably well and truly up to the middle years of his long prime ministership. By that time, however, he had managed to exhaust his legacy and the rest is recent

powerful patrons who could collect funds for them through political blackmail. Even so their financial viability does not prove to have been automatically ensured. In fact they even find it difficult to comply with provident fund obligations. Only, their lapses are apt to be treated with a certain maternal indulgence. Mr Khadiolkar at any rate is hardly likely to address to them the menacing admonitions which he so freely lavishes on defaulters less privileged.

The Prime Minister again complained that the press was unduly interested in 'narrower politics'. Her officials, it seems, told her that "in the last few weeks ten times more questions were put to them on the so-called impending cabinet reshuffle than about economic policy". What her officials dare not tell her, of course, is that this state of affairs is mainly to be blamed on the fact that she has made this government such a grossly personal one. As a result, policies do not matter any longer except

as creatures of personal or party political interest. Mrs Gandhi's officials have evidently been telling her what it pleases her to hear. If journalists do not ask her officials about economic policies, can it not be that behind her back, officialdom is apt to be cynical if not sarcastic about the government's economic policy or the lack of it? In any case, does the Prime Minister really mean to argue that, under her dispensation, politics is all that distinct from policy?

There is, however, one observation of the Prime Minister with which I am more in agreement than disagreement. At Calcutta, she said that today's editors and journalists "are more anxious to be heard and to give advice to the legislature and government rather than to find out and report trends in different phases of activity".

While it is almost an universal weakness of the journalist profession the world over for editors to desire to be considered the *confidantes* of presidents or prime ministers, some of our editors have certainly been essaying the role of part-time politicians to an extent which has done neither them nor their newspapers any good. Recalling my days in *The Hindustan Times*, I am reminded of a certain editor who used to meet Mr Morarji Desai every Sunday afternoon when the latter was the Finance Minister in a Nehru cabinet. When this editor returned from these meetings I used to ask him mainly for the sake of polite conversation, what he had been talking about with Mr Desai. The information I invariably got was that, besides being told to reconsider his views on Prohibition, Mr Desai had also been advised to assert himself against Mr Krishna Menon who was then Defence Minister or even to organize himself and his followers for an attempt to topple Nehru. I must add in fairness to Mr Desai that I would also be informed that Mr Desai was too timid or thick-headed to respond properly to the advice to stage a coup.

Before I leave this topic, I would suggest to the Prime Minister that there is an easy way of legitimizing politicking by journalists. This, obviously, is to make everyone of them a member of parliament or decorate each of them with a 'Padma sri'. The process, after all, has been started.

TOUCHSTONE

estimate of the ministry for the year 1975 is taken into consideration, the aggregate requirements of petroleum products in 1978-79 should considerably exceed the FPC's estimate. In fact, the Malaviya Committee, which has recently reported on the functioning of the Oil and Natural Gas Commission (ONGC) refers to some estimates according to which the requirements of crude oil by 1980 would go up to 45 million tonnes — 42-43 million tonnes of petroleum products. As regards coal, the assessment of the FPC apparently should not hold good if the power generation capacity has to be augmented to a level higher than what has been suggested by it.

In view of the snail's pace increase in the domestic production of crude oil and the recent sharp uptrend in the world prices of this source of fuel, which is likely to persist during the current decade, the conclusion of the FPC that much greater reliance than hitherto will have to be put on coal as a source of fuel, apparently, is not unwarranted. We have vast resources of this commodity which can be tapped expeditiously, provided, of course, a rational pricing policy is adopted for the development of the coal industry. The committee's suggestions for the setting up of town gas plants for catering to the domestic fuel requirements of the big cities, with population of 10 million or above, and increasing the production of the solid smokeless domestic fuel too are quite eminent; their adoption should help in discouraging the use of firewood, dung-cake and kerosene as fuel. Its plea for the development of additional production of medium coking coal and its use in steel plants, similarly, is based on sound premises as our resources of prime coking coal are quite limited.

Two other recommendations of the FPC, namely, the stepping up of the use of coal for the manufacture of fertilizer and discouraging of the dieselisation of railways, however, have obvious limitations. No doubt, two coal-based fertilizer plants are currently under implementation and a couple of other such units also have been proposed, but it remains as yet to be conclusively proved that the high initial cost of these plants, despite an element of hidden subsidy in it, will not make them uncompetitive with those based on petroleum as feedstock. The large-scale electrification of railways, again, is not possible, as according to current thinking, the high capital cost of electrification is justified only on sections which have a traffic of about seven million tonnes per annum. On routes on which traffic cannot be expected to reach this level soon after electrification, dieselisation is a must for reducing congestion and expediting movement.

The FPC rightly emphasises the need for

the expeditious implementation of the atomic power projects, which are currently under implementation in Rajasthan and Tamil Nadu. In the areas far removed from the main coal supply sources in the country, where hydel power too cannot be produced in abundance, atomic energy, obviously, will have to play a crucial role in meeting the growing fuel requirements. As the FPC has stressed, there is also need for an advance investment in nuclear power projects for getting the maximum benefit out of the fast breeder reactor technology. The difficulties of hauling huge quantities of coal to these far flung areas is an additional argument in favour of planning the development of nuclear stations on a substantial scale.

In the circumstances in which we are placed at present, there is admittedly no alternative to reducing the consumption of petroleum products in the country. But care has to be taken that this policy is not pursued to absurd limits. Mere curtailment of the demand for petroleum products, through indiscriminately raising their prices by stepping up excise duties or substituting coal in the case of fertilizer manufacture and by electricity in railway traction, apparently is not going to solve the problems on the oil front. What is needed is the acceleration of oil exploration in the country.

Whether one agrees or does not agree with the Malaviya Committee's diagnosis that the present unsatisfactory state of affairs on the oil exploration front is due to the lack of faith that developed in the ONGC and those in authority in the central government in the second half of the last decade, there can be no denying the fact that the pace of oil exploration in the country during the last seven or eight years has not thrown up new substantial reserves of crude. Known crude resources are confined to upper Assam and Gujarat where oil had been found by the early sixties.

The main reason for this is not the so-called "lack of faith" in the oil potential of the country, but the ideological overtones of the government's oil policy. Over the years, under pressure from the leftist lobby, to which Mr K.D. Malaviya himself belongs, the oil policy of the government has become more and more inflexible. The inordinate delay in the exploration of Bombay High — the most promising oil-bearing area identified in the country so far — can be directly attributed to this fact. Had the Tennico proposal, which went up to the union cabinet for approval nearly five years ago been accepted, this promising offshore oilfield would have been in operation by now. The other instances of the cavalier

fashion in which oil matters have been considered by the government in the recent past are (i) the delayed sanction of foreign exchange for the import of sophisticated equipment for extra deep drilling; (ii) the unduly prolonged consideration of the question of setting up a refinery in the north-west region of the country; and (iii) the ad hoc arrangement for the last over two years in regard to the chairmanship of the ONGC. There have also been too frequent changes in the headship of the union Ministry of Petroleum and Chemicals. The ministry at present does not have even a whole-time minister. After Dr Triguna Sen, it was headed only by a minister of state.

The recent announcement by the Ministry of Petroleum that the output of crude oil from the known reserves of the ONGC would be raised from slightly over 3.5 million tonnes per annum currently to eight million tonnes a year by 1978 and further to 13 million tonnes annually by 1983 should help in containing the crude oil import bill to some extent. But this is no substitute for intensifying the search for oil both on land and off-shore if the long-term interests of the economy are not to be jeopardised.

The Malaviya Committee has made several suggestions for stepping up the oil exploration programme. The most important among these obviously are : (i) a radical change should be effected in the policy-making machinery as well as administrative set-up in respect of search for oil; (ii) exploration efforts should not only be to discover oil accumulations, but also to establish that a sedimentary basin or its part had no commercially exploitable oil potential; and (iii) serious thought should be given to securing exploration concessions abroad.

As for the administrative and policy-making set-up, the Malaviya Committee desires that the Prime Minister herself should head the Petroleum Ministry so that adequate dynamism is imparted to the oil exploration programme. In a country where the pressing problems are not one or two but many, it is naive to expect the Prime Minister to start looking after each and every problem. The Prime Minister herself holding the portfolio of petroleum, thus, is not necessary. Did, one may ask, the Prime Minister head the Ministry of Agriculture when the Green Revolution was ushered in? The formation of a cabinet sub-committee and the creation of a special department in the composite Ministry of Petroleum for looking after oil exploration should serve the purpose. But what is more important is that one single agency for field work cannot be anticipated to yield the results expected in oil exploration. The sugges-

tion of the Malaviya Committee that there should be two public sector oil explorers in the country — one for the more difficult areas and the other for the comparatively easier ones — and a third one for undertaking exploration jobs abroad reiterates the above contention. A single agency to undertake the entire exploration work, apparently, will become unwieldy. It will also become red-tape ridden.

The objective that exploration efforts should not only be for discovering oil accumulations but also for establishing that a sedimentary basin or its part has no commercially exploitable oil potential is all right in the ultimate analysis. But, today, when our resources, both financial and technical, are not too abundant and even several promising areas are yet to be fully explored, is it advisable that efforts should be unnecessarily diffused over wide areas? The more promising areas obviously have to be accorded priority. The recommendation of the committee that top-ranking experts should be invited for a second opinion on the prospects of individual basins, of course, is quite wholesome.

In so far as the securing of exploration concessions abroad is concerned, the Malaviya Panel's stress on this aspect needs to be fully endorsed. It is a pity that offers for oil exploration abroad in partnership with foreign explorers, particularly the Burmah Oil Company, which shares on a 50:50 basis the ownership of the only other oil exploration agency in the country — Oil India — were not grasped by the go-

vernment. In Oil India's case, the slow decision-making is said to have been responsible for the opportunity being lost.

Self-reliance in fuel does not imply total dependence on domestic resources irrespective of the costs involved. Technological and economic considerations also have to be given due weight in finalising a rational fuel policy. Let not governmental failures on the oil front prejudice its thinking on the fuel plan. The stress put by the FPC on maximising the production of middle distillates through the hydro-cracking of heavier fractions of oil, incidentally, is quite judicious, for the import of middle distillates involves a much larger expenditure than the import of crude or furnace oil.

Fuller comment on the interim report of the FPC must await its release, for the official summary is lacking in crucial details. May it be hoped that the release of the full interim report will not be unduly delayed? The evolving of a fuel policy is a subject which deserves a national debate. Fuel policy is of vital importance for the drawing up of the developmental programmes in agriculture, transport and industry. The industrial consumers in particular should have a clear idea of the availability of fuel and its sources so that their manufacturing programmes can be chalked out judiciously. Power shortages are a headache at present; they ought to be ended. It will be a step in the right direction if, in the fuel field, we plan at least for marginal surpluses rather than reconcile ourselves to growing shortages as has been the case hitherto.

Eastern Economist 25 Years Ago

June 20, 1947

Under the present atmosphere of labour ferment, the national labour policy will surely be judged by what the Government does to maintain industrial peace. In this sphere, Government has already taken a bold step by enacting the Central Industrial Disputes Act, while a Bill for the compulsory recognition of trade unions is on the legislative anvil. Though the machinery set up for the settlement of industrial disputes is important in itself, more importance is to be attached to the measures taken by the Government to lay the foundations of industrial harmony. The establishment of national tri-partite committees for major industries

and the organisation of works committees, it is expected, will go a long way towards minimising the causes of industrial conflict. On one point, however, Government policy is not clear. It is not known what types of political activities Government will allow healthy trade unions to perform. Time and again, Members of Government have complained that workers are being made 'powers in politics', yet recently some of them publicly blessed the formation of a new trade union organization with pronounced sympathies for a particular political party. This is not to be understood as a criticism of the formation of new body.

Money to spare

THE DETAILS made available by the Reserve Bank of India about expansion of credit in the 1971-72 busy season for meeting the needs of industry and trade and for financing procurement operations clearly indicate that the earlier calculations about an increase in demand for funds which will be nearly equal to the fresh growth in deposits have not materialised. In November last year, it was anticipated that there would be an increase in deposits of the scheduled commercial banks by Rs 530 crores and in advances to the extent of Rs 480-500 crores. It was presumed that procurement operations of the Food Corporation and other agencies would require Rs 120 crores against Rs 70 crores in the 1970-71 busy season. It was also stipulated that there should be no excessive reliance on refinance facilities provided by the central banking institution and the level of borrowing should not in any case exceed Rs 191 crores at the end of April 1972.

The actual developments however have come about in an entirely different manner. The growth in deposits in the six months ended April 28, 1972 was quite impressive at Rs 590 crores exceeding the target by Rs 60 crores. It is also noteworthy that there was an increase of Rs 158 crores as compared to the growth in the corresponding period in 1970-71. On the other hand, the net increase in advances was only Rs 351 crores against Rs 394 crores in the previous season and nearly Rs 150 crores below the assumed level. Even excluding procurement operations, the demand for credit was not such as to be unmanageable. There was no doubt a bigger rise by Rs 425 crores against Rs 325 crores in 1970-71, about Rs 45 crores more than the earlier estimate. This order of expansion was necessitated by larger imports, a bigger cotton crop and other factors. The net increase in advances however was only Rs 351 crores representing a drop of Rs 43 crores over the earlier season in the face of a bigger rise in deposits.

The reduced pressure on the banking system was of course due to the large sales effected by the Food Corporation to keep down wheat prices. There should have also been a sizable reduction in stocks of rice and wheat on account of heavy despatches to Bangladesh. The Food Corporation must have been paid by the central government against these deliveries which were made as an outright grant by the latter. There was thus a net contraction in procurement credit by Rs

76 crores against a net expansion of Rs 70 crores. It was not necessary therefore to borrow heavily at any stage especially as even the seasonal increase in sugar stocks was not on the anticipated scale because of lower production and larger monthly releases. In the event, there was a net decline in borrowings by Rs four crores at the end of the season instead of the anticipated sizable rise and against the reliance of member banks on the lender of the last resort for an additional amount of Rs 81 crores in 1970-71. Investments thus rose substantially by Rs 147 crores against only Rs 38 crores previously. It will thus be clear that the operations of the scheduled commercial banks in the 1971-72 busy season have been very nearly financed out of owned funds and there was no compulsion at all to use refinance facilities in a big way.

It could not have been anticipated even at this time last year that such an extremely easy situation would develop in the money market and there would actually be a problem of utilising available funds remuneratively. At the present moment procurement of foodgrains is going on briskly but with continuing despatches to Bangladesh and a fast growth of deposits any net increase in advances could be met easily with available resources. There will certainly be heavy purchases of foodgrains till the middle of July along with large scale buying of cotton by the Cotton Corporation of India and the textile units. However, with the prospect of additions to deposits at the rate of Rs 120 crores a month, from May even an immobilisation of funds to the extent of Rs 300 crores in wheat and raw cotton as a result of the operations of the two statutory corporations cannot be reflected in any big rise in borrowings, at the end of July. There will actually be a sizable release of funds as a result of a decline in sugar stocks by over eight lakh tonnes in May-July. Besides fresh purchases of raw cotton are being effected at much lower prices than in the corresponding period last year and it is felt in knowledgeable circles that net advances against cotton may even tend to decline after June once stocks of higher priced cotton had been exhausted. There may not actually be a larger outlay in cotton stocks at the end of August in spite of an increase in the carryover by five lakh bales. This will be because the average of prices for all grades of cotton will be lower by 30 per cent.

What then exactly is the outlook for the current slack season? In the six months ending October '72 the growth in deposits may be easily Rs 750 crores while the expansion of credit for procurement of foodgrains and other purposes may not absorb more than Rs 300 crores. The central and state governments can therefore borrow their requirements without any difficulty

through open market loans. The state governments will be seeking to raise a net amount of only Rs 109 crores and the central government Rs 215 crores. It had been explained by the union Finance Minister, Mr Y.B. Chavan, that the target for net borrowing by the central government for 1972-73 had been fixed considerably lower because of the likelihood of net expansion of procurement credit by banks for Rs 95 crores. Net borrowing in 1971-72 was much higher at Rs 294 crores.

Even if the borrowing programme of the centre was on the ambitious scale of 1972-73 and an amount of Rs 300 crores was siphoned away from the organised sector, through open market loans the scheduled commercial banks would still be in a comfortable position at the beginning of the next busy season. It is necessary to point out however that the borrowing programme in 1971-72 was spread over a longer period as the Defence loans for Rs 110 crores were issued only in December 1971. If the fresh additions to deposits in the five months ending March 31, 1973, which may be about Rs 600 crores, were also taken into consideration there would be surplus resources available for investment in loans and bonds for another Rs 120 crores. All these calculations do not take into account the possibility of larger support being extended to the new loans of the central and state governments and bonds of the state electricity boards and statutory financing corporations, by the Life Insurance Corporation, provident funds and trusts. To put it in a nutshell the scheduled commercial banks will be mobilising freshly deposits for Rs 1400-1500 crores in 1972-73 out of which only Rs 700-800 crores may be utilised for extending loans to the different classes of borrowers. There will thus be investible resources of the order of Rs 700 crores to which must be added the quota of Life Insurance Corporation, provident funds and trusts.

The central and state governments should therefore take note of the vastly changed situation in the money market and stagger their borrowing through open loans in such a way that the surpluses of banks and other institutions can be easily absorbed and deficit financing prevented. While the Reserve Bank should help the central government to realise even Rs 350 crores (net) through new loans, the state governments should be allowed to borrow in excess of the target only for productive purposes. The funding operation of the centre can thus be carried out comfortably by the middle of July and the state loans likewise in the first week of September. Their prospects will not be in anyway prejudiced even if the credit institutions liberalised their lending policies.

Shipping at Santiago

It is generally held that not much was achieved at the third session of the United Nations Conference on Trade and Development which concluded recently in Santiago, Chile. Even so, UNCTAD III has at least initiated a move towards a fair deal in shipping.

The resolution of the Group of 77 on a draft code of conduct for liner conferences invites government members of UNCTAD to urge liner conferences to adopt the code. A concomitant recommendation to the General Assembly urges it to convene a Conference of Plenipotentiaries early in 1973 to prepare, on the basis of this draft code, a code of conduct to be adopted by the governments of all countries "in a manner that is binding on them and can be suitably enforced". From the "Common Measure of Understanding" adopted by UNCTAD I in 1964, the submission of a draft code of conduct for liner conferences to a full conference of UNCTAD at the Santiago session is a leap forward indeed.

It must be recalled that this is the third attempt, but the first successful one at drawing up, let alone securing the acceptance of such a code. The first attempt was made in Lima in November, 1971 when the ministers of the Group of 77 agreed that the UNCTAD should undertake the preparation of a code of conduct taking into account the trade and development needs of the developing countries, as also the need to ensure an increasing share in the carriage of maritime cargoes by their shipping lines, but there was no unanimous agreement. A second effort was made later at Geneva, but there was no unanimity. There were strong differences, for instance, on whether or not there should be government regulation. But, at Santiago, they wanted, worked on, and had a common code on behalf of the Group of 77, of course after a good deal of discussion and making mutual compromises, and this was the first big step forward. On April 27, 1972 this was submitted to the full conference in the form of a draft resolution together with a covering letter recommending its adoption.

The preparation of a text on which there could be complete agreement naturally posed a problem. There were endless discussions on the structure of the code and on how the text could be finally evolved. Anyway, after a good deal of discussion at the main committee — Fourth Committee — an informal contact group was set up to consider the draft resolution

submitted to the committee by Indonesia on behalf of the Group 77. A lucid and dispassionate summing up of the informal discussion by this group, prepared by Mr C.P. Srivastava, Chairman and Managing Director of the Shipping Corporation of India, who was the Chairman of Committee IV, which was accepted by every one, helped the full conference eventually to arrive at a consensus on a number of important issues. The Indian delegation thus played an important role in getting a common draft approved.

Even two years ago, the concept of such a code would not have been acceptable, especially to developed countries, but ideas take time to evolve and become acceptable after understanding discussions. As discussions went on, according to observers, developed countries began to side more and more with developing countries. It is amazing how the idea of outside regulation and the urgency of evolving it have at last, albeit slowly, come to be accepted. Of course, on all the subjects discussed — membership, admission to conferences, conciliation, consultation with public authorities, etc. — there was no complete unanimity as such; nor is such unanimity conceivable. There were areas of agreement as well as of disagreement.

On the question of freight rate fixation, for instance, there was considerable discussion on whether this must be the business of conferences or of governments, although there was unanimity on the point that governments also must play a part in it. Similarly, compulsory arbitration as suggested by most developing countries was not universally accepted. The Group of 77 and socialist countries were generally in favour of compulsory arbitration, but developed countries were not. Similarly, not all the countries were as keen on cargo reservation as Latin American and Afro-Asian countries. But a gratifying feature is that there was unanimity on a number of important points, such as a world-wide agreement on a code of conduct for liner conferences for whom there has been no regulation at all these hundred years past. The crucial point came when the question of whether the code should be a legal instrument, as developing countries urged, or it should be just a code to be implemented on the basis of a resolution, as developed countries urged, but no acrimonious debate was allowed to develop as it was suggested that it should be left to the preparatory committee to evolve a code and suggest whether such should be made legally binding or voluntary. The basis of such a code will, of course, be the code evolved by the Group of 77 and the discussions thereon at the meeting of the informal contact group referred to earlier.

The ball is now in the court of the General Assembly which is due to meet in September, and, if all goes smoothly and according to present indications, the code should be a *fait accompli* by the end of 1973.

Next to a code of conduct for liner conferences in importance was the question of development of merchant marines. Developing countries, with their present capacity, account for only 7.1 per cent of the total world trade and they wanted this to be improved to at least 10 per cent by 1980. An increase of less than three per cent over the next eight years may appear insignificant, but it is possible that, unless something spectacular is done (and here developed countries and international financial agencies should co-operate by helping developing countries to acquire both new and old tonnage), that is, unless developing countries acquire 40 million tonnes Dwt, even the present share of 7.1 per cent may go down!

Evidently realising this, developed countries said they had no objection to the note indicating this, although they categorically refused to accept it. Despite this, developing countries must regard even this non-ambitious target as important for the reason that it is for the first time that there is any reference at all to this percentage share business in world trade in an UNCTAD paper. Meanwhile, prospects of an improvement in the terms offered by OECD countries for purchase of ships (eight years' duration and 7½ per cent interest) on a case by case basis, as and when proposals come up, seem to be bright, what with the undertaking of all UNCTAD government members to help developing countries achieve this objective and the insistence that, unlike hitherto, guarantees of national banking institutions should also be accepted. There was also special stress on preference being accorded to developing countries acquiring bulk carriers and tankers.

Another important subject was freight rates, also covered by the code. Initially, developed countries wanted to take up both code and freights, but developing countries feared this would prolong the issue unduly.

A case was also made for the need to review and, if necessary, readjust freight rates, so as to keep them as low as possible bearing in mind the needs of developing countries. A notable gain here would appear to be the stress on indication of the reasons for revision of freight rates, along with an aggregate analysis of financial accounts by independent agencies. The code also refers to such aspects as promotional freights and averaging of freights

(on this latter, developed countries have reserved their position). Incidentally, it is understood, the note on freight rates was accepted unanimously.

Even as more technical assistance is to be given to developing countries for both shipping and shipbuilding, ports in these

countries could expect substantially enlarged financial assistance from UN agencies for modernisation. There is particular stress on liner conferences using these improved facilities, as greater use of ports by these conferences would mean a growing volume of trade for developing countries.

Who gains in Indo-Bangladesh trade?

THE INDO-BANGLADESH trade agreement which was signed in New Delhi on March 28, has been dedicated to the common people of both countries, who are expected to be the main beneficiaries from the close co-operation in trade and development. It is premature to consider to what extent this objective is being realised but have Delhi and Dacca at least made the right beginning in this direction? It was expected that as a result of the trade agreement, smuggling across the border would decline substantially and that the people on either side would be able to get their essential supplies at reasonable prices. But reports from Dacca indicate that Bangladesh continues to suffer from acute scarcity and high prices of many commodities which enter into the cost of living of the common man. The fact that the government of Bangladesh had recently to issue a special order, providing heavy punishment for "grave offences" like hoarding and black-marketing gives some indication of the seriousness of the situation. The price disparity between the border areas seems to be too drastic in respect of many essential commodities. For example, in the middle of May while the price of salt in Murshidabad on the Indian side was Rs 21 per quintal, it was Rs 37 in Rajshahi in Bangladesh. The price of the hilsa fish in Murshidabad was Rs 475 per quintal against Rs 350 in Rajshahi. The prices of other commodities like rice, wheat, atta, flour, sugar, mustard oil, kerosene, eggs, dhotis and saris also vary considerably, which makes smuggling attractive despite the risks involved.

The trade agreement provides for a review of its working after six months but if before this period, either country feels the need to modify the facilities, it should enter into immediate consultation with the other to take the necessary measures. New Delhi and Dacca will do well to undertake the review even now in order to make the agreement really effective. In particular, the government of India

should examine to what extent its excessive reliance on state trading is helping our country to develop the trade with Bangladesh. Complaints are being heard from Dacca about delays in getting the supplies through the Indian state trading agencies. There have also been reports about the high prices charged for Indian goods as well as the supply of sub-standard products. These complaints, if true, are hardly surprising in view of the lack of sufficient experience on the part of our state trading agencies and the absence of adequate and satisfactory transport facilities between India and Bangladesh. The fact that the state trading machinery in Dacca also is not yet well equipped to handle its job competently should also be considered in this context. It is significant that although the trade agreement provides for the export of fish to India, valued at Rs nine crores, this item has not yet started coming to India because of administrative bottlenecks and the lack of sufficient surplus of fish for export.

While New Delhi is trying to keep our businessmen at arm's length in regard to the trade with Bangladesh, other countries are making energetic efforts to develop their commercial contacts with Bangladesh. Dacca has already concluded trade agreements with some countries of east Europe. Businessmen from various parts of the world are coming to Bangladesh in large numbers seeking opportunities for trade and economic co-operation. But New Delhi is deliberately discouraging our businessmen from visiting Bangladesh and building up contacts with their counterparts there. In the last week of May, a goodwill delegation from the Indian Chamber of Commerce, Calcutta, visited Bangladesh. When Mr Bhupesh Gupta asked in the Rajya Sabha how this delegation happened to go to Dacca, Mr A.C. George, the Deputy Foreign Trade Minister, replied in a manner which seemed to indicate that New Delhi was unhappy about this visit. Mr George said that the government was not aware of this visit although the delegation had been given the clearance by the Ministry of External Affairs and by the government of West Bengal. Moreover, the delegation had gone on the invitation of the Dacca Chamber of Commerce. Mr George seemed unaware of these facts and, what was more unfortunate was that he did not indicate

any desire to ascertain what were the impressions and the findings of the delegation. On the other hand, he declared that it was the policy of the government of India to discourage private entrepreneurs from having trade relations with Bangladesh.

The government of West Bengal has expressed its anxiety that this state should be able to play a major role in developing the trade with Bangladesh and has expressed the view that the goods to be supplied from India to Bangladesh should, as far as possible, go from West Bengal so that its industries can function better and create more employment. But so long as New Delhi continues its policy of distrust towards the private sector, West Bengal will not be able to derive much advantage from developing the trade with Bangladesh. The latter needs substantial quantities of various types of consumer goods and capital equipment but only a few items are mentioned in the trade agreement with India. According to the import policy of Bangladesh, out of 269 items, only 26 are handled by the Bangladesh State Trading Corporation. The other items can be imported through private channels against payment in sterling. According to Article III of the Indo-Bangladesh Trade Agreement, imports and exports of commodities and goods produced or manufactured in India or Bangladesh, which are not included in Schedule A, and in the case of those in excess of the values specified therein, shall be permitted in accordance with the import, export, and foreign exchange laws, regulations, and procedures in force in either country from time to time. But how can businessmen take advantage of this provision so long as they are not freely permitted to travel to Bangladesh and build up contacts?

The government of Bangladesh has been inviting global tenders from time to time but their details are not promptly available to our businessmen. The jute and other industries in Bangladesh urgently need various kinds of spare parts which India is in a position to supply. But, again, the lack of contacts between the businessmen in both countries stands in the way of taking advantage of these opportunities. Under the trade agreement, the two countries have undertaken to make mutually beneficial arrangements for the use of waterways, railways and roadways for commerce. This provision needs to be implemented immediately since the lack of transport facilities is severely handicapping the promotion of trade. New Delhi and Dacca should therefore have a fresh look at the trade agreement and consider how best it can be effectively implemented so as to benefit the common people in both the countries.

To the rescue of the sick

V. Balasubramanian

THE WORKING of the Industrial Reconstruction Corporation of India Ltd, which has its headquarters in Calcutta, has lately attracted the attention of the Press and the Parliament. This agency, which has the purpose of reviving sick or closed industrial units particularly in West Bengal, was established by the central government in the middle of April last year. It has, therefore, been functioning for only a little over a year and this is certainly too short a period for an assessment to be undertaken of its performance. All the same it is not entirely pointless to look or even probe into what it has been doing or how it is doing it since, in the case of institutions of this kind, there is a grave risk of problems or even lapses piling up cumulatively unless care is taken in the initial stages to set the working of these agencies on the straight, even if not narrow, path.

rehabilitating workers

In its immediate context, the IRCI has certainly been helpful in rehabilitating workers who had lost jobs or livelihood through the closure of factories brought about by one reason or another. By providing reconstruction finance to the sick and closed industrial units, it has been able to secure the reemployment of 19,319 workers besides warding off the threat of unemployment to another 19,007 workers. Especially in view of the political and social conditions prevailing particularly in West Bengal, this is an achievement of no small significance. It follows that any examination of the working of the IRCI could therefore validly concern itself only with improving its performance and warning it of the pitfalls it is liable to run into. Although the IRCI is free to go to the aid of sick or closed industrial units anywhere in the country, its activities have been confined mostly to West Bengal where the need for the services of such an institution has obviously been most acute. Answering a question in the Rajya Sabha on May 23, the Finance Minister gave details of the assistance sanctioned or disbursed by the IRCI thus far. According to his statement, the amount sanctioned as on May 16 aggregated to Rs 7.44 crores

and the amount disbursed Rs 1.41 crores. These loans were spread over 48 industrial units of which engineering units numbered 24 and textile units nine. Rather interestingly, while 47 out of these 48 units are located in West Bengal, the remaining one, an engineering works engaged in the manufacture of textile machinery is located in Tamil Nadu.

careful selection

The IRCI's resources at present consist of a paid-up capital of Rs five crores out of an issued capital of Rs 10 crores and a loan of Rs five crores drawn out of the total loan of Rs 10 crores sanctioned by the government of India free of interest. The Finance Minister informed the Rajya Sabha that the Corporation was expected to call up during the current financial year the balance of Rs five crores of its issued capital as well as draw the remaining interest free loan of a like amount from government. The IRCI is intended to aid or save industrial units fallen on evil days whether due to factors within the control of the managements or outside. Nevertheless, a good deal of its ministrations is directed towards industrial undertakings which have suffered either because of incompetent management or due to downright mismanagement. It follows that the viability of the IRCI would depend heavily on its careful selection of projects to be assessed as well as on its capacity to ensure that the assisted undertakings are managed along sound lines in the future.

It has been stated that the IRCI has received over a period about 300 applications out of which 48 which are considered to be potentially viable have been sanctioned assistance. Some 13 cases which had no potential for viability have been rejected, while another 47 cases have been redirected to banks and financial institutions as they do not qualify for assistance from the IRCI. Other cases are either in the pipeline or are awaiting their turn for study. These details *prima facie* suggest that the IRCI does follow a strict procedure of scrutiny and selection. This is of course as it should be. Nevertheless there seems to be a feeling in

responsible quarters that the selection procedure has not always been foolproof, or knaveproof. There have been reports of political pressure from the state government. Especially with regard to the cotton textile mills, which have been taken under the umbrella of the IRCI, complaints have been made that some of the units are past the stage of revival, reconstruction or resurrection and that they should therefore be scrapped. It is pointed out that pouring good money into these doomed derelicts would be a bad bargain on any reckoning and that even from the employment angle it would be a wiser use of national resources to encourage and assist in the setting up of new and modern cotton textile units which could pay their way.

inefficient management

An even more serious criticism is that the management of the units — the reference once more is particularly to the cotton textile mills — which have come under the protection of the IRCI has not been organized properly and is therefore not being carried out in an efficient or honest manner. It is alleged that there are cases where unqualified persons have been appointed as directors due to political pressure and it is also said that malpractices are becoming widely prevalent particularly in the purchase of raw cotton or stores or the sale of yarn or cloth. The union Ministry of Finance which has the responsibility of ensuring the proper functioning of the IRCI should certainly look into these criticisms and complaints and take remedial action in time. This is all the more important since the soft loan terms of IRCI assistance are such that considerable time will elapse before the repaying capacity of the assisted units come to be tested. During this period there is every chance of the financial assistance received by these units getting exhausted through losses due to malpractices in management or sheer incompetence on the part of those who have been put in charge of the assisted units. In fact there is already a fear that some of the cotton textile mills receiving IRCI assistance are headed this way.

A course of action which appears to be

urgently needed is for the marginal units among the assisted undertakings to be screened once again and the prospects of their viability very strictly assessed. Any unit which fails to make the grade must forthwith be scrapped. Secondly, there is the need for the Finance Minister to take another and a really close look at the Directors appointed by the IRCI and evaluate their qualifications and backgrounds and above all the way they have been functioning in their present positions. A serious weakness in the present scheme of IRCI assistance is that the IRCI itself is not exercising any control over the operations of the assisted units. It is important that this state of affairs should not be allowed to continue. The IRCI should hereafter devise procedures for ensuring sound financial control. One formula

could be for the IRCI to insist on monthly statements of accounts and promptly investigate the affairs of any unit the actual performance of which is not keeping up with the projections made by the IRCI for its reconstruction.

There is also the interesting possibility that the banks which have extended loans to the assisted units under an IRCI guarantee should be encouraged to take an active interest in the financial position or trends of these undertakings. It is worth noting that banks have sanctioned loans up to total of Rs 5.15 crores to the various units under the IRCI umbrella. This is apart from the fact that they have also contributed to the share capital of the IRCI; the United Commercial Bank, for instance, has in-

vested a sum of Rs 12.5 lakhs in this manner. Thanks to such relationship bank managements are already represented on the IRCI and it is therefore both proper and possible that they should be enabled and in fact required to assume their due share of responsibility in terms of keeping a vigilant watch over the financial affairs of the assisted units. Incidentally, if the banks' role is to be projected in a healthy way, it is important that no political pressure should be brought to bear on them to eschew legitimate banking considerations while scrutinizing loan applications. To sum up, if the IRCI is to do an honest and efficient job, it must be more professional and less political in its promptings and proceedings. It is always desirable that a warning, where needed, must be given early as well as heeded equally early.

Growth trends in public sector

V. S. Mahajan

AN ATTEMPT is made here to analyse the growth trends of certain public sector undertakings during the last few years. The study is confined to iron and steel, chemical and engineering sectors which are indeed the core sectors in the process of economic development. Out of a total investment of Rs 3,902 crores in public sector industrial and commercial undertakings by the end of March 1969, investment made in these three sectors was of the order of Rs 2,686 crores constituting 70 per cent of the total investment.

The data used in this article has been culled from the four annual reports of Industrial and Commercial Undertakings (from 1965-66 to 1968-69), published by the Bureau of Public Enterprises of the government of India.

massive investment

The investment made in this sector by the end of March 1969 was of the order of Rs 1,099 crores — the largest investment ever made in any industrial undertaking whether in the private or public sector. If we add to this the investment made in the Bokaro Steel Plant which is under construction, the investment figure would rise to Rs 1,305 crores—indeed a record figure. However, it is not the imposing

investment which is all that important, but it is the net benefit derived by society with the help of such investment which is going to be far more significant.

How to evaluate the performance of a public sector undertaking? Should it be purely in terms of (monetary) rate of return derived from such investment, or should it also take into account both direct and indirect benefits derived by the society as a consequence of the expansion of output of, let us say, iron and steel industry? We should not go purely by the first criterion but rather by the second one since such an industry as iron and steel has also a large social benefit. For instance, when there is a comfortable supply of iron and steel at reasonable prices, there would also be all around spurt in the manufacturing, construction and farm activities. In other words, while an iron and steel plant might be running at a loss in a pure accounting sense, but if we take into consideration the growth it has encouraged in a number of economic activities, it would not be a losing proposition.

Notwithstanding this, the economy could not at the same time tolerate the occurrence of continuous losses in industrial undertakings even though these yield a large social benefits. This would go against the whole philosophy of econo-

mic development where reinvestment of accumulated gains from industrial undertakings plays an important role. A plant which is continuously losing would be a big social liability and would have to be written off.

teething troubles

In view of this, the losses to which we have referred above are entirely those which result on account of the teething troubles and are only for a short period. As soon as engineering and managerial expertise has been mastered and a rational price policy has been adopted, there is no reason as to why a particular plant should not start yielding a reasonable return on investment.

There are three running steel plants in this sector — Bhilai, Durgapur and Rourkela. These plants were set up during the second five-year Plan period and were ready for operation at full capacity by the middle of the last decade.¹

Incorporating the latest advances in steel technology and with no dearth of technicians as the Indian universities had turned out a large number of engineers during the first two plans, one should have thought that these plants should have done a wonderful job. Unfortunately this has not been the case as is revealed by

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(Table I a). In fact, during the later part of the last decade, the losses have been continuously rising. For instance, from a profit of Rs two crores during 1965-66 (the terminal year of the third five-year Plan), it turned into a loss of Rs 19.4 crores in the following year. The losses rose further to Rs 38.5 crores and Rs 43.8 crores in the subsequent two years.

Notwithstanding the fact that a part of the period under study synchronised with the occurrence of recessionary conditions in the economy, such performance did, not speak well of the public sector steel plants. One could have appreciated these losses if these were due to mere teething trouble. But unfortunately this was not so. The poor performance was mainly due to defective planning and the absence of dynamic management.

It is unfortunate that, inspite of the repeated assurances by the government to introduce professional management in steel plants, not much headway has been made so far. And no wonder, with such approach, the latest report (1970-71) on the performance of these plants does not make encouraging reading.

uniform deterioration

Analysing the performance data of all three steel plants, one notices that the level of deterioration in their performance is fairly uniform. For instance Rourkela, which had shown a profit of Rs 5.3 crores in 1965-66, has shown a loss of Rs 7.1 crores in 1968-69; similarly at Bhilai profits of Rs 1.8 crores during 1965-66 had turned into a big loss of Rs 11.2 crores during 1968-69; and Durgapur's losses steadily rose from Rs two crores to Rs 17.5 crores during the same period.

Such uniform rise in losses in all steel plants is in no small degree due to the concentration of control of all steel plants under a single management (Hindustan Steel Limited). It would be a herculean job for a body such as Hindustan Steel to manage these plants at a uniform level of efficiency. The earlier the management of these plants is decentralised the better it would be for the economy. It would introduce a spirit of healthy competition among all plants and lead to greater efficiency, fuller utilisation of plant capacity and improvement in marketing techniques.

Equally disturbing results are obtained when one makes an analysis of returns obtained from these plants (Table II p. 1171). It is interesting to find that while the ratio

of gross sales to capital employed improved by four points in 1968-69 as compared with 1965-66 when the ratio was 32.3 the ratio of both net profit to equity and gross profit to capital employed showed losses.

This is another way of saying that no economies were exercised on the cost of production which kept on rising at a rapid rate during this period. Here an important contributing factor has been the rising wage cost. This coupled with overstaffing of steel plants, made the situation still worse.

Shifting next to the general engineering sector, which is also a significant consumer of the output of steel industry, one notices

performance at various degree of efficiency. For instance, while Bharat Earth Movers, Bharat Electronics and Hindustan Aeronautics have shown rapid advances in their profits from Rs 12, 60 and 104 lakhs respectively during 1964-65 to Rs 126, 218 and 232 lakhs during 1968-69. Hindustan Machine Tools (HMT) has been going down from a profit of Rs 178 lakhs to a loss of Rs 42 lakhs during the same period. The losses of Heavy Electricals, Heavy Engineering Corporation, Bharat Heavy Electricals and Mining and Allied Machinery Corporation are on the decline though at a very slow rate.

The overall picture is that losses far outweigh gains during the period under study, and further that losses rise at an

TABLE I a

Net Profits/Losses of Public Sector Steel Plants

Plant location	(Rs crores)			
	1965-66	1966-67	1967-68	1968-69
Rourkela	5.3	(—) 1.7	(—) 7.1	(—) 7.1
Bhilai	1.8	(—) 1.3	(—) 8.1	(—) 11.2
Durgapur	(—) 2.2	(—) 13.0	(—) 17.3	(—) 17.5
Alloy Steel Plant	(—) 1.1	(—) 2.1	(—) 4.8	(—) 6.7

TABLE I b

Net Profits/Losses of Government Undertakings other than Steel

Sector/Unit	1964-65	1965-66	1966-67	1967-68	1968-69
I Engineering					
1. Bharat Earth Movers	12	32	32	101	126
2. Bharat Electronics	60	78	181	152	211
3. Hindustan Aeronautics	104	122	129	130	232
4. Hindustan Machine Tools	178	106	126	(—) 66	(—) 42
5. Heavy Engg. Corp.	—	—	—	(—) 1647	(—) 1466
6. Mining & Allied Machinery Corp.	—	—	—	(—) 686	(—) 616
7. Heavy Electricals	(—) 754	(—) 634	(—) 720	(—) 569	(—) 498
8. Bharat Heavy Electricals	—	—	(—) 583	(—) 577	(—) 342
II Chemicals & Drugs					
1. FACT Travancore	(—) 49	(—) 170	44	33	20
2. FCI	255	42	(—) 121	144	402
3. Hindustan Photofilms	—	—	—	(—) 150	(—) 204
4. Indian Drugs & Pharmaceuticals	—	—	(—) 35	(—) 232	(—) 922

Note: Losses are shown as minus within brackets.

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fact that raw materials for the operation of these plants are easily available from the public sector steel plants.

Still far more disturbing is the growth of the Hindustan Machine Tools (HMT) where investment of Rs 53 crores was reported by end March 1969. That this unit which had shown a commendable performance up to the end of the third Plan should be in the red thereafter leaves much to be desired. The general excuse put forward that there was an overall decline in demand of machine tools during this period could not provide the sole answer to such poor performance.⁴ Perhaps an answer has again to be found in the poor management and technological lapses. Not only the demand for all sorts of machine tools has been rising within the country, a growing scarcity is also found in the international market for selective tools. Unfortunately we have failed to exploit this opportunity mainly because we lack in competitive strength and also because we have failed to build up dynamic

accelerated rate during the last two years 1967-68 and 1968-69) as compared with the earlier period. Whether these losses are to be imputed to teething trouble, or overall inefficiency of management, only time would tell.²

It is found that both the units in the electrical sector—Heavy Electricals and Bharat Heavy Electricals; the former set up during 1956 and the latter during 1964—are in the red. The investment made in these two units by the end March 1969 amounted to Rs 231 crores—which is not a small sum. While a loss of Rs 4 crores by Bharat Heavy Electricals in 1968-69 is understandable—for it was set up during 1964 and the loss is against a total investment of Rs 168 crores, a loss of Rs five crores in Heavy Electricals (set up as far as 1956 and having a total investment of only Rs 64 crores) is indeed disturbing. Also in view of a heavy demand for the electrical goods in the expanding economy of India and also from the developing countries, a continuous loss by

the electrical sector needs a thorough investigation.

Further, Heavy Engineering Corporation³ as well as Mining and Allied Machinery Corporation—both allied to Hindustan Steel are also in the red. In fact these two units suffered a heavy loss of Rs 20.7 crores during 1968-69 as against an investment of Rs 269 crores. In particular Heavy Engineering Corporation (established in 1956), where a total investment to the tune of Rs 189 crores had been made upto March 1969, a loss of Rs 3.4 crores during 1968-69 should be disturbing.

A significant reason for the occurrence of these losses has been that these plants have been working below capacity. That this should happen in the Indian economy which is heavily dependent on foreign countries for the import of heavy engineering equipment reflects on the gross inefficiency of our units. This is all the more painful in view of the

TABLE II

Principal Operational Ratios of Public Sector Undertakings

Sector/Unit	Year Incorporated	Investment	1954-65			1965-66			1966-67			1967-68		
			a	b	c	a	b	c	a	b	c	a	b	c
1. Steel														
Hindustan Steel	1954		0.5	3.3	32	0.4	3	35	L	L	29	L	L	36
2. Engineering ⁽¹⁾														
1.	1964	2622	1.8	1.9	33	4.5	6	80	11	17	104	14	14	121 ⁽²⁾
2.	1954	1398	11	13	61	13	16	80	41	23	113	47	25	143
3.	1964	10190	4	6	61	13	5	63	3.6	4	43	5	4	28
4.	1953	3294	29	17	59	11	8	41	L	0.6	39	L	0.7	40
5.	1956	18898							L	L	3	L	L	8
6.	1965	3029							L	L	3	L	L	4
7.	1956	6459	L	L	98	L	L	14	L	L	23			38
8.	1964	16775							L	L	10	L	1.2	22
3. Chemicals														
1.	1943	2241							2.6	3	57	2.3	3.3	63
2.	1961	19084	5	5.2	49	1	2	32	2	5	45	6	5	34
3.	1960	1061									8			22
4.	1961	5012							L	L	0.2	L	L	2

Notes :

- (1) For the names of various units under Engineering (2.1 to 2.8) and Chemicals (3.1 to 3.4) see the previous table.
- (2) Most of the fractional figures in the table have been rounded up.

Codes :

- a. stands for ratio of net profit to equity capital;
- b. stands for the ratio of gross profits to capital employed (aggregate);
- c. stand for the ratio of gross sales (turnover) to capital employed;
- L. stands for loss.

POINTS OF VIEW

marketing links with the overseas markets.

As compared with steel and engineering sectors, this sector appears to have put up a relatively better performance. For instance, the Fertilizer and Chemicals Travancore (FACT), which had an investment of Rs 22 crores by end March 1969, had yielded a profit of Rs 44 lakhs during 1966-67 after showing losses during the previous two years. Although profits have been declining thereafter and had touched Rs 27 lakhs during 1968-69, the FACT promises a good growth trend over time and hence an additional investment of Rs 44 crores for its expansion is fully justified.

Similarly Fertilizer Corporation of India (FCI), with a total investment of nearly Rs 131 crores by end March 1969, has shown a profit of Rs four crores during 1968-69. Keeping in view that the trend of profits is rather erratic, FCI like FACT, promises a good growth trend and should do well over time. It has an expansion programme of Rs 195 crores which, considering the growth trend of the industry is fully justified.

decentralisation of control

However, attempts should be made to save FCI from the same fate as met the Hindustan Steel. In other words, if all¹³ (excepting FACT) public sector fertilizer units have to be concentrated under its single control, one fears that this would lead to an unwieldy control and might give rise to discouraging results, as are already in evidence in the profit trend of the corporation during the five years period under study. Consequently, decentralisation of control would definitely lead to a better performance and introduce a spirit of healthy competition among different units.

Hindustan Photofilms and Indian Drugs and Pharmaceuticals⁶, where total investment of Rs 60.7 crores had been made by end March 1969, are yet experiencing teething trouble and consequently show discouraging results. However, considering that over ten years have passed since these plants were set up, the teething trouble appears to have been unnecessarily prolonged. Especially that this should happen in the Indian Drugs and Pharmaceuticals, which had a total investment of Rs 50 crores, is deplorable.

Also a major objective of setting up of different units under Indian Drugs and Pharmaceuticals is that the quantum of

life saving medicines has rapidly increased so that people could have them at reasonable prices. This would also have its healthy effect in inducing the private sector to bring down the drug prices. Keeping this in view, one still expects the public sector pharmaceutical industry to put up a better performance, especially when it has set up latest plants and as well hired the services of top experts in the profession.

regional dispersion

Interesting results are obtained when one makes an analysis of the location of public sector enterprises (Table III) It is found that Bihar, Madhya Pradesh, Orissa and West Bengal are the first four states where over two-third of the total investment in public undertakings has been made. Looking slightly differently, the three states of the eastern part of the country — Bihar, Orissa and West Bengal — account for nearly 50 per cent of the total investment. This shows that these states among themselves have a lion's share in the total investment in public undertakings.

The south, comprising Tamil Nadu, Kerala, Andhra Pradesh and Mysore, has

a total investment of Rs 566 crores, which is equivalent to the investment made in Madhya Pradesh alone (Rs 543 crores).

The western India, comprising Maharashtra and Gujarat, have a total investment of Rs 188 crores which is equally spread among these two states. The

TABLE III b

(arranged region/statewise)

Region/State	Property (Rs crores)	
I. Eastern		
1. Bihar	621	
2. Orissa	423	
3. West Bengal	411	1455
II. Southern		
1. Tamil Nadu	262	
2. Kerala	102	
3. Andhra Pradesh	87	
4. Mysore	80	531
III. Western		
1. Maharashtra	101	
2. Gujarat	87	188
IV. North-Western		
1. Punjab	33	
2. Haryana	7	
3. Himachal Pradesh	2	
4. Delhi	12	54
V. Northern		
1. Uttar Pradesh	137	137
VI. Central		
1. Madhya Pradesh	543	
2. Rajasthan	27	570
VII. North-Eastern		
1. Assam	64	64

Note: The data excludes investment made by the Indian Air Lines which is not possible to apportion statewise. It also excludes investment made by the Indian Oil Corporation.

north-western India — comprising Punjab, Delhi, Haryana and Himachal Pradesh — has a total public investment of Rs 54 crores. However, Haryana and Himachal Pradesh have a very small share in such investment—just Rs Seven and two crores respectively. Further Himachal Pradesh has the lowest ranking in public industrial investment, while Haryana is a step above it.

The central India, comprising Madhya Pradesh and Rajasthan, accounts for a total investment of Rs 570 crores, over 90 per cent of this being the share of Madhya Pradesh alone. The northern India, comprising alone Uttar Pradesh which is the most populous state in India, has an investment of the order of Rs 137 crores. This works out to 4.5 per cent of the total investment, which indeed is very low.

Assam in the extreme north-east, has a share of Rs 64 crores. However, if we add up the investment made in oil by the public sector, for which separate figures are not available in the annual report, Assam's share would be larger.

heavy concentration

A brief analysis of the public sector investment in different states of the country shows that investment is heavily concentrated in the eastern part—West Bengal, Bihar and Orissa; and also in Madhya Pradesh which has a rank number two in total investment in public undertakings. As against this, investment made in the north-western states—Punjab, Haryana, Delhi and Himachal Pradesh — is the lowest. Investment in the south (Tamil Nadu, Kerala, Mysore and Andhra Pradesh) follows the middle path, while that in western India (Maharashtra and Gujarat) and northern part of the country (Uttar Pradesh) hardly makes an impressive reading.

Notwithstanding the fact that investment in the eastern states and Madhya Pradesh is mostly in steel, heavy engineering and electrical sectors, which are essential for a rapid growth of the economy, one cannot at the same time fail to point out that such concentration of investment in a few pockets of the country has led to concentration of basic industry in a few states and deprived others of the same. This is all the more difficult to understand in view of the government's avowed policy of encouraging regional balanced growth through decentralised in-

dustrial development.

This, at the same time, does not mean that heavy industry should be equally spread in all parts of the country. This would be highly undesirable as scarce resources would be wasted by establishing basic industry even when basic inputs are not available. However, seeing the pattern of industrial growth, one cannot fail to observe that the establishment of basic industry in the eastern states has not encouraged industrial activity over a wider area. Thus, while establishing basic industry, it should be seen that maximum benefits of the same are spread over the largest possible area of the country. In this connection the decision taken recently to set up mini-steel plants in the south is indeed to be welcomed.

main facets

A few conclusions follow from the above study. First the public investment in the industrial sector is heavily concentrated in steel, engineering and chemical industries. This has been done to accelerate the pace of economic development, as output from these industries would yield a large benefit to the economy. Secondly, while the largest investment is concentrated in the iron and steel sector, it is found that the performance of this sector does not make a happy reading. Much of this poor performance, as seen earlier, is due to the unwisely size of the Hindustan Steel and the gross inefficiency of the management. Thirdly, the engineering sector, which is a large consumer of the output of the steel industry, also does not display an encouraging growth trend. Barring a few units like Bharat Earth Movers, Bharat Electronics and Hindustan Aeronautics, the remaining five units under study have not put up good performance. In fact efficiency of some of the units like Hindustan Machine Tools seems to be on the decline.

Fourthly, among the four chemical units under study, the two relating to fertilizers (FACT and FCI) are all right, but the other two (Hindustan Photofilms and Drugs and Pharmaceuticals) are not. We had suggested that if the management of the FCI was not decentralised it might not become a viable corporation. Fifthly, our study of the location of public sector undertakings points to highly uneven distribution of investment. While the eastern states and Madhya Pradesh have a fairly high share of such investment, the north-western states have hard-

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ly received any attention. Though equidistribution of investment in different parts of the country was ruled out, it was however suggested that fruits of such investment should yield a balanced industrial growth in the country, which had not happened so far.

references

1. In fact these were running near full capacity during 1965-66, as evident from the data given below. However, since then the performance has been getting worse.

Year	Capacity utilisation in major branches of public sector iron and steel industry		
	Hot Metal	Steel Ingots	Malleable Steel
1965-66	100	95	91
1966-67	99	88	82
1967-68	87	70	69
1968-69	69	79	87

2. Of course it would be extremely difficult to suggest that the management of these units is more efficient than in public sector steel plants. It might be that if the management of these plants has to face the same troubles as in steel industry, its performance was equally bad.

3. The company is entrusted with the development of the following projects:

1. Heavy Machine Building Plant — Ranchi, mainly designed to produce metallurgical equipment needed for the iron and steel industry;
2. Foundry Forge Project — Ranchi, intended mainly to supply forgings and castings to Heavy Machine Building Project and Heavy Machine Tools Project;
3. Heavy Machine Tool Project — Ranchi, designed to produce annually 10,000 tonnes of heavy machine tools, with a provision for the expansion of capacity upto 20,000 tonnes.

4. It is interesting to find that while the rate of gross sales to capital employed declined only marginally during 1967-68 and 1968-69 as compared with 1965-66 just by one point from 40.6 to 39.4 (1967-68) and to 39.8 (1968-69), the losses have been substantial. This is another way of saying that it was not so much the fall in output in machine tools which gave rise to losses in HMT, but some other factors.

5. It has at present seven units under its control, Sindri, Nangal, Trombay, Gorakhpur, Namrup, Durgapur and Barauni.

6. The following plants are controlled by the company; the Antibiotic Plant, Rishikesh; the Synthetic Drug Plant, Hyderabad; and the Surgical Instrument Plant, Madras. It is stated that although sales rose to Rs 105 lakhs during 1968-69 as against 9.1 lakhs in the previous years, the losses were fairly high. This was stated to be due to stiff competition from the imported products. Consequently until the various plants are able to produce pharmaceutical products at competitive prices it would not be possible to justify their existence.

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Economic philosophy of Ranade

S. K. Ray

THE WRITINGS in the nineteenth century in India, in the framework of the political movement, or as ancillary to it, had a clearly discernible economic content in the sense that the motivation was to serve the cause of the economic emancipation of a people in bondage. By the time Britain had established its governance over the greater part of the Indian sub-continent, India had a developed agricultural economy of the basic unit structure, labour-intensive, but profitable as an economic unit with the peripheral support of cottage and village-level industries. The price spiral was by and large at a plateau of economic stability. The living standard of the community, compared to present-day levels, was also at a plateau governed by simple laws of demand and supply. There were pockets of concentrated wealth, but its manifestation was to a large extent in agricultural holdings fostering a sort of paternal development of agricultural and quasi-agricultural pursuits: the multitude in the villages could make their living. Famines did come, in pockets or in a wave, but usually these were the direct results of wars or invasions and the resultant plundering and temporary cessation or disruption of economic pursuits or not infrequently because of acts of God. The fundamental stability of the economic fabric however would generate adjustable economic forces over the economy as a whole, and the people would soon get back to their economic vocations and pursuits, and the economy would soon pick up at the pristine levels.

doctrinaire tenets

The British government in the 19th century brought to bear on their meandering economic policies an application of the unduly doctrinaire tenets of political economy as formulated by them in the popular English text books of the lily-white classical content. The purely axiomatic and hypothetical character of the classical theories of political economy was conveniently glossed over. The presumptions as to the environments were also forgotten in deliberate econo-political manoeuvres.

Friedrich List in Germany came down

heavily on such suit-the-purpose application of economic principles. It was particularly against the cosmopolitan principle in the modern economic system that he protested, and against the absolute doctrine of free trade, which was in harmony with that principle. He gave prominence to the *national* idea, and insisted on the special requirements of each nation according to its circumstances and especially to the degree of its development.

Friedrich List was not alone in pointing out the fallacy in presuming that classical economic laws were universal in their application. Apart from many important continental economic theorists, there were a few in Great Britain even — Alfred Butler for one—who were emphatically protesting against such a dogmatic and colonial application of the principles of economic laws.

vehement criticism

Criticism of the economic policies of the government during the greater part of the nineteenth century was vehement. The motivation was however principally political. The texture of such criticism did not bring out the economic fallacies in the enunciation and consideration of the principles of political economy. It was here that (Mr Justice) Ranade stepped in. In fact it will not be incorrect to conclude, after a research on the works of both List and Ranade, that Ranade had accepted List as his mentor. In the evolution of Indian economic and econo-political thoughts Ranade's contribution was no less momentous than List's contribution to the formulation of political economy in Germany in his time.

Compared to his compeers, Ranade had two advantages: his accustomed erudition and an almost unsurpassed brilliance in the use of the English language in his time. Both of these he brought to bear on the interpretation of his economic thoughts and in spotlighting the hollowness in the firmament of economic policies of the British government in India.

Because free trade was useful for Eng-

land, the government emphasised, it must be good for India also. Because the principles of *laissez faire* suited the conditions of the British economy, the government imposed it on the Indian economy, and had the audacity to postulate that it would be equally beneficial to India, intentionally skipping over the fact of the non-existence or only marginal existence of a silken infrastructure of private enterprise, already being annihilated systematically by the British as an integral part of their establishment of political suzerainty. Ranade went about with remarkable aplomb to expose the incorrectness of these policies.

Indian context

Ranade took it upon himself the national responsibility of proving that many of the assumptions at the background of all dogmatic treatment of the subject of political economy were inapplicable to India and also that, public policy, if it was really to further the economic development of the country, could not afford to ignore the peculiarities of the Indian context.

In his exposition of the wanton disregard of the realistic tenets of the Indian economic condition by the government, what Ranade wrote became the plinth of our economic thoughts at that time. As the assumptions (Ranade is referring to assumptions like enlightened individualism, completely free competition, mobility of labour and capital, etc.) did not hold good of even the most advanced societies, it was obvious that, in societies such as ours, they were chiefly conspicuous by their absence.

There was neither the desire nor the aptitude for free and unlimited competition except within certain predetermined groups or grooves. Neither capital nor labour was mobile, nor entrepreneurship intelligent enough to shift from place to place. Wages and profits were fixed and not elastic and responsive to change of circumstances. Population followed its own law, being cut down by disease and famine,

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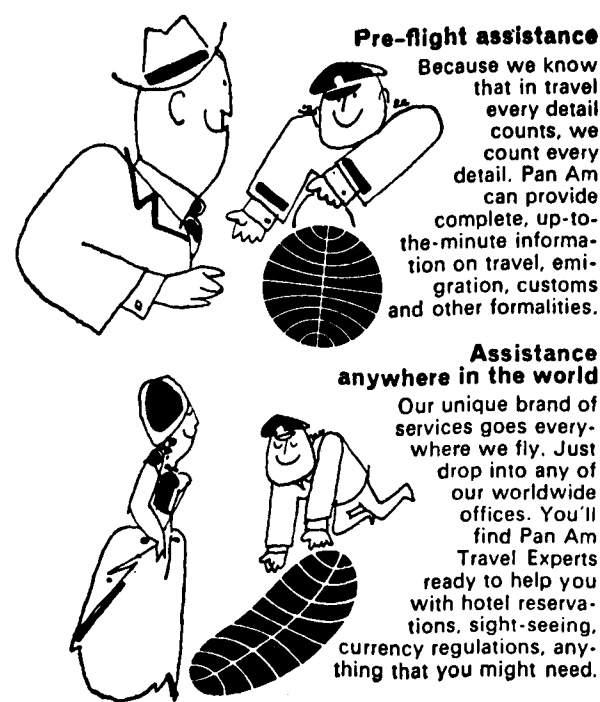
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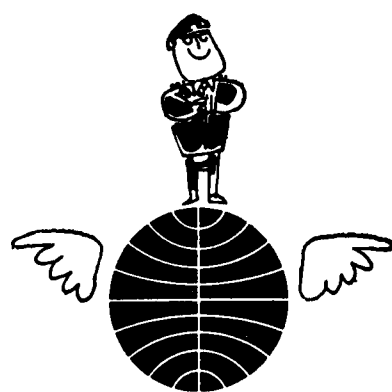


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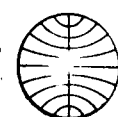
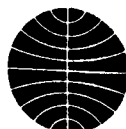


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while production was static and stagnant, and the bumper harvest of one year was needed to provide against the uncertainties of alternate bad seasons and two consecutive bad crops often brought about a famine. In a society so constituted, the tendencies assumed as axiomatic were not only inoperative, but were actually deflected from their proper direction.

At the present time, when the principles of economic laws of money, profit, surplus and liquidity preference, as enunciated by Keynes and the post-Keynesian economists, are applicable in their respective spheres to both the continental and extra-continental countries like India, the economic concepts of Ranade have a look of comparative exaggeration. If one goes through the stimulating works of Ranade, one would naturally realise that there was really a played-up emphasis on the inapplicability of the classical economic laws, and that this emphasis was deliberate.

The classical economic principles very much suited the pursuits of the government, in the background of what came to be known as imperial preference. Ranade's philosophy, which postulated that it was mainly the responsibility of the government to sponsor and accelerate industrial and agronomical development in the country, was diametrically opposite, and in order to achieve his points the political overtones in Ranade's articles are understandable.

inglorious concept

To a student of Indian economic development, the concept of imperial preference fostered by the British rulers in India looms large as an inglorious concept, which wanted to develop the country as a producer of basic resources, required for industrial development of the United Kingdom, and for ploughing back finished products in the vast Indian colony. Tariffs and licences, priorities, economic assistance, shipping and transport, in short every economic vehicle, was geared to this responsibility of the government.

The country was thus being used for export of raw material to aid industrialisation of Britain and also as a market for dumping of the finished products of the British industry. As a result, while industrialisation could not take any meaningful step, agriculture was falling into pieces. Even the tenancy laws and the settlement systems degenerated to produce a multitude of uneconomic holdings controlled by pockets of vested *talukdars* interlocked by pockets of real grievances. It did not, however, furnish anything like a

tion or towards introduction of collective farming.

Ranade decided to hit the government hard on such economic policies, which he said were anti-national and retrograde to economic development. He made no bones about the fact that the government, which was filling up its exchequer by deploying its machinery of public finance through taxation, tolls, excise duties etc., was bound under the modern concepts of government to plough back the public surplus in the industrialisation of the country and also in the modernisation of agriculture and cottage industries. He thus developed the theory of public surplus in India and was all the time urging the government to set the pace of industrialisation in big cities, modernise the tenancy and settlement systems and rationalise the agricultural economy.

remarkable contribution

Another remarkable contribution by Ranade to the debate on public issues of economic significance concerned the arrangement under which 'home charges' and 'imperial levies' were being repatriated to Britain in lieu of the so-called security and governance provided by the British in India. It was being urged that, after all, England had conferred on India the inestimable boon of peace and had made possible an orderly development of the country in all directions and that, therefore, India's losses due to the 'drain' were as dust in the balance when weighed against these blessings. On this plea, as Gokhale pointed out before the Welby Commission, it would have been possible to justify every kind of government extravagance and unfairness.

Ranade, too, would not go unchallenged such deceit in the formation of public policy for economic development. The advantages to India of the British connexion, such as they were, or *vice versa*, were not capable of being precisely measured. They were therefore out of place in a discussion occupied with concrete and calculable items, just as much as the incalculable, though none the less real, advantages which England derived from India.

Ranade considered the whole controversy as entirely academic and incorrectly opinionated, and a deliberate attempt to shift emphasis from the down-to-earth factors of economic development. At the best it can be said the analysis undertaken in connexion with the 'drain' theory did help to indicate various directions of urgent reform, and pointed to the existence of a number of real grievances. It did not, however, furnish anything like a

complete explanation of Indian poverty. The first Indian thinker to see the necessity of emphasizing many other more important causes was Ranade, who was a path-breaker in this as in so many other matters. Later writers perhaps did not always show Ranade's insight and his exquisite sense of proportion.

two considerations

The effectiveness of Ranade's posture should be judged against two considerations. First, he did provide a very effective economic forum to the developing political movement of the country. The cudgels of Ranade were later taken up in the political manifesto of the Indian National Congress increasingly. Secondly, even in those early days of political movement, the thoughts of Ranade compelled the government to come down to brass-tacks in matters of development and principles of government.

The government was certainly being obliged increasingly to take to economic measures leading to the industrialisation of the country in phases, and later towards revision of the ryotwari settlement and even towards modernisation of the agricultural units and methods. The measures taken might have been only marginal, but they did certainly set the pace of things to come in the next few decades.

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USA through British and American eyes

Josselyn Hennessy

London:

I A British View

EVER SINCE the Congressional mid-term election in November, 1970, the US administration has pursued one over-riding objective — to get the economy moving. Having discovered that the combination of a recession, high unemployment and inflation added up to a prescription for straight electoral poison, President Nixon threw policy into reverse. The balance of payments, never a really major factor in policy-making, was left to look after itself; we saw record budget deficits while the Federal Reserve was firmly told that it was expected to provide the monetary fuel for expansion.

When it became apparent in mid-summer of last year that the policy was not

upsurge in August had gone into a decline — the Dow Jones Industrial Average dipped to its low point for 1971 a few weeks before the end of the year — took heart once the uncertainties cleared. On April 18, the Dow Jones had reached 968, less than 30 points below the all-time peak in those far-off and trouble-free days in early 1966, and people were once again talking confidently of going through the 1,000 mark.

The Democratic primaries, normally a matter of passionate interest, seemed almost an irrelevance. True, Senator Muskie's failures at the polls provided a surprise, as did the strong showing of Governor Wallace (whose attempted assassination has been for him an electoral blessing in an unusual disguise) and the re-emergence of the seemingly ever-green

annual rate of 5.3 per cent. This was marginally below the rate achieved in the last quarter of 1971, but the recovery now had a much more lasting and broadly-based look. The savings rate remained high but the expansion in money incomes allowed the consumer to step up his expenditure nonetheless and with unemployment fears receding he did just that. Car sales in April set a new record. The upsurge in private housing, on the way ever since monetary restraints were eased and interest rates fell, shows every sign of continuing.

The latest set of leading business indicators in March were up again by 0.9 per cent, the ninth consecutive monthly increase. On the business front too, optimism suddenly blossomed. A flood of good first quarter profit figures was accompanied by confident statements that the best was yet to come and that profits would continue rising not merely this year but through 1973. Most important, business and industry have been rediscovering their zest for investment. At the beginning of the year forecasts suggested a rise in capital spending of some seven per cent this year. The latest survey has raised this to well into double figures.

II

Poor Productivity Performance

Inevitably there were one or two discordant notes. On trade account the USA chalked up its largest-ever deficit in the first quarter, but with the expansion getting under way and the adverse initial terms of trade effect of the dollar devaluation this was hardly surprising. In any case, if foreigners were to amass too many dollars for their liking, this was their headache, not Uncle Sam's. More worrying has been the poor productivity performance at a stage in the cycle when the gains should be above rather than below average. In the first three months of the year productivity rose at an annual rate of 2.1 per cent, well below the underlying trend and sharply down on the average of 3.6 per cent for the whole of last year. It could, of course, be argued that, as a result, the unemployment problem will be eased more quickly, but on the other hand inflationary pressures will be in-

creased and inflation has been the main cause of worry so far this year.

In the first quarter of the year prices throughout the economy rose at an annual rate of no less than 6.2 per cent, more than three times as fast as in the final quarter of last year and only fractionally below the rate in the bad old days towards the end of 1970. Some bulge in prices had been expected as the freeze imposed last August came to an end, but the figure still came as a shock to the administration. The growth target for the year — six per cent in real terms — still looks within reach and should it be missed the shortfall should be insignificant. But the forecast 3.25 per cent inflation rate for 1972 as a whole now looks wildly optimistic. Little wonder that Mr Peter Peterson, the Commerce Secretary, said that inflation remained "the toughest challenge we are facing now".

Industry seemed less worried, inflation with expansion is not stagflation — as long, of course, as the inflation rate does not actually jeopardise the continuation of expansion. (This incidentally is an attitude which the London Stock Market has also been reflecting for some time now). But such disregard for what until recently was regarded as a major threat to the American economy may not persist if the Price Board were to follow through with its suddenly very tough line. A series of pronouncements instructing companies to hold prices, or actually to roll back price increases, came as a distinct shock and was one of the factors inducing a greater mood of caution on Wall Street.

The impact of Viet Nam

More important, however, has been the deterioration in the Viet Nam situation. The President's talks in Moscow, which are taking place as I write, are, I believe, the most encouraging "non-event" in current international relations. Although American mines threaten Soviet ships they are at pains to avoid them lest they blow up the Soviet-American talks! Splendid!

Though the business community has as a whole been anti-war for a long time it is still not psychologically adjusted — just as little probably as most Americans — to the possibility that the USA might for the first time in its history lose a war. A more vital factor in the equation is the fear that the high risk strategy adopted by President Nixon could jeopardise the chances of his re-election. Whatever the Justice Department may have got up to, the President's policy has not been as favourable to Big Business as might have been expected from a Republican. The very existence of price controls is worrying,

the prospect that they may be more strictly enforced — if only because more easily enforceable — than wage controls can only make for greater fears.

But the chances are that any Democratic President would take a tougher line with business than Mr Nixon, and this has become more likely as a result of the evident response which the "populist" line pursued by some Democratic runners has evoked. As Senator McGovern discovers that he really has a chance of securing the Democratic nomination, even more if the situation were to develop in such a way that he saw a genuine possibility of becoming the next President of the United States, he would no doubt decide that a straight soak the rich ticket may not be the highroad to success. There are indications already that he, if not as yet necessarily his followers, have decided that a President cannot be elected without a compromise with some of the more conservative forces in the country. But that is for the future.

For the moment all eyes are on Viet Nam. This should not, however, obscure the fact that the economic prospect is now better than at any time since President Nixon was elected. Whatever disasters may lie ahead in Viet Nam are unlikely to change this. And the chances are that even if Wall Street gets the jitters, it in common with most Americans, will come to recognise this.

III

An American View

The US economy appears to be moving into a period of significantly faster growth according to the latest issue of the Chase Manhattan Bank's *Business in Brief*. Recent experience does not as yet confirm the more extremely optimistic forecasts for 1972, but it has revealed the most encouraging indications of higher production and employment in several years.

Industrial production has been rising for the past six months. In the most recent three-month period, the annual rate of gain averaged a healthy 7.4 per cent.

The average manufacturing employee worked 40 4 hours a week in February — the best figure in more than two years. Rising hours of work are usually early signs of a faster increase in the number of available jobs.

Employment has been growing rapidly; more than two million new civilian jobs have been created since mid-1971. While the unemployment rate is still too high (in part because of abnormal growth in

the civilian labour force) the job climate has clearly improved.

Economic growth promises to be not only faster but also more broadly-based in 1972 than it was during the first year of recovery from the 1969-70 recession. In 1971, there was marked improvement in sales by the consumer goods industries, and the beginning of a real boom in home-building. But business investment — always the key to a vigorous and sustained advance in the economy — was virtually flat during most of the year.

Business investment in new plants and equipment began to level off in the second half of 1969. The principal weakness was in the manufacturing industries, which were handicapped by the existence of considerable excess capacity in the face of a slowdown in sales. Companies in many lines of business — not just in manufacturing — also found their ability to finance new investment severely eroded by rapidly falling profits. But profits began to improve in 1971, and are still rising in 1972. And the Revenue Act of 1971 provided the seven per cent investment tax credit and liberalised depreciation rules as additional incentives to invest. The response has been good.

New orders for capital goods increased

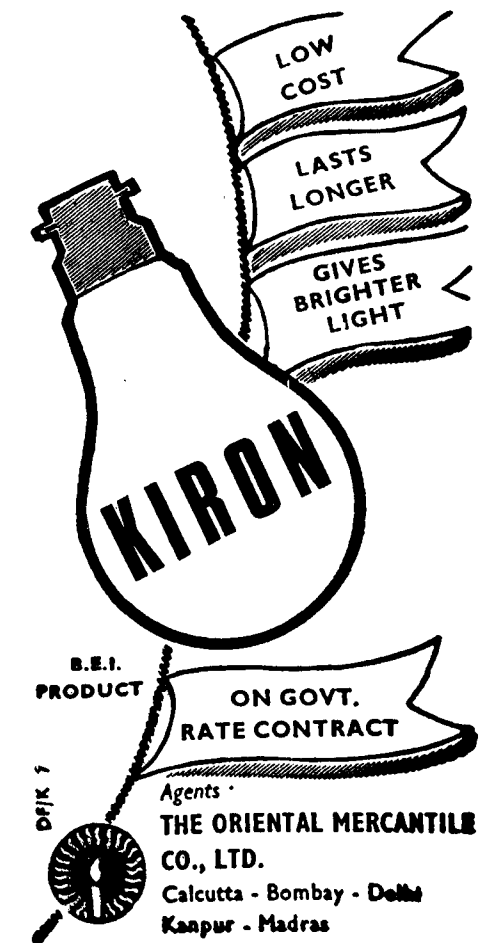
WINDOW ON THE WORLD

working, further expansionary measures were accompanied by the devaluation of the dollar. In order to secure growth without inflation the administration introduced the most comprehensive system of wage price controls ever seen in the USA in peacetime. What was lacking was business confidence — the East Coast financial community and the big international companies did not look on the possibility of a trade war with the other industrialised countries with quite the degree of relaxation exhibited, at any rate outwardly, by Mr. John Connally and his closest collaborators in the US Treasury. The Smithsonian settlement in December eliminated that particular cause for concern and formally recognised a substantial dollar devaluation.

Wall Street, which after a short-term

Hubert Humphrey. But the only issue at stake apparently was who might gain the privilege of being beaten out of sight by President Nixon come November, and that was not something to get terribly excited about. President Nixon was riding high. Just what he may or may not have achieved by his Peking spectacular did not really seem to matter, for at long last, the one pre-condition for his re-election appeared to be fulfilled, the economy was responding to treatment and for once the administration could claim that it was more or less on the target set in the game plan, according to the latest issue of the Ionian Bank's *European News Letter*.

In the first quarter of the year Gross National Product in real terms grew at an



sharply in late 1971 and early 1972. Capital investment began to rise modestly late last year and recent surveys of business investment plans indicate a good increase of 10 to 11 per cent for 1972. By contrast, investment rose by a total of less than four per cent in the two years between the third quarters of 1969 and 1971.

Business investment in inventories also made little contribution to economic growth in the past two years. In a three thousand million dollar company, inventories should normally rise by \$7,100 million a year. In 1970 and 1971, the gain averaged only 2,500 million a year. But here too, the outlook appears to be improving.

More businessmen report either that their inventory cutbacks have been completed or that inventories are now too low. The inventory-sales ratio for all business is at its lowest point in more than five years, implying that stocks of finished goods, work in progress and materials must be increased to service growing sales. The recent pattern of production gains itself indicates that inventories are being rebuilt.

As the expansion spreads from consumer goods and homebuilding to busi-

ness investment, the outlook is also improving for producers of basic materials. Already there is encouraging evidence of growth in demand for chemicals, metals and other materials.

If recent trends continue, US growth in 1972 will fall well within the 5 to 6.5 per cent range predicted by most forecasters. For perspective: if the US growth rate reaches six per cent—which now seems a real possibility—this would represent the largest advance since 1966. And it would be significantly greater than total growth for the last three years put together.

Faster growth will not, of course solve all the domestic economic problems of the United States. Unemployment, especially among minority groups, poverty, pollution and inflation are too fundamental and too complex for that.

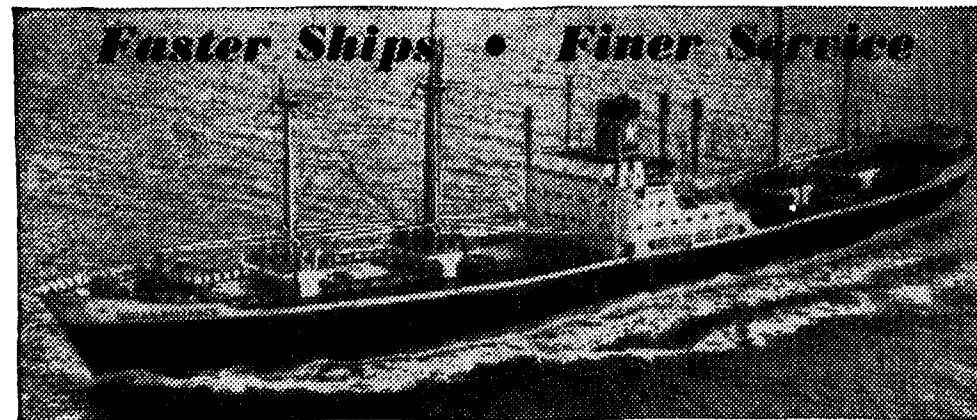
Nevertheless, faster growth is essential for real progress in most of these basic problem areas. Six per cent growth would bring a reduction in unemployment, although probably slowly at first, and would set the stage for further improvement in the job situation in 1973. It would provide more of the funds — both public and private — required to reduce pollution and alleviate poverty and would create a

climate in which the battle against inflation might be waged more successfully.

Many nations have found that it is difficult if not impossible to follow non-inflationary policies while unemployment is high; to do so defies the reality of political priorities but as the US economy turns upwards, fiscal and monetary moderation become both more economically appropriate and more politically acceptable. Thus the Chase Manhattan Bank blandly concludes that the improving prospects for economic growth in 1972 also offer a new opportunity to make progress in moderating US inflation.

I find it interesting to note that if the facts and figures above are changed into those covering the current UK economy eventually the same picture emerges—a basically optimistic outlook, perplexed but not unduly worried, by expansion with staggered inflation rather than stagflation.

Sources and acknowledgement: The foregoing summarises recent reports by (a) the (British) Ionian Bank, 64 Coleman Street, London EC2R: 5BD and the (American) Chase Manhattan Bank, New York, N.Y. 10015, but neither bank is responsible for the emphasis of my summary nor for my interspersed comments, based on a variety of sources.



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The acquittal of Miss

Angela Davis by a court in the US, on the basis of an unanimous verdict of 'not guilty' by an all-white jury, is a heart warming indication of the vitality of those progressive and indeed revolutionary forces which currently seem to make up the essential American ethos. It has been demonstrated to the world that American law, American justice and indeed American public opinion are powerfully relevant institutions in the free society which the United States basically is. The Establishment has been shown to be without the authority or power to rebel or even wanting to rebel against the Rule of Law.

In contrast we have in this country the outrageous episode of the Nagarwala affair. Let it be said to our shame as a people that the powers-that-be have so far been successful in suppressing truth and suggesting falsehood. In spite of the fact that the scandal cries out to be properly investigated, the government has been able to keep the doors of its cupboards stubbornly shut and its skeletons securely secreted. Worse still, the Finance Minister had the audacity to say in Parliament that it did not matter who else was dissatisfied since he himself was completely satisfied that no inquiry was called for. After this, there cannot be many Indians who can honestly take pride in the way in which the politicians in power are assisting — if this is the word — this country in realizing its democratic destiny.

'The Hindustan Times'

has a certain editorial point of view on Indo-Pakistan relations and it must be said to its credit that it has been arguing its case with a vast professional competence as well as great conviction. I am therefore left to wonder why it has chosen to go out of its way to invite damage to its credibility by laboriously attempting to question the authenticity of the account which an Italian woman journalist has given of what Mr Bhutto has said to her about Mrs Gandhi.

In a leading article in its issue of June 5, this newspaper has been at pains to prove that Miss Oriana Fallaci is a superficial and unreliable journalist.

Since there was never any danger that Miss Fallaci would be mistaken in any quarters for another Walter Lippmann or James Reston or even another Kuldip Nayar, *The Hindustan Times'* effort was a curiously misdirected expenditure of mental and physical energy. The point is that Miss Fallaci did interview Mr Bhutto and that the latter has not so far written to Mrs Gandhi — as he could very easily have done if such were the case—that he did not use against her the offensive language which Miss Fallaci has attributed to him. It follows that the caption given in *The Hindustan Times* editorial viz., "An interview Mr Bhutto disclaims" is most definitely inaccurate.

Mr Bhutto himself has so far said nothing one way or the other and, even on his behalf, it has not been denied that there was this interview. The only question is whether Miss Fallaci has exaggerated or distorted Mr Bhutto's observations and if so in what way and to what extent. To say that some people feel that they have reason to regard her as a thoroughly unscrupulous and dishonest reporter is certainly not the most satisfactory way of establishing the proposition that she must necessarily be lying about what Mr Bhutto had said to her during the interview. It is to be presumed after all that, when the President of Pakistan gave an interview to a foreign journalist, certain obvious precautions would have been taken. First, the journalist's credentials would have been examined and secondly arrangements made to maintain a true record of what had passed at the interview and also to check against this record the account which was to be published. It could therefore not have been easy for Miss Fallaci to get a grossly inaccurate report of the interview passed by Mr Bhutto's secretariat unless she had double crossed Mr Bhutto by publishing an account which was cooked up without the knowledge of Mr Bhutto's office.

Neither Mr Bhutto nor any spokesman of his has so far alleged that Miss Fallaci has played such a trick. In any case, there is ample internal evidence in Miss Fallaci's account to suggest that she could not have fabricated Mr Bhutto's observations about Mrs Gandhi. To have been able to do this she should have had

not only vivid imagination but also a degree of background knowledge of both Mr Bhutto and Mrs Gandhi which she is unlikely to have come by. It may be readily granted of course that the Fallaci interview should not be allowed to upset the summit schedule. There has been no sign, of course, that New Delhi would be inclined to act that way. Mr Bhutto is, for the time being at any rate, the President of Pakistan and if the government of India wishes to do business with the government of Pakistan, the Prime Minister has to sit down with the President for talks. This is the long and the short of it, but this does not mean that Mrs Gandhi has to (or can) be lulled into a belief that Mr Bhutto is other than what he is.

Mr Romesh Thapar has

been writing a lot on the politics of ceilings in recent issues of *Economic and Political Weekly*. It is easy to see that Mr Thapar is trying to get at something, but it is rather difficult to discover what he is trying to get at. Take, for instance, the following passage from his column in the issue of May 13:

"The whole point of the ceilings demand is to get at surplus land for the landless. Judging from the way the debate sways to and fro, we have lost sight of our objective. Bits and pieces of surplus land here and there will become available, but the resettling of this surplus will present massive problems — even though the conviction persists that the loopholes will be many, what with double-cropping hardly practised and village records in utter confusion. The truth is that no one has done a total exercise. As for the old war cry, 'Land to the Tiller', it is not heard".

Now compare what he has said here with what follows in his column in the issue of May 20:

"The fundamental flaw in the reasoning of the Congress leadership is the attempt to tie up the concept of ceilings with dispossession. The two objectives are different and should be sought at different levels. To attempt a single formula to serve two objectives — or to kill two birds with one stone! — is not possible in the mixed-up muddle that is the Congress party. The tackling of one objective is impossible enough in democratic conditions, but no one seems to think so". The country is being tormented by confused counsel. Mr Thapar, like so many of us, has much to answer for.



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77 Equity Shares of Rs. 10/- each allotted to the subscribers to the Memorandum of Association of the Company which have been fully paid up in cash	770	770
4,49,923 Equity Shares of Rs. 10/- each subscribed by and allotted to Directors, Business Associates and employees of the Modi Group, on which Rs. 5/- per share are paid up in cash.	44,99,230	22,49,615
8,00,000 Equity Shares of Rs. 10/- each subscribed by and allotted to Modi Industries Limited on which Rs. 5/- per share are paid up in cash	80,00,000	40,00,000
7,50,000 Equity Shares of Rs. 10/- each subscribed by and allotted to Modipon Limited on which Rs. 5/- per share are paid up in cash.	75,00,000	37,50,000
4,00,000 Equity Shares of Rs. 10/- each subscribed by and allotted to Modi Spinning & Weaving Mills Co. Ltd. on which Rs. 5/- per share are paid up in cash.	40,00,000	20,00,000
TOTAL :	240,00,000	120,00,385

C. Present Issue for cash at par :

36,00,000	Equity Shares of Rs. 10/- each	3,60,00,000
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D. Out of the Present Issue :

1,30,000	Equity Shares of Rs. 10/- each have been reserved for allotment to The Industrial Credit And Investment Corporation of India Limited for cash at par.	13,00,000
1,70,000	Equity Shares of Rs. 10/- each have been reserved for allotment to Industrial Finance Corporation of India for cash at par.	17,00,000
1,30,000	Equity Shares of Rs. 10/- each have been reserved for allotment to Unit Trust of India for cash at par.	13,00,000
2,20,000	Equity Shares of Rs. 10/- each have been reserved for allotment to Life Insurance Corporation of India for cash at par.	22,00,000
TOTAL :		65,00,000

E. Now offered to the public for subscription for cash at par :

29,50,000	Equity Shares of Rs. 10/- each	2,95,00,000
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TERMS OF PAYMENT

On Application	Rs. 2.50 per sh
On Allotment	Rs. 2.50 per sh
Balance in two equal calls to be made as may be determined by the Board of Directors of the Company with an interval of atleast two months between each call.	Rs. 5.00 per share Rs. 10.00 per share

UNDERWRITERS

Out of the present issue of 29,50,000 Equity Shares of Rs. 10, each of the value of Rs. 2,95,00,000 to the public, Equity Share of the value of Rs. 2,65,00,000 have been underwritten as follows

Name of Underwriter	Amount Underwritten Rs.
1. Industrial Development Bank of India, Bombay-1.	50,00,000
2. Life Insurance Corporation of India, Bombay-20.	28,00,000
3. Unit Trust of India, Bombay-1.	27,00,000
4. U.P. State Industrial Corporation Ltd., Kanpur.	40,00,000
5. The Industrial Credit & Investment Corporation of India Limited, Bombay-20.	37,00,000
6. Industrial Finance Corporation of India, New Delhi-1.	33,00,000
7. Harbans Singh Mehta & Co., New Delhi-1.	4,00,000
8. Lewis & Jones, Bombay-1.	4,00,000
9. Place, Siddons & Gough (P) Ltd, Calcutta-1.	4,00,000
10. Champaklal Devidas, Bombay-1.	4,00,000
11. Amrit Lal Bajaj & Co., New Delhi-1	3,00,000
12. Chimanlal J. Dalal & Co., Bombay	2,00,000
13. Raja Ram Bhasin & Co., New Delhi-55	2,00,000
14. H.P. Mehta & Co., New Delhi.	2,00,000
15. Bharat Bhushan & Co., New Delhi-1.	2,00,000
16. Vinod Kumar & Co., New Delhi.	2,00,000
17. D. S. Purbhoooodas & Co., Bombay-1.	2,00,000
18. L. K. Pandey, Bombay-1.	2,00,000
19. Batlivala & Karani, Bombay-1.	2,00,000
20. Valji Bhimji, Bombay-1.	2,00,000
21. M. Nanjappaiah Jahgirdar, Bangalore-42.	2,00,000
22. Stewart & Co., Calcutta-1.	2,00,000
23. D. B. Malhotra & Co., New Delhi.	1,00,000
24. Behari Lal & Co., New Delhi.	1,00,000
25. B. K. Khullar & Co., New Delhi	1,00,000
26. Jalan & Co., New Delhi.	1,00,000
27. K. B. Malik & Co., New Delhi.	1,00,000
28. Jamnadass Morarjee & Co., Bombay	1,00,000
TOTAL :	2,65,00,000

Modi Industries Ltd. (the promoters) have given an undertaking to the underwriters that in the event of the Equity capital of the value of Rs. 295 lakhs now offered to the public being under-subscribed by the public, the said Modi Industries Ltd., and/or their associate companies shall, without charging any under-writing commission and/or brokerage, take up the first 3,00,000 Equity Shares of Rs. 10/- each not subscribed for before calling upon the underwriters to discharge their respective under-writing obligations.

TECHNICAL COLLABORATORS

Continental Gummi-Werke A.G., Hannover, West Germany.

AUDITORS

Singhi & Co., Chartered Accountants, New Asiatic Building, H-Block Connaught Circus, New Delhi.

ISSUE HOUSE

M/s Computech Corpn., 147, M.G. Road, 3rd Floor, Opp : Indian Airlines, Fort, Bombay-1.

LEGAL ADVISERS TO THE ISSUE

J.B. Dadachanji & Co., Advocates, Jeevan Vihar, 3, Parliament Street, New Delhi-1.

BANKERS TO THE ISSUE

1. First National City Bank, 3 Parliament Street, New Delhi-1. and their other branches.
2. Punjab National Bank, Parliament Street, New Delhi-1 and their other branches.
3. Bank of India, Janpath, New Delhi-1 and their other branches.
4. State Bank of India, Parliament Street, New Delhi-1 and their other branches.
5. Bank of Baroda, Parliament Street, New Delhi and their other branches.

BANKERS OF THE COMPANY

1. First National City Bank, 3, Parliament Street, New Delhi-1.
2. Punjab National Bank, Parliament Street, New Delhi-1.
3. Allahabad Bank, Modinagar.

MANAGERS TO THE ISSUE :

Management Consultation Division, First National City Bank, Parliament Street, New Delhi-1.

PRINCIPAL BROKERS :

Harbans Singh Mehta & Co., 33, Regal Building, Parliament Street, New Delhi-1. Lewis & Jones, Bank of Baroda Building, Fort, Bombay-1. Place, Siddons & Gough (P) Ltd., 6, Lyons Range, Calcutta-1.

OTHER BROKERS :

BOMBAY :
Champaklal Devidas, Bhupen Chambers, Dalal Street, Fort, Bombay-1.
Chimanlal J. Dalal & Co., 107 Stock Exchange New Building Dalal Street, Fort, Bombay-1.
Valji Bhimji, Old Stock Exchange Building, Dalal Street, Fort, Bombay-1.
Batlivala & Karani, Union Bank Building, Dalal Street, Fort, Bombay-1.
Morwanjee Bomanjee Dalal, Allahabad Bank Building, Apollo Street, Fort, Bombay-1.
R. R. Nabar & Co., 31, Dalal Street, Bombay-1.
Navalchand T. Shah & Co., Union Bank Building, Dalal Street, Fort, Bombay-1.
Jamnadas Morarjee & Co., 8-10 Dalal Street, Fort, Bombay-1.
P. R. Subramaniam & Sons, 70-A, Stock Exchange Building, Apollo Street, Fort, Bombay-1.
L. K. Pandey, Maharashtra Bank Building, 45/47 Apollo Street, Fort, Bombay-1.
D. S. Purbhoooodas & Co., 10/11 New Stock Exchange Building.

Apollo Street, Fort, Bombay-1.
Parecha Brothers, 19, Stock Exchange Building, Apollo Street, Fort, Bombay-1.

DELHI :

Amritlal Bajaj & Co., United India Life Building, F-Block, Connaught Place, New Delhi-1.
P. Roy & Company, 3/8, M.M. Road, Jn. Panchkuin Road, New Delhi-55.
H. P. Mehta & Co., Akash Deep, 3rd Floor, Barakhamba Road, New Delhi-1.
Raja Ram Bhasin & Co., Jeewan Mansion, 8/4, Desh Bandhu Gupta Road, New Delhi-55.
D. B. Malhotra & Co., 13, Stock Exchange Building, Asaf Ali Road, New Delhi.
Behari Lal & Co., 15, Stock Exchange Building, Asaf Ali Road, New Delhi-1.
Bharat Bhushan & Co., H-45, Connaught Place, New Delhi-1
Jalan & Co., Stock Exchange Building, Asaf Ali Road, New Delhi-1.
Vinod Kumar & Co., A-6, Connaught Place, New Delhi-1.
K. B. Malik & Co., Atma Ram Mansion, Connaught Place New Delhi-1.
J. C. Mehta, 44, Delhi Stock Exchange Bldg., Asaf Ali Road, New Delhi-1.
B. K. Khullar & Co., 31, Delhi Stock Exchange Bldg., Asaf Ali Road, New Delhi-1.

CALCUTTA :

Chunilal T. Mehta, 7, Lyons Range, Calcutta-1.
Stewart & Co., 14, India Exchange Place, Calcutta-1.
Murarka Bros., 7, Lyons Range, Calcutta-1.

MADRAS :

Paterson & Co., Vanguard House, III Floor, 11/12, Second Line Beach, Madras-1.
Kothari & Sons, Kothari Buildings, Nungambakkam High Road, Madras-34.

HYDERABAD :

P. B. Afzulpurkar, Sultan Bazar, Hyderabad (A.P.)

BANGALORE :

M. Nanjappaiah Jahgirdar, 205, Cavalry Road, Bangalore-42.
Vijai & Co., 9, Eleventh Main Road, Malleswaram, Bangalore-3.

AHMEDABAD :

Chinubhai Chimanlal Dalal, Muharat Pole, Ahmedabad-1.

PROSPECTUS AND APPLICATION FORM :

Copies of the Prospectus and Application Forms may be obtained from Registered Office of the Company, Underwriters, Brokers, Bankers to the Issue named herein or from their main offices, branches at places mentioned in the application form. Application must be made on the prescribed form only and in accordance with the instructions contained in the form, and will be refused if not so made.

Application may be made only by residents in India and must be for a minimum of 50 Equity Shares or multiples thereof. Multiple applications are liable to be rejected. Application forms properly completed must be delivered before the close of subscription list together with full amount payable on application to any of the Bankers to the Issue or their main offices/branches at the places mentioned in the application form.



Modi LICENSED BY



Continental



INTERAIDS

TRADE WINDS

Tapping Australian Market

THE VICE-PRESIDENT of the Federation of Indian Chambers of Commerce and Industry, Mr Charat Ram, who led a six-man delegation to the last month's Perth conference of the Confederation of Asian Chambers of Commerce and Industry, and later on visited the other trading and industrial centres of Australia along with his fellow delegates, told newsmen recently that the two way trade between India and Australia could be doubled within the next two or three years if concerted efforts were made. Currently, our exports to Australia are of the order of Rs 28 crores against import worth Rs 33 crores. Besides providing preferential tariffs for imports from the less-developed countries, subject, of course, to certain annual quotas, Australia, Mr Charat Ram stated, had referred to its Tariff Board a comprehensive list of items to critically examine the import tariffs applicable to them. This list included 1,000 items which were characterised as excess margin items, i.e. items on which the difference between the general and preferential rates of duty exceeded 7½ per cent ad valorem. Several other items, which bear a comparatively high rate of import levy, have also been referred to the Tariff Board for critical examination. The lowering of the high tariffs which are applicable to countries other than Britain and Canada, should help diversification of Australia's imports. Our country can, thus, improve our exports to the affluent Australian market.

Mr Charat Ram felt that there were good prospects for increasing our exports to Aust-

ralia of such goods as jute manufactures, tea, tobacco, cotton yarn and textiles, ready-made garments, dyestuffs and machine tools, certain iron and steel manufactures (such as wire ropes, galvanised ropes and hardware) electrical domestic appliances, footwear, canned products, etc. We, on the other hand, can import from Australia larger quantities of greasy wool, tallow and various non-ferrous metals.

Referring to joint ventures, Mr Charat Ram stated that his delegation had noted that Australia, being a free economy, did not impose any restrictions on the import of capital and technical know-how. Indian enterprises would be welcomed to set up industries either on their own or in collaboration of Australian counterparts. The capital market in Australia was highly developed. An Australian delegation, the FICCI Vice-President added, was expected to visit India some time in the beginning of 1973 to find out the scope for setting up joint ventures in India. One line which offered a promising scope for Indo-Australian ventures in India, he felt, was the processing of greasy wool and the production of wool tops, yarn, fabrics and knitwear.

Mr Charat Ram disclosed that, on an invitation from the FICCI, the next conference of the Confederation of Asian Chambers of Commerce and Industry would be held in New Delhi in January-February 1974.

The Constitution (Twenty-ninth Amendment Bill) 1972

The President has given his assent to the Constitution

(Twenty-ninth Amendment) Bill, 1972. The Bill seeks to give protection under article 31B to the Kerala Land Reforms (Amendment) Act, 1969 and the Kerala Land Reforms (Amendment) Act, 1971 by including them in the Ninth Schedule to the Constitution.

It may be recalled that the Kerala Land Reforms Act 1963 (Act 1 of 1964) is the principal land reform law in the state of Kerala and as included in the Ninth Schedule to the Constitution. In the course of implementation, the state government faced serious practical difficulties and to overcome them, that Act was extensively amended by the Kerala Land Reforms (Amendment) Act 1969 (Act 35 of 1969) and by the Kerala Land Reforms (Amendment) Act 1969 (Act 25 of 1971). Certain crucial provisions of the principal Act as amended were challenged in the High Court of Kerala and in the Supreme Court, creating a climate of uncertainty in the effective implementation of land reforms. Although the High Court of Kerala and the Supreme Court have generally upheld the scheme of land reforms envisaged in the principal Act as amended, a few vital provisions have been struck down by both these courts.

Liquidity Ratio

According to a directive by the Reserve Bank of India, the minimum of the assets of each scheduled commercial bank that go to make its statutory liquidity ratio shall be raised from 28 per cent to 29 per cent of its aggregate demand and time liabilities with effect from August 4, 1972. This is in pursuance of the Reserve Bank's earlier intention conveyed to banks at the commencement of the last (1971-72) busy season. Thus, the minimum liquidity ratio (including the statutory cash balances of three per cent with the Reserve Bank) shall be 32 per cent, against 31 per cent at present. The minimum net liquidity ratio that is applied to calculate the higher rate of interest on banks' borrowings from the Reserve Bank will,

however, continue to remain at 34 per cent.

In a letter to banks, the Governor of the Reserve Bank, Mr S. Jagannathan, has urged them to build up adequate investments in government and other approved securities for plan requirements and also for providing the necessary cushion to meet the needs of the ensuing busy season. Recalling that the increase of Rs 590 crores in the deposits of scheduled commercial banks in the 1971-72 busy season had turned out to be somewhat higher than anticipated and that the prospects for higher deposit accretion during 1972 appear bright, the governor has said that the banks should have no difficulty in meeting any needs for contra-seasonal expansion of bank credit during the 1972 slack season.

India-Peru Trade

The Instruments of Ratification of India-Peru Trade Agreement were exchanged in the Capital on June 6, between the Minister of Foreign Trade, Mr L.N. Mishra and the Ambassador of Peru at New Delhi, H. E. Rene Hooper-Lopez. With the exchange of Instruments of Ratification, the Trade Agreement between the two countries has come into force.

The Trade Agreement between the two countries was signed at Lima on November 4, 1971, when the Minister of Foreign Trade, Mr L.N. Mishra, visited Peru in connection with the meeting of the Group of '77'.

The Minerals and Metals Trading Corporation's recent three years contract for the import of 54,000 tonnes of copper from Peru is one of the examples of the mutual desire for trade expansion embodied in the Trade Agreement.

Exports from India to Peru during the period 1967-71 averaged Rs 63 lakhs and imports Rs 210 lakhs per year. India chiefly exports jute goods to Peru and imports raw cotton.

There have been encouraging signs of expansion in the two-way trade with Peru following the signing of the

Agreement in 1971. During 1971-72 trade is estimated at three crores of rupees. The major items of India's exports to Peru are jute goods, cycle tyres and tubes, shellac etc. The main items of import are raw cotton and antimony ore.

With the coming into force of the new trade agreement, trade exchanges between the two countries are expected to expand and diversify further. Besides cotton and antimony ore, India is likely to import copper, zinc, lead, tungsten etc. and export, apart from the traditional goods, a wide range of industrial items, such as bicycles and parts, hand-tools, wire ropes, mining machinery, textile machinery, railway and tele-communication equipment etc.

It is also expected that the two countries would co-operate in setting up joint industrial units and joint shipping lines to their mutual advantage.

The Trade Agreement provides for reciprocal extension of most-favoured-nation treatment by the two countries in matters of trade and tariffs. It also provides for the exchange annually of lists of goods in which the two countries are specially interested and for periodical consultations for the harmonious development, diversification and expansion of trade between the two countries. The agreement shall remain in force for a period of three years and thereafter for successive periods of one year at a time.

Space Commission

The government of India has decided to set up a Space Commission with immediate effect to promote the rapid development of activities connected with Space Science, Space Technology and Space Applications. The Commission will be headed by Prof. S. Dhavan, Director of the Indian Institute of Science with headquarters at Bangalore.

The Commission will be responsible for formulating the policy of the Department of Space and for implementing government's policy in all matters concerning outer space.

In its constitution and functioning the Space Commission will broadly follow the lines of the existing set-up of and functioning of the Atomic Energy Commission and the Electronics Commission.

The Commission will consist of not less than four and not more than seven members; its chairman will also be the secretary to the government in the Department of Space. Prof. S. Dhavan, while continuing Director of the Indian Institute of Science, Bangalore will be the first chairman of the Space Commission and Secretary to the government in the Department of Space.

Raw Materials

No export order will be allowed to fall through for want of raw materials such as steel, union Foreign Trade Minister, Mr L.N. Mishra, assured the engineering exporters recently.

Inaugurating the Conference of Engineering Exporters, Mr Mishra also said that the situation in 1972 in all major respects — the supply of raw materials, speedy grant of cash assistance and reduction of licensing delays — would constitute a definite improvement over 1971.

Emphasising the need for speedily moving towards the achievement of the national goal of self-reliance, Mr Mishra said: "We must adopt energetic measures to eliminate our dependence on foreign aid, which is often not without political and economic strings. However, self-reliance cannot become a living reality unless there is a massive increase in our export earnings".

Referring to the recent UNCTAD Conference, he said that developing countries can no longer take for granted that rich countries would be willing to provide them with more aid to overcome their balance of payments difficulties.

Mr Mishra stressed that in sharp contrast to the attitude of the western countries, the USSR government has taken attitude helpful to our export drive. He said there is great scope for increasing export of

engineering goods to the USSR which can be doubled or even trebled if their requirements and specifications can be met. Describing the USSR as a great consumer market of everything, 'more specially for engineering goods', the Foreign Trade Minister said that by overcoming the raw material shortages the country can substantially step up its export.

Indian Institute of Mass Communication

The government of India has appointed a committee to review the performance of the Indian Institute of Mass Communication, which was set up as a centre for training, research and development of the media of mass communication in the country. The Committee has been set up under the chairmanship of Mr Dharam Bir Sinha, Deputy Minister of Information and Broadcasting. The Institute has been functioning as an autonomous body, registered under the Societies Registration Act, 1860, since January 1966.

The Committee will make an assessment of the performance of the institute during the period from 1965-66 to 1971-72 and how far it has contributed towards the fulfilment of the objects of the society as enunciated in its Memorandum of Association. The committee will also examine whether the expenditure incurred during the period in question was commensurate with the results achieved.

The members of the Committee are: Mr G. Parthasarathy, Vice-Chancellor, Jawaharlal Nehru University; Dr Prodip-to Roy, Director of Research, Council for Social Development; Mr Eric D'Costa, Managing Director, Indian Institute of Public Opinion; Mr Jog Chatterjee, Managing Director, Advertising & Sales Promotion; and Mr I.P. Tewari, Director, Indian Institute of Mass Communication. (Member-Secretary).

Mass Vasectomy Camps

The role of mass vasectomy camps in reducing the birth rate from 37.1 per thousand

at present to 32 per thousand by the end of the fourth five-year Plan and 25 in another five to seven years was discussed recently in the capital at the Conference of state Health Secretaries, Administrative Medical Officers and Family Planning Officers.

It was agreed that large-scale vasectomy camps on the lines of Ernakulam Camp in July 1971, Thanjavur and South Arcot (Tamil Nadu) in December 71 and January 72, Visakhapatnam (Andhra Pradesh) in November 1971, Gorakhpur (Uttar Pradesh) in January-February 1971 and Gujarat state in December 71 and January 72, would help achieve the set target of protecting 28 million couples in the next two years as against 12.9 million protected at present. This, required over 10 million sterilisations performed during this and next year; five million IUCD insertions and increase in the number of users of conventional contraceptives from the present 2.23 million to 10 million.

Off-Shore Drilling

The mobile platform for oil drilling in the Bombay High area is due to be delivered to the Oil and Natural Gas Commission in Japan by September 1972 and is expected to reach Bombay port in November 1972. Drilling for oil in the Bombay High structures is likely to commence soon afterwards.

Meanwhile various preparatory steps have already been taken in connection with drilling in the area. Detailed seismic surveys to pinpoint locations for the first few wells have already been completed. The data pertaining to these surveys is being processed by the French firm, which conducted the surveys on contract.

A number of ONGC technicians have, in the meanwhile, been sent abroad for training in off-shore work as part of the contract with the American firm, Oil International SA, whose services would initially be used for one year for drilling in the Bombay High area.

Drilling in Aliabet: Drilling for another well in the

shallow waters of the Gulf of Cambay, off Aliabet islands, is under consideration. Oil was struck in the first well drilled in Aliabet West structure in March 1971, but on testing it was found that it had no commercial significance. Drilling is now proposed in the Aliabet East structure.

Sugar output

The latest figures released by the Indian Sugar Mills Association show that the production of sugar in April — the seventh month of the season dropped to 193,000 tonnes. Production in March was 492,000 tonnes.

The principal reason behind the sharp fall in sugar production in the current season is the decline in cane acreage which reduced the quantum of cane supplies to the mills, particularly in northern India. The supplies dropped further because of the reported diversion of cane to khandsari producers.

The total production till the end of April this year suffered a drop of over 500,000 tonnes at 3.0 million tonnes as compared to the corresponding period of the 1970-71 season.

With despatches on account of internal consumption and exports standing at 2.29 million tonnes and 80,000 tonnes respectively, the closing stocks at the end of April were lower at 2.03 million tonnes as compared to 3.16 million tonnes at the end of April, 1971.

Ordinance on Land Alienation

Alienation of vacant lands in urban areas in Andhra Pradesh has been prohibited by an Ordinance promulgated on June 5. The Ordinance came into immediate effect. The prohibition covers vacant lands in the twin cities of Hyderabad and Secunderabad and all district municipalities as also other areas notified as urban areas for this purpose.

Vollrath Plan

The Indo-German engineer-

ing export promotion project has been extended for a few more years to help India increase its export of engineering goods to West Germany and other EEC countries. Also, the possibilities of promoting exports of wool textiles and other products within the framework of German technical assistance are being examined.

According to West German government sources in Bonn, while W. Germany would help India increase exports of items which are important in world trade, it could not ask its importers in a free market economy to buy from particular countries. The W. German government has however agreed to India's proposal for prolongation of the export promotion programme for engineering goods, known as the Vollrath Plan which was started in 1967.

Raw Goods Bank

To help small-scale industries, a raw material bank has been set up by the West Bengal Small Industries (WBSIC) Corporation and the state government has already moved the centre for making available 82,000 tonnes of raw materials as a special quota.

The functions of the West Bengal Small Industries' Corporation have been enlarged to enable it to function as a raw material bank for supply of raw materials to small industries according to availability and set up three industrial estates — one each at Durgapur, Haldia and Salt Lake near Calcutta.

The industrial estates of the Haldia and Salt Lake areas will be bonded industrial estates and will cater only for export orders to be secured with the help of the Trade Development Authority of the government of India.

The WBSIC will also function as an export house for small industries' products abroad. The corporation will act in close co-operation with the

various export promotion councils.

The state government is also considering setting up the North Bengal Industrial Development Corporation to ensure co-ordinated development of industries in the five backward districts of North Bengal.

The state government has also adopted short term schemes to wipe out the present shortage of power of the order of 60 mw in south Bengal including the Calcutta industrial area and prepared a comprehensive plan for the next decade when the power generation gap is expected to shoot up to 1000 mw.

Power Tariff in Haryana

Power tariff for most categories of consumers in Haryana has been raised by 20 per cent. As a result of this, the annual income of the Haryana State Electricity Board, will increase by about Rs one crores — from Rs 19 to Rs 20 crores.

Certain categories of consumers have been, however, exempted from the new increase. These include agriculturists who would not pay more for the power consumed at their tubewells. There would be no increase in the case of new industries for five years, i.e. the industries set up in 1968 would not have to pay increased tariff until 1973.

Also, there would be no increase for small-scale industries in such backward areas as Loharu, Bhiwani, Mahendragarh and Jhajjar. The increase would also not apply to threshers and "tokkas" used by consumers for their personal purposes; it would only apply to threshers and "tokkas" used for industrial purposes. Domestic consumers up to 40 units would also not have to pay higher electricity rates.

According to Mr P.N. Sahni, Chairman of the Haryana State Electricity Board, the new increased rates were in most cases lower than those in some

neighbouring states such as Uttar Pradesh, Delhi and Rajasthan. In a few categories, these were higher than those in Rajasthan and in many cases higher than those in Punjab where there had been no upward tariff revision since 1966. In Haryana, the return on the capital of the Board was six per cent as against 5.1 per cent in Punjab. The government of India wanted this return to be eight per cent.

Mr Sahni said that the increase became necessary because the original rates were based on availability of hydel power which cost the Board only 5.5 paise per unit. Until December 1966, Haryana was consuming only hydel power. Now 30 per cent of its consumption was thermal power, and this was likely to increase to 50 per cent in next two years. The average cost of the unit of thermal power was 11.8 paise.

Provident Fund Interest Raised

The government of India has decided to increase the rate of interest on provident fund accumulations from 5.8 per cent to six per cent from the current financial year, it was officially announced recently. This action has been taken on the recommendation of the Central Board of Trustees of the Employees' Provident Fund.

World Bank Report

According to the Press Trust of India, the World Bank has suggested that while India should strive for self-reliance, it should not over-emphasise import substitution policies to the extent that growth might be affected. This observation has been made in a report on the Indian economy which was considered by the Aid-India Consortium at its meeting in Paris on June 12 and 13. The Bank is believed to favour a gradual approach in the matter of import reduction and increased efforts at export promotion.

The report takes note of

India's essential import needs for step-up in industrial production and a five to six per cent growth rate in the economy and recommends a total of \$ 1250 million as the desirable level of external assistance including debt relief in 1972-73. A major question before the Consortium apart from the quantum of assistance that each member-country is willing to indicate, is the order of debt relief that should be provided for 1972-73.

A World Bank study undertaken recently urged that India should be given debt relief at the rate of \$200 million for each of the remaining two years of the fourth Plan—1972-73 and 1973-74. This implies a doubling of the debt relief quantum provided in the past four years.

State Budgets: 1972-73

Assam: The Assam Chief Minister, Mr Sarat Chandra Sinha, presented a no-tax budget on June 5 for the year 1972-73 showing a deficit of Rs 1180.77 lakhs. The Chief Minister, however, indicated that fresh taxes might be levied later on to raise additional resources. On the revenue side, the estimated receipts have been placed at Rs 113,83.56 lakhs and expenditure at Rs 119,52.24 lakhs. On capital account, receipts have been placed at Rs 144,88.54 lakhs and estimated expenditure at Rs 152,49.26 lakhs.

Himachal Pradesh: Dr Y.S. Parmar, Chief Minister, who also holds the Finance portfolio, presented a tax-free budget for 1972-73 in the Himachal Pradesh Vidhan Sabha. The estimates show total receipts of Rs 8447.87 lakhs, including domestic receipts of Rs 3289.95 lakhs, grant-in-aid from the central government of Rs 2805.95 lakhs and central loans of Rs 2351.98 lakhs.

On the expenditure side the estimates show a total spending of Rs 9057.87 lakhs, including non-Plan expenditure of Rs 5952.95 lakhs, Plan expenditure of Rs 2442 lakhs and

the centrally-sponsored schemes of Rs 662.92 lakhs.

The gap of Rs 610 lakhs has been left uncovered and Dr Parmar propose to meet it by obtaining special assistance from the central government.

The main highlights of the budget are the announcement of a new transport policy, joining of the state in the Northern Zone Permit Scheme, uniformity in the rates of cesses, fees, levies etc. between the old and the new areas of the state including school fees for 9th, 10th and 11th classes, and abolition of all surcharges on land revenue. Dr Parmar said increases and decreases involved in the rationalisation of rates would not have any measurable impact on the resources of the state

In order to bring about uniformity between the old and the merged areas, the government had decided to abolish the attachment system inherent in the nationalised mode of goods transportation hitherto in force in the old areas. The rate of Goods Tax would now be Rs 2500 per annum and the rate of Token Tax Rs 1000 per annum throughout the state with effect from July 1, from which date the attachment fee in the old areas would stand abolished.

The Chief Minister said this step had been taken because of the state's exclusion from the transport system of the Northern Zone, which had been adopted by all the other eight states and the union territories

Dena Bank

The working results of Dena Bank for the year ended December 31, 1971, have shown a smart rise in net profit from Rs 51.00 lakhs to Rs 65.14 lakhs. This was made possible by the expanding activities of this nationalised bank. Its deposits rose by Rs 30 crores to Rs 185 crores as against a rise of Rs 19 crores only in the preceding year. The tempo in branch expansion got

hastened. Whereas 93 new branches were opened in 1970 this number rose to 102 in 1971. Out of these, as many as 91 branches were in rural and semi-urban centres.

The increase in deposits enabled a rise in advances. The total advances of the bank rose by Rs 11.03 crores to Rs 121.77 crores during the year under report. The advances to agriculture, small-scale industries, road transport operators, retail trade, small business, exports, professionals and the self-employed persons were stepped up in keeping with the declared policy of all nationalised banks. In those districts which were assigned to the bank for "the lead role", the possibilities revealed in the surveys have now to be exploited for which the bank will have to strengthen its bases in these districts.

Marine Products

The deep-sea fishing industry earned Rs 44.55 crores in foreign exchange last year from the export of different varieties of fish, shrimp and lobster.

Apart from contributing substantially towards the foreign exchange earnings, the industry has helped to bridge the protein gap in the dietary needs of the country.

Efforts are being made to start the commercial exploitation of the off-shore and deep-sea fish resources. The fourth five-year Plan envisages the introduction of 300 off-shore and deep-sea fishing vessels. The central government is providing the infrastructure mainly in the shape of harbours, training of personnel and resource surveys.

Oil Drilling in Tripura and Kutch

The Oil and Natural Gas Commission will start work on two important drilling projects in new areas during the current month. The projects are located in Tripura in the east and Kutch in the west.

The ONGC has spent six

field party-years in Tripura since 1962 and has mapped a structure in detail in the Baramura area. The geological data studies done by the Commission indicate good prospects for finding oil or gas at Baramura. The reserves here can be expected to be considerable since the structure is quite large.

In the Kutch area, geological and geophysical mapping was taken up by the ONGC as early as 1956-57 when it sent its first field parties for geological and gravity-magnetic surveys.

The two drilling projects in Tripura and Kutch can be considered part of the five-year operational plan of oil exploration and production being drawn up by the Oil & Natural Gas Commission. The plan was outlined in the Tech, no-Economic Report jointly prepared by Soviet and ONGC experts last year. The Techno-Economic Study stipulates production of 28.62 million tonnes of oil over a period of five years, establishing a production rate of eight million tonnes of crude every year towards the end of that period.

Names in News

The government has appointed Mr B. Israni, Chairman, International Airports Authority to represent on the boards of directors of Air India and Indian Airlines Corporation as one of the director. The representation of the International Airports Authority on the boards of the two airlines will be in addition to the existing number of directors.

Dr Raja Ramanna has taken over as the Director of the Bhabha Atomic Research Centre at Trombay. This post was held by Mr H.N. Sethna, who has now been elevated to the position of Chairman of the Atomic Energy Commission. Dr Ramanna will also be an ex-officio member of the Atomic Energy Commission in charge of research and development.

COMPANY AFFAIRS

Usha Martin

USHA MARTIN Black (Wire Ropes) Ltd has obtained a letter of intent for setting up a 50,000-tonne continuous casting plant with a view to supplementing the supplies of the much-needed high carbon steel which is still being imported in considerable quantities to meet the increasing demands of industry. The company has already promoted a new undertaking styled Usha Alloys and Steels Ltd for implementing this project. Besides participation by financial institutions in its capital, the new company will be making a public issue before the end of the current year. When the plant goes on stream the engineering industry will be assured of timely supplies of this critical raw material which is posing a formidable problem to the industries located particularly in the eastern region. This was disclosed by the chairman Mr G.D. Jhawar while addressing the annual general meeting of the company.

The company which is constantly engaged in exploring areas for further growth and diversification has taken on hand a number of schemes which promise of handsome returns to the company. The company has already completed all formalities for expanding the production of fine cords. Orders for plant and equipment have been placed and production is expected to commence before the end of this year. With the start-up of production the company will be catering the widest possible range of products for exports. It has also received the necessary licences for expanding the production of wires by 9000 tonnes. It will now be possible for the company to further diversify and produce a very wide

varieties of specialised wires for which the company has been able to develop the know-how by continuous experimentation and constant product research. The directors are confident that the company will be able to meet effectively the new challenges and competition from the manufacturers of stainless steel wires, alloy steel and ball bearing wires and other varieties of highly specialised high tensile galvanised and black wires.

Although the company can boast of having one of the most modern wire drawing plants capable of producing quality wires at considerably high speeds the chairman felt that for the future growth of the company as well as for the country's wire drawing industry, efforts should be made to develop the supply of these sophisticated machines from indigenous sources. The company is actively pursuing a scheme for manufacturing high quality machines and it has already obtained the approval of the government for the necessary collaboration agreement. Steps for installing plant and machinery towards the implementation of this project will be undertaken in the near future.

South India Shipping

Although earnings of South India Shipping Corporation Ltd from freight have looked up from Rs 6.61 crores to Rs 6.75 crores, and the income from other sources has improved from Rs 30.56 lakhs to Rs 48.28 lakhs the gross profit has declined to Rs 2.97 crores during the year ended December 31, 1971 from Rs 3.32 crores in the preceding year. The reduction in profit margins is attributed to a very steep rise in expenditure on items over

Which the company has little or no control such as the increase in expenses on items such as bunker costs, insurance premia and protection and indemnity club fees, and salaries, wages and benefits to floating staff and ratings. Besides the larger provision for depreciation following the revaluation of the deutsche mark and the considerable loss in foreign exchange due to floating of currencies have also exerted their pressure on the profit margins of the company. This apart, due to the nature of voyages performed in 1971, the voyage expenses also recorded a marked rise such as for stevedoring and cargo expenses. But the timely contract for moving Indian ore to Romania concluded late in 1970 had helped the company to produce the somewhat encouraging results for 1971.

Out of the gross profit the directors have allocated a sum of Rs 1.20 crores for depreciation and Rs 1.10 crores for development rebate reserve. After adjusting credits and debits relating to previous years the profit and loss account is left with an amount of Rs 71.39 lakhs out of which the interim dividend declared at the rate of 10 per cent on the paid-up capital of Rs one crore absorbed Rs 10 lakhs leaving a disposal amount of Rs 61.39 lakhs. Adding Rs 44,179 brought forward from the previous year's account there is a surplus of Rs 61.83 lakhs. Out of this a sum of Rs 61.50 lakhs was transferred to the general reserve leaving a balance of Rs 33,090 to be carried forward to the next year's account. The directors have recommended a final dividend of 10 per cent on the enlarged equity paid-up capital of Rs 2 crores. This will claim Rs 20 lakhs and it

will be paid out of the general reserve.

Hindustan Sanitaryware

Marked increase in output, substantial improvement in sales, handsome rise in profits and a significant thrust forward in export earnings are some of the solid achievements of Hindustan Sanitaryware and Industries Ltd during the year ended March 31, 1972. During the year production shot up to 5002 tonnes, registering an increase of 1463 tonnes over 1970-71. Sales soared to Rs 2.09 crores from Rs 1.54 crores while gross profit swelled to Rs 57.41 lakhs from Rs 39.61 lakhs in 1970-71. During the year earnings from exports were more than doubled and the company's exports are currently accounting for 83 per cent of the total exports of sanitarywares from the country. Not content with its past proud achievements the company is making an all-out bid to improve its performance on all fronts. The company is installing its own generating station to overcome power shortages while arrangements are being made for the import of some sophisticated machinery and equipment for improving the quality and quantity of production. Besides the company is installing its own grinding plant at Gurgaon under a wholly-subsidiary company—Messrs Ceramic Services Ltd — which will ensure the company of regular supplies of fine raw materials.

Out of the gross profit of Rs 57.41 lakhs, a sum of Rs 11.81 lakhs was appropriated to depreciation reserve, Rs 0.45 lakh to development rebate reserve and Rs 25.82 lakhs to taxation as against Rs 11.04 lakhs, Rs 1.15 lakhs and Rs 12.40 lakhs provided respectively in 1970-71. This leaves a net profit of Rs 19.33 lakhs as compared to Rs 15.02 lakhs in the previous year and the entire amount had been transferred to general reserve. The directors have proposed an equity dividend of 10 per cent which is 25 per cent higher than in the preceding year. The proposed dividend will absorb Rs 7.38 lakhs and it will

be paid out of the general reserve.

Dunlop

The directors of Dunlop India Ltd have proposed to issue 10,00,000 ordinary shares of Rs 10 each in the proportion of one-for-ten at a premium of Rs 11 per share ranking *pari passu* in all respects with the existing ordinary shares of the company. These shares will be offered for subscription for cash to those shareholders registered in the books of the company on such date as may be determined by the directors.

Indo-Burma Petroleum

Indo-Burma Petroleum Co., a subsidiary of Indian Oil Corporation, has taken over the control of Balmer Lawrie & Co, following the acquisition of its shares from Duncan Brothers. Following the takeover the board of directors of Balmer Lawrie and the boards of subsidiary companies of Balmer Lawrie namely Bridge & Roof, Biecco Lawrie, Industrial Containers and Steel Containers have been reconstituted.

An agreement has been entered into by Indo-Burma Petroleum with Duncan Brothers for the acquisition of its 22.6 per cent shareholding in Balmer Lawrie at the rate of Rs 95 per share. (Rs 100 paid-up shares). Indo-Burma Petroleum has also decided to acquire 27.6 per cent shareholding of Balmer Lawrie from Alex Lawrie and Company, a sterling company, at the rate of Rs 85 per share. The payment for the acquisition of these shares will be made in foreign exchange. It is significant to note that Indo-Burma Petroleum over a decade has been the single largest shareholder of Balmer Lawrie with a holding of about 30 per cent. With the acquisition of shares from Duncan Brothers and Alex Lawrie, IBP's holding in Balmer Lawrie will increase to over three-fourths of the total shareholding.

News and Notes

Expansion and Diversification

To soften the impact of recession in stationary diesel engines Fuel Injections is diversi-

fying into the manufacture of spares suitable for automotive and tractor engines. But the management is implementing diversification programme a little cautiously so as to maintain quality and establish a strong foothold in the automotive field. Meanwhile the gallant efforts made by the company in the manufacture and marketing of precision gear pumps and other ancillary items have started yielding rich dividends and are expected to contribute significantly to earnings in the coming years. The overseas markets also hold out promise of better business which by and large will neutralise the impact of fluctuations in demand in home markets. The company has taken on hand an ambitious modernisation programme and it has also submitted to the government a proposal for substantial expansion. Meanwhile the management is considering certain proposals for a technical tie-up with Bryce Berger whose collaboration agreement expired in March 1969 and could not be extended.

New Venture

Choksi Tube Company Private Ltd is setting up at Vatva near Ahmedabad a continuous mill for the production of stainless steel welded tubes. This is the first project of its kind in the country for the manufacture of stainless steel welded tubes on such a mass scale. Another remarkable feature of this new venture is that it is a cent per cent swadeshi project in the sense that this unit has been established entirely with local men and materials without receiving any technical or financial assistance whatsoever from abroad. Stainless steel welded tubes are at present not manufactured in the country except in limited quantities. The entire requirement is met through imports resulting in a substantial drain on the foreign exchange resources of the country. Moreover stainless steel tubes are essential components for such priority industries as fertilisers, chemicals, pharmaceuticals food processing, dairy, brewery and a host

of other industries. Choksi Tubes is expected to save as much as Rs 1.20 crores in foreign exchange in full year's production. The capital outlay on the project is estimated at about Rs 66 lakhs.

New Issues

The Tata Iron and Steel Company Ltd is making the first public debenture issue and perhaps the biggest debenture issue ever made by a company in the private sector in the recent past. It is offering for public subscription mortgage debentures (1983-87) worth Rs 15 crores. The subscription list for this fully underwritten issue opens on June 26 and will close on June 29 or earlier but not before June 28. The debentures will carry an interest (taxable) of eight per cent per annum and it will be paid half yearly. The debentures, which will be secured by a first legal mortgage on all existing and future fixed assets of the company, will be redeemed at par by drawing lots in five equal annual instalments commencing from June 30, 1983 and ending on June 30, 1987.

What makes the issue really unique is that this will be the first case of debentures of an industrial concern being declared by the government of Maharashtra to be "public securities" under section 21 (12) (D) of the Bombay Public Trust Act 1950. This will enable various public and private trusts to invest their funds in these debentures and earn a higher rate of return than that generally obtainable from other investments open to them.

The proceeds of the issue will be utilised for financing a part of the cost of the company's modernisation and renovation programmes, which are already underway. The expenditure on these schemes spread over a period of five years is estimated at Rs 106 crores of which the company had spent Rs 35 crores from its internal sources in the past two years.

Although the profit margins of the company are under considerable pressure, still the directors have decided to

maintain the equity dividend at Rs 8.60 per share of Rs 75 each for the year ended March 31, 1972. Sales during the year recorded an increase from Rs 150.75 crores to Rs 162.11 crores, but gross profit declined to Rs 28.01 crores from Rs 30.22 crores in 1970-71. Out of the gross profit a sum of Rs 16.07 crores was earmarked for depreciation, Rs 5.80 crores for taxation and Rs 2.40 for development rebate reserve as against Rs 16.10 crores, Rs 6.70 crores and Rs 3.10 crores provided respectively in the previous year. This leaves a net profit of Rs 3.74 crores as compared to Rs 4.32 crores in the preceding year. The directors have transferred the entire profit to general reserves. The proposed dividends — equity and preference — will claim Rs 526.78 lakhs and it will be paid out of the general reserve.

The company is negotiating with LIC, UTI, IDBI and IFC for a loan of Rs five crores which will follow after the present debenture issue of Rs 15 crores is completed. These loans will be repaid during the period 1983 to 1987. In case there is default on repayment of principal, these loans will be converted into equity shares.

Atlas Copco (India) Ltd is entering the capital market on June 21, with an offer of 3,21,340 equity shares of Rs 10 each at a premium of Rs 7.50 per share. Out of this 32,090 shares have been reserved for subscription by the Indian directors and the employees of the company and the remaining 2,89,250 shares are now being offered to the public for subscription. An amount of Rs nine per share is payable on application and the balance of Rs 8.50 in one call to be made within 12 months of allotment. The subscription list will close on June 29 or earlier but not before June 23. The present issue is being made with the object of having 40 per cent Indian participation in the equity capital of the company.

The company, which is at present a wholly owned subsidiary of Atlas Copco Aktiebolag, Sweden, is currently en-

gaged in the manufacture of air compressors, rock drills, pushers, lubricators, grinder-and couplings and other allied equipments at its factory located near Dapodi, Poona. With the rising demand for its products, a steady increase in sales and profits is anticipated in the coming years. The working of the company during the current year is quite encouraging and the directors are hopeful of declaring not less than 15 per cent on the increased capital for the year ending December 31, 1972. This dividend will be payable about June 1973 and the new equity shares will participate in this dividend on a *pro rata* basis from the date of allotment. The proceeds of the present public issue will be utilised for expanding the business activities of the company.

The public issue of **Shalimar Paints Ltd** had been oversubscribed and hence the list was closed on June 10. The company offered 370,530 equity shares of Rs 10 each for cash at par. The subscription list for this fully underwritten issue opened on June 5.

Capital and Bonus Issues

Consent has been accorded to nine companies to raise capital of over Rs 3.14 crores. Seven of them are to issue bonus shares totalling over Rs 84.18 lakhs and the amount of bonus shares ranges between Rs 82,700 and Rs 39,09 lakhs.

Unichem Laboratories Ltd, Bombay, has been accorded consent, valid for three months, to capitalise Rs nine 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 six equity shares held.

Chamundi Textiles (Silk Mills Ltd), Kottaiyur, has been accorded consent, valid for 12 months, to capitalise Rs 2,64,000 out of its general 1 free reserves and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of three bonus shares for every two equity shares held.

Agfa Gevaert India Ltd, Bombay, has been accorded

consent, valid for three months, to capitalise Rs eight lakhs 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 New India Industries Ltd, has been accorded consent valid for three months to capitalise Rs 39,09,500 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of two bonus shares for every five equity shares held.

Ideal Jawa (India) Private Ltd, Mysore, has been accorded consent, valid for three months, to capitalise Rs 12 lakhs out of its free reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of 12 bonus shares for every 30 equity shares held.

The Bombay Silk Mills Ltd, Bombay, has been accorded consent valid for three months to capitalise Rs 82,700 out of its general reserves and issue fully paid equity shares of Rs 50 each as bonus shares in the ratio of one bonus share for every ten equity shares held.

Jagatjit Industries Ltd, New Delhi, has been accorded consent valid for three months to capitalise Rs 12,62,090 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 five equity shares held.

India Engineering & Construction Co. Ltd, Kanpur, 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 30,70,000 in 2,57,000 equity shares of Rs 10 each and 5000 redeemable preference shares of Rs 100 each for setting up an automatic tube mill for manufacture of steel tubular poles for transmission of electricity.

Punalur Paper Mills Ltd, Kerala, has been accorded consent for issue of further capital of Rs 199.82 lakhs as to Rs 48,17,280 as fully paid bonus shares in the ratio of 24 bonus

shares for 25 equity shares held and Rs 151,64,720 in 10,16,472 equity shares of Rs 10 each and 50,000 in 9.5 per cent cumulative redeemable preference shares of Rs 100 each for cash at par to the general public through a prospectus immediately after issue of bonus shares referred to above.

New Registrations

Two hundred and five companies were registered under the Companies Act, 1956 in the different states and union territories during the month of January, 1972. All these were limited by shares. These 205 companies comprised 14 public limited companies and 191 private limited ones having an aggregate authorised capital of Rs 10.30 crores and Rs 62.53 crores respectively. One of these, namely, **Bharat Coking Coal Pvt Ltd**, was a government company registered in the state of Bihar with an authorised capital of Rs 50 crores.

Interim Dividend

Carborundum Universal Ltd has declared an interim equity dividend of seven per cent for the year ending August 31, 1972.

Dividends			
Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Stewarts and Lloyds	Oct. 2, 1971 *	11.0	10.0
Shri Arbuda Mill	Dec. 1971	13.0	12.0
Jawahar Mills	Dec. 1971	10.0	7.5
Tezapore Tea	Dec. 1971	20.0	15.0
Coimbatore Pioneer Mills	Dec. 1971	12.0	11.0
Karur Vysya Bank	Dec. 1971	12.0	10.0
Same Dividend			
Atlas Cycle	Dec. 1971	12.5	12.5
Loobah Co	Dec. 1971	5.0	5.0
Rayalaseema Mills	Dec. 1971	10.0	10.0
Twyford Tea Co.	Dec. 1971	6.0	6.0
Sundaram Finance	Dec. 1971	16.0	16.0
McDowell Compnay	Dec. 1971	7.5	7.5
Metal Distributors	Dec. 1971	10.0	10.0
Travancore Rubber and Tea Company	Dec. 1971	8.0	8.0
Reduced Dividend			
Kohinoor Mills	Dec. 1971	Nil	17.0**
Coimbatore Cotton Mills	Dec. 1971	9.0	11.0
Palani Andavar Mills	Dec. 1971	Nil	16.0

*Relating to 52 weeks

**Including a special five per cent platinum jubilee dividend.

Among the companies registered during the month, 12 may be classified as large-sized ones having an authorised capital of Rs 50 lakhs or more. They comprised seven public limited and five private limited companies.

The seven public limited companies are : **Essar Breweries Ltd**, Tamil Nadu; **Nilgiri Distilleries Ltd**, Tamil Nadu; **Rishabh Ispat Ltd**, Delhi; **Jaimor Ltd**, Rajasthan; **Tamilnadu Rubber Ltd**, Tamil Nadu; **Purbanchal Bank Ltd**, Assam; and **Nav Bharat Investments Ltd**, Maharashtra.

The five private limited companies are : **Bharat Coking Coal Pvt Ltd**, (government company), Bihar; **K. S. Subbiah Pillai & Co (India) Pvt Ltd**, Tamil Nadu; **HTP Wires Pvt Ltd**, Maharashtra; **Mandelia Electronics Pvt Ltd**, Maharashtra; and **Covered Wires Pvt Ltd**, Maharashtra.

During the month under review, 21 companies were re-



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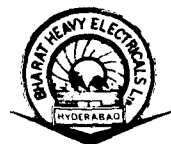
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ported to have ceased functioning. All these companies were limited by shares and had an aggregate paid-up capital of Rs 34.70 lakhs. The highest number both of new registrations and of companies ceasing to function was reported from the state of Maharashtra.

The state-wise distribution of new registrations (with figures relating to liquidations and struck off companies in brackets) is as follows: Maharashtra 58 (11), Delhi 32(2), West Bengal 29 (—), Gujarat 13 (—), Uttar Pradesh 10 (3), Andhra Pradesh 9 (1), Mysore 9 (—), Tamil Nadu 9 (1), Punjab 7 (1), Rajasthan 6 (—), Orissa 5 (—), Madhya Pradesh 4 (—), Kerala 3 (2), Bihar 3 (—), Haryana 2 (—), Assam 2 (—), Chandigarh 2 (—), Himachal Pradesh 1 (—), and Manipur 1 (—).

The industrial classification of these companies, both of companies newly registered and of those which ceased functioning (in brackets) is given below: processing and manufacture 108 (6), commerce (trade and finance) 43 (11), and other activities 54 (4).

Company Meetings

Dalmia Cement (Bharat) Ltd: Dalmiapuram, Tamil Nadu; June 27; 11 A.M.

Orissa Cement Ltd; Rajgangpur, Orissa; June 29; 11.30 A.M.

South India Shipping Corporation Ltd; Dhun Building, 175/1, Mount Road, Madras-2; June 28; 3 P.M.

Promain Ltd: 6, Ratendone Road, New Delhi; June 30; 11 A.M.

Licences & Letters of Intent

The following licences and letters of intent were issued under the Industrial (Development and Regulation) Act 1951, during the two weeks ended April 1, 1972. The list contain names and addresses of the licensees, articles of manufacture types of licences — New Undertakings (NU); New Article (NA); Substantial Expansion (SE); Carry on Business (COB);

Shifting—and annual installed capacity.

LICENCES ISSUED

Metallurgical Industries (Ferrous)

M/s Motilal Padampat Sugar Mills Co Pvt. Ltd, (Steel Found Branch), P.B. No. 69, Gutaiya, Kanpur. (Kanpur—Uttar Pradesh)—Steel Ingots—10,800 Tonnes p.a.—(COB); Shri Chand Rattan Rathi, M/s Rathi Alloys & Steel Ltd, 28, Sadhana Colony, Opp. Malviya Nagar, New Delhi-17. (Ghaziabad — Uttar Pradesh) —Mild Steel/High Carbon and Alloy Steel Billets—40,000 Tonnes p.a.—(NU).

Electrical Equipment

M/s Satellite Engineering Ltd, Manilal Mansion, Railway pura, Ahmedabad-2. (Ahmedabad — Gujarat) — Fluorescent starters switches. —4 million Nos.; Glow lamp switches—8 million Nos. p.a.—(COB); M/s Neolux Electrical Industries Pvt Ltd, 34/1B, Ballygange Circular Road, Calcutta-19. 24 Parganas (West Bengal) — Telephone Switch Board Lamps. 4.5 million Nos. p.a. (NU); M/s Electronic Research Pvt Ltd, 28, K. M. Road, Bangalore-27. (Palghat — Kerala)—Connectors (For Power Distribution systems equipment with high current carrying capacity)—60,000 Nos. p.a.—(NA); M/s Indian Cable Industries, Bombay Poona Road, Pimpri Poona-18, (Maharashtra)—Automobile Cables (LT&HT) & Starter Cables.—20 million Core Meters; PVC Cable of Low Current ratings other than Automobile Cables—20 Million Core Meters—(COB); M/s Bharat Electrical Industries Ltd, 19, Rajendra Nath Mookerjee Road, Calcutta-1. (Ambattur — Tamil Nadu) — GLS Lamps—4.5 million Nos. p.a.—(NU); M/s Bharat Electrical Industries Ltd, 19, Rajendra Nath Mookerjee, Road, Calcutta-1. (Calcutta—West Bengal) — Leadin Wires —100 million Nos. p.a.; Glass Shells—20 million Nos. p.a.; Glass Tubing—200 tones p.a.—(SE).

Transportation

M/s Hindustan Motors Ltd, Hindmotor, Hooghly, West

Bengal. (Uttarpara — Distt. Hooghly — West Bengal) — Gear and Gear Boxes Rs. 1.00 lakh p.a. (COB)

Industrial Machinery

M/s National Machinery Manufacturers Ltd, Post Box No. 3, Thana (Maharashtra) (Lalbag, Vishwamitri Road —Baroda — Gujarat) — Take up machines—10 Nos. p.a.; Cold Setting Draw Twisters—15 Nos. p.a.; Hot Setting Draw Twisters—15 Nos. p.a.; Texturising Machines — 300 Nos. p.a.—(NA); M/s Busching Schmitz Pvt. Ltd, 66, Ring Road, Lajpat Nagar-III, New Delhi-24. (Faridabad—Haryana) — Pressure Filters—1250 tonnes p.a. (worth Rs. 70 lakhs) after expansion—(SE).

Agricultural Machinery

M/s Premier Irrigation Equipment Pvt Ltd, 3, Netaji Subhash Road, Calcutta-1. (Bullandshahar Distt. Uttar Pradesh)—Agricultural Tractors 'David Brown' (Model 990 of 55 HP)—5,000 Nos. p.a.—(NU).

Earth Moving Machinery

M/s Pearey Lal & Sons (East Punjab) Pvt. Ltd, 21-A, Janpath, New Delhi. (Sahibabad — Uttar Pradesh) — Cutting Edge & Blades for Earth moving Equipment — 5,000 Nos. p.a.

Chemicals

M/s A.L.A. Chemicals Ltd, Mahalaxmi Chambers, Bhulabhai Desai Road, Bombay-26. (Ambernath — Maharashtra)—Stabilisers and Additives for PVC and other Polymers like: Liquid Barium Cadmium & Badum, Cadum Complex Stabilisers and additives—600 Tonnes p.a.; Solid Barium Cadmium Complex Stabilisers and additives—50 Tonnes p.a.; Lead Stabilisers & additives—600 Tonnes p.a.; worgano Tin Stabilisers and Additives—150 Tonnes p.a.; Non-toxic Stabilisers—200 tonnes p.a.; Miscellaneous Stabilisers and Additives for PVC and other Polymers—400 tonnes p.a. (COB).

Drugs and Pharmaceuticals

M/s Burroughs Wellcome & Co. (India) Pvt Ltd, 16, Bank Street, Bombay-1. (Maha-

rashtra) — Zyloric Tablets—1,75,000 Nos. p.a.; Dehydrometone Hydrochloride Injection—300 mg. — 4,37,000 amp. p.a.—60 Mg.—200,000 amp. p.a.; Esbatal Tablets—10 mg. —47,50,000 Nos. p.a.; —50 mg. — 8,12,500 Nos. p.a.; Imuran Tablets — 1,250,000 Nos. p.a.—(NA); M/s Chemical Industrial & Pharmaceutical Laboratories Ltd, 289, Bellasis Road, Byculla, Bombay-8. (Maharashtra) — Medihaler-EPI, Medihaler-ISC, Medihaler-ISC FCRTE, Medihaler-BRCWN, Medihalar-DUO, Rikospray antibiotic, Rikospray Balsam, Rikospray, Total Capacity is 1,50,000 packs p.a.—(NA).

Paper Products

M/s Ajanta Paper & General Products Pvt Ltd, Vadavali, P.O. Kalyan, Maharashtra, (Kalyan — Maharashtra) — Tissue, Wrapping & Packing Paper—7,800 Tonnes p.a. (after expansion)—(SE); M/s Ballarpur Paper & Straw Board Mills Ltd, (Ballarpur Division), Thapar House, 124, Janpath, New Delhi. (Rajora — Maharashtra) — Pulp & Paper — 76,200 Tonnes p.a. (after expansion) — (SE); M/s The Bengal Paper Mills Co. Ltd, 14, Netaji Subhash Road, Calcutta-1. (Raniganj—West Bengal) — Pulp—65,000 tonnes p.a. (after expansion); Paper Writing and Printing & Wrapping Boards—65,000 tonnes p.a. (after expansion)—(SE); M/s The Titagur Paper Mills Co. Ltd, Chartered Bank Bldg, Calcutta-1. (Titagur—West Bengal) (Kankinara—West Bengal) (Choudwar — Orissa) — Paper & Pulp (at Titagur, Kankinara) Additional capacity of 65000 tonnes each; Paper & Pulp (at Choudwar, Orissa) Additional capacity of 4,000 tonnes p.a. of each. Capacity after expansion will be 75,000 tonnes p.a.—(SE); M/s Ballarpur Paper & Straw Board Mills Ltd, 124, Janpath, (Sh. Gopal Divn) New Delhi. (Yamunanagar — Haryana) — Pulp & Paper —51,150 tonnes (after expansion) — (SE).

Food Processing Industries

M/s Bagrees Cereals Pvt. Ltd, 207, Maharshi Debendra Road, Room No. 66, 3rd

floor, Calcutta-7. (Calcutta—West Bengal)—Wheat Products — 78,000 M. Tonnes p.a. — (NU); M/s Bajrangbali Roller Flour Mills, Mancotta Road, Dibrugarh, Assam, (Banspari Jaon—Chabua Mouza, A.T. Road, Hajiguri, Distt. Dibrugarh — Assam) — Wheat Products — 27,000 tonnes p.a. — (NU).

Rubber Goods

M/s Marshall Cycles, B-17 & 18, Industrial Area, Site No. 8, Meerut Road, Ghaziabad (UP)—Bicycle Tyres — 100,000 Nos. p.a. — (COB).

LETTERS OF INTENT

Metallurgical Industries (Ferrous)

M/s Bright Wires Ltd, /A, Vansitart Row, Calcutta-1. (West Bengal)—Various types of wires (other than M.S. or M.S. galvanised wire thinner than 18G) — Total capacity 15,000 tonnes p.a. — (NA); M/s Rajasthan State Industrial & Mineral Development Corporation Ltd, 100-Jawaharlal Nehru Marg, Jaipur-4 (Rajasthan)—Mild Steel High Tensile/Carbon and spring steel Billets—Total capacity will be 50,000 tonnes p.a. — (NU); Shri Gopal Khullar, C/o M/s J.N. Steel & Tubes, Hauz Quazi, Delhi-6. (Rae Bareilly — Uttar Pradesh) — Steel Pipes and Tubes — 40,000 Tonnes p.a. — (NU); Shri D. Haldar, M/s Deepika Engineering Industries Ltd (Proposed) 77/1, A-Park Street, Calcutta-16. (Bankura — West Bengal) — High Tensile Nuts & Bolts—4,000 Tonnes p.a. — (NU).

Metallurgical Industries (Non-Ferrous)

M/s Monoplast & Copper Laminates Co., Ashram Road, Ahmedabad-9. (Gujarat) — Copper Foils — 160 Tonnes p.a. — (NU).

Electrical Equipment

M/s Gangappa Cables Ltd, Uppal Road, Hyderabad-39. (Hyderabad — Andhra Pradesh) — Enamelled Copper strips—600 tonnes p.a. — (NA); Shri S. Ranganath, 4844, Ansari Road, 24, Daryaganj, Delhi-6. (Alwar — Rajasthan)

—Midget Electrodes — 300 m. Nos. p.a. — (NU).

Telecommunication

M/s Industrial Development Corporation of Orissa Ltd, Bhubneswar-9 (Orissa)—T.V. Sets — 5000 Nos. p.a. — (NU).

Industrial Machinery

M/s Hindustan Monark Pvt. Ltd, 20/1, Asaf Ali Road, New Delhi-1. (Ghaziabad — Uttar Pradesh)—Precision Steel Balls—288 million Nos p.a. — (NU); M/s Jessop and Co. Ltd, 63, Netaji Subhash Road, Calcutta-1. (Dum Dum — West Bengal) — Rope operated grabs — 24 Nos. p.a.; Hydraulic operated Grabs — 50 Nos. p.a.—(NA); M/s Eastern Engineering Co., 2nd Floor, Jeewan Udyog, 278, D. Naoroji Road Fort, Bombay-1. (Bangalore—Mysore)—Up-twisters for Nylon rayon and Polyester yarn—30 Nos. p.a.; Wool Chambers with intersecting Machines — 12 Sets p.a.; Take-up Machines — 6 machines p.a.; Draw Twisters — 12 Machines p.a. — (NU).

Machine Tools

Shri Sadaksharvel, Sri Sai Nagar, Industrial Estate Post, Coimbatore-21, (Tamil Nadu) — Precision Drilling Tools — 500 Nos. p.a.; Precision Drilling Bits—3,500 Nos. p.a.—(NU).

Miscellaneous Industry

M/s Guest Keen, Williams Ltd, (Sankey Precision Pressings Division, Lal Bahadur Shastri Marg, Bhandup, Bombay-78. (Bhandup — Maharashtra) — Jigs & Fixtures — Rs. 300 lakhs p.a.; Workshops Gauges — Rs. 25 lakhs p.a.; Special purpose Multi Tool production units—Rs. 15 lakhs p.a. — (NA); M/s Guest Keen Williams Ltd, (Sankey Precision Pressings Division), Lal Bahadur Shastri Marg, Bhandup, Bombay-78. (Howrah — West Bengal)—Jig and Fixtures — Rs. 120 lakhs p.a.; Workshop Gauges Rs. 15 lakhs p.a.; Special purpose multi-tool production, units. — Rs. 15 lakhs p.a. — (NA); M/s Guest, Keen, Williams, Ltd, (Sankey Precision Pressings Division) Lal Bahadur Shastri Marg, Bhandup, Bombay-78. (Bangalore — Mysore) — Jigs

& Fixtures—Rs. 80 lakhs p.a.; Workshop Gauges — Rs. 10 lakhs p.a.; Special purpose Multi Tools Production Units —Rs. 10 lakhs p.a.— (NA).

Chemicals (other than fertilisers)

M/s Orgaroma India Pvt. Ltd Toli Chowki, Hyderabad-8. (Hyderabad — Andhra Pradesh)—Citronellal—13 tonnes p.a.; Geraniol — 15 tonnes p.a.; Eugenol —10 tonnes p.a. — (NA). M/s Sillman (India) Private Ltd, Naville House, Graham Road, Ballard Estate, Bombay-1. (Thana — Maharashtra)—Polyamide and Polyester Resins — Total annual capacity is 1500 tonnes p.a.— (NA); M/s Hindustan Amino Plastics, G.T. Road, Suranusi (NR), Jullundur, (Jullundur — Punjab) — Urea Formaldehyde Moulding Powders —1200 tonnes p.a.; Melamine formaldehyde moulding powder—300 tonnes p.a. (NU).

Drugs & Pharmaceuticals

M/s Hico Products (P) Ltd, 771, Hegal Lane, Mahim, Bombay-16. (Maharashtra) — Procaine Hydrochloride — 150 tonnes p.a.; Diethyl Amino Ethanol — 130 tonnes p.a.; Para Amino Benzole Acid—75 tonnes p.a. — (NU).

Paper & Paper Products

Shri J. K. Malhoutra, 30, Usha Kiran, Carmichael Road, Bombay-28. (Maharashtra) — Cellulose Wadding, Face Toilet and paper Handkerchiefs — Total capacity will be 2400 tonnes p.a.—(NU).

Sugar

The Chief Promoter, M/s Niyojit Karmaveer Kakasaheb Wagh, Sahakari Sakhar Karkhana, Taluk Niphad, Distt. Nasik, Maharashtra, (Ranwad, Taluka Niphad—Distt. Nasik — Maharashtra) Sugar —With a cane crusing capacity of 1250 tonnes per day—(NU).

Food Processing Industries

M/s Sabarkantha Distt. Cooperative Milk Producer's Union Ltd, Himmatnagar (Ahmedabad-16, Gujarat (Himmatnagar — Gujarat) — Milk Powder—4,000 tonnes p.a.; Butter — 300 tonnes p.a.; Ghee —1,000 tonnes p.a.; Casein — 500 tonnes p.a. (NU); M/s Vimla Food Enterprises Pvt. Ltd, C/o M/s Rajender Flour and Allied Industries Pvt Ltd, Delhi Road, Moradabad (UP)

(Moradabad — Uttar Pradesh) — Biscuits — 9000 tonnes p.a. (NU); Shri N. P. Nopany, 215/17, Kalbadevi Road, Bombay-2. (Nasik — Maharashtra) — Dehydrated Onion etc. — Total capacity 800 tonnes p.a. — (NU); M/s Surma Velley Grinding Mills, P.O. Meherpur, Distt. Cachar (Assam) — Wheat Products — 12,000 Metric Tonnes p.a. — (NU); M/s Food Corporation of India, 1-Bahadur Shah Zafar Marg, New Delhi-1. (Ballabhgarh — Haryana) — (1) Edible Soyabean Meal, (2) Commercial Soya Meal Capacity for 1 & 2,21000 tonnes p. a. (3) Soya Oil (Refined) — 5,4000 tonnes p.a., (4) Hulls—3,000 tonnes p.a. — (NU); Shri Pratap Singh B. Rane Sardesai, Sanquelim, Goa, (Goa)—Baby Food—2,500 Tonnes p.a.; Weaning Food — 1500 Tonnes p.a.; Structural Food — 1,000 Tonnes p.a. — (NU); M/s Haripal Singh & Co., F-28, Hauz Khas Enclave, New Delhi. (Gujarat)—Dehydrated Onions — 750 tonnes p.a. — Ceramics

M/s Someny Pilkington's Ltd, Kassar, Distt. Rohtak, Haryana (Kassar — Haryana) — Glazed Tiles — Additional capacity of 5400 tonnes per annum. Total capacity after expansion will be 10,800 tonnes p.a. — (SE).

CHANGE IN NAMES

(Information pertaining to particular licences only)

From M/s Apee Jay Pvt. Ltd, Calcutta to M/s Batra Iron and Steel Works Pvt Ltd, Kumhari, Distt. Durg Madhya Pradesh; from M/s Ajit Industries Pvt. Ltd, Bombay; from M/s Boots Pure Drug Co. (India) Limited, Bombay. to The Boots Company (India) Limited, Bombay; from M/s Prakash Bihola Udyog. to M/s Shakti Oil Industries, Maharashtra.

LICENCES REVOKED OR SURRENDERED

(Information pertainings to particular licences only)

M/s Alta Laboratories Pvt Ltd, Bombay-28—2:4-Dichlorophenoxy Acetic Acid, N.A. Salt Esters and Amine. M/s Chaman Lal & Bros. New Delhi—Welded Steel Tubes.

COMPANY MEETINGS

HINDUSTAN LEVER LIMITED

Registered Office : Hindustan Lever House, 165/166, Backbay Reclamation, Bombay-20

THE BATTLE AGAINST INFLATION

Speech delivered by V. G. Rajadhyaksha, Chairman, at the Annual General Meeting of Hindustan Lever Limited, held at Bombay on Thursday, 8th June 1972.

Winning the war against poverty is, as the Prime Minister has declared, by far the nation's most urgent and important goal. This war, like any other war, is made up of a series of battles—the battle against unemployment, against drought and floods, against population growth and against inflation to name only a few. It is the battle against inflation, particularly as it concerns your Company, that I propose to speak to you about today. Inflation is no new phenomenon. Many of us recollect our grandmother telling us how she could buy ten seers of rice for a rupee when she was a girl. What is relatively new is the extent to which governments, industry, trade unions, economists, accountants and bankers are increasingly worried about how to deal with it.

The problems of inflation, although arising out of different reasons, are not the affliction of economies at any particular stage of development. In fact a recent report—'Present policies against inflation' published by the Organisation for Economic Co-operation and Development admits that most countries, whether developed or developing have largely failed to produce effective policies to conquer inflation. Against this background, India's management of her economy over the past two decades, despite three wars and two droughts, has been commendable and inflation, except for two or three bad years, has been kept within reasonable limits. Figures given by the International Monetary Fund show an average annual rate of inflation of 6.6 per cent from 1963 to 1971 for India, compared with 6 per cent for Japan and 5.4 per cent for the U.K. and no less

than 34 per cent per annum for Brazil. Whatever measures are taken to limit the rate of inflation, we must, as realists, accept that inflation of the order of 5 per cent in the years to come is something we shall have to learn to live with; but containing inflation even at these levels is a major battle and one which has to be fought on many fronts.

The first casualties in this battle are the overwhelming majority of our people—the lower income groups. It is only to be expected therefore that in a democratic system, and one in which the vote is being exercised with an increasing degree of independent judgement, inflation should produce a severe reaction at the political level and that our Government, like many others the world over, should turn to the weapon which certainly in the short run appears to be the most effective in dealing with it, namely, price control.

Excessive restraint on prices however can lead to damage to the productive system, whether it is the farm or the factory and become itself a major factor in aggravating shortages and hence increasing inflation. In spite of this, there has been to my mind astonishingly little attention paid to the real effects of inflation and price control on corporate viability and this speech is mainly about what has happened to your Company due to these factors and what we are doing about it. The subject is of relevance not only to the private sector, in this respect sectors are immaterial. As professional managers we could regard the resources of the entire corporate sector, drawing as it does on public sayings and

taxes, as public resources.

If we examine the ten-year record of your Company with the eyes of an economists and adjust the figures for the inflation that has taken place, our achievements will be seen in their harsh reality. While the growth in turnover adjusted for inflation is not unsatisfactory and amounts to 45 per cent for the period 1961 to 1971, profits present a very different picture and at 1961 values have actually fallen by 33 per cent. Nor do these figures tell the whole story and we come to a major weakness—the inability of conventional accounting methods to deal properly with inflation. Firstly, depreciation based on the original purchase price of the fixed assets, which is all that the tax laws allow, is not sufficient to pay for the asset when it is finally replaced. Secondly, while there is a growing awareness of the effect of inflation on fixed assets, there is less when it comes to its effect on working capital, particularly in industries such as yours where such capital tends to be relatively high.

The impact of inflation of working capital on the real worth of the Company will depend on the way in which this working capital is financed, namely, how much is covered by borrowings and how much is funded by the shareholders. The increase due to inflation in that part of the working capital which is financed by the shareholders must be met out of retained profits if the real worth of the Company is not to be eroded. The effect on your Company, where a substantial part of the working capital is financed by shareholders' funds, can be roughly illustrated as follows. In 1971 our profits before tax in conventional accounting terms was Rs. 759 lakhs. If full allowance had been made for the effect of inflation in that year on working capital and fixed

assets, this figure would have been reduced by as much as Rs 200 lakhs.

Before you all rush out to dispose of your shares in this Company, I would only request you to ensure that the profits of your alternative investments are also expressed in real terms—their figures then may also look rather different! What we now do in your Company is to ensure that we are at least aware of the true impact of inflation. All the costs we use in our management accounting now include this component.

Why then, you will be asking, have companies not been presenting this situation in their published accounts and why have they not been making the necessary provisions to protect themselves against the erosion of the real worth of their assets?

The answer to the first question is that accounting practice has not yet completely adjusted itself to the full consequences of inflation. It will be many years before accountants agree upon how to arrive at how much inflation has, in fact, taken place and then how to provide for it in the accounts. It may be longer still before inflation provisions become legally acceptable for calculating the real profit for tax purposes.

The answer to the second question is that, in the past, successful entrepreneurs have instinctively protected themselves against the impact of inflation without the benefit of formal accounting assistance by changing the financial structure of their companies (for example, by using more borrowed funds) or by increasing profit margins. Today however, particularly in several consumer product businesses, the Government decides not only what prices are therefore profit margins shall be, but by its control over the

banking system, how much firms may borrow. Controls on prices are not confined to India and the creation of the Prices and Incomes Board in the UK and the recent price freezes in that bastion of the concept of a free economy—the USA—have led to similar restrictions on the manufacturer's traditional freedom to decide his own prices.

One must admit that some of the effects of price control have been beneficial. They have often prevented an industry from automatically passing on its inefficiencies to the consumer. In a protected and planned economy, such as India's, normal competitive pressures do not always operate and in these circumstances a measure of price restraint may help to ensure that the incentives to efficient operation are maintained. However, while recognising the benefits of price control measures, it would be unwise not to be aware also of the damage they can cause, not only to business, but to the consumer, to the Government and to society at large. While rigid adherence to the priceline has a short-term result in "taking up the slack" in a wayward industry, it cannot, in the face of even controlled inflation, provide a long-term solution.

We have to face the fact that in an inflationary situation, however mild, prices of essential consumer goods have to rise in order to generate the resources required to maintain the health of the industrial machine producing them. Why should this be so? To begin with, the business, however committed it may be to the social good, is unable to justify the allocation of further resources if excessive restraint on prices has driven yields below acceptable levels. The investing public will be understandably attracted to investing in more profitable but perhaps less important industries, and the finance required for increased production of essential goods will not be available and shortages will ensue. Resources moreover are required not only for increasing production in the short-term, but also to secure the long-

term improvement in industrial efficiency which is the only effective answer to excessive inflation. It is only by substantial investment in Research and Development in both technical and non-technical areas that we, as a nation, can rid ourselves of obsolete processes and sub-standard products.

After the business itself, the next to feel the impact of excessively harsh price controls are the more vulnerable sections of the community who inevitably come last in the struggle for products in short supply. While it is possible to partially protect, by rationing and other measures, the few who live in the larger towns and cities, it is impracticable to try and extend these measures effectively to the large bulk of our population living in the smaller towns and villages. In spite of the best efforts of Government and industry to distribute as equitably as possible, experience has shown that the only satisfactory answer to the injustices that shortages create is increasing production.

Lastly, Government and the community as a whole also pay a heavy penalty, not only because growth of revenue and employment-generating activity in the industry begins to slow down, but because the more unscrupulous elements within the industry—those who resort to such practices as evasion of duties and taxes—begin to flourish. An example of what the country stands to lose if this happens can be judged by the contribution to Government revenues by your Company. Against a profit after tax of less than Rs. 3 crores that the Company made in 1971, the amount it collected directly and paid to the exchequer by way of excise duties, corporate tax, sales tax, income tax deducted at source, etc., amounted to Rs. 22 crores! These are the resources that the nation needs for its social objectives, for schools and hospitals, for housing, for public transport and communications, for water supplies and drainage. It is not that this is a problem faced by the private sector alone. Public sector units are

no less hit by inflation and in their case too a realistic pricing policy, based on satisfactory levels of efficiency, is essential.

It is clear that inflation and pricing are major economic problems. On whom does the responsibility for dealing with them fall? First of all, on the Government whose monetary and fiscal policies are clearly a major factor. It is not about these but rather about its price control and industrial licensing policies to which I would draw your attention today. There is a greater need in this area to evolve a policy which makes the fullest use of the resources of the corporate sector. About three-quarters of your Company's products by turnover are under some form of price control and subject to industrial licensing. On pricing we have been making representations to both the Tariff Commission and the Bureau of Industrial Costs and Prices and we have been deeply impressed by the thoroughness with which they have gone about their difficult task, as also the patience and understanding with which they have listened to our submissions on complex issues such as inflation.

Turning to industrial licensing, growth is one of the most potent weapons that the Government can employ in its battle against inflation and should thus be an immediate and overriding component of its industrial policy. The recent circular to manufacturers issued by the Ministry of Industrial Development urging them to mark the Silver Jubilee year of the nation's Independence by producing to full capacity is a welcome step in this direction.

Next, we in business like everyone else must avoid the temptation to regard inflation as somebody else's problem and merely to add to the list of those who complain. Whatever the dangers of too severe a price control, it is nevertheless the duty of all concerned, including business itself, to do everything possible to keep to a minimum cost increases and hence unavoidable price increases.

In your Company we have

given high priority, in both policy and practice, to a programme aimed at containing inflation as far as it is within our power. We believe that this is not just a matter for the Board or a select group of senior managers, but for all employees from the most junior worker to the members of the Board who are facing you this afternoon. Our policy as a firm is and has been to pay all levels of our employees well and in return to seek from them maximum commitment to the pursuit of efficiency. This clearly calls for a high degree of motivation coupled with the development of the appropriate skills.

We have over the last few years been progressively introducing a system of management by objectives (MBO). Every unit and department so covered is clearly aware of those areas in which improvement in efficiency is considered not only possible but vital. Clear quantified targets are set quarter by quarter in consultation with those key personnel who will themselves be largely instrumental in attaining them. We have learnt that the commitment to a target which has been discussed and agreed is far greater than that which has been imposed by some remote authority located in our Head Office here. We are frankly pleased and proud of the progress which has been achieved and feel confident that it will be maintained.

As an essential prerequisite to introducing MBO, we have begun an ambitious programme of communicating with and training employees at all levels so that there is a wider understanding of corporate objectives, problems and solutions. For example, special courses are being conducted in Head Office and in the branches aimed at improving the efficiency of our distribution system. Managers, supervisors and salesmen have all been involved in these. Special attention is being paid to what is recognised to be one of our higher cost operations, namely, that of pioneering our rural markets, as also to the efficient

use of resources whether those of the Company or those of our stockists. A more recent and successful innovation has been the involvement of service groups, the clerks and stenographers attached to the sales management and the clerical staff of the warehouses, transport, planning and accounting departments. How to contain inflation is one of the major topics of discussion. The response has been most encouraging and a number of excellent suggestions have emerged which very often the participants themselves, working as a team, are asked to implement.

Coming to the third agency in this battle—obviously this programme of increasing efficiency to beat inflation can only succeed with the co-operation of the trade unions in our Company. By accepting the fact that any real increase in the stable and long-term prosperity of their members must ultimately rest on their ability to increase productivity, they have clearly seen their crucial role.

A further strategic weapon that we have employed in the battle against inflation is to ensure that we take maximum advantage of the economies of scale whether it is in the area of procurement, production or distribution. Procurement, we believe, is not just a matter of buying as cheaply as one can from the existing market. It must go much further—like reducing our dependence on a single supplier by helping to build up competitive suppliers, or by developing wholly new materials. A typical example of the latter is our decision several years ago to contribute equity capital, loans and know-how in setting up a factory to make solid board containers, an alternative to wood boxes where prices are rising sharply. Today this factory, Solid Containers Ltd., is one of our important sources of supply of packaging materials. Likewise our research skills have been used to help manufacturers in whom we have no direct interest other than as their customers to develop more effective and cheaper chemical ingredients for our products.

EASTERN ECONOMIST

We also subject our products to the discipline of value analysis. This is not as you might suggest another name for quality reduction! It is in fact a difficult and complicated process to ensure that every component of cost is necessary to give the consumer the values she seeks for her money and not unnecessary frills which bring no benefit. This involves not merely production processes, but also formulation, perfume, packaging, advertising, the choice of the sale outlet, etc. Nor do we presume to act as judge and jury. Every major product change is subjected to careful consumer testing to ensure that in economising we have not affected some preferred attribute in the product characteristic or performance. Only after a positive verdict from the consumer does the Board approve a product modification.

Eliminating waste is always a major area of attack on costs. What we have achieved can be judged from the fact that 98 to 99 per cent of the materials we buy end up in products we sell. For example, even the small quantities of oil that are trapped in the bleaching earth we use for decolourising oil are recovered and reused.

Another area in which we have had a major success in neutralising some of the impact of inflation has been distribution. In active co-operation with the railway authorities we have helped to develop the use of containerised rail services in order to reduce damages and save handling costs. The number and location of our stock-holding points around the country are under constant review. We work together with our road transport and forwarding agents to ensure that their operations and those of the Company are dovetailed to achieve optimum efficiency, and have introduced a system which ensures that the economies of scale in distribution are shared between the transport contractor, the consumer and the Company.

Not all the increase in costs, however, are the result of normal inflationary effects. We are, as I have mentioned in my earlier speeches, in the

forefront of the battle to reduce the industry's dependence on imports—whether it be in the developing of new indigenous raw material or in the manufacture of chemicals hitherto imported. But there is a price to pay for this in our fight against inflation because, almost invariably such substitutions tend to increase our costs. Again, many of our exports are often possible only by accepting prices which result in a substantial loss for which the rest of the business must pay. While these are tasks which we undertake gladly in the national interest, we cannot ignore the fact of their effect which is over and above the general inflationary trend.

The result of this integrated programme of fighting inflation has been very satisfactory for the consumer. Take, for example, soap which is one of the basic products of your Company. The soap industry has an impressive record of price stability despite the continual inflation in costs. Not only have prices been largely held over the last six years, but they compare very well internationally despite the fact that our oils, chemicals and packaging materials are amongst the most expensive in the world. While standards of presentation and perfuming have had to be sacrificed, the fact remains that the consumer in India is getting her toilet soap, for example, at one of the lowest prices anywhere. Weight for weight, a tablet of toilet soap costs 40 per cent more in the USA (which produces the cheapest raw materials) and up to two and a half times as much in Europe. There is obviously a limit to the extent to which prices can be held in an inflationary situation, however efficient and ingenious we are. In many parts of the business that limit has already been reached and passed. Soap is one instance and vanaspati another and more extreme case where the consumer is enjoying what is in effect a price subsidy.

Nor can we, as employees, in fairness say that the burden of inflation has fallen all that severely upon us. While it has not been possible to meet all

the demands of our work force and at times we have had to be more restrictive than we would have ideally chosen to be, the record speaks for itself and our people have, by and large, been protected from a reduction in their own standards of living. To illustrate, between 1960 and 1970 the average cost of management employees rose by 70 per cent and the cost of non-management employees by 131 per cent, while the wholesale price index rose by 82 per cent.

In effect, therefore, the burden of inflation in the case of your Company has been borne not so much by the consumer of its product, or by its employees, as by its shareholders. In the long run, inadequate returns to the shareholders as a group will choke off the flow of private savings into industry and stifle investment in vital industries on which so much of future economic growth depends.

Even in the short term, the consequences of allowing such a situation to develop are generally that one of the main objectives which we, as a nation are seeking to achieve, namely containing inflation, is likely to be defeated. Without the expansion needed to spread overheads and overcome shortages, without the ability to attract and retain good management and to reward labour adequately for improving its productivity, without the resources to conduct research and development in all sides of our business and without the ability to give our shareholders an adequate reward for the investments they have made and the risks they are taking, the cutting edge of a major weapon in the battle against inflation—a healthy, industrial machine—must inevitably be blunted. We believe, nevertheless, that despite the worrying situation facing us at present, we shall succeed in due course in striking the delicate balance between giving you, our shareholders, a fair return on your investment and at the same time ensuring that we do all we can in fighting inflation.

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

USHA MARTIN BLACK (WIRE ROPES) LTD.



SHRI G. D. JHAWAR

Speech Of The Chairman, Shri G. D. Jhavar

The following is the text of the speech delivered by Shri G. D. Jhavar, at the 11th Annual General Meeting of the Company held at its Registered Office at 14, Princep Street, Calcutta 13 on the 7th June 1972.

It gives me great pleasure to welcome you at the Annual General Meeting of the Company. I presume by this time you have gone through the annual report of the Company for the year ended December 31, 1971.

During the course of the year behind us, the country has passed through a most crucial period in its history. A nation-state born in the minds of seventy-five million people of Bangla Desh in the dark night of March 25 last year has received baptism in a war that has inflicted a crushing defeat on those who tried to suppress the democratic aspirations of its people. The victory in Bangla Desh is a tribute to the spirit of freedom and dignity of man—which we in this sub-continent have cherished for centuries.

I will take this opportunity of expressing our gratitude towards our valiant armed forces and those Jawans who have laid down their lives and lost limbs in the service of the Motherland.

The tragic circumstances which brought India and Bangla Desh together may represent, in the perspective of history, one of the turning points in the future of the whole of Asia. Today, if we can raise our heads high in the comity of

nations, it is largely due to the inspiring leadership of our beloved Prime Minister, Srimati Indira Gandhi. This augurs well for long-term growth and stability of the country; in fact the air of gloom and despondency which prevailed in the first half of 1971 has now been largely replaced by a new air of confidence and a revival of hopes and aspirations for a constructive surge forward in the country.

The burden of refugees and the consequent war with Pakistan has had its impact on the economy of the country. The damage done to the economy cannot be explained in terms of a draft on current resources alone. The wear and tear of the economic infrastructure and the stresses and strains on the social fabric, which are no less significant, are yet to be quantified. All these have implications for the country's economy many of which will unfold only with the passage of time. Meanwhile, we find that the problems facing our economy are substantially the same as they were last year. After recording an annual rate of growth of 6.4 percent in 1968 and 7.1 percent in 1969, the rate of increase in industrial output declined to 4.8 percent in 1970. This declining trend became more pronounced in the latter half of 1970 when a rise of only 3 percent over the

level attained in the corresponding period of 1969 was recorded. The latest available statistics indicate that during the first 8 months of 1971, the rise in the index of industrial production was only 2 percent as compared to 5.5 percent during the corresponding period of the previous year.

The Government of Smt. Gandhi could be a milestone and a turning point in our history—she is in firm control of the situation. Let everyone know that she is re-structuring all her economic policies and will call for results instead of arguments, thesis and files.

Recent elections to the state assemblies with a massive victory for the Congress have strengthened Smt. Gandhi's hands further. Now it should be easier for the Government to pursue a more stable economic policy for much faster progress and prosperity of the country.

I am pleased to report that your Company carried out its expansion programme by installation of Balancing equipment mentioned in my last report with great speed, for which a loan of Rs. 25 lacs was taken from ICICI. The benefit of increased production helped the Company to increase its sales during the second half of the year. During the year under review, the

prices of raw materials, especially high carbon wire rods, zinc, lead, Acid, Fibre Core, Oil and Lubricants, all soared high both due to statutory imposts and otherwise. The Company has tried to absorb some of these costs and all the increases have not been passed on to the customers. The policy has been to continuously try and expand production as well as turnover to face the challenge of ever-increasing cost of production.

Further Growth

We have been constantly exploring areas for further growth and diversification with a view to increase our exports. We had approached the Government to allow us expand the production of fine cords. I am glad to inform you that all formalities of getting the Industrial Licence, Import Licence etc. have been completed and orders for the Plant and Equipment have also been placed. The Company is vigorously pursuing the matter and phased production of this project should start before the end of this year. With the start up of this, the Company would be in a solid position in offering the widest possible product range for exports.

The Company has also been pursuing its project to further expand the production of wires

by 9000 tonnes for which necessary Industrial and Import Licences have already been obtained. It will now be possible for the Company to further diversify and produce larger varieties of specialised wires for which the Company has been able to develop the know-how by constant research development in all its aspects. It is confidently anticipated that the Company's team of young technicians will be able to face new challenges in the manufacture of stainless steel wires, alloy steel and ball bearing wires, and other varieties of highly specialised high tensile galvanised and black wires. Rapid progress is expected in the very near future in all these fields.

Your Company has been lucky in having one of the most modern Wire Drawing Plant in the world. Most of its plant and machinery having been imported from the world famous manufacturer of Wire Drawing Machine, Marshall Richards Barcro Limited, U.K. It has been possible to produce high quality wires at considerably high speeds on these machines achieving very high efficiency. Indigenously such machines were not available and it was felt that for future growth of the Company as well as the Country's Wire Drawing Industry, it was necessary to develop the supply of such sophisticated machines from indigenous sources. We had been actively pursuing this scheme for a long time, and are glad to inform you that the necessary approval of the Collaboration Agreement has been obtained by the Company from the Government of India. Very shortly, positive steps by way of installation of plant and machinery will be undertaken to implement the project. With this, it is hoped, that the much felt gap of high quality machines will be met.

Supply of high carbon wire rods, particularly in the Eastern Region of the country, has been posing a formidable problem. The shortage of steel, as you know, has been crippling the progress of the Engineering Industries of the coun-

try. With a view to supplementing the supplies of high carbon steel, considerable quantity of which is still being imported, the Company has made an application for putting up a 50,000 tonnes per annum Continuous Casting Plant. I am glad to inform you that the Company has received the necessary letter of intent and considerable progress has also been made in promoting a new Company by the name and style of Usha Alloys and Steels Limited for taking up this Project. The Company's application to financial institutions has made considerable progress and very shortly, it is proposed that the new Company will approach the Public with its Share Issue before the end of this year. Land has already been acquired and all plant and equipment having long delivery, have also been ordered for. With the start-up of production of this unit, the industry in the Eastern Region should be assured of timely supply of raw material from indigenous sources. This will be a major contribution by your Company towards the national goal of 'Self-Reliance'.

Power Crisis

We have seen in recent times—with little sign of abatement—the power crisis faced by almost all the States in general and the Eastern States, in particular. Press reports and informations trickling from Power Plants that are being run by Electricity Boards give a picture of near-chaos and deplorably incompetent management of these Plants. The present generation of Indians have mortgaged generations to come by the long term loans taken from foreign countries to set up these plants, Power stations and projects. How can the country continue to accept indifferent operations jeopardising the economic structure and seriously affecting industries and agriculture in the area? The Eastern States are potentially very rich in natural resources like Minerals, heavy industries and good agricultural land, yet all this potential has been left to waste, resulting in stagnation and massive unemployment.

tion and massive unemployment.

Much stress is being laid on development of backward states and areas. The Government at the Centre should seriously think of not only providing extra monetary resources but insist on providing competent management for such Power Plants in the backward States. The example of Patratu, Barauni, Bandel etc., should be utilised for corrections. It will be in the interest of these backward States to agree to give up the management of these Power Plants or the new ones that are coming up in the area to Central Government or enter into some alternate management arrangements under contract for a minimum period of 10 years and in due course, build up good team and expertise before they take over the management. The commanding heights can only be achieved by efficient running of Plants of whatever capacity which have been put up.

Wagon Shortage

Eastern Sector has been equally hit by shortage of wagons and we constantly hear of Railways blaming the consuming industries and *vice versa*. We hear of Collieries closing down due to excessive Pithead stocks. We hear of Power Stations on verge of closure due to paucity of coal. We hear of C.M.D.A. programmes being hit—due to shortage of stone chips and cement due to non-supply of wagons. While every attempt should be made towards improving the Railway services and extra wagons obtained to take care of the increasing traffic, I feel, the problem deserves to be looked into from an altogether different angle.

Railways and road transport have been treated as competitors to each other and unfortunately, till now the Road Transport has been loaded with all sorts of taxes to protect the Railway. A situation has been reached where Railways definitely have more than they can cope with. Even if they deny it, the economy would gain by exposing the transport

system of the country to some competition. If necessary, the Railway freights should be so re-arranged that for short distances, say within a radius of 300-400 miles, Road Transport could compete and provide the necessary safety valve to take care of such difficult situation as we face today.

This opportunity could be utilised by arranging trucks for unemployed persons through Banks to be usefully employed and play their part in the economic activity of the country. This will necessitate the improvement of roads—another labour intensive employment generator and also solve the transport problem to some extent. The Government should be fully aware of the dangers of its total dependence on Railways when in the recent past some sections of its employees had started pressurising the whole economy at a most delicate time.

Conclusion

It is my privilege to report that your Company's labour relation has been satisfactory. The Company is also actively pursuing policies to materially improve the living standards of its employees. It has started a Social Centre at its Plant with Rest Rooms, Libraries, Demonstration rooms, Cooperative Stores and a well equipped Medical Centre. It is also taking active interest in arranging to guide its employees and nearby villagers in modern methods of agriculture, animal husbandry and vegetable growing. All these steps should help the development of the area in which your factory is operating.

My thanks go to the labour, officers and the Secretariat. Thanks are also due to Martin, Black & Co. (Wire Ropes) Limited and Rylands-Whitecross Limited for their valuable assistance and co-operation towards on all-round progress and development of the Company.

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

RECORDS AND STATISTICS

Report of Ministry of Steel and Mines :

THE production of steel in the country during 1971-72 totalled 6.3 million ingot tonnes as compared to 6.13 million ingot tonnes in the previous year, according to the annual report of the Ministry of Steel and Mines for 1971-72.

The production of tool alloy and special steels during the year was about 0.3 million tonnes and saleable pig iron about 1.00 million tonnes. With the substantial increase in the production of alloy steels, imports of alloy steels have been stopped.

A target of 7.2 million ton-

nes of steel ingots has been set up for the main steel plants during 1972-73. This will mean an additional production of about a million tonnes of steel ingots representing on the average 80 per cent utilisation of rated capacity. In addition there will be production of mild steel from Mysore Iron and Steel Limited and electric furnaces, to the extent of six to seven lakh tonnes of mild steel.

The steel manufacturing capacity at the end of the fourth Plan is expected to be 12 million ingot tonnes. In the fifth Plan period this capacity will be further augmented by expansion of Bhilai Steel Plant and the Bokaro Steel Plant to about four million tonnes each and by establishing two new steel plants at Visakhapatnam and Vijayanagar. The implementation of these schemes by the end of the fifth Plan will create a capacity to manufacture approximately 19 million ingot tonnes of steel.

A long term development programme has been formu-

lated for expansion of alloy steel production in the country. The product-mix for the expansion of alloy steel plant Durgapur and the new steel plant at Salem was being examined, keeping in view the likely demand of various categories by 1980.

Expansion of Capacity

Steps are being taken to augment the steel making capacity, with the expansion of the capacity of Bhilai in the public sector and Indian Iron and Steel Company Ltd in the private sector.

The Bhilai Steel Plant is being further expanded to about four million tonnes steel capacity from the present 2.5 million tonnes. This will be achieved by the end of 1976.

Action is also in hand to develop the further supporting facilities including mechanisation of the captive iron ore mines and the setting of the second sintering plant.

The Indian Iron and Steel Company has submitted a detailed scheme for expansion to 1.3 million tonnes of steel ingots from its present installed capacity of one million tonnes of steel ingots. The scheme is under detailed examination.

Bokaro

The construction work on stage I of the Bokaro Steel Plant for production of 1.7 million tonnes made progress

at a rapid pace during the year 1971-72, according to the report. The civil work on the first blast furnace complex is almost complete. The first coke oven battery was lighted in March 1972, and the first blast furnace is expected to be commissioned within the next few months.

For stage I, as a whole, 99.3 per cent of the earth work excavation, 85.8 per cent of RCC and concrete, 83.7 per cent of ground communication have been completed. The steel structures erected during 1971 was more than 71,000 tonnes, this is one and a half times more than was done during 1970. About 39,000 tonnes of equipment have been erected during 1971; this is double the quantity erected during 1970. In fact the monthly rate of erection of structures and equipment has more than doubled from about 5,500 tonnes in October 1970 to more than 11,000 tonnes per month towards the end of 1971. The refractory lining work increased by five times from 5,568 tonnes in 1970 to 34,026 tonnes in 1971.

The government has taken a decision to launch a crash programme for achieving a capacity of 2.5 million tonnes of steel ingots between the first (1.7 million tonnes) and second (4.00 million tonnes) stage at Bokaro Steel Plant. The work on the 2.5 million tonnes is expected to be completed by the end of the fourth Plan. The

TABLE I
Production of Steel Ingots

Year	(In '000 tonnes)								
	Bhilai	Durgapur	Rourkela	TISCO	IISCO	Total (1-5)	MISL	Others	Grand Total
	1	2	3	4	5	6	7	8	9
1961-62	789	462	354	1,643	934	4,182	49	54	4,285
1962-63	1,060	731	700	1,799	1,002	5,292	46	57	5,395
1963-64	1,143	972	800	1,892	1,027	5,834	48	63	5,945
1964-65	1,131	1,006	979	1,956	950	6,012	47	69	6,138
1965-66	1,371	1,001	1,065	1,979	970	6,386	69	72	6,527
1966-67	1,852	754	943	2,001	897	6,447	75	75	6,597
1967-68	1,785	738	924	1,933	791	6,171	91	70	6,332
1968-69	1,735	823	1,162	1,816	777	6,313	120	73	6,506
1969-70	1,876	818	1,104	1,708	700	6,206	136	92	6,434
1970-71	1,940	634	1,038	1,715	627	5,954	91	94	6,139
1971-72*	1,954	700	823	1,709	617	5,803	133	364	6,300

*Provisional. Sources: (i) Statistics for Iron and Steel Industry in India (issued by HSL). (ii) Iron and Steel Control Bulletin.

TABLE II
Production of Saleable Pig Iron

(In '000 tonnes)

Year	Bhilai	Durgapur	Rourkela	TISCO	IISCO	Total (1-5)	MISL	Others	Grand Total
	1	2	3	4	5	6	7	8	9
1963-64	407	418	98	6	203	1,132	..	31	1,163
1964-65	349	385	779	23	207	1,043	..	42	1,085
1965-66	509	336	68	18	219	1,150	..	26	1,176
1966-67	550	201	59	3	172	985	..	28	1,013
1967-68	656	278	64	1	197	1,196	..	22	1,218
1968-69	591	375	147	2	346	1,461	13	31	1,505
1969-70	649	376	113	1	322	1,461	4	74	1,539
1970-71	554	330	96	1	253	1,234	30	56	1,320
1971-72*	476	269	127	..	46	918	38	68	1,024

*Provisional.

Source: 1963-64 to 1970-71—Iron and Steel Control Bulletin.

TABLE III
Production of Saleable Steel by Main Producers

(In '000 tonnes)

Year	Bhilai	Durgapur	Rourkela	TISCO	IISCO	Total
1961-62	551	362	186	1,318	737	3,154
1962-63	803	486	421	1,413	795	3,918
1963-64	884	731	566	1,507	810	4,498
1964-65	916	721	689	1,568	755	6,649
1965-66	1,028	684	782	1,568	723	4,785
1966-67	1,328	550	783	1,568	709	4,837
1967-68	1,252	527	640	1,534	613	4,566
1968-69	1,344	500	773	1,465	640	4,722
1969-70	1,496	494	796	1,440	568	4,794
1970-71	1,549	413	683	1,375	523	4,453
1971-72*	1,568	432	598	1,386	493	4,477

*Provisional.

Sources: 1961-62 to 1969-70—Statistics for Iron & Steel Industry in India—issued by HSL-1970, 1970-71—Plants concerned.

TABLE IV
Production of Tool Alloy and Special Steel

(In tonnes)

Producers	1968-69	1969-70	1970-71	1971-72
1. Canara Workshops Ltd., Mysore	1,834	2,163	3,801	3,650
2. Firth Sterling Steel Co. of India Ltd., Maharashtra	135	533	921	942
3. Globe Motors (P) Ltd., New Delhi	9 45	..	7,816	6,400
4. Guest Keen, Williams Ltd., West Bengal	31,022	24,619	29,686	33,100
5. Alloy Steel Projects, Durgapur	24,046	41,189	38,621	38,621
6. Hindustan Steel Ltd. (Bhilai, Rourkela & Durgapur Steel Plants)	42,142	37,383	113,964	130,814
7. Indian Iron & Steel Co., West Bengal	1,784	1,664	Nil	Nil
8. Lasco Steel Ltd., Madras	..	..	..	Nil
9. Mahindra Ugine Steel Co. Ltd., Maharashtra	17,963	19,679	28,174	31,710
10. Mysore Iron & Steel Ltd., Mysore	16,318	46,362	18,527	62,210
11. Singh Engg. Works Ltd., (U.P.)	..	..	467	Nil
12. Tata Iron & Steel Co. Ltd., Bihar	64,157	66,926	71,427	9,970
13. J.K. Iron & Steel Co. Ltd., Kanpur	..	..	67	120
14. Krishna Steel Industries (P) Ltd., Bombay	..	..	Nil.	Nil
15. Mukand Iron & Steel Works Ltd., Bombay	..	19,318	241	3,166
16. The National Iron & Steel Co. Ltd., Calcutta	..	1,225	657	Nil.
17. Textool Co. Ltd., Coimbatore	..	..	63	395
18. Himmat Steel Foundry (MP)	..	..	..	800
Total	200,346	261,061	350,037	322,898

*Provisional.

Data received from Iron and Steel Controller, Calcutta.

Sources: I. & S. Control Bulletin.

work on the second stage has commenced and possibility of further expansion to 5.5 million ingot tonnes is under examination.

New Steel Plants

The techno-economic feasibility report, of the new steel plants at Salem, Vijayanagar and Visakhapatnam, which have been received from the consultants, are under examination of the Department of Steel. Meanwhile considerable progress has been made on preliminary items of work for setting up of these plants. Action has been taken on acquisition of land for these plants.

Soil tests, plate bearing tests etc. for the three projects have been completed by the Hindustan Steel Construction Ltd and other investigations are also underway.

The survey of India have completed the topographical surveys of the three plants sites, railways have completed survey for exchange yards, sidings etc., water supply schemes drawn up by the state governments are being finalised and testing of raw materials is being done by the National Metallurgical Laboratory.

According to the schedule of construction as indicated by the consultants in the feasibility reports, the Salem Steel Plant would be commissioned in seven years, while the commissioning of the Vijayanagar and

Visakhapatnam Steel Plants would take about eight years from now.

Hindustan Steel

According to the report, under the original programme formulated by HSL, a production of 4.75 million tonnes of ingots and 3.59 million tonnes of salable steel was expected from the three integrated steel plants at Durgapur, Bhilai and Rourkela. The total production level envisaged in the three plants, however, could not be reached although the anticipated production of 1.954 million tonnes of ingots at Bhilai is the highest in the plant so far and 14,000 tonnes more than last year's production; production at Durgapur has exceeded previous year's production by 6,000 tonnes of ingots. Total production was only marginally less than in the previous year in spite of the serious mishap in Rourkela which resulted in the loss of production of about 35,000 ingot tonnes of steel.

The main factors, listed in the report, responsible for shortfall in production as compared to the targets are: the major break-down in some of the coke oven batteries in Bhilai, collapse of the roof structure of the steel melting shop in Rourkela and the general disturbed industrial relations in Durgapur.

To improve the performance of coke ovens special repairs

TABLE VI
Production of Finished Steel—Category-Wise

Category	(In '000 tonnes)		
	1969-70	1970-71	1971-72 (Provisional)
A Mild Steel			
Light and Medium Structural	612.9	641.7	494.0
Heavy Structural	243.0	238.3	201.7
Heavy Rails (i) 1st Class	247.7	243.7	234.5
(ii) 2nd Class	170.4	145.4	110.3
Light Rails	7.0	5.5	6.2
Black Sheet (Corr.)			0.7
Black Sheet (Plain)—			
(i) Hot Rolled	205.7	212.4	225.0
(ii) Cold Rolled	83.5	85.2	88.5
G.P. Sheets	74.9	72.9	54.0
G.C. Sheets	119.7	117.2	109.2
Plates	321.3	271.4	278.0
Bars	1,151.6	1,055.7	1,090.0
Rods	575.6	517.6	533.2
Wires:—(i) Black	72.5	48.5	80.5
(ii) Galvd	46.7	34.8	47.0
(iii) Others	63.6	52.3	71.5
Hoops	2.3	6.6	8.0
Strips—(i) Hot Rolled	244.8	91.6	67.0
(ii) Cold Rolled	81.2	100.1	104.0
Box Strappings	6.8	6.7	5.2
Steel Sleepers	49.7	58.8	67.5
Tinplates	94.5	133.4	100.2
Skelp	240.6	242.6	236.0
Slit Coils			
Wheel, Tyres & Axles	33.9	37.5	31.5
Special Sections	36.5	57.5	65.0
Total Mild Steel	4,786.4	4,477.4	4,308.7
B Total Alloy & Special Steel	261.1	350.0	322.9
Grand Total (A+B)	5,047.5	4,827.4	4,631.6

Source: Iron and Steel Control Bulletin for 1969-70 and 1970-71

TABLE V
Production of Finished Steel—Producer-wise

Year	(In '000 tonnes)							
	Bhilai	Durgapur	Rourkela	TISC	ISSCO	Total (1-5)	MISL	Others Grand Total
	1	2	3	4	5	6	7	8
1961-62	354	81	178	886	557	2,056	39	844
1962-63	555	234	427	977	632	2,852	39	1,000
1963-64	658	374	527	1,035	652	3,246	41	1,009
1964-65	654	493	626	1,108	637	3,518	39	876
1965-66	726	511	717	1,084	623	3,661	49	800
1966-67	722	391	638	1,062	576	3,389	60	1,042
1967-68	690	342	602	1,002	451	3,087	70	896
1968-69	903	383	738	1,048	512	3,584	77	1,241
1969-70	11,34	395	758	1,002	460	3,749	40	1,259
1970-71	1,215	337	593	983	464	3,592	24	1,213
1971-72*	948	337	531	950	436	3,202	22	1,398

*Provisional.

Sources: (i) 1961-62 to 1962-63: Statistics for Iron and Steel Industry in India 1966 issued by HSL.
(ii) 1963-64 to 1970-71: Iron and Steel Control Bulletin.

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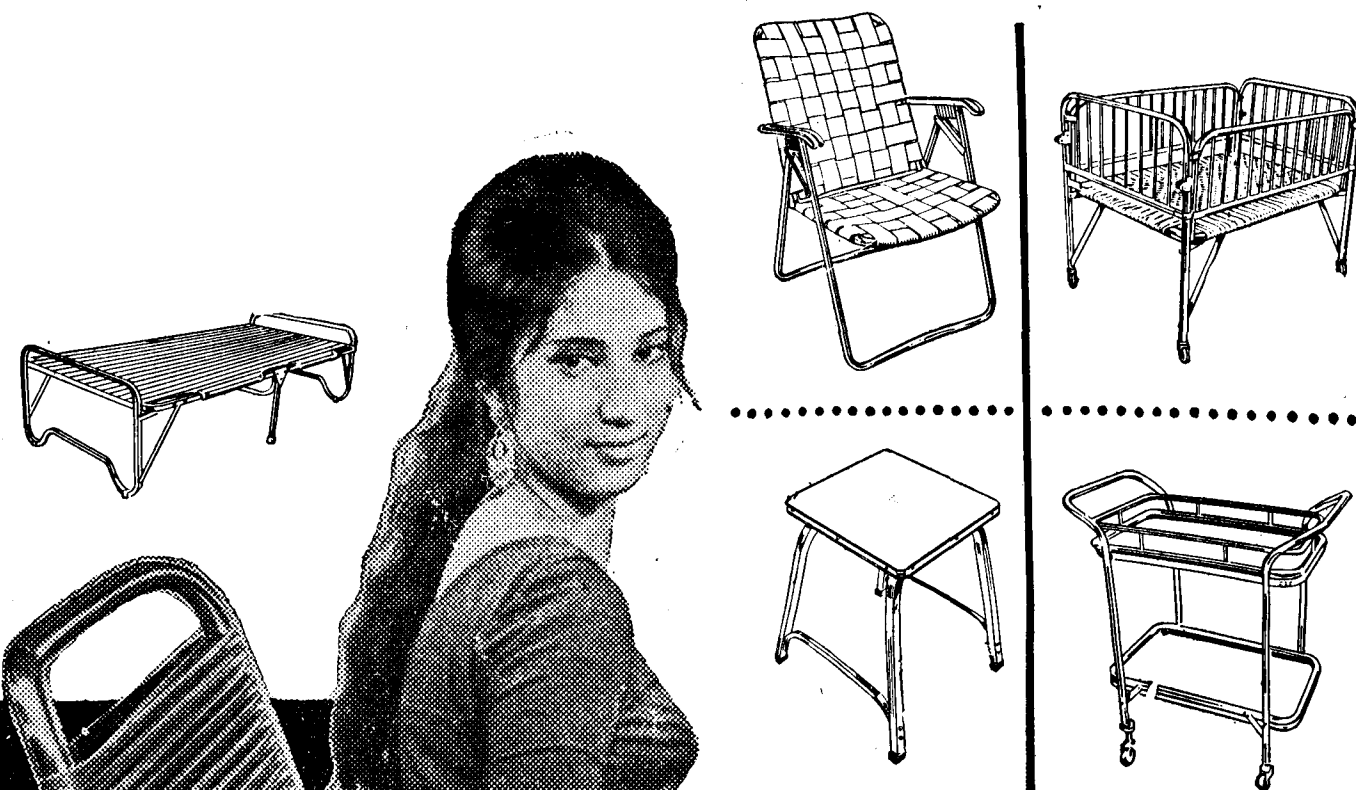
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have been undertaken. A special group was constituted to suggest the most effective measures for increasing coke production. The suggestions are under implementation.

To meet shortage of coke oven gas, supplementary fuels are being used. A new coke oven battery was commissioned at Bhilai in January 1972. The reconstruction of the roof of the steel melting shop at Rourkela was completed in record time. Production had picked up to a good level by February 1972.

To ensure timely availability of stores and spares, rolls, raw materials, refractories, etc. a three-year rolling plan for these items, has been formulated for the integrated steel plants in

the country. Likewise a three-year maintenance programme for the integrated steel plants has also been finalised. These measures will result in a better and timely maintenance and utilisation of existing installed capacity, and will contribute towards self-sufficiency.

HSL has evolved new production incentive scheme designed to motivate labour productivity and discourage absenteeism and reduce over-time payments. In the field of industrial relations, the emphasis at all levels is on a participative approach to the solution of the problems.

Heavy Engineering

Among engineering units, the Heavy Engineering Corpora-

TABLE VIII
Category-wise Exports of Iron and Steel during 1970-71 and 1971-72 (April-Feb. '72)

Category	1970-71		1971-72 (April-Feb. '72)	
	Quantity	Value	Quantity	Value
(1) Pig Iron	464.8	21,02.4	200.7	6,91.4
(2) Ingots	40.1	1,83.3	..	..
(3) Billets	22.9	1,15.0	..	..
(4) Rails	87.6	6,03.6	87.6	7,81.9
(5) Structural	281.2	28,23.3	100.5	9,04.5
(6) Bars & Rods including light structurals rolled by re-rollers	101.4	8,64.0	4.3	35.3
Total	998.0	66,91.6	393.1	24,13.1

TABLE VII
Imports of Iron and Steel

(Quantity in tonnes and value in Rs lakhs)

Items	1968-69		1969-70		1970-71		1971-72 (April-Sept.)	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Pig Iron/Ferro Alloys	1,858	136	2,399	123	1,609	200	4,644	177
Cast Iron	3,306	162	1,454	80	1,626	72	661	52
Mild Steel	366,492	58,25	345,282	58,10	551,132	100,10	505,104	77,48
High Carbon Steels	36,088	648	31,836	588	71,454	15,45	82,268	16,33
Alloy Steels	35,874	15,90	28,286	12,16	64,824	25,81	51,272	17,78
Steel Castings & Foregings	8,349	383	7,231	393	8,015	434	3,602	201
Iron & Steel Scrap	13,469	122	6,599	91	7,428	76	8,009	85
Total	465,436	88,76	423,087	83,01	706,088	149,18	655,560	116,74

TABLE IX
Statement showing Countrywise, Categorywise Exports of Iron and Steel during the 11 months period ended 29-2-1972

Country	Rounds/Flats	Structurals	Rails	Pig Iron	Billets/Ingots
	(Tonnes)	(Tonnes)	(Tonnes)	(Tonnes)	(Tonnes)
1. Argentina	..	..	9,700	..	..
2. Burma	..	..	21,754	..	..
3. Hong Kong	..	231	..	..	..
4. Indonesia	..	383	..	..	..
5. Iran	..	13,644	..	..	..
6. Iraq	..	435	..	..	..
7. Japan	..	..	..	1,39,623	..
8. Kenya	..	164	..	..	..
9. Kuwait	592	199	..	..	..
10. Muscat	73	..	..	..	..
11. Singapore	..	43	..	32,399	..
12. South Korea	..	..	40,598	6,573	..
13. Sudan	2,446	395	..	..	..
14. UAR	649	..	15,502	..	..
15. USA	510	1,527	..	..	..
16. USSR	..	83,438	..	..	..
17. Yugoslavia	..	..	..	22,129	..
Total	4,270	100,459	71,552	2,00,724	..

Total exports of Iron & Steel during the 11 months period ended 29-2-1972; 3,93,005 tonnes F.O.B. Value Rs 24. 13 crores.

tion Ltd manufactured 30,468 tonnes of mechanical equipment and structurals (23,109 tonnes in 1970-71), 20,954 tonnes of forgings (16,021 tonnes in 1970-71) and 20 numbers of machine tools (28 number in 1970-71) valued at about Rs 39 crores as compared to about Rs 28 crores in the previous year. The value of machine tools produced during 1971-72 was Rs 126.26 lakhs as against Rs 105.43 lakhs during 1970-71.

The report points out that during the year HEC made a net cash gain of about Rs one crore, excluding interest charges and depreciation. If the present rate of improvement is maintained the company would reach the break-even stage in 1973-74.

Many important items of equipment were manufactured for the first time in the country, according to the report.

The main work load of the company at present relates to supply of equipment for the first stage of the Bokaro Steel Plant. Most of the equipment required for the erection of the first blast furnace complex has been supplied. During this year, orders for the second stage of Bokaro have been received.

Engineering Units

The report brings out a significant feature that the Mining

and Allied Machinery Corporation which were incurring substantial losses and the Committee on Public Undertakings had recommended its closure has improved its performance. During the last quarter of 1971-72 it did not incur any operating cash loss, excluding interest charges and depreciation. Production is expected to improve in 1972-73 and reach break-even stage by end of the year.

In the engineering units under the Ministry production was as follows: Mining and Allied Machinery Corporation Ltd. 11,300 tonnes (7,742 tonnes in 1970-71); Bharat Heavy Plate and Vessels Limited 2,480 tonnes (548 tonnes in 1970-71); Tungabhadra Steel Products Limited 4191 tonnes (3587 tonnes in 1970-71) and Triveni Structurals Limited 10,214 tonnes (8,908 tonnes in 1970-71).

Distribution of Steel

The various measures for streamlining the distribution system, along with a fairly liberal import policy in respect of items in short-supply and the setting up of Steel Bank, coupled with a regulatory policy in respect of exports, contributed to a large extent in bridging the gap between supply and demand.

The Steel Raw Materials Bank has been set up with the

objective of physically maintaining the requisite level of stock of specified, critical and strategic categories of steel. The Bank has started functioning under the operational control of the Hindustan Steel Limited.

The policy of distribution of steel is being made more and more consumer-oriented. The steel plants are at present supplying over 90 per cent of their production to actual consumer.

Some of the special features of the new policy are that the small scale industries corporation in the various States are now responsible for bulk procurement of steel and its distribution to the small scale units. The small scale units are no longer required to send individual indents or deposit earnest money under this scheme.

The distribution and price of the products of the re-rollers have been regulated

through the billet re-rollers committee set up recently. Used rails are being made available to the scrap re-rollers in a regulated manner by the Ministry. The railways were earlier selling the rails by auction.

To keep pace with the rising demand and the short fall in indigenous production, bulk imports were arranged during the year for small-scale industries, export oriented engineering industries and for other actual users. There were canalised through HSL and MMTC.

The export policy in 1971-72, continued to be regulatory. Limited exports were permitted so as to make more steel available for meeting internal growing demand of engineering and other industries. An effort was made to fulfil to past commitments and maintain foreign markets with a view to stabilising trade relations with friendly countries.

TABLE XI
Categorywise Export of Ferro-alloys: April to September, 1971

	(Quantity) (Tonnes)	Value (Rs lakhs)
<i>Ferro Alloys</i>		
Ferro Manganese below 3% carbon	720	7.64
Ferro Manganese over 3% carbon	13,423	153.40
Ferro Chrome	2,361	66.44
Others	..	1
	17,504	228.49

TABLE X
Export of Iron and Steel Scrap

	1970-71		1971-72 (Apr-Sept., 1971)	
	Quantity	Value	Quantity	Value
	(Tonnes)	(Rs lakh)	(Tonnes)	(Rs lakhs)
Iron and Steel Scrap for Re-smelting Re-forging				
Filling etc.	64,867	1,47.64	17,015	22.66
Wornout articles	673	2.35		
Others	164,816	4,53.39	50,236	72.87
Sub-Total	230,356	6,03.38	67,251	95.53
Iron and Steel Scrap used as Prime varieties				
Bars ends etc.	1,321	3.38		
Sheet Cutting (Uncoated)	23,508	68.70	8,107	18.82
Sheet Cuttings (Coated)	922	3.18		
Other Remnants	4,798	16.32	7,016	6.17
Sub-Total	30,549	91.58	15,123	24.99
Grand Total	260,905	6,94.96	82,374	120.52

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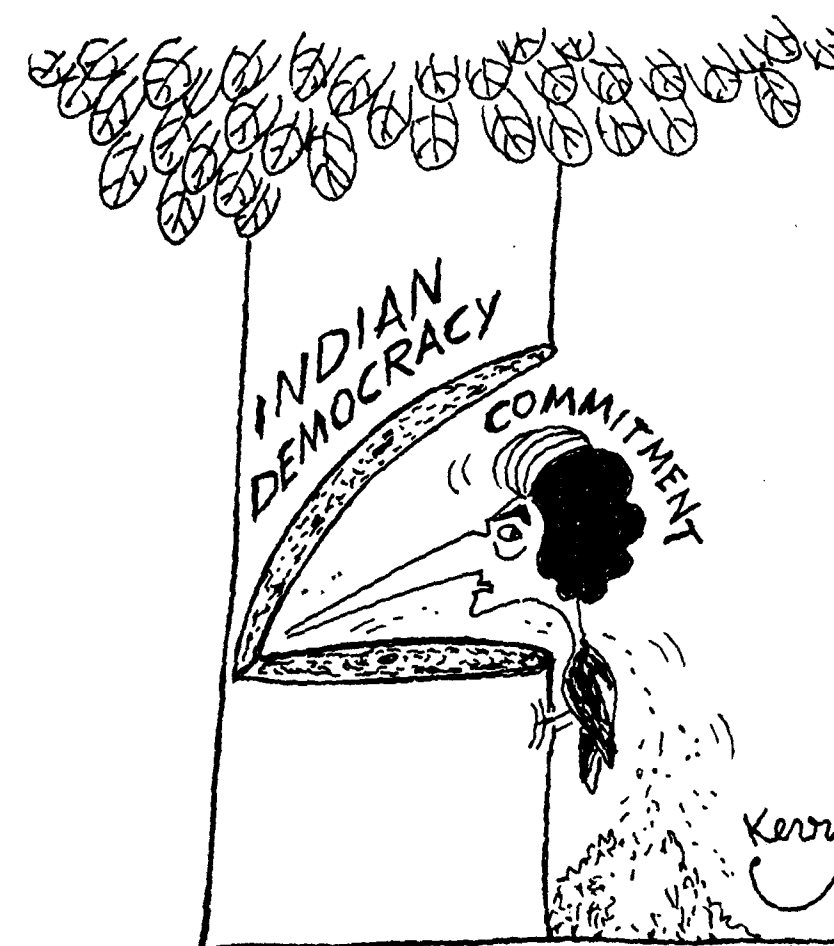
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Stockholm, a success story

THE UNITED Nations conference on the human environment held at Stockholm earlier this month had a truly vast and varied agenda ranging from the conservation of whales to ecocide in Vietnam. This would have justified the government of India chartering an entire Air-India Boeing 747 and sending all of its council of ministers, complete with their entourage, to the capital of Sweden for the duration. Instead, only the Prime Minister (who was also visiting Sweden, Czechoslovakia and Hungary on the invitation of the governments of these countries), Mr C Subramaniam in his capacity as Minister for Science and Technology, Dr Karan Singh in his capacity as Minister for Tourism and Mr Inder Gujral, as Minister of State for Housing and Urban Development, made or were asked to make the trip. New Delhi, therefore, has every reason to be amazed, astonished and altogether astounded by its moderation.

Its performance is all the more commendable in view of the fact that so very few ministers had managed to achieve so much at the conference. Mr Subramaniam has already announced that Stockholm was a famous victory for the Indian delegation. We must, however, wait for Mr Gujral for the full story and, if his account happens to be larger than life, so much the better for the morale of our government on the eve of the summit conference in Simla.

At the time of writing, however, we have to make do with whatever particulars certain enthusiastic news agency reports have provided about what our delegation had been able to achieve for India and the world. The most exciting of these achievements was the adoption, in the teeth of opposition from developed countries, at the plenary session of the conference a recommendation that the UN should immediately set up a new and separate fund for housing aid. The vote in this case was in favour of an amendment by India and Libya calling on the UN Secretary-General to "take immediate steps towards the establishment of an international fund or a financial institution whose primary operative objectives will be to assist in strengthening the national programmes (in the field of human settlement) through the provision of seed capital and the extension of necessary technical assistance to enable an effective mobilization of domestic resources for housing and the environmental improvement of human settlements." The language of the amendment bears the stamp less of Libya than of India's New Delhi where officials have always been cultivated to the point where more and more words are uttered to mean less and less. It would not be wrong therefore to ascribe the lion's share of the credit for the amendment and its passage to Mr Gujral who master-minded the transaction on behalf of the Indian delegation.

A nagging question, however, remains. Of what use is it to pass a resolution calling for the setting up of a fund which, presumably, must be fed for the greater part by the developed countries when those countries have unequivocally declared their opposition to the resolution? The question here is not whether the national delegations which voted against the India-Libya amendment had right or reason on their side or not, but whether it is not merely demonstrative politics for the developing countries to press a proposition which, in terms of credibility, was clearly a still-born one. It is true that, in our own country, the government has ways and means of persuading big businessmen to contribute big money to "gharibi hatao" posters if not programmes, but it is not by any means clear that it is also possible to extract money from industrialized countries for international projects they happen not to think much of.

Even apart from this, the developing countries, individually as well as collectively, seem to have played with a vengeance the sour and sulking role of the poor relative at the rich man's table. Even while demanding that the developed countries should assist them with resources and technology for environmental programmes, they have been cavilling at the very productivity and prosperity of the industrialized countries out of which assistance must come to them. The United States, in particular, has been a popular target and the complaint here is that the Americans, who form only some six per cent of the world's population manage to consume about 40 per cent of the world's goods and services and in the process gravely deplete the world's natural resources as well as cause the bulk of the industrial pollution which threatens ecology across the world.

These critics forget that it is societies with high consumption standards that also have a high stake in the conservation of the environment. Moreover, it is the countries with highly productive economies which have the resources to spare for environmental programmes. In any case, industrialized countries including the US have done

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so well in regulating their populations that they are entitled to ask the developing countries to show substantial progress in this direction before they start preaching the Doomsday gospel to them. There is surely no gainsaying the fact that the growth of population in poor countries could be the most important contributing factor to the environmental deterioration in their parts of the world as well as to their lack of resources for countering or

controlling this deterioration. To put it differently, the industrially advanced countries are both better motivated and endowed with greater capacity to regulate man's relations with his environment than underdeveloped countries with large and growing populations. It was a pity that Mr Uma Shankar Dixit, India's Minister for Family Planning, did not find a seat in one of those flights to Stockholm.

Out in the cold

THE WORST fears of general insurers in respect to the compensation that may be paid to them by the union government for the acquisition of their undertakings have come out to be true. The General Insurance Business (Nationalisation) Bill, which was referred, towards the close of the recent budget session, to a Joint Select Committee of both the Houses of Parliament, provides for a total amount of Rs 33 crores to be disbursed as compensation to 63 Indian and 44 non-Indian general insurance companies the management of which was taken over by the state on May 13 last year through an ordinance issued by the President. That this compensation is grossly unfair and inadequate should be evident from the fact that the paid-up capital and free reserves of the Indian insurers now being nationalised, alone exceeded Rs 88 crores at the end of 1969. The total assets of the 44 non-Indian insurers were of the order of Rs 25 crores as on December 31, 1968. The liabilities of non-Indian insurers had to be set off against their total assets, but even then their net assets at the end of 1968 should have exceeded at least Rs 15 crores. Since the above valuation, contained in the Indian Insurance Book, 1970, the value of the assets of both the Indian and non-Indian insurers should have gone up as a sequel to the expansion in their business as well as owing to the appreciation of the properties held by them. The proposed compensation, thus, does not even come up to 33 per cent of the net assets being acquired by the government. The position would not improve materially even if allowance is made for setting off against these net assets some unexpired risks at the end of the accounting year of an insurer.

The government has preferred to keep back to itself the basis on which the compensation amounts mentioned in the bill have been determined. An analysis of the amounts proposed to be paid to some of the leading insurers, however, suggests that they have been fixed at three times the total dividend disbursements by them in 1967, 1968 and 1969. The enclosed

table (p. 1215) reveals that the amounts payable to British India General, Concord of India, New Great Insurance, Hindustan General Hercules Insurance, Madras Motor and General Insurance, Oriental Fire and South Indian Insurance exactly tally with the figures arrived at by trebling the aggregate of the dividends paid by them to their shareholders in the three years up to 1969. In the case of some companies — Jupiter General, Marine and General Insurance and National Insurance—additions appear to have been made to the amounts determined on the above basis so as to raise the compensation to the level of their respective paid-up capitals. In certain other cases, on the other hand—for instance, Ruby General and Sterling General—some small deductions seem to have been made after computing the compensation payable in these cases according to the above formula.

Of the 63 Indian insurers, 27 companies will be getting compensation which will be more than their paid-up capitals. In the case of 17 others, the amounts proposed to be paid just equal their paid-up capitals. The exact position in regard to one insurer — Millowners' Mutual — is not very clear. There are 18 insurers in whose case the compensation amounts mentioned in the bill fall short of even their paid-up capitals. Among these 18 companies, nine are such which will be receiving just nominal compensation. Their working at the time of the takeover by the government of their management last year perhaps left much to be desired.

The basis for determining the compensation amounts payable to the non-Indian insurers appears to have been different. An indication of this is available from the fact that whereas the Indian insurers are to get about Rs 25 crores for the acquisition of their net assets aggregating to over Rs 75 crores at the end of 1969 (after making some allowance for the unexpired risks against the paid-up capital and free reserves totalling nearly Rs 88 crores) the non-Indian insurers will be getting approximately Rs eight crores for nearly Rs 25 crores total value of their assets in this country as on December 31,

1968, against which all their liabilities had to be set off.

The Indian insurers have been discriminated against in the General Insurance Business (Nationalisation) Bill in other ways also. The non-Indian insurers are proposed to be paid the amounts due to them in one lump sum, the recipients being the corporate bodies. In the case of Indian insurers, the compensation is proposed to be paid to the shareholders directly. If the shareholders of an Indian company, representing two-thirds of the value of the amount payable to it, however, decide at a specially convened meeting that their dues should be paid to a person or a body of persons authorised by them at that meeting or subsequently for carrying on any business, such an arrangement would be made. But the bill specifically provides that those shareholders who dissent from this arrangement will have to be given their individual dues. A shareholder of an Indian company, it is further provided in the bill, will get his compensation amount in one instalment if the amount he is entitled to does not exceed Rs 25,000. The amounts in excess of this sum will be disbursed in three instalments.

No doubt the Indian shareholders belonging to the latter category will be paid interest on the second and third instalments of the payments due to them, at the rate of four per cent per annum, this would be poor consolation to them as the four per cent interest is not only a third of or less than what they can get in the market, but is also lower than even the bank rate. It is worth pointing out here that the government pays as much as six per cent interest per annum on income-tax refunds if they are not paid out expeditiously. In the case of compensations for land acquisition, which have been stepped up by the high courts or the Supreme Court, the arrears to be paid to the owners of the acquired lands also attract interest at this higher rate. Another case that can be cited in this connection is that of gold bonds. As the government had issued these bonds in the mid-sixties against surrenders of gold at the international price which was much lower than the then prevailing rate in the Indian market, interest at the rate of 6.5 per cent per annum was allowed on these bonds.

The most reprehensible feature of the compensation amounts provided in the bill—if, of course, the above analysis that these amounts, in the case of most insurers, have been determined on the basis of trebling the dividend disbursements by them in 1967, 1968 and 1969 is correct—is that no weightage has been given to the reserves accumulated by different companies as also to their growth prospects.

As a result, the companies which have been following the prudent policy of restricting dividend disbursements in the interest of building up reserves have been penalised. The companies declaring large dividends, whether such dividend declarations were justified *vis-a-vis* the allocations to reserves or not, have stood to gain.

The bill further seeks to penalise the insurers who, besides faithfully carrying out the directions of the Controller of Insurance in their operations, had managed their business well, both in the interests of the policy-holders and shareholders. Under Section 52 (H) of the Insurance Act, the union government was entitled to acquire an insurance company which persistently failed to comply with the directives of the Controller of Insurance or which was managed in a manner detrimental to public interest or the interests of the shareholders, by paying compensation under section 52 (J) of this Act. In terms of this provision, the compensation to be paid to a defaulting company was to be the market value of its assets — land,

buildings, securities, shares, debentures, bonds, etc. — minus liabilities. Since the amounts payable to the insurers whose concerns are now being nationalised, do not bear any relation to the market value of their assets, they are at a disadvantage compared to the law-breaking and mis-managed concerns which were taken over by the government under the Insurance Act.

The compensation provided in the General Insurance Business (Nationalisation) Bill of the assets and liabilities of general insurance companies, thus, is highly unsatisfactory. If not stepped up, it can have a demoralising effect on investments in the private sector. The Select Committee of Parliament to which this bill has been referred for detailed consideration ought to bestow some thought on this aspect of the problem. The general investment climate in the country is far from promising at present. It should not be allowed to deteriorate further. The amounts to be paid to the nationalised companies must be equitable to all; their reserves position as well as growth rates

ought to be taken into consideration while determining compensation. In the interest of conserving the resources of the corporate sector, it is also necessary that the already mobilised resources should not be demobilised. They ought to be channelled into new productive lines.

It is encouraging to note that, instead of seeking to set up one monolithic corporation like the Life Insurance Corporation, the bill provides for the amalgamation of the nationalised general insurance concerns into five large companies. This should ensure some competition among them. If the example of the Life Insurance Corporation is any indication, the recent trend of lowering the premia on general insurance policies, which resulted from the severe competition among general insurers, of course, is not likely to persist. But with four companies in the field, the service interests of the insured will be safeguarded at least to some extent.

In view of the fact that the general insurance funds were available to the private sector in industry to a significant extent

Compensation Proposed to be Paid to General Insurers

Name of the companies	Dividend Declared for the year			Total	3 Times	Compensation Allowed	Paid Up Capital
	1967	1968	1969				
1. British India General	3,50,000	5,00,000	4,00,000	12,50,000	37,50,000	37,50,000	20,00,000
2. Concord of India	2,02,500	2,70,000	7,42,500	7,42,500	22,27,500	22,27,500	13,50,000
3. New Great Insurance	4,50,000	4,50,000	5,50,000	14,50,000	43,50,000	43,50,000	25,00,000
4. Hercules	8,10,000	9,72,000	11,34,000	29,16,000	87,48,000	87,48,000	54,00,000
5. Sterling General	1,81,313	1,81,313	1,81,313	5,43,939	16,31,817	16,08,139 23,000*	14,91,780 23,000*
						16,31,139	15,14,780
6. Hindustan General	—	1,05,000	4,12,500	5,17,500	15,52,500	15,52,500	15,00,000
7. Indian Trade & General	2,99,725	3,73,281	4,47,937	11,20,943	33,62,829	34,26,000	29,86,250
8. National	3,00,000	3,60,000	4,20,000	10,80,000	32,40,000	35,00,000	35,00,000
9. Marine & General	40,000	50,000	50,000	1,40,000	4,20,000	5,00,000	5,00,000
10. Madras Motor & General	12,75,000	15,75,000	19,80,000	48,30,000	144,90,000	144,90,000	144,90,000
11. Ruby General	7,50,000	8,75,000	10,50,000	26,75,000	80,25,000	80,22,000	70,00,000
12. Jupiter General	1,57,467	—	1,74,963	3,32,430	9,97,290	26,24,445	26,24,445
13. Oriental Fire	16,50,000	16,50,000	22,00,000	55,00,000	165,00,000	165,00,000	110,00,000
14. New India	91,14,960	91,14,960	91,14,960	273,44,880	820,34,640	820,37,678	296,23,620
15. South India	6,00,000	6,00,000	6,00,000	18,00,000	54,00,000	54,00,000	30,00,000
16. Vulcan	3,33,294	3,33,294	4,16,617	10,83,205	32,49,615	32,49,617	16,66,470

*Preference capital.

before the take-over of this business by the government last year, may it be hoped that this source of finance for the private sector will not dry up now? Already the investment of these funds in government

High cost of imports

MR M.M. SEN, Chief Controller of Imports and Exports, government of India, and his senior colleagues have been recently touring the important commercial centres of the country with a view to ascertaining the difficulties experienced by industry and trade in implementing the import/export policy for 1972-73. These meetings serve a useful purpose to the extent to which they provide a forum for the exchange of views between the Chief Controller and the business community. But how far will Mr Sen be in a position to carry out the suggestions made at these meetings for the simplification of the licensing procedures or in other directions?

Though the import-export policy has lately been a little more realistic than before, there are many features which continue to cause a great deal of hardship, and even harassment, to those who have to depend on supplies from abroad for getting their requirements of raw materials, machinery and components. For example, the pricing policy of non-ferrous metals has come in for considerable criticism. It has been pointed out that the prices charged by the Minerals and Metals Trading Corporation do not generally have any relevance to the prices prevailing in the London Metal Exchange and that the commission and other charges levied by the MMTC have been far too excessive. This point has been several times brought to the notice of the Ministry of Foreign Trade but there has been no relief to the industries which have to use imported non-ferrous metals. The government of India has set up a committee under the chairmanship of the Chief Controller of Imports & Exports to consider the various aspects of the pricing policy of the canalised items. Mr Sen, as the chairman, should see to it that this committee is able to discuss thoroughly the various aspects of the pricing policy and arrive at realistic decisions so that importers and consumers are not fleeced by the state trading agencies.

During his visit to Calcutta in the last week of May, the attention of Mr Sen was drawn to the inordinate delay in getting the actual users' licences which are issued on replenishment basis. It was pointed

securities has been stepped up. There is need for striking a balance between the investment of these funds in government securities and the stocks of private sector industrial ventures.

out that by the time an actual user received a licence and got his import, there was a time-lag of between 9 to 12 months. In the meanwhile, the quantity of import becomes less than what is needed for replenishment because of the increase in the CIF price. It was, therefore, suggested to Mr Sen that a way should be found by which an importer could be compensated automatically for any price rise in the international market. The availability of spare parts from foreign countries has also been made more difficult by the present licensing procedure.

The amount licensed for the import of spares often falls far short of the actual requirements. As Mr D.K. Chaudhuri, Chairman of the Calcutta Import & Export Trade Association, pointed out, "I know of cases where the actual value of licences meets only 25 per cent of the annual requirement of the importer. What does he do now? The only way to keep going is to carry on with worn-out parts with whatever repairs possible — this means more down time, more loss of man-hours with corresponding decrease in productivity and increase in costs. Another way is to buy licences at a premium and use the flexibility clause of 25 per cent import for spares (now reduced to 10 per cent). The balance 75 per cent of the purchased licence is left unused. This, in fact, means spare parts imported at a cost of more than 600 per cent. With reduced flexibility of 10 per cent, the increased cost will now be more than 1600 per cent if someone decides continue production". Here is a specific case where the import policy needs suitable and immediate modification so as to permit industries to obtain their spares without delay.

Another difficulty faced by industry is in regard to export obligation. At present, certain industries are under an obligation to export five per cent of their production and if they fail to do so, there will be a cut of 20 per cent in their import licence. The Calcutta Import and Export Trade Association has suggested that, instead of having a uniform penalty of 20 per cent cut of all exporters, whether they have exported zero per cent or 4.9 per cent, it would be preferable to have a sliding scale type of penalty, that is, four per cent per percentage of export obligation, so that an exporter exporting four per cent may be subjected to a nominal cut of four per cent in licence and an exporter failing to export anything

will have his licence cut by 20 per cent. This suggestion merits consideration.

Mrs Indira Gandhi said, in her speech at the last annual meeting of the Federation of Indian Chambers of Commerce and Industry, that the Foreign Trade Ministry was going to evolve shortly a scheme to facilitate the speedy grant of replenishment licences to exporters as well as early payment of cash assistance. It is not clear why Udyog Bhavan has not yet announced the details of this scheme. The incentives indicated in the Red Book mean little to importers and exporters so long as red tape continues to stand in the way of clear decisions and their quick implementation.

The import policy also needs reconsideration in respect of items that are banned or restricted. Often, the decision in this regard is taken without due consideration being given to such factors as adequate availability, quality and prices. There have also been instances of certain products being permitted to be imported even though they are sufficiently available within the country. The latest annual report of the Ministry of Industrial Development says that the government continues to lay great stress on import substitution and that the saving in foreign exchange due to increased production in 1971 was about Rs 153.76 crores compared to Rs 140.10 crores for 1970.

The report reveals that an exercise has been undertaken to identify the items of raw materials or finished products of large value imports, that is, exceeding Rs one crore per annum with a view to starting their indigenous production. It is stated that 36 such items have been identified. It is necessary to ensure that in the drive for import substitution due care is taken not to affect industrial production. The World Bank is recently reported to have suggested that while India should strive for self-reliance, she should not over-emphasise import substitution policies to the extent that growth is affected. New Delhi would do well to heed this advice.

India's current imports consist mainly of such essential items as raw cotton, chemical elements and compounds, manufactured fertilisers, petroleum and petroleum products, iron and steel, non-ferrous metals, machinery and transport equipment. The regular and adequate availability of these items at competitive prices is of crucial importance to the maintenance of industrial production and exports at a continuously high level. The government of India should therefore suitably modify its import/export policy in the light of the suggestions made by the leading associations of industry and trade.

Brakes on progress

THE REPORT of the Committee on Automation released to the press recently has put together interesting information regarding the social-economic effects of the introduction of automation measures in industry, commerce, administration and other related fields but has failed to draw logical conclusions from its own findings. The committee has claimed that its "approach to the problem of the use of computers is positive" but its recommendation that the use of computers should be subject to a prior agreement with workers is not only negative but is designed to put brakes on progress in this country. What is more, its own researches have confirmed that the use of computers in this country has not in any way affected the working conditions of the employees. More explicitly, the computers did not bring about any fall in employment in over-all terms in the establishments where they were installed. Consequently there was no need for the committee to make the consent of the workers obligatory for the installation of a computer in an establishment.

The committee has collected valuable data regarding the utility of computers and the uses to which they have been put by different industries and institutions. According to the committee, several organisations, both in the public sector and in the private sector, have claimed that the use of the computer has enabled them to improve and rationalise their system of inventories and to effect considerable reduction in inventories. The railways have reported a saving of Rs 20 crores a year on inventories through the use of computerised techniques. A cement company has claimed that it has effected a saving of two rupees per tonne of cement produced. An electricity undertaking is said to have achieved a saving of Rs 50 lakhs on inventories. A number of other examples have been given in the report which clearly show that computers have brought about an improvement in the financial working of the various industrial ventures where they have been installed.

The questionnaire sent to a number of

establishments sought reasons for the going in for office automation. The analysis of the replies showed that a majority of them had solicited the assistance of computers for reducing time-lag in tabulation and analysis of data, improvement of quality of products, facilitating management in decision making and increase in output. A small number of respondents had opted for them for scientific research and reduction in labour cost. The most revealing finding of the committee related to the impact of computers on employment. Instead of bringing about any fall in employment, there was a rise of the order of 2.4 per cent among 24 undertakings which submitted their returns.

It was seen that computerisation of work had generally led to a decrease in employment in the affected departments but this decrease was more than offset by the increase in employment in the data processing sections, thus leading to an increase in total employment. The versatility and capacity of the computer enabled the management to take up many more jobs which they could not have taken up earlier for want of such a sophisticated tool as the computer.

In the case of research organisations and educational institutions also, the use of computers had no adverse effect on existing employment. In fact, their installation resulted in the creation of new jobs. In the face of this unambiguous evidence, the recommendation that "all use of computers by commercial and industrial establishments, whether by resort to the computer centre facilities or by installation of in-house computers should be subject to a prior agreement with the workers" seems strange and unwarranted. It would be difficult, surely, to get the consent of labour unions in this matter. The report itself very clearly depicts the thinking of the labour members of the committee which seem to have had a disproportionate impact in the drafting of the recommendations. Also, there is more than one labour union in various establishments and it would be a herculean task for any management to make all of them agree to the installation of computers.

The committee's analysis has shown

that out of 49 computers currently in use in commercial undertakings, as many as 19 were working three shifts i.e. round the clock, 23 were working two shifts and only seven were working on single shift basis. Similarly, out of 21 computers installed for research and development, seven were working three shifts, eight were working two shifts and only six on single-shift basis. This can in no way be described as under-utilisation of the computer capacity. And yet the committee has drawn the conclusion that in "many cases" the present underutilisation or improper use of existing computers is due to the fact that "they have been installed without sufficient justification, thought and adequate preparation and planning for their legitimate use." This is another instance of a conclusion having been drawn without regard to the facts collected and studied.

In an explanatory note appended to the report by Messrs Naval H. Tata, Babubhai M. Chinai and B.D. Somani — employers' representatives — it has been shown that the total number of additional computers likely to be installed by the companies registered under the Companies Act during the next decade is 139. If the experience of the past installation of computers in this country is taken as a guide, the introduction of these computers would at best affect 2,064 workers during the next ten years or more. It clearly shows that the fears of labour in regard to the impact of computerisation on employment are exaggerated. This note suggests that the attempt made in the committee to reconcile opposing points of view has resulted in the representatives of the employers failing to act up to their conviction.

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And still they come

R. V. Murthy

PROLIFERATION OF statutory corporations has come to be accepted as a reality with which one has perforce to live, so much so that people these days do not even care to raise their eyebrows if and when one more is added to the list. Justification can always be, and is, found for any new agency, but it is a moot point whether the justification really succeeds in convincing the people.

This was and continues to be the reaction of the writer both when the Western Maharashtra Development Corporation Ltd. (WMDC) was started and even now after this corporation has completed one year. For, of all states in India, Maharashtra is certainly not one where there is either conscious neglect of development or lack of agencies catering to some aspect or other of economic development. Indeed, organisations in the state such as SICOM have made such notable contribution to economic development, especially in the backward regions of the state, including even some districts covered by the WMDC, that several other states have expressed a keen desire to have SICOM-like organisations in their jurisdiction too. One can very well understand, therefore, the time and trouble that Mr Naval H. Tata, Chairman of WMDC, took the other day to review the working of his corporation but, even more than that, to give the *raison de etre* of WMDC.

repetitive job

What has WMDC done over the past year which one or the other of the several state statutory corporations already there could not or would not have done? Mr Tata spoke, for instance, of the corporation having to work as a catalyst, say, by encouraging and assisting intending entrepreneurs to start industries. One thought that this was also the task of more than one of the other corporations in the state listed by Mr Tata himself. Again, the WMDC chief referred to a good survey that the WMDC has just completed of the industrial potential of this region. There is no doubt that this would be useful to potential entrepreneurs of the region. But one would like to know how many agencies are engaged in such surveys. The National Council of Applied Economic Research is the first to have con-

ducted several state-wide surveys of this nature. More recently the Industrial Development Bank of India and, now, the lead banks have also entered the field. More particularly, without necessarily minimising the importance of these surveys, one would like to know if the absence so far of such a survey alone has come in the way of an entrepreneur entering the region. As Mr Tata himself mentioned, these project ideas are only the beginning of a series of problems which a new entrepreneur has to face. To quote the WMDC chief "he (the entrepreneur) must know what clearances he has to obtain to start an industry; he must ascertain and/or ask for infrastructure facilities; he must find finance; he must secure the right type of plant and equipment; he may even need a status-symbol — like the token association of the corporation in his equity to obtain better and quicker results, and he must find some one to underwrite his capital offers and to guarantee the loans from financial institutions".

corporation's achievement

After saying all this, one must also take note of what interest, if any, the WMDC has evoked from respective entrepreneurs. From what Mr Tata disclosed, "the corporation has already received requests from various entrepreneurs for help" in respect of almost all the problems indicated above. That means there are entrepreneurs who feel the usefulness of one more institution such as the WMDC, which offers to go all out to their help, as a friend, philosopher and guide.

But it is significant that the WMDC feels there are areas where it has itself to take the initiative. Presumably the corporation has got into a mood to compete with development corporations in other states in this respect. In the year 1971, it is said, these corporations received as many as 70 letters of intent, covering a vast range of products, including cement, soda ash, caustic soda, auto tyres and tubes, scooters, toilet soap, cigarettes and so on. The list is clearly suggestive of the fact that, whether individual entrepreneurs or corporation entrepreneurs, the tendency is to follow the beaten path and not to blaze a new trail. At

least in one respect, the public would expect corporations set up by state governments such as WMDC to concentrate on pastures new, in particular on labour-intensive industries. What matters is not whether or not the corporation is able successfully to deploy the concept of joint sector. The joint sector has come to stay all right, and whether one likes it or not, it bids fair to be the new pattern of corporate growth for years to come. What is needed of the corporation is that it supplement the efforts of other entrepreneurs, private or public, with the sole objective of augmenting national output. This is no time to allow any wastage of our limited resources, and these precious resources are bound to be wasted if units already in the field are obliged to close down, or even if they are taken over for rehabilitation by a state agency.

drawing lessons

One scheme of the WMDC deserves particular notice. It is the corporation's powerloom project. With 1153 powerlooms allotted to it, the corporation wants to implement this scheme in stages, making a beginning with a 300-powerloom pilot project at Ahmednagar. Later, the corporation proposes to extend it to Jalgaon and Dhulia districts and also the Chaphal region in Satara district. It would have been useful if Mr Tata had given more details about this project. Powerlooms are a particularly explosive area, with politicians ranged for and against, on the one hand, and the powerful handloom lobby pitted against it, on the other. Even mill interests are not very happy with powerlooms. Be that as it may this project should provide employment to at least one section of the unemployed in rural areas. The corporation is in the happy position of not having to find resources in respect of some of its schemes to reduce unemployment, as these also appear to be the centre's schemes. It has been allotted Rs 5.87 lakhs, the whole of which the corporation expects to disburse soon for the purpose of enabling the educated unemployed in the area to start some industrial units. In all these, the corporation would do well to draw some lesson from the experience of Mr Arvind Mafatlal in his rural rehabilitation work, where the emphasis is not

just on providing employment as a short-term relief but on interesting the unemployed himself in a given line which he may eventually become keen to develop on his own, taking advantage of the technical guidance given to him.

Mr Tata's appeal to his fellow industrialists and business men to explore the possibility of farming out some of their needs of components and ancillaries to new entrepreneurs by offering designs and other technical know-how should also be heard. When the WMDC is there to take care of all the problems of new entrepreneurs, at any rate within the region under its jurisdiction, these industrialists should, as a matter of fact, seize the offer. In their own way, some business houses like Tatas and Kirloskars have tried out this farming practice with encouraging re-

sults. Between the corporation and the business houses, as also the public sector units in and near the region, it should be possible to raise a whole army of young entrepreneurs out of the many unemployed engineers and technicians there. As Mr Tata observed, there is considerable scope for such action in the vast network of large industries that have come up and are still coming up in and around Poona, especially when they have, or are working out, plans for future expansion. The merit of this scheme is that it will help build up a sense of participation which goes a long way towards creating a congenial atmosphere for industrialisation.

In the course of his speech at the last annual general meeting of the corporation Mr Tata was rightly critical of the centre's tendency to take control of more and more

industries, although, under the Constitution, industries happen to be very much in the state list. He quoted the Annual Survey of Industries to show that in all industries with fixed capital of Rs 25 lakhs and over, the centre's control extended to as much as 93 per cent of the value of output. He also recalled the note of warning sounded nearly 12 years ago by the late Prof D.R. Gadgil who had even then exhorted the state authorities to fight against this trend "so as to enable them to frame a real system of planning from the bottom". Whether or not the centre would heed to this and stop this trend, it must at least respond to the plea of Mr Tata to let the projects sponsored by development corporations be free of all the restrictive provisions of its industrial policy. Perhaps the centre might accept the plea if the state government backs it up too.

On threat to foreign aid

Dr Suresh Prakash

MUCH QUIXOTIC confidence has been shown by our leaders and the people following the US government's decision to suspend aid to India. Spontaneous statements like 'We will not yield to threats' or 'India can do without foreign aid' have been pouring from all quarters. Such a light-hearted view of the situation can be taken only by those who are in fact not aware of the intricacies of development finance. The threat to aid should certainly not cause pessimism but it does call for taking a more realistic and an active account of the things to come.

It is not that we can do much if the aid giving country refuses to extend the greatly needed resources. It is also not advisable to yield to threats and accept aid, which in fact is a long-term loan only, with strings from the aid giving country, let alone mortgaging the honour of our country. At the same time any light-hearted or slogan-oriented view of the situation can only lead to complacency. It must be fully realised that external aid is a very very great asset to a developing country and its withdrawal, especially by a country like America, which alone is responsible for nearly 50 per cent of the total foreign aid received by India so far, is going to create a big gap which can possibly be filled by other friendly countries which may come forward with larger long-term loans for our

economic development. Alternatively it will require tremendous will power and all-out effort by our people to carry forward the development programme on our own.

In spite of our so-called best efforts to boost our exports and thus reduce the balance of trade deficit it is common knowledge that the deficit has continued. Our exports have lagged far behind the targets and are insufficient to pay off for the current imports, let alone the burden of the liability of loan repayments and their interest. This gap last year was of the order of Rs 120 crores, excluding Rs 255 crores due for repayment and Rs 158 crores on account of interest payment. During the current year in spite of all efforts the trade deficit is likely to be of the order of Rs 225 crores. The total gap including the amount due for loan repayment and interest will, thus, be of the order of Rs 700 crores. Now can we boost up our exports overnight, or precisely over a period of coming one year or two, to do away with a gap of this magnitude? This will mean an increase of about 50 per cent on the export front.

All talk relating to the reduction in imports, too, is unrealistic. A close view of the structure of imports during the recent years will reveal that with the stepping up of import duty rates and the

various import restrictions from year to year the imports have been reduced to necessities or near necessities. It may be argued that with the growing self-sufficiency on the food front the country will be able to cut a large chunk of imports which was as high as about Rs 300 crores or nearly 20 per cent of the imports in 1969-70. During the last financial year, 1970-71, too, the import of foodgrains was nearly as high in spite of the bumper crop under the Green Revolution in the country. It is true that with the buffer stock of nearly 8.5 million tonnes of foodgrains, food imports do not seem so necessary, but only as long as we continue to have favourable monsoons. In spite of the high-yielding varieties it must be admitted that our agriculture is still dependent on nature. An occasional drought may not affect the rabi crop but will certainly affect the kharif crop which contributes as high as 70 per cent of India's total foodgrains production. The present buffer stock — 2.65 million tonnes of rice and 5.2 million tonnes of wheat — is by no means flattering. Moreover, even by doing away with the food imports, the deficit can not be wiped off.

A sizable part of our imports representing about 25 per cent of the total is that of machinery and transport equipment which are so vital for the development. Imports of chemicals, mineral oils, iron and steel

POINTS OF VIEW

non-ferrous metals, raw cotton, etc., in all accounting for over 35 per cent of the total, play a vital part in providing for the necessary inputs for agriculture as well as industry in the form of fertilizers or other raw materials, without which the hitherto unutilised capacity of our industrial units will assume serious proportions. Fertilizers alone, for which we spent about Rs 70 crores worth of foreign exchange, is something on which our agricultural self-sufficiency depends to a great extent.

The cotton textile industry the largest export industry of our country has not been doing so well during the recent years on account of the shortage of raw material. The shift of emphasis on agriculture has done some harm to the production of cash crop. Our dependence on imported raw cotton to keep our textile mills going

has been increasing and yet the idle capacity exists and several units have been closing from time to time. Same is true for the production of oilseeds. The volume of import of animal and vegetable oils and fats has been on the increase during the recent years.

The import of iron and steel and other non-ferrous metals has also been increasing and they being very important raw materials for our existing industries and for the development of capital goods industry, nothing much can be done to stop their imports except by increasing their production indigenously.

Besides the imports of food, machinery and raw material, the import of foreign technology has been a very important item among the types of external

assistance, sought by India. Import of technology has been significant in shaping our tools for development though it may not have been so important in terms of the value of total external assistance received.

It is therefore extremely important that our country must undertake the development and maximum utilisation of indigenous resources. At the same time false impression should not be created that it is already well-set to do without foreign aid. It is possible that, after a decade or so we may find ourselves strong in domestic resources and indigenous technology and therefore less dependent on external loans. But this happy state will necessarily have to be preceded by long years of positive planning, efficient organization and purposive hard work.

ssis a day during February, the management decided to lay off workers of the chassis assembly department without compensation as per 25 E (iii) of the I.D. Act since engines were not available for production of chassis. There was also a steep fall in the manufacture of components in other departments and so the process of laying off of workers in various departments was continued by the management, convinced as they were that it was not worth their while managing something over which they were fast losing control. When, on March 1, 1972, the union requested the management to withdraw the lay-off the management replied that unless normal production could be assured and the workers also agreed to the settlement of bonus as per management's formula, they were unwilling to change. The union Labour Minister, Mr Khadilkar's intervention on March 9, '72, when he advised management to lift the lay-off, did not improve the situation since the stalemate continued without any favourable response from the workers.

bonus issue

Mr Kuchelar was unwilling to settle the bonus issue on the management's terms. He insisted on his Rs 27 lakhs demand as bonus for the year 1970-71. One month later, towards the end of April, the Tamil Nadu Minister for Industries intervened; but this also did not help. Again, on May 2, 1972, the central minister, Mr Mohan Kumaramangalam, advised the workers to go back to work and give normal production, leaving the bonus issue to be settled by the state government. He condemned the work-to-rule tactics adopted by the workers and this provoked Mr Kuchelar to issue a bitter rejoinder to the minister. Thus the situation was going from bad to worse. On May 12, 1972 executives of the company, who came for work, were gheraoed. On the same day, the managing director, the works manager and the industrial relations manager were again gheraoed in front of the secretariat while they were coming out after discussions with the Labour Minister late at night. Abusive slogans were shouted and the managing director and the works manager were spat on. As a result, the management announced the complete closure of the unit from May 14 onwards. Subsequent efforts by Mr Khadilkar at Delhi did not improve the situation. Meanwhile, the majority of workers began to feel despondent and wanted to get back to work unconditionally. Sensing the mood of the workers,

the Chief Minister of Tamil Nadu advised the management to reopen the factory and appealed to the workers to go back to work. This had its salutary effect and now the factory is working to full capacity.

It may be asked how Mr Kuchelar was able to carry conviction to the workers when he demanded Rs 27 lakhs as bonus for them. His contention was that the sales income had gone up from Rs 33.80 crores in 1969-70 to Rs 37.34 crores in 1970-71 due to increased value obtained per vehicle, and that, therefore, the management should be generous in their attitude to the workers. As against this, the management's contention was that there was no increase in productivity and that there was a drop of 74 chassis in 1970-71 as compared to 1969-70. They further explained that the rise in sales income was due to a price increase per unit of Comet of Rs 3,857 which just covered the increases in customs duty and cost of indigenous materials without in any way increasing the profit margin for the company.

One other argument of Mr Kuchelar which swept the workers off their feet was the amount paid as royalty by the com-

pany to Leyland Motors in UK. The workers were told that the royalty paid in 1970-71 was Rs 45.95 lakhs whereas it was only Rs 38.65 lakhs in the previous year although the management had claimed there was a short-fall of production in the number of chassis. The management's contention was that royalty was calculated on the previous year's production and payment made in the following year and that the workers had been misled on this point.

It is too soon to predict whether Mr Kuchelar's hold over large sections of industrial labour in and around Madras city is on the wane as a result of a majority of Ashok Leyland workers having decided to keep him out of their affairs. If, per chance, the recent development in Ashok Leyland is indeed the beginning of the end of Mr Kuchelar as an influential and over-powering trade union leader in Tamil Nadu, one can hope for better industrial climate for the state in the near future. Meanwhile, the net result of all that has happened in Ashok Leyland is that there was a loss of production in this unit amounting to Rs 14.6 crores as against an annual turn-over of Rs 38 crores. The loss in wages for the workers was Rs 41 lakhs.

Lessons of labour trouble in Ashok Leyland

K. S. Ramanujam

VERY LITTLE is known outside Madras about the recent difficulties faced by the management of Ashok Leyland. Luckily, thanks to the whole-hearted and unstinting support of the state government, the management, consisting entirely of professional managers, was able to withstand successfully the pressures of the intransigent and unbending leadership of the Leyland workers numbering over four thousand. The repentant workers have decided to do away with their union president, the well-known labour leader of Madras, Mr R. Kuchelar, who, according to them, had guided them wrongly and jeopardised their interests.

Ashok Leyland, it may be mentioned, is one of the most successful automobile factories of the country turning out over 5,000 Comet heavy-duty vehicles annually. The turn-over in 1970-71 was Rs 37 crores and profit Rs 2.85 crores. The net profit for the same period was Rs 93 lakhs.

Ever since Mr Kuchelar managed to get control over the Ashok Leyland employees' union, he began inciting them with fabricated reports about the management.

The management, feeling quite helpless about his increasing hold and influence on the workers, had no other alternative than to prepare themselves for a show-down with him. At the same time, they could not precipitate a crisis which would only further strengthen his hands. Their patience in dealing with a deteriorating labour situation can best be understood by the trend in the figures of actual average production of their Comet vehicles per day. It was 20.4 in October '71 when the workers were attending to their duties normally. In November '71 it went down to 16.4 and in December '71 it showed a slight improvement at 17.2. In January '72, however, it was 11.1 and in February it came down to nine vehicles only per day.

The workers were incited to adopt severe go-slow tactics by Mr Kuchelar when his letter of December 14, 1971 demanding four months' total emoluments as bonus for the year 1970-71 could not be conceded by the management despite several meetings with the union. In fact, the management advisedly adopted an unduly stiff attitude over the bonus issue utilising it for a show-down with the union.

This was the plain truth as could be seen from the financial data. An amount of Rs 22.25 lakhs representing 20.4 per cent of the net profit was a negotiated settlement for 1969-70 bonus when the company made a net profit of Rs 109 lakhs. On the same basis, the management offered Rs 18.61 lakhs as bonus for the year 1970-71 calculating the formula on the same percentage when the net profit was Rs 9 lakhs. As against this, the union under Mr Kuchelar demanded Rs 2 lakhs as bonus for the year. The management's cleverly disguised contention "less profit less bonus, more profit more bonus" was wholly opposed by Mr Kuchelar while the management insisted on it claiming that that had been the formula adopted by both parties in all the earlier years. As already mentioned, the truth of the matter was that the management was simply disgusted with the attitude of the union leadership which had made it increasingly difficult for production to be maintained at the normal level of 20 chassis a day on an average as per the settlement that existed between the management and the union.

When production declined to nine chassis

Eastern Economist 25 Years Ago

June 27, 1947

In a propaganda article issued by the U. K. Publicity Services, Mr. Wickham Steed in true imperialist style states India's prospects and policy in the Far-East. He starts with a quotation from Mr Bevin that "the peace of the world for many years to come will depend to a large extent on a solution of the Indian problem." He refers to the Asian freedom movement as one of the symptoms of transformation and as 'danger' which might spring up unexpectedly. Therefore the Far East Peace Settlement is to be no exclusive concern of the Big Three or the Security Council, but to be participated in and determined by all the 11 powers which fought Japan, including all the British Dominions. These powers will have a permanent voice in the maintenance of peace in this region. The implications of this thesis are obvious. Indian and the Far East, National freedom movements are a danger and they are not to be allowed to have an autonomous foreign policy. From India and the Far East point of

view, the following issues need to be clinched. There could be no whittling down of independence and independent foreign policy. Co-operation with the United Nations there will always be in full measure. It is obvious that in the ultimate resort peace of the world depends upon agreement among the Big Three and the Security Council. But India and the Far East Nations have a right to be invited to the Council discussions of Far East peace as indeed to any important discussion of international issues. And if on the analogy of Palestine, any fact finding committee is to be appointed for the Far East, India and the East should be fully represented on it. These are the rights and responsibilities under the United Nations. Meanwhile men of Mr Wickham Steed's brand only damage Britain's bona fides about which there has not always been unanimity of opinion. Mr Wickham Steed is surely no friend of India, but he is no friend of Britain either.

Agriculture in Developing Countries

Josselyn Hennessy
London.

I Policies of Advanced Nations

WHAT LONG-term problems will be created by the expansion of agriculture in the less developed countries?

What policy adjustments should be made by the developed countries with a view to improving the situation in future?

At the invitation of the United Nations Food and Agriculture Organisation OECD has compiled a report dealing with these questions from the standpoints of agriculture, trade and aid. FAO has prepared a tentative *Indicative World Plan for Agricultural Development*,* which covers

population's food needs more fully. The forecasts in FAO's Indicative World Plan (IWP) indicate that, by and large, the caloric requirements could be satisfied in the future, but that there would still be a net deficiency of animal protein, with the calorie-protein balance even deteriorating in certain regions. The great inequality in incomes and in social-economic conditions leads to wide differences in the level and pattern of food consumption; there is thus some risk of much vaster areas of malnutrition persisting than the average figures suggest. The OECD countries are paying close attention to food problems and intend to contribute to their solution by adopting appropriate food aid programmes or by stepping up their

agriculture from the burden of excess labour.

The third reason is the importance of agriculture for the developing countries' balance of payments. The situation is not everywhere the same, but several countries depend heavily on agricultural exports, often confined to one or two commodities only. During the 1960s, the value of agricultural exports from developing countries rose much more slowly than the value of such exports from developed countries; in addition, the trend of the terms of trade has generally gone against the developing countries. The IWP targets for the developing countries' agricultural trade balance entail the reversal of the trends of the last fifteen years.

Non-agricultural exports from developing countries to the OECD area have gone ahead faster than agricultural exports. During the 1960s OECD imports of industrial and manufactured goods from these sources increased at a rate of about 16 per cent per year. The value of such imports is still lower than that of agricultural products and foodstuffs, but they offer the developing countries the best chance of raising their export earnings. The demand for manufactured goods is steadily expanding in the developed countries; the tariff preference system should facilitate access to their markets; and the general price trend in international trade runs fore in favour of industrial goods than of primary products.

II

Adjustment in the Developed Countries

The first need is to secure real progress in agricultural production in the developing countries. OECD is considering how to secure international action to improve output, but the attainment of the agreed targets may partly depend on the agricultural and trade policies followed in the developed countries. The ways and means of such a policy adjustment, and the effects it is really likely to have, call for analysis. It will indeed be pointless unless the developing countries really benefit by it. OECD also wants to make sure that such an adjustment furthers the

effective use of resources in the world as a whole.

The developing countries have tended to become increasingly self-sufficient during the last few years. The first result has been to restrict the developed countries' market for agricultural exports in those parts of the world. (Table I).

TABLE I

Trend in Exports by OECD Countries to Developing Countries

(Agricultural Products and Foodstuffs)

(Standard International trade classifications 0 and 1)

Year	Value (million of dollars)	As % of total exports to developing countries	As % of total exports of agricultural products and food-stuffs by OECD countries
1960	2,532	12.8	25.0
1964	3,247	13.6	22.2
1965	3,159	12.2	20.6
1966	3,587	12.8	21.4
1967	3,571	8.8	21.5
1968	3,561	7.8	20.7
1969	3,569	7.0	19.2

Source: OECD. Trade Statistics

This export flow has dwindled both in relation to total OECD exports to the developing countries and as a proportion of OECD's total agricultural and food exports.

The main traditional OECD exporters, especially Canada and the USA, which were able to satisfy the urgent food needs of certain developing countries in middle 1960s, have had to revise their production and export policies to suit the new world market conditions and to avoid interfering with the developing countries' efforts to increase their own production. This policy shift has raised some difficult problems for certain exporting countries and compelled them to cut down on cereal growing and to diversify their agriculture. If the tendency for markets in the developing countries to dwindle is confirmed and coincides with an economically justified increase in their home production,

the OECD countries will have to take this into account.

The Indicative World Plan also implies that the developed countries should increase their agricultural imports from developing countries.

Let us recall some elementary facts.

First, the demand for agricultural products and food-stuffs rises slowly in the developed countries; their population growth is slower, and their income elasticity for most of the products concerned is low. This is so not only for tropical products, but for products competing with the developed countries' agricultural output. For agricultural commodities which have to compete with industrial substitutes, even more complex problems arise.

Most OECD countries admit a number of agricultural exports from the developing countries on liberal terms; often tropical products and certain processed products are included in the system of generalised preferences. For these commodities, the growth of markets in developed countries depends less on policy measures than on the natural trend of demand, but steps might be taken to encourage the consumption of tropical products. The producing countries' export earnings could also be improved if means could be found to reduce the import protection still accorded to certain products and to eliminate undue price fluctuations.

Where products compete with OECD countries' agricultural output, most of their agricultural and trade policies may, indeed, be protective. The support furnished by most developed countries to their agricultural industries is meant to hold the latters' adjustment to economic growth, but it should be gradually reduced as agriculture becomes better adapted to economic development and the

world market is less affected by external interference.

In any event, the OECD countries as a whole have considerable agricultural productive capacity: without using their full production potential, they could increase their output far beyond the growth of their own needs for practically every major commodity group except beef and veal. They are therefore constantly on the watch for means of balancing the market and controlling production — often a ticklish task. Their policies will have to take increasing account of the developing countries. Production costs in developing countries may not invariably be lower than in others where conditions are often highly favourable in soil quality, ratio of land to labour, high investment capital, temperate climate, etc. If the developed countries with high production costs were to restrict their output and leave room for larger imports, the developed countries producing at low cost would be as well, or perhaps even better, placed as the developing countries to cover the import requirements.

III

Orientation in Developing Countries

While the OECD countries are affected by agricultural growth in the less developed countries, it is up to the latter to see that their growth is of a suitable pattern. When the food needs of the population in developing countries are remembered it is doubtful whether surplus supplies of some commodities will be available for export to developed countries; the additional quantities forthcoming might well be absorbed by the growth of home demand. Future consumer behaviour depends on changes in socio-economic structure and on the process of urbanisation.

The OECD considers that there is still

TABLE II

Exports of Foodstuffs, Beverages and Tobacco by Developing Countries, in Value* and as a Percentage of Total Exports

Destination	World		Developed areas		Developing areas	
	Value	%	Value	%	Value	%
Period						
1960	8,110	29.6	6,240	31.5	1,510	24.8
1966	10,450	27.0	7,450	26.5	1,880	23.6
1967	10,560	26.2	7,610	25.9	1,870	23.0
1968	11,020	25.0	7,960	24.4	2,000	22.8

* \$ million f.o.b.

Source: UNCTAD, Study on International Trade and Development 1969-70; 10th Session, August, 1970.

WINDOW ON THE WORLD

the developing countries, and wished to ascertain its implications for the OECD countries. A report on *The Policy Implications of the Indicative World Plan for OECD Member Countries*† has been approved by the Council of OECD and transmitted to FAO.

For three main reasons the OECD member governments consider that the faster expansion of agricultural production in developing countries is justified.

The first is the necessity of covering the

* The Indicative World Plan is intended as an international standard of reference to assist governments in formulating and implementing their agricultural policies. FAO means to supplement it by further research to be carried in connection with its "Perspective Study on World Agricultural Development".

† The report is now declassified and is available from the OECD Agriculture Directorate.

room in many countries for a new distribution of income, which would have a notable influence on demand. Thus, a policy aimed to concentrate the use of inputs on the most favourable areas would improve yields; but this would benefit only a fraction of the rural population—the fraction which is already well fed, and shows a relatively low demand elasticity. The remainder of the population could consume more, but would not be able to buy more — a situation which I may add in passing, certainly applies to me!

India's example

On the other hand, a broader re-distribution of inputs would probably lead to some drop in production, but also to a substantial rise in demand. India is a good example: the nine million tons of cereals shown in the IWP as the exportable surplus in 1985 represents only about five per cent of India's total cereal production; a slight change in the production/demand ratio would thus greatly effect the volume available for export.

In some countries, the social situation remains a serious obstacle to any increase in effective demand. The reason may be that there is little stimulus for the improvement of agricultural technology. If the social system is such that the over-concentration of wealth leads to substantial exports of capital, that capital will be lost to local development, and effective demand and output will be correspondingly reduced.

Another vital aspect of agricultural policy planning is the need to step up trade between developing countries. The diversity of technical and economic conditions in these countries should allow some scope for complementary production, both within agriculture and between agriculture and industry.

The trade in farm products between developing countries still accounts for only about seven per cent of the total international trade in those commodities. It is encouraging that the proportion of the total trade between developing countries represented by such products has declined slightly as it points to a growing diversification in their economies (Table II, p. 1223). However, the scale of agricultural trade between developing countries in relation to their total agricultural exports which remained low throughout the last ten years (from 18 to 19 per cent) might be increased in the future.

IV

Implications for Aid Policy

The achievement of the IWP targets depends above all on the means of production and investment resources available

to the developing countries to intensify agriculture.

To what extent will those countries be able to cover their own requirements, and how far will they have to depend on aid from the developing countries?

It is at present difficult to answer this key question.

The OECD member countries strongly urge the importance of the food problem in developing countries, and the necessity of helping them to build up an agricultural potential. The DAC's interest was first given public expression in a Recommendation on Food Problems of Less Developed Countries adopted in 1966. Member countries have lately become increasingly alive to the social importance of agricultural policy and development. The IWP's implications for aid policy fall under four main headings, beginning with food aid.

Food Aid: as early as 1962, the OECD countries' ministers of agriculture stressed to what extent food aid programmes could contribute to the developing countries' economic expansion. The food aid possibilities offered by the substantial surplus stocks then existing in developed countries were urgently needed, but it was considered, as now, that they should be used only if warranted by production difficulties or economic and social needs in the developing countries.

Four Food Aid Points: The OECD countries consider that food aid policies should note the following principles:

Food aid should not be allowed to slow down efforts to develop food production in the benefiting countries, impinge on commercial imports, or unduly depress the level of world prices for the commodities concerned.

Food aid should be focussed on badly needed commodities, the supply of which is particularly inelastic in developing countries (high protein products at present come under this heading and will continue to do so in the foreseeable future).

If food aid is to achieve maximum effect, it should be dispensed so that the benefiting countries are able to use it to best advantage; it should also be closely co-ordinated with other types of aid, especially technical assistance; the emphasis laid by the World Food Programme on project assistance makes it a particularly suitable instrument for this purpose.

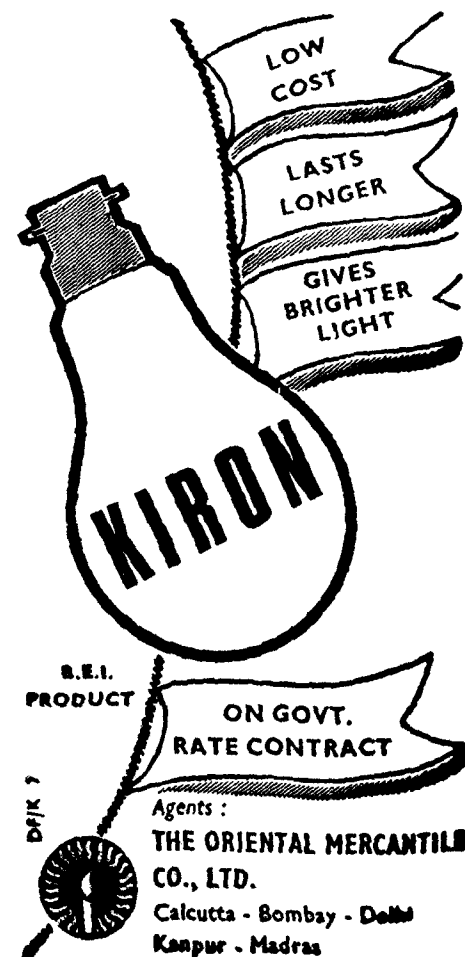
Full co-ordination and harmonisation

should be ensured between various bilateral and multilateral food aid activities.

Agricultural Inputs: The Indicative World Plan allots priority to raising productivity rather than to extending the cultivated area; this is the approach adopted in many assistance programmes. It involves the necessity of appreciably raising the yields from land already cultivated, which will demand a considerable increase in the various inputs.

These inputs will be largely produced by the countries concerned, but even if they succeed in keeping the proportion of imports required within the IWP estimates (\$7,000 million at 1962 prices) the amount involved would still represent the equivalent of 5 to 10 per cent of the total value of developing countries' anticipated imports for 1985. It can be assumed that the total assistance granted for the purchase of inputs did not greatly exceed \$1,000 millions in 1969.

Investment: Investment in the domestic production of agricultural inputs and in the capital equipment directly needed to increase agricultural production is of major importance in the integrated ap-



proach adopted in the Plan. The donor countries have already helped to finance a fair proportion of such investment, mainly under large-scale projects with clearly definable economic benefits. Many of them would have been ready to increase their aid in this sector if they had not found it difficult to find suitable projects. This points to the need to pay attention to project identification and preparation.

The Indicative World Plan also has implications for aid policy in technical assis-

tance and agronomic research. The donor countries realise that, as well as appropriate agricultural techniques, the developing countries require a whole network of training and advisory services to enable them to apply those techniques on the farm. Several DAC countries have therefore strengthened their technical assistance programmes in favour of the agricultural sector in recent years, and are now supporting technical assistance projects fully integrated with the less developed countries' own efforts in this direction.

The donor countries now recognise the effectiveness of agronomic research as an important factor in programmed agricultural development. In connexion with the "Green Revolution" in particular, the role of research has been widely recognised for some time past. No really effective use can be made of physical inputs, of whatever kind, without the backing of large-scale research projects to improve the existing strains and varieties and determine which are the best methods to be applied, technically and economically speaking.

E. B. Brook

Vienna.

Hunger for Capital

THE RAPID growth of the multinational companies, which is one of the most significant circumstances which accompanies the expansion of economic grouping in west Europe, necessitates provision of ever larger quantities of investment capital. This is needed especially for ever more intensive research, development of new products and processes, to meet the cost of anti-pollution controls and provision of new equipment.

The number of new products and processes emerging from modern industrial enterprise in north America and west Europe every year exceeds one thousand. The anti-pollution controls will inevitably increase and will probably increase sharply after the Stockholm Conference on Pollution. Erection of new installations, setting up of new automatised plant and the often costly scrapping of still profitably operative plant because its processes have become outdated make a tremendous demand on capital, even for multi-billion multinational companies.

need for capital

This implies the need for them to provide ever larger quantities of investment capital which has to be found very largely from perpetual current cash flow — the proportion of gross income available for re-investment after all external payments have been deducted — such as wages, dividends and taxes. This means that these great companies are constantly consuming their own income to expand, develop and compete and that the value to them of publicly invested capital is very small. Because they have thus to live on their own earnings there is a constant upward pressure on prices so as to provide a sufficient margin of profit to yield enough money for expansion and constant modernisation.

An indication of the immense sums required for these processes of constant growth has been given by the petroleum

industry in its statement that it will need £200,000 millions during this decade. The chemical industry will require £125,000 millions and the plastics industry some £100,000 millions. Compared with what these industries spent in each of the last two decades these sums are immense and indicate how paramount to the companies' interests are their growth needs.

external effects

The external effects of this type of mammoth self-supporting growth are international, national and social. Internationally, these industrial giant corporations are becoming, as indicated in the preceding article, more powerful than many national banks and even than some of the governments. Nationally, the fact that they are obliged to consume a high proportion of their ever-growing incomes to finance new investment and that they need an ever-higher cash flow means an inflationary influence on prices, although the quality and efficiency of the products advances also steadily. Socially, the principal effect is a movement in the siting of industry, the rendering of increasing numbers of workers and technicians obsolete and a diminution in the total number of industrial units.

The great multinational companies of the USA, Britain and western Europe now account for more than 60 per cent of all annual capital investment most of which is concentrated in high-technology, capital-intensive areas. As a result, out-of-date (but not necessarily old) plant and equipment is being scrapped ever faster as investment grows in new techniques and much of the plant standing in these companies' countries of origin comes up for sale and their staffs are mostly laid off. The effect on what can be called the parent countries is a reduction of assets while in developing regions in which much of the new technology is installed the low scale of human employment required owing to automated working means that the effect

on their usual condition of high unemployment is not very helpful.

This has been found to be the case in several of the "development areas" in Britain, in Italy's southern regions, in France, in western Ireland and, in the USA, in the poor Appalachian and Kentucky areas as well as in the French-speaking Canadian province of Quebec. High technology industries are not and cannot be big employers of labour — only about 10 per cent of their earnings is provided by skilled human labour, the greater part comes from computerised and technological production. One huge combine last year simultaneously increased its output by six per cent and reduced its wages bill by about 18 million dollars.

social consequences

The social effects of this evolution in industry vary considerably from one country to another. In the world's most technologically advanced economy, the USA, where about 40 per cent of still functioning plant and equipment is regarded as obsolete and in need of replacement, the rate of unemployment remains obstinately high and, despite the administration's efforts to attract foreign industrial business, remains at over six per cent of the total labour force. In Britain, also, the growth of industrial technology must be regarded as a contributory cause of continuing high unemployment.

In western Europe it is otherwise. There is a very high percentage of unemployment in Italy. In the largely workless south the installation of some high technology industries has helped to reduce worklessness very little but industrial rationalisation remains still a small contributory cause of Italian unemployment. In the rest of the Common Market area there is not only very little unemployment but a very urgent need to import labour even though Germany, the Low Countries and France are centres of capital-intensive,

high-technology industry. In Germany, although the labour need is less intense than it was and there is some movement of south European labour homewards, there will be a market for foreign workers for some time to come. Holland, with the world's most intensely technological fuel and electrical industries, also needs to import labour even though it is a country of huge families and the population per square mile is the highest in Europe. Much the same may be said of Belgium where several old-fashioned industries have gone to the wall before the advance of the multi-nationals.

position in France

France, striving to remain the leader of the Common Market, is a country where almost all the younger men have left the land to work in the factories and help achieve the French mid 20th-century industrial revolution. The average age of the French farmer is now about 55 but the young men who have gone into the factories—most of them now in technologically-intensive areas—are not sufficient to make up the manual labour force needed to do the jobs it is not yet economic to make mechanical. To such an extent is this true in France that it is the immigrants who are making up the backbone of many essential French industries. About half of these immigrants come from Africa. Forty per cent of them are from north Africa and nearly 10 per cent from central and west Africa. The rest of the foreign workers in French factories are mostly Italian, Spanish and Portuguese with some from south-east Europe. In some French assembly lines the proportion of foreigners goes as high as 80 per cent. These workers do mostly simple, repetitive jobs which the French prefer not to do and even the many redundant French miners decline to do such deadly boring work.

The picture of the Common Market area as it prepares to enlarge is that it will be taking high unemployment areas in Britain and Ireland to add to its already high unemployment area in Italy. Its industrial core from Marseilles to Hamburg, on the other hand, employs at least six million foreign workers—some three million in Germany and about one and a half million in France.

The prospect is that this huge foreign labour force in these areas—to which must be added the considerable manual labour force of foreign origin in Switzerland and Austria, outside the Market—will remain for the foreseeable future while the weaker units within the Market area will be obliged to come within the orbit of the huge capital-intensive multinational companies which are already the economic units with which the Market's political leaders are having to reckon.

Save with grace

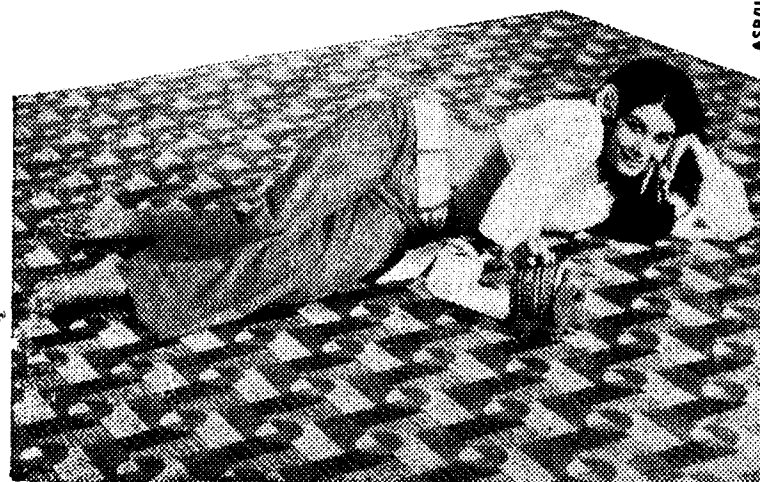
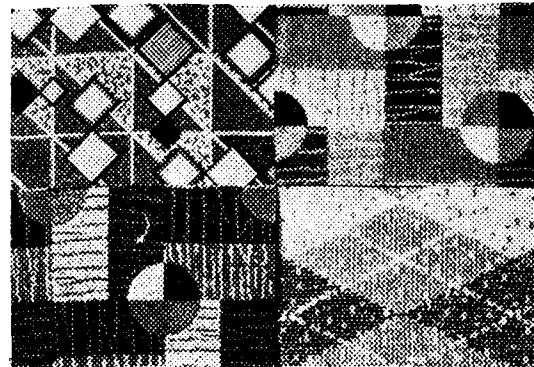
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Mr Bhutto may not be

the only one who has decided views on the intellectual mediocrity of Mrs Indira Gandhi. It is said of a certain well-known (and well-worn) journalist in the capital that his column always shows whom he has last been talking to. Most of Mrs Gandhi's more important speeches reveal what particular book or magazine or newspaper article the not-so-faceless speech writers in the Prime Minister's secretariat have lately been reading. Occasionally, the speech writers do a bit of deliberate re-searching too, as when they came up with quotations from exalted sources for the Prime Minister's use. Thus she was made to quote from the *Atharva Veda* at Stockholm, the purpose apparently being to suggest that a deep and wide-ranging scholarship is to be reckoned among her many accomplishments. Mr Karan Singh who seems to be more at ease with the parasites and panders of Indian tourism than with the pilots or engineers of Indian Airlines, perhaps desired to make the point that the Prime Minister was not only scholarly herself but was also the cause of scholarship in her colleagues; he too put across a bit of his own Sanskrit learning. The foreigners, I am sure, were duly impressed.

What may be Orissa's

gain need not necessarily be New Delhi's loss. When the Prime Minister decided to reward Mrs Nandini Satpathy for her fidelity by placing her at the head of the new ministry in Orissa, the former might have permitted herself a feeling of relief. Mrs Satpathy has lately been becoming less of an asset and more of an embarrassment to her chief. Apart from having outlived her utility for Mrs Gandhi in central politics, she has started having ideas which are far less modest than her dress or demeanour. Her transfer from New Delhi suggests that Mrs Gandhi has more ways than one of putting in his or her place an associate who has come too close for comfort. Mrs Satpathy will no doubt discover soon enough that there are jobs more difficult than intriguing behind or between the political

scenes. Having played for so long the role of a mouse which has even forgotten to say "cheese", she will now have to address herself in earnest to the task of discovering in herself talents of a different and far more serious order.

Recently Rajaji wrote

in *Swarajya* thus: "The CBI report about the Tamil Nadu Chief Minister should be published if only to allay the strong public suspicions that Sri Karunanidhi cannot defend himself against what that report brings up". It is widely believed that the Prime Minister is in the habit of using CBI reports to brow-beat her political opponents or bully inconvenient or intransigent partymen, while there have also been rumours that fund-collectors for her party have not been above using CBI information to blackmail businessmen, big or not so big.

Mr Karunanidhi is a politician cast in Mrs Gandhi's own mould. Between them it has always been a case of Greek meeting Greek. I am sure that the Prime Minister will be the last person to make a gift to any one of any bargaining point she may have in her dealings with Mr Karunanidhi. All this, of course, is unfortunate. Allegations have been made from time to time against the Karunanidhi Ministry. It is naturally very difficult for private individuals or even organizations to compel the state government to face specific charges or clear itself of them before an appropriate authority. In such circumstances if the central government does have information of a kind which is relevant to such allegations it owes a moral obligation to the people of the state in the first instance and then to the country generally to institute proceedings on the basis of the CBI findings as it is legally entitled and empowered to do.

That no legitimate

means should remain unemployed for exposing the true character of the DMK government is a proposition which has become all the more respectable in the light

of recent happenings in Tamil Nadu. A few days back DMK goondas committed large-scale arson and looting at the offices of a Tamil daily which is far from friendly to the Karunanidhi brand of politics. A director of the newspaper (former DMK leader who had been expelled from the party) was reportedly assaulted in the process. The offices of another publication which is also critical of Mr Karunanidhi, a weekly with a large circulation, were also damaged by DMK fanatics. It appears that the police gave no protection to the victims of these outrages.

The alleged provocation for these acts of violence against the non-conformist press was the murder of a DMK trade union leader in the course of clashes between rival factions of workers. It is worth noting that it is the DMK which has introduced the philosophy of violent conversion in its efforts to capture trade unions in the state, its familiar instrument of persuasion being a cycle chain applied to the heads or faces of workmen who fail to see the light quickly enough. In its pre-government days the DMK was really never very far from dealing out threats of violence in order to generate a suitable atmosphere for its political work or aims. Today, with the administration of the state in its hands, this party is apparently emboldened to proceed from threats of violence to violence itself in the conviction that the police may be depended upon to look in the other direction whenever DMK activists chose to teach their political opponents a lesson. Such of us as may still be blind to the essentially fascist character of this party surely deserve to have their eyes examined.

Reporting on "howlers"

in text books for schools, which have been published in Kerala state, the staff correspondent of *The Statesman* in Trivandrum wrote recently: "According to the social studies textbook for final year school students Mahatma Gandhi was born in Rajghat (Gujarat State). Perhaps the author was carried away by the biblical saying 'Dust thou art and unto dust thou returnest' and failed to make any distinction between the place of Gandhiji's birth and cremation."

Would this mean, by any chance, that *The Statesman* will be perfectly satisfied if the version in the textbook is changed to read "Gandhiji was cremated in Rajghat (Gujarat state)"? Some of us, I must say, are easy to please.



MOVING FINGER

TRADE WINDS

ILO Conference

PARTICIPATING in the debate on the report of the Director General of ILO presented at the 57th International Labour Conference held in Geneva recently Mr R. K. Khadilkar, Minister for Labour said that the most valuable form of technical assistance that the developed countries could render at the present juncture is in the evolution of the most appropriate forms of technology for application in the developing countries. He also pointed out that if participation of the people was basic to the politics of a free society, willing participation of the workers is an equal necessity for the successful operation of the productive apparatus of society.

New Taxes in Maharashtra

Maharashtra's Finance Minister, Mr M. D. Chaudhuri proposed additional taxation estimated to yield Rs 5.27 crores in the current year and over Rs eight crores in a full year. Presenting the additional budget estimates for the current year to the state Legislative Assembly, he proposed an increase in the rates of sales tax, mainly on items of consumption by higher-income groups, higher rates of electricity duty and stamp duty.

Against an overall surplus of Rs 47.93 crores shown in the interim budget presented in March, the revised estimates presented on June 13, show an overall deficit of Rs 29.32 crores. The Finance Minister, however, anticipated the resources gap in the current year at Rs 5.08 crores, after taking into account cer-

tain anticipated receipts not budgeted for (including Rs 28 crores by way of market borrowings) and discounting certain liabilities. The taxation measures proposed by him would thus meet the current year's resources gap fully.

Additional yield expected from the increase in sales tax rates is estimates at Rs 274 lakhs in a full year and Rs 137 lakhs in the current year.

Canadian Loan

A development loan agreement for about Rs 35.7 crores (\$ 50 million) was signed on June 10, between India and Canada. This loan, which is the largest development loan Canada has so far extended, will be utilised to finance the import of industrial commodities, fertilizers and fertilizer materials over a period of two years instead of one year as in the case of earlier development loans. This is a new feature and would help in planning imports from Canada satisfactorily.

The agreement was signed by the Canadian High Commissioner, Mr James George, and Dr I. G. Patel, Secretary, Economic Affairs, Ministry of Finance.

The allocation for imports during the first year is \$ 30 million but this may be increased to a higher value depending upon the availability of resources. A second loan will be signed in 1972 to increase the funds available during 1973-74. The loan is on the same terms granted for all Canadian development loans to India during the last six years.

The loans are free of interest

and service or commitment charges and are repayable in 50 years, including a 10 year grace period.

This is the eleventh commodity and fertilizer loan provided by Canada since 1967. Under the loan, Canada will provide India with asbestos ferro-alloys, lead, zinc, newsprint, nickel, rubber, sulphur, woodpulp, potash and NPK. The rapid utilisation of earlier loans as well as an increased demand for fertilizers and industrial raw materials are evidence of the matching of India's requirements with availability from Canada and the full understanding which has been established between the governments of India and Canada.

Canada has been providing industrial commodities and fertilizers to India since 1953 when copper and aluminium were first provided under grant assistance. Since then, Rs 230 crores (\$321.5 million) worth of commodities and fertilizers have been provided.

1972-74 Commodity & Fertilizer Loan

(\$ Cdn. million)

Asbestos (6.00), Copper (1.00), Ferro-alloys (1.00), lead (2.50), Newsprint (7.25), Nickel (2.00), rubber (2.00), Sulphur (0.50), Woodpulp (5.75), Zinc (4.00), NPK (6.00) Potash (7.00) and Unstructured (5.00) Total 50.00 million Canadian dollars. For Industrial Commodity and Fertilizer Assistance see table below.

Zips in Danger Zone

The Zip Fasteners Manufacturers' Association was shocked by the import policy which came into effect on

April, 1, 1972. Their first shock, however, had come even earlier in May, 1971 when the authorities imposed the present excise levy of 20 per cent (plus sales tax of six per cent). From that time onwards, their ability to compete with imported zip fasteners was crippled. Today there is a surfeit of zip fasteners in the country made up of (1) indigenously produced zip fasteners, (2) legitimately imported zip fasteners and also (3) zip fasteners imported surreptitiously. And the indigenous zip fasteners which have to bear excise and sales tax cannot afford to sell at the inordinately low prices at which imported zip fasteners (which do not have to bear excise and sales tax) are sold in the Indian market.

The installed capacity of zip fasteners in the country (about 5000 kilometres) is adequate to take care of the entire requirements of different users of zip fasteners. The manufacturers have a phased programme for the next five years, at the end of which (1976-77) their total output would reach 9,250 kms. They claim that their wholesale market prices compare satisfactorily with the landed cost, inclusive of only import duty (110 per cent), of imported zip fasteners. Further, they say they have been providing employment to about 15,000 persons and have earned foreign exchange of over Rs two lakhs in 1971 on their exports of nylon zip fasteners only; besides nylon fasteners, metallic zip fasteners also were exported. Quality-wise they conform to international standard specifications.

The latest decision to allow more imports (by grant of 20

Industrial Commodity & Fertilizer Assistance (1953-54-1972-73)

(\$ Cdn. million)

	Grants	Development Loan	Total.
Industrial Commodities	100.5	123.8	224.3
Fertilizers	20.2	77.0	97.2
Total:	120.7	200.8	321.5

per cent replenishment—compared to only 10 per cent. Earlier—against export of garments which might be raised even up to 100 per cent on the recommendation of the Textile Commissioner! goes against the accepted tenets of import substitution and self-reliance and requires to be critically examined.

Madras Stock Exchange

Mr M. Sankaran, President of Madras Stock Exchange, stated in his address at the annual general meeting of the exchange recently that in cases of state take-over of companies, the government should refer the question of compensation payable to two representatives, one an expert conversant with the industry to which the company belongs and another, a financial authority, to arrive at the fair compensation by adopting standard methods of valuation. He also said that the shareholders should be paid compensation expeditiously. Referring to the recent take-over of the general insurance companies and the Indian Copper Corporation, he said that the shareholders of these companies were not in a position to raise any credit on their holdings due to uncertainty in regard to compensation and the approximate time of payment.

Mr Sankaran further said that representations have been made to the Finance Minister and the Governor of the Reserve Bank of India that adequate credit facilities should be given to stock and share brokers and investors to borrow on the pledge of stocks and shares but this suggestion had fallen on deaf ears. He also appealed to companies listed with the Madras Stock Exchange that they should issue brief quarterly progress reports to shareholders. This will assist the investors in taking investment decisions.

Instruments

The production of electrical measuring instruments in the country has shot up by more than 73 per cent. In 1971, electrical measuring instruments worth Rs 236.34 lakhs

were produced as against Rs 136.43 lakhs in 1970. During the same period, big increase in the output of water meters and house service meters was also recorded. The production of water meters went up from 1.60 lakhs in 1970 to 1.65 lakhs last year and the house service meters increased by over three lakh meters to 28.49 lakhs. Increase of more than Rs. one crore was also recorded in the value of output of industrial process and control instruments. The production of medical and surgical instruments which valued at Rs 113.74 lakhs in 1970 rose to Rs 162.29 lakhs last year, marking a rise of nearly Rs 50 lakhs. The output of x-ray and electro-medical equipment went up by nearly Rs 104 lakhs to Rs 254.66 lakhs last year.

Mahi Control Board

The Mahi Control Board, recently constituted in consultation with the governments of Rajasthan and Gujarat, has decided to complete the Bajaj Sagar Project on the Mahi river in Rajasthan within five years. Dr K.L. Rao, union Minister for Irrigation, has stressed the need for conserving the waters of the river, which go waste now, for the benefit of the people.

The board, constituted under a resolution of the union Ministry of Irrigation and Power, has been charged with the responsibility of ensuring efficient, economical and early execution of the Bajaj Sagar Project in Rajasthan. The governments of Gujarat and Rajasthan have agreed that the board's functions may be extended to cover such aspects of the Kadana Project on the Mahi river in Gujarat as may be agreed to by the two governments. The project is expected to cost over Rs 31.35 crores. Costs and benefits of the project will be shared by Gujarat and Rajasthan.

Indo-Bangladesh Educational Co-operation

India will share experience in educational planning, reorganisation and reconstruction with Bangladesh which

proposes to set up shortly a commission for remoulding its system of education. In this context, two joint seminars, one in Bangladesh and the other in India, will be organised. The Bangladesh education commission members will be invited to India to study problems of educational reform and the existing system.

If required by the government of Bangladesh, the services of eminent Indian educationists will be placed at the disposal of the commission in an advisory capacity. India will also supply books, reports and studies on the Indian educational system and send experts in specific field at the request of Bangladesh. These decisions were taken at a meeting held in the capital on June 10, between Prof. S. Nurul Hasan, union Minister of Education, Social Welfare and Culture, and Prof. Mohammad Yusuf Ali, Bangladesh's Minister of Education and Culture.

UN Conference on Human Environment

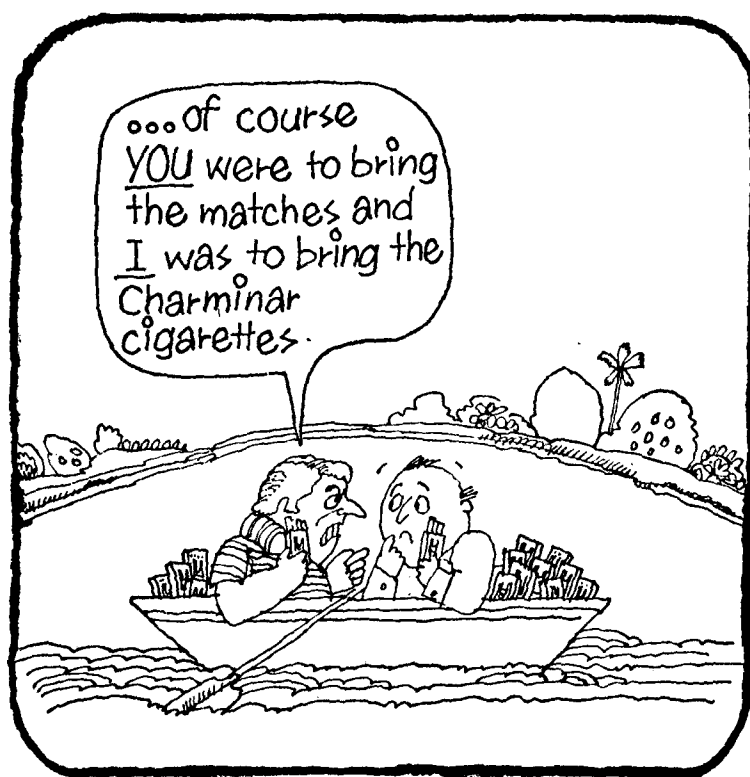
The UN environment conference at Stockholm which ended on June 16 approved plans for a structure comprising several bodies whose prime

task will be to co-ordinate efforts throughout the world to safeguard the environment and curb pollution. It also approved an environment fund to finance environment programmes. Without holding a vote, the plenary session of the conference approved five bodies to check pollution.

The USA has offered \$ 40 million to the Environment Fund over a five-year period. Canada is proposing to give \$ five million to \$ 7.5 million, Japan \$ 10 million and Sweden \$ five million. Eight other countries—Britain, Denmark, Norway, Spain, Nigeria, Switzerland, West Germany and Botswana—have offered "substantial" sums or funds "within their means".

The conference also voted on June 15 to meet again in five years time. A resolution recommending that a second environment conference be called in 1971 was approved in plenary session by 75 votes against one and three abstentions. The UN General Assembly will be asked to endorse this decision in September this year.

India won a major victory at the U.N. Conference on Human Environment when



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its major recommendation for the establishment of an international fund to assist in strengthening the national programmes for environmental improvements of human settlements, was accepted by an overwhelming majority. No less than 53 participating countries supported the motion as against 15 with 13 abstentions.

At the plenary meeting also, India emerged as the leader and spokesman of the developing world; it also won the support in principle from a large number of countries of the world for highlighting the real and most pressing problems of human settlements.

The following is the text of the recommendation: "It is further recommended that the Governments and the Secretary General take immediate steps toward the establishment of an international fund or a financial institution whose primary operative objects will be to assist in strengthening of national programmes in this field through the provision of seed capital and the extension of the necessary technical assistance to enable an effective utilization of domestic resources for housing and the environmental improvement of human settlements".

India's proposal was supported by the Philippines, Central African Republic, Kenya, Jamaica, Uganda and Senegal. Canada, UK, Italy and Sweden were in agreement with the principle of the recommendation, but stated that since they had no mandate for voting in favour of separate fund, UNDP, bilateral aid and existing institutions might take care of housing needs.

Aid-India Consortium

THE Aid-India Consortium's endorsement of the World Bank's aid target of \$1250 million is no doubt good news but there is considerable confusion about the American contribution and the quantum of debt relief. The consortium, in agreeing to \$700 million of non-project aid including debt relief and \$550 million of project aid for 1972-73, has assumed that the debt relief would be substantially higher

than \$100 million. But it is highly unlikely that the World Bank's recommendation for \$200 million of debt relief would be accepted. Some member-countries of the consortium were receptive to the idea of stepping up the debt relief (which is united loan) while others have not been enthusiastic about it. There is uncertainty about the contribution from the International Development Association (IDA), the World Bank's soft lending associate, which depends for replenishment from the US. If it came through, the IDA, it is believed, would make a contribution of about \$350-400 million.

Britain is understood to have offered £63 million project and non-project aid against £54.5 million in 1971-72. Japan last year offered £45 million non-project aid, including debt relief (which figure was later raised to £50 million in view of the revaluation of the Japanese currency) and also £20 million for steel as a special case outside the consortium. Japan has pledged \$73 million for 1972-73. The Netherlands which gave 40 million guilders in 1970 and 50 million guilders in 1971 has now pledged 68 million guilders. Denmark, Norway and Sweden not only increased their respective contributions but also indicated they would continue the same level during the next four to five years. Canada has already signed agreements for 50 million Canadian dollars in general aid and 30 million Canadian dollars for food aid covering rapeseed and skimmed milk. France too has signed agreements for increased quantum of aid than last year. West Germany has not been able to indicate its commitment as the German Parliament has not yet voted the budget.

The communique issued at the end of the meeting reviewed the progress of economic development in India and commended the government of India for its economic performance during a particularly difficult year. The continuing satisfactory rate of growth in agriculture was welcomed. The growing share of engineering

goods in exports was found to be especially encouraging. Disappointment was expressed at the slow rate of growth in industrial production but noted that the problems were concentrated principally in a few industries.

Indo-Swedish Trade Panel

An Indo-Swedish joint commission is to be set up for furthering economic industrial and technical co-operation between the two countries. This was the important outcome of the discussions held in Stockholm between Mrs Indira Gandhi and Swedish Prime Minister Olaf Palm. A press communique issued by the Swedish Ministry for Foreign Affairs said: "During the talks held during the official visit to Sweden of the Prime Minister of India, Shrimati Indira Gandhi, the two sides had discussed ways and means to strengthen and develop commercial, industrial and technical co-operation between India and Sweden.

"The Swedish and Indian Government have accordingly agreed to take steps to set up a joint commission on economic, industrial and technical co-operation. Both sides also agreed to maintain continuous direct contacts on bilateral as well as international questions of common interest."

Ban on New Capacity

The government of India has decided not to encourage new capacities in four items, namely, steel furniture, mechanical toys, fountain and ball point pens and aluminium utensils owing to raw material shortages. While no licences will be given for these items to the organised sector, DGTD also will not register any small unit for the purpose of assistance for obtaining raw materials for these items.

Differential Interest Rates

Guidelines have been issued to the custodians of the public sector banks and to the State Bank of India and its subsidiary banks, laying criteria for the identification of persons eligible to get loans at concess-

sional rates (four per cent) and the conditions under which such loans should be given.

In March this year, the Finance Minister, Mr Y. B. Chavan, made a statement in Parliament on the differential interest rates on advances by public sector banks. The main purpose of the concessional rates loan is to encourage productive endeavours in backward areas.

For lending at concessional rates, each bank should select at least one branch in every eight or 10, ensuring that backward pockets in rural, semi-urban and urban areas are well represented.

An endeavour which is receiving assistance of the differential rate should have the capability of standing on its own after some time. In other words, not merely viable proposals but even those which are potentially viable could be covered under the scheme. Normally a borrower should not need differential interest for more than five years.

All such loans given under the scheme should be covered under the Credit Guarantee Scheme. For this purpose, the Credit Guarantee Scheme will be suitably modified.

The guidelines also lay down the sectors to which the concessional rates of interest will be available. These include: Schedule tribes, schedule castes and others engaged on a very modest scale in agriculture and or allied agricultural activities; people who themselves collect, or do elementary processing of, forest products and people who themselves collect fodder in difficult areas and sell them to farmers or traders; indigent students of merit going in for higher education who do not get scholarships or maintenance grants from governmental or educational authorities; physically handicapped persons pursuing a gainful occupation where some durable equipment and or continuous supply of raw material is useful; and orphanages and Women's Homes where saleable goods are made and for which no adequate and dependable source of finance like

endowments or regular charities, exist.

To be eligible for differential concessional rates of interest, the family income of the person from all sources must not exceed Rs 2000 per annum in an urban or semi-urban area or Rs 1200 per annum in a rural area. The person must not own any land or the size of his holding must not exceed one acre in the case of irrigated land and 2.5 acres in the case of non-irrigated land. He must be prepared to work hard so that he can be helped to rise above his present economic level in the productive endeavour which would become economically viable within a period of three years or so. He must not incur liability to two sources of finance at the same time and must not engage any employees working for him.

Partial Control on Sugar

A PIB hand-out released on June 15 stated:

"Control over the price and distribution of sugar was removed with effect from May 25, 1971. However, in the context of the steady rise in prices of sugar thereafter, and the emergency arising out of the conflict with Pakistan, by an informal agreement with the industry, both in the joint stock and the co-operative sectors, an arrangement was brought into effect from January 1, 1972, for obtaining 60 per cent of the monthly releases of sugar at a fixed price of Rs 150 per quintal ex-factory, exclusive of excise duty, for D-30 grade for meeting certain emergent requirements and for distribution to domestic consumers through fair price shops. Similarly, a further 3.5 per cent of the monthly releases was also made available by the factories at the fixed price for meeting export commitments. The agreement with the industry was to be valid for the duration of the emergency or for a period of six months, whichever was shorter.

"Though the emergency still continues, and the prices of sugar in the open market have been steadily rising, the Indian

Sugar Mills Association have informed the government on June 13, 1972, that some factories are unwilling to continue the present arrangement beyond June 30, 1972, and that it has not been possible for it to recommend any other scheme instead.

"In these circumstances, and in order to ensure that the domestic consumers would continue to be in a position to procure a reasonable portion of their requirements of sugar, which is an essential commodity, at a fair price, the government has decided to continue the existing arrangements under the provisions of the Essential Commodities Act with effect from July 1, 1972. Accordingly, the Levy Sugar (Control and Supply) Order, 1972, the Sugar (Price Determination) Order, 1972, and other ancillary orders are being issued today in exercise of the powers under the Essential Commodities Act, 1955.

"For the month of July, 1972, the government has decided to release 3.25 lakh tonnes of sugar, 60 per cent of which will be available as levy sugar at the notified prices for meeting the emergent requirements and distribution to domestic consumers, 3.5 per cent for meeting the export commitments, and the remaining 36.5 per cent for free sale."

The new prices have been fixed on the basis of studies of the cost of production undertaken by the Tariff Commission. The following are the new ex-factory prices per quintal for the D-30 variety (exclusive of excise duty) for the various regions:

Punjab Rs 146.56, Haryana Rs 126.59, Rajasthan Rs 169.08, West UP Rs 134.40, Central UP Rs 136.87, East UP Rs 147.19, North Bihar Rs 156.40, Gujarat Rs 124.59, Madhya Pradesh Rs 183.77, Maharashtra Rs 125.80, Mysore Rs 125.10 Andhra Pradesh Rs 122.82, Tamil Nadu and Pondicherry Rs 134.01, Assam, Orissa, West Bengal and Kerala Rs 152.98.

Drilling in Kutch Area

The union Minister for Law & Justice and Petroleum &

Chemicals, Mr H. R. Gokhale, inaugurated on June 18 spudding of the first oil-well near Bhuj in the Kutch area of Gujarat by the Oil and Natural Gas Commission.

The well at Banni, one of the three locations in Kutch recently released for drilling after prolonged geological, geophysical and seismic surveys of the area, is projected to reach a depth of about 2500 metres. The surveys have indicated the presence of thick sediments in the area.

With the inauguration of drilling in Kutch, the Oil and Natural Gas Commission's operational area in Gujarat will get extended almost to the geographical limits of the state. The Commission has so far discovered in Gujarat about 65 structures of various types and sizes and drilled 735 wells of varying depths both exploratory as well as developmental.

Furnace Oil from Bangla Desh

Indian Oil's first chartered tanker carrying 9,180 tonnes of furnace oil from Chittagong refinery in Bangladesh has reached Calcutta. The tanker will make consecutive trips to Chittagong to bring surplus furnace oil from the refinery there.

The present consignment is a part of the total 150,000 to 200,000 tonne furnace oil imports from Bangladesh during the current year under a trade pact.

It is planned to import during 1972 about two million tonnes of furnace oil to meet indigenous demand furnace oil imports from. Bangladesh would represent about 10 per cent of the total imports of the product during the current year.

Engineering Industry Survey

The results of the eighth survey of trends in the engineering industry, covering the experience during October 1971—March 1972 and the prospects for April-September 1972 have been compiled by the

Indian Engineering Association. The survey covered 111 companies of varying sizes representing different sectors of the engineering industry. The engineering industry is more optimistic regarding the general business situation in the country than it was in the previous six months. As against 34 per cent of the respondents who had expressed such optimism in the last survey, there were 67 per cent in this survey.

The industrialists also appear to be more inclined towards authorisation of capital expenditure. In the earlier survey 32 per cent had indicated that they would authorise more capital expenditure during the year following the time of the survey; in the present survey 59 per cent have expressed such intention. There has been a slight improvement in the capacity utilisation over the period October 1971—March 1972. As against 70 per cent of the respondents who had reported working below a satisfactory rate of operation, in the latest survey their share has come down to 60 per cent.

The factors which are likely to affect engineering output adversely are shortage of raw materials and components (42 per cent of the respondents), lower orders or sales (19 per cent), credit or finance difficulties (14 per cent), lower plant capacity (10 per cent), and labour unrest (5 per cent). Employment prospects are expected to change for the better. As against 39 per cent of respondents who had expressed such a view in the previous survey, in the present surveys it has risen to 47 per cent. The order position and the value of output were expected to show marginal improvement. The stocks of raw materials and bought-out supplies as also those of finished goods are definitely expected to decline. The majority, however, expected that cost per unit of output would continue to rise as clearly indicated by past experience. The average selling prices may not increase to match the rise in cost and the apprehension is that the return

on capital would show no improvement.

The financial difficulties, which proved an impediment to raising output, were largely caused by extended credit given to customers (25 per cent), inadequate demand for products (17 per cent) and increase in finished stocks because of better utilisation of plant capacity (15 per cent). The proportion of the respondents who had difficulty in getting their limits revised with banks as an obstacle in obtaining credit or finance fell from 64 per cent to 45 per cent but replies relating to difficulties in obtaining term finance because of past losses rose from seven per cent to 29 per cent.

The export prospects for the next 12 months are not expected to be any better than they were six months ago as there is no change in the proportion (41 per cent) of the respondents who were optimistic on this score. While the value of export deliveries is expected to increase in the next six months, the average prices at which export orders are to be booked are unlikely to show any improvement. The majority of the respondents (70 per cent) expect these to remain at the same level as in the past six months.

It is discouraging to note that export promotion measures are not bringing the results that they should. During October 1971-March 1972, 51 per cent of respondents had expected to receive new orders while it was observed that a mere 28 per cent had received such, but (40 per cent) still anticipate that the situation would improve in April-September 1972. No significant change is expected in the volume of export orders. The factors likely to limit the industry's ability to obtain export orders over the next six months will be uncompetitive prices (indicated by 29 per cent of the respondents), restrictions by importing countries (18 per cent), inability to meet delivery schedule (13 per cent) and unfavourable economic conditions abroad (14 per cent).

ISMA

The Indian Sugar Mills Association has expressed serious

concern over the new levy prices announced by the government. The Association considers that the prices announced are highly unrealistic, arbitrary and without any regard to the actual cost of production. To follow rigidly the Tariff Commission Cost Schedules based on 1966-67 costs without adequately compensating the factories for subsequent cost escalations was highly unfair, according to ISMA. It was expected that at least the apparent lacuna in the Commission's Cost Schedules would be rectified by the government. The Association has regretted that this has not been done and a highly uneconomic price structure has been clamped on the industry. The Association fears that without an economic price structure the ability of the factories to maximise production would be seriously jeopardised and sugar output would suffer which the country could ill-afford.

Annual Meeting :

The 39th Annual General Meeting of the Indian Sugar Mills Association will be held on July 3, 1972, at the Convention Hall, Ashoka Hotel, New Delhi. Mr Bansidhar, the President of the Association, will preside over the meeting. Besides a review of the various important developments in the sugar industry during the outgoing year, it is understood that certain important resolutions, having a vital bearing on the sugar industry such as the need for a long-term sugar policy, licensing of capacity in the sugar industry, etc, will also be taken up for discussion.

Text Books in Sindhi

Prof S. Narul Hasan, Minister of Education, Social Welfare and Culture, said on June 14 that the government of India would provide facilities financial assistance for the production of text books in Sindhi both in Devanagari and Arabic scripts at the central level. The Minister made this observation at a Conference of Educationists and Writers convened by the ministry to discuss production of instructional literature in Sindhi. The Minister said that Sindhi was not a state language but

was spoken more or less throughout the country. The government was, therefore, taking up its promotion at the central level and had provided a sum of one crore of rupees during the fourth Plan for this purpose.

Cauvery Waters

The government of India has appointed a fact finding committee to collect data on the Cauvery Waters. This was in pursuance of a consensus reached at an inter-state meeting held recently. The committee will have four members. They are : Mr P. R. Ahuja, Retired Commissioner (Indus) and Joint Secretary, Ministry of Irrigation and Power; Mr Jatindra Singh, Retired Chief Engineer, Punjab; Dr J. S. Patel, Retired Agricultural Commissioner, Ministry of Food and Agriculture; and a judge, to be appointed later.

The committee will have the following terms of reference : (a) to collect all the connected data pertaining to Cauvery waters; its utilisation at different points of time; irrigation practices; as well as projects both existing, under construction, and proposed in the Cauvery basin; (b) to examine adequacy of the present supplies or excessive use of water for irrigation purposes; (c) to collect data relevant to the use of water in different states like physical and other features; cultivated areas; existing and proposed uses for domestic and industrial water supply; hydro-electric power generation, navigation Salinity control and other non-irrigational purposes; and (b) any other connected matters.

The committee has commenced work with effect from June 15, 1972, and submit its recommendations to government by September 15, 1972.

Names in the News

Mr. P.N. Kaul, Director, Mechanical Engineering, in the Railway Board, has been appointed General Manager, South Central Railway. Mr. Kaul succeeds Mr M.T. Lee, who is retiring from railway

service and taking over as chairman, Railway Service Commission in Madras.

Mr Kaul joined the former Nizam's State Railway after completing a course, a Special Class Apprentice at Jamalpur in 1941. Later, he worked with the GIP Railway after the State Railway was integrated with it.

From 1955 to 1958, Mr Kaul was on deputation with the Sudan Railways as Assistant Chief Mechanical Engineer. On return to India, Mr Kaul joined the Central Railway and worked in a number of capacities. During this period, he attended a course at the National Defence College, New Delhi. He worked on the Southern Railway as Chief Personnel Officer in 1966, and in the following year, he was posted as Chief Mechanical Engineer on the South Eastern Railway.

In 1967 Mr Kaul went to London as Railway Adviser to the Indian High Commission. Back in India in 1971, he was posted as Chief Mechanical Engineer on the Northern Railway and came to the Railway Board later that year.

At the fifteenth Annual General Meeting of the Madras Stock Exchange Ltd, held recently the following office-bearers were elected to the Council of Management for the year 1972-73.

President—Mr. J. V. Somayajulu (M/s Somayajulu & Co)
Vice-President—Mr K. Venkataraman (M/s Venkataraman & Co)

Treasurer—Mr V. K. Padmanabhan (M/s V. S. Krishnaswami & Co)

Council Members—Mr M. Sankaran

(M/s Ramshankar & Co)

Mr E. V. Rajagopalan

(M/s Paterson & Co)

and Mr Arunachalam

Mr C. R. Pattabhi Raman, Public Representative, S. C. Bafna, R. P. Dobe, Government Nominees and Mr E. R. Krishnamurti, Executive Director, are on the Council of Management.

COMPANY AFFAIRS

Mafatlal

THE DIRECTORS of Mafatlal Fine Spinning and Manufacturing Co. Ltd have maintained the equity dividend for the year ended March 31, 1972 at Rs 17 a share but unlike in the preceding year when the entire dividend was subject to tax, a portion of the dividend for 1971-72 i.e. Rs 5.50 a share is expected to be tax-free. This is because of the fact that the part of the company's profit has been derived from its chemical's division which is a separate undertaking within the meaning of the provisions of Section 80-J of the Income-Tax Act. The company is making the necessary application for the purpose.

Sales of the company, exclusive of excise duty, have edged up from Rs 27.89 crores to Rs 30.91 crores while the income from other sources have gone up to Rs 48.12 lakhs from Rs 29.44 lakhs in 1970-71. Gross profit at Rs 2.90 crores recorded a relatively smaller increase of 12.8 per cent over the 1970-71 figure of Rs 2.57 crores. Out of the gross profit, a sum of Rs 151.04 lakhs was appropriated to depreciation reserve as against Rs 143.25 lakhs in the preceding year while the allocation to development rebate reserve was stepped up Rs 2.79 lakhs to Rs 16.53 lakhs. Taxation reserve was allotted Rs 65.50 lakhs as againsts no provision in the previous year. This leaves a net profit of Rs 56.83 lakhs against Rs 110.35 lakhs in the earlier year. After tax deduction in respect of previous years amounting to Rs 15.40 lakhs there is a disposable surplus aggregating Rs 41.42 lakhs out of which a sum of Rs 15.50 lakhs was transferred to tax-exempt profits reserve and Rs 25.92 lakhs to general reserve No. 1.

Equity dividend will claim Rs 45.90 lakhs while preference dividend will absorb Rs 1.86 lakhs.

Bank of America

Bank of America plans to establish, subject to approval by the Federal Reserve Board, a multi-nationality owned regional merchant bank with headquarters in Singapore. The Union Bank of Switzerland, Zurich; Kleinwort, Benson Ltd, London; Banque De Paris Et Des Pays-Bas S.A. Paris and Overseas Union Bank Ltd, Singapore, have already agreed to participate in the proposed merchant bank. The initial authorised capital of the bank will be of the order of S\$ 30 million (US \$ 10.65 million). The bank which is intended to serve the south-east Asian region is expected to commence its operations towards the close of this year. It is expected to engage such types of business as discounting bills of exchange, short and medium term lending, acceptance and money markets operations, underwriting, syndicating loans, financial counselling and investment services. Singapore had been chosen as headquarters for the merchant bank because of its location in regard to the areas it plans to serve and its well developed currency trading centre. Bank of America originated the Asian dollar market in Singapore in 1969.

The Standard and Chartered Bank

The Directors of Standard and Chartered Banking Group Limited will recommend to shareholders at the annual General Meeting to be held on August 1, 1972 payment of a final dividend of eight per cent less income tax for the 12 months ended March 31, 1972. The total distribution for this period will thus be 14 per cent repre-

senting an increase of two per cent over the annual rate for the previous accounting period which was fifteen months. Preliminary profits of the Group after provision for taxation and subject to audit amounted to £ 18.2 million, the 1971 equivalent figure being £ 16.3 million.

Zenith Steel

Zenith Steel Pipes Ltd proposes to put up a plant in Indonesia for manufacturing steel pipes. A new company styled P.T. Zenith Steel Indonesia has been promoted for this purpose with an authorised capital of 33.20 crores Indonesian Rupiahs (equivalent to Rs 60 lakhs.) Zenith Steel Pipes will be supplying complete technical know-how for the project and also technical assistance for a period of ten years to the Indonesian company. Zenith will also arrange to supply plant, machinery and equipment valued at 11.08 crores Rupiahs (equivalent to Rs 20.03 lakhs) and in consideration will be allotted shares in the Indonesian company for this amount. The project as also the financial participation have received the approval of both the governments.

Hindustan Lever

Mr V. G. Rajadhyaksha, Chairman of Hindustan Lever Ltd, has chosen 'the battle against inflation' as the topic for his annual address to the shareholders of the company. Price control the world over, the chairman said, had more or less been most effective in the short run in dealing with inflation. But excessive restraint on prices, the chairman stressed, could lead to damage of the productive system, whether it was the farm or the factory and become itself a major factor in accentuating

shortages and hence aggravating inflation. But it is a sad commentary that enough attention had not been paid to the real effects of inflation and price control on corporate viability. As enough resources have to be generated to maintain industrial growth, excess restraints, in the Chairman's opinion, would discourage allocation of further funds for increasing production or improving industrial efficiency. In the last resort the government and the community as a whole, might have to pay a heavy penalty not only because growth of revenue and employment generating activities in the industry would begin to slow down but because the more unscrupulous elements within the industry—those who resort to such practices as evasion of taxes and duties—would also begin to flourish. The chairman, therefore, pleaded for realistic and imaginative pricing and industrial licensing policies to wage a successful war against inflation.

So far as the company was concerned, high priority had been given, in both policy and practice, to a programme aimed at containing inflation as far as it is within its limits. Many far reaching and pragmatic measures such as maximising the advantage of economies of scales in the fields of procurement, production and distribution, implementing of an integrated programme for increasing efficiency at all levels, eliminating waste, keeping down costs, reducing dependence on imports and a host of other steps are being actively pursued to neutralise the impact of inflation. Furthermore it is quite interesting as also revealing to hear from the chairman that the burden of inflation in the case of the company is borne not so much by the consumer of its products or by its employees as by its shareholders.

The chairman has however sounded a note of warning that in the long run inadequate returns to the shareholders as a group would choke off the flow of private savings into the industry and stifle investment in vital industries on which so much of future

economic growth depends. Despite the depressing situation prevailing at present the chairman was confident that the company would succeed in due course in striking the delicate balance between giving a fair return on investments and at the same time ensuring all that could be done to fight against inflation.

English Electric

The Directors of English Electric Co. of India Ltd have decided to issue 2,50,000 equity shares of Rs 10 each at a premium of Rs three per share as rights shares in the ratio of one share for every two shares held to the Indian shareholders. The permission of the Controller of Capital Issues has been received for making this rights issue to Indian shareholders in order to increase their participation in the equity capital to 33½ per cent from 25 per cent. The directors have also declared to enhance the equity dividend to 18 per cent for the year ended March 31, 1972 from 15 per cent paid for 1970-71.

Dunlop

Dunlop India Ltd has received the government's consent for the issue of rights shares to raise a part of the capital required for its expansion. But the proposal as originally approved by the shareholders has been radically amended. The Controller of Capital Issues has accorded consent to the issue of 10 lakh equity shares of Rs 10 each at a premium of Rs 11 per share in the proportion of one new equity share for every 10 equity shares held instead of the issue of 15 lakhs equity shares of Rs 10 each at a premium of Rs four per share on a three-for-twenty basis as was approved by the shareholders. A resolution to this effect is now being proposed for shareholders' approval at a meeting to be convened early next month.

News and Notes

Expansion and Diversification

Travancore Rayons : has obtained a licence for setting up a new unit for the manufacture of cellophane with a capacity of 3,000 tonnes. The project,

to be located near Coimbatore, is estimated at Rs five crores. The company is at present manufacturing annually 3,600 tonnes of cellophane paper at its factory at Rayonpuram near Ernakulam. With the issue of the licence for expansion to the company, the proposal for the merger of Indian Overseas Bank Ltd with it will be actively pursued. The Directors of IOB Ltd are in fact taking necessary steps to file a petition to the High Court for directions to convene a meeting of the shareholders of their company for considering the proposed scheme of amalgamation. Meanwhile the sum of Rs 2.50 crores received as compensation from the government has been kept intact so that this amount, may be available to Travancore Rayons on the proposed merger scheme being put through.

Modi Rubber : The Modis are now entering into the field of tyre and tube manufacture. Modi Rubber Ltd, a new company promoted by the Modis, is now setting up a most modern industrial complex at Modinagar, Meerut in UP and it has received a licence for manufacturing four lakhs each of tyres and tubes per annum. The plant will produce annually five lakh tyres and tubes when it reaches its full rated capacity which is likely to be achieved within two years from the date of commencement of commercial production. Keeping in view the heavy shortage of truck, bus and tractor tyres, the company plans to devote 77 per cent of its production to manufacture these types of tyres. According to current indications the plant is expected to go on stream by the end of 1973.

The company has entered into a technical collaboration agreement with the world renowned Messrs Continental Gummi Werke Aktiengesellschaft of West Germany for a period of five years with provision for renewal as mutually agreed upon subject to the approval of the government of India. The company has been given the right to use Continental's horse brand mark as a registered user. The

foreign collaborators besides assisting the company in the manufacture of tyres would also help the new company in marketing, distribution sales promotion of its products within the country and selling of its goods abroad.

To raise part of the resources required for implementing this project the company entered the capital market on June 21 with a public issue of Rs 2.95 crores consisting of 29,50,000 equity shares of Rs 10 each for cash at par. A sum of Rs 2.50 per share is payable on application and a like amount on allotment. The balance is to be made in two equal calls as may be determined by the board of directors of the company with an interval of at least two months between each call. The subscription list will close on June 29 or earlier but not before June 26, 1972. The issue is fully underwritten.

The cost of the project is estimated at Rs 18 crores out of which Rs six crores is proposed to be raised through equity shares of Rs 10 each and the balance of Rs 12 crores will be borrowed from financial institutions and commercial banks for which arrangements have been made. Out of the equity capital of Rs six crores, 40 per cent shares worth Rs 2.4 crores have already been taken up by the promoters and their business associates and shares of the value of Rs 65 lakhs have been reserved for financial institutions. The balance of 29,50,000 equity shares of Rs 10 each are offered to the public for subscription.

The company hopes to operate its plant at 75 per cent of the capacity in 1974, 90 per cent in 1975 and at the full rated capacity in 1976. The sales, excluding excise is expected to rise from Rs 15.36 crores in 1974 to Rs 21.75 crores in 1976 while the profit after providing for taxation, depreciation and development rebate reserve is anticipated to move up from Rs 1.51 crores in 1975 to Rs 2.47 crores in 1976. The directors are hopeful of declaring a maiden dividend of 10 to 15 per cent for 1976, i.e. after two years from the commissioning of the plant. Keeping

in view the good market potential, world renowned collaboration, ideal location, efficient and dynamic management and congenial labour relations this venture of Modis will be as successful as has been the case with Modipon and may even excel the performance of the existing enterprises of the Group.

Vardhman Spinning and General Mills Ltd which is currently running a spinning unit at Ludhiana is now setting up a mini-steel plant at Faridabad to manufacture 30,000 tonnes of mild, high carbon and spring steel ingots by putting up this 10-tonnes electric arc furnace. The first electric arc furnace has already arrived at the factory site and the supply of second furnace and other types of machinery are in progress. The plant is expected to commence production in October 1972. It is also intended to put up a third furnace to raise the production capacity to 50,000 tonnes per annum. To finance this project the company is offering for public subscription for cash at par 343,000 equity shares of Rs 10 each and 20,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each. Besides 57,000 equity shares of Rs 10 each have allotted for cash at par to the directors and promoters. The subscription list for this fully underwritten issue opens on June 26 and will close on July 7 or earlier but not before June 28, 1972. Barring unforeseen circumstances the directors are hopeful of declaring a dividend within a reasonable period from the commencement of production.

The public issue of **Rathi Ispat Ltd** which opened for public subscription on June 12 had been heavily oversubscribed. At the insistent demand of Bombay and Bangalore Stock Exchanges the subscription list for the equity issue was kept open till June 17. For the preference issue the list was, however, kept open till June 21. The company offered for public subscription 200,000 equity shares of Rs 10 each and 5,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each, both at par. The public issue was fully underwritten.

COMPANY MEETINGS

COROMANDEL FERTILISERS LIMITED

CHAIRMAN'S SPEECH

Statement of the Chairman, Dr. Bharat Ram at the Tenth Annual General Meeting of the shareholders of Coromandel Fertilisers Limited held on June 21, 1972.

Ladies and Gentlemen :

I have great pleasure in welcoming you to the Tenth Annual General Meeting of the Company.

We passed through an eventful year in 1971 which ended with a sense of fulfilment and renewal of faith in the traditions that this country has always upheld. The national effort inspired by astute leadership once again rose to great heights and exemplified the unity of our people in times of stress.

The burden imposed on our country's resources, firstly, by the influx of refugees and by the armed struggle later has tested our inner strength, but its full impact on our economy is still in the process of being felt. The nation's new mood of self-reliance is a very welcome trend, although this cannot be translated into action straightaway.

The recent Government move in regard to ceiling on land holdings is another far-reaching measure as, besides its social objectives, it has direct effect on the agricultural development of the country. While the success of the Green Revolution has not been questioned many have asked whether the benefits have been widely shared. This, in turn, has set off much debate about the strategy for spreading the socio-economic benefits of the Green Revolution. Here, one has to be pragmatic and cautious, for any absolute definition of 'holdings' without

reference to their economic size may not be conducive to increased application of the package of practices, which alone can sustain greater agricultural productivity. Therefore, emotion alone should not guide us in this area. While structural changes seem to be necessary in the larger interests of the country, in our anxiety to achieve it, we should not lose sight of the necessary economic justification. Realities must be kept in perspective.

The past year has witnessed a further advance in application of agricultural technology towards increased production. Hybrid varieties in cereals have gained in popularity and it is hoped that equally important and great strides will be made in other crops. The increased attention being paid to cotton development in recent months is another happy feature. All this is an unmistakable sign of the greater application of science and technology in the service of agriculture and as a result, we are now poised for a Rice Revolution too. At the same time, it is heartening to note that greater awareness of the other implications of the Green Revolution has provoked informed discussion and study of the problem. While we need to display continued attention to the problem of environment, it is somewhat disturbing to find that many enthusiastic environmentalists are spreading panic without substantiating their statements.

The Director's Report and

Accounts were circulated to you earlier. The marked improvement in the profitability reflects a steady and progressive growth of your Company during the last four operating years. Many of the inhibiting factors, affecting production have been considerably minimised. Capacity utilisation has been steadily improving and your management is studying ways and means to achieve higher targets.

Your Company's products are being well accepted in all the major States in India. However, timely movement has not been possible due to the shortage of wagons and time and again this problem has assumed critical proportions. Consequently, your Management has had to move the product by road or by rail to the available point and then tranship by road. During 1971, of the entire quantity, only 55% could be moved by covered wagons; the balance had to be moved by uncovered wagons or by road. These additional movements and handling have naturally pushed up the costs significantly apart from the incidence of increased freight and warehousing/siding charges. To partially mitigate the heavy freight and handling costs, efforts are being made to increase the sales in the home area without completely withdrawing from other States so that your Company's product image is maintained.

Your Company has strengthened and enlarged the areas of demonstration plots, soil testing and farmer services. A



Dr. Bharat Ram

new N-P-K complex fertiliser with an analysis of 14-35-14 was added to the product line and launched in the market in April this year. The response has been encouraging. Special efforts are being made by the Govt. of Andhra Pradesh to bring at least 50% of paddy cultivation under the High Yielding Variety and it is reasonably expected that this will be achieved during 1972-73. From the fertiliser consumption angle, this is a very encouraging sign.

Costs And Profits

I would particularly like to comment on two significant and interrelated factors—profitability and price reduction. The shareholder is naturally interested in the profitability of his Company and compares its performance with similar companies in the industry. Members are no doubt aware that each Company faces its own problems, besides extraneous factors, which I will take up shortly. Your Company's performance has been steady and progressive but in the first two operating years, production was seriously hampered by unstable power and interrupted water supply. On the other side, sales were low due to excessive imports, natural calamities and the difficulties in getting a sophisticated but most excellent product accepted. Your Com-

phatic fertilisers whereas the the Indian market has been used to a nitrogenous mixture or straight nitrogen like Urea; hence it has taken some time for phosphatic fertilisers to be accepted.

The significant fact, however, is the abnormal rise in costs. The levy on naphtha from June 1971, now costs Rs. 31 lakhs a year additionally. Whereas world Sulphur prices have reached rock-bottom rates, we continue to get this vital raw material at a price which is much higher. The agency concerned with the supply of Sulphur has recently increased its price to Rs. 300/- per M. tonne, resulting in an additional cost of Rs. 34 lakhs a year to your Company. Further, the Andhra Pradesh State Electricity Board increased the power tariff which has pushed up the power costs by another Rs. 25 lakhs a year. Increases in rail freight siding charges and warehouse rental account for nearly Rs 40 lakhs a year. The Emergency Risks Insurance has cost us Rs 10 lakhs. These are strikingly significant; I am not cataloguing the hundreds of other items, the costs of which are going up year after year.

Now, I come to the next point — reduction in the price of fertilisers. Reduction in price can be made possible by optimising production or reducing operating costs. In your Company's case, where production is near capacity and increases will be minimal due to technical reasons, capacity utilisation alone cannot contribute significantly to increased profits, if operating costs outside your company's control rise steeply year after year. The recent increase in the excise duty on fertilisers, freight and raw material prices, cannot but go against the objective of reducing the price of fertilisers which will remain a distant goal. An industry is set up to produce goods and services at competitive rates, contribute to the economic activity and earn a profit for its investors. It would be a sorry state of affairs if industry

sheer economic survival.

Expansion

The preliminary negotiations on the technical and financial aspects of the phase I expansion were deferred in the light of the Ammonia Plant's performance last year, since your Directors felt that the expansion plan as originally envisaged required to be reassessed and revised. Fresh technical studies on the Ammonia, Phosphoric and Sulphuric Acid plants are under way and based on the technical report, a revalidation of the expansion licence will be obtained and the project finalised. Preliminary engineering and design work will commence thereafter.

Contribution to National Defence Fund

Immediately on the declaration of Emergency, your Company made a token contribution of Rs 10,000 to the the National Defence Fund. Early this year, another contribution of Rs. 2,51,500 was made. Besides this, the entire staff of the Company contributed a sum of Rs 10,690/-.

Directors

Since the last meeting, Mr. Harvey C. Auman joined the Board in place of Mr. C. S. Dennison. Mr. J. H. Eckart returned to the USA to rejoin his parent organisation and Mr. R. B. Lerner took over as Managing Director. Your Company's performance has been improving each year and this has been, in no small measure, due to a cooperative effort on the part of the entire staff, workers and management. Permit me to express the Company's appreciation of their dedicated and loyal performance.

Thank you, Ladies and Gentleman.

BHARAT RAM
Chairman

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.

If a small-scale industrialist has his unit all geared up for production

Why on earth would he need



Because that's when he faces many problems: Like getting machinery on easy instalments, obtaining raw materials, marketing his products and finding export outlets. That's when MSSIDC steps in to help him.

MSSIDC offers a wide range of services that help the small-scale industrialist overcome such problems.

Over the past nine years, MSSIDC has supplied raw materials worth Rs. 45 crores, marketed products worth Rs. 9 crores, and imported goods worth Rs. 4 crores.

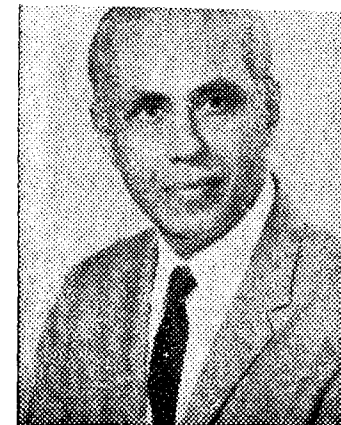
From as little as Rs. 86 lakhs in 1963-64, MSSIDC's turnover has reached Rs. 12 crores today.

Impressive though this is, MSSIDC views its achievements not in terms of turnover, but in relation to its aim of constantly making available new and better services to help the small-scale industrialist.

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(A Govt. of Maharashtra Undertaking)
Krupanidhi, Ballard Estate, P.B. No. 311 A, Bombay-1
Phone: 261121 Telex: 011.3399 Cable: MASSIDCORP

Chaitra-MSSIDC-6



Shri O. S. Murthy

Gentlemen,

I welcome you to the 8th Annual General Meeting of the Company for considering the Audited Accounts for the financial year ended March 31, 1972.

The year under review has been one of substantial growth in the operations of the Company. The total value of production amounted to Rs. 59.33 crores, as compared with Rs. 48.26 crores in the previous year i.e. an increase of 23 percent. You will be glad to learn that while the Company made a profit for the first time in the previous year of a modest Rs. 65 lakhs, it has improved on it during the year with a profit of Rs. 319 lakhs thus consolidating its place among the profitable Public Sector enterprises. A significant feature of the working of the Company for the year is that two out of the three units of the Company namely Tiruchi and Hyderabad plants are now making profits.

The production during the year in Tiruchi included Rs. 29.15 crores of boiler components. Out of 26,295 tonnes of boiler components manufactured, 9,679 tonnes were pressure parts. Large size Axial fans of size dia. 2250 mm and 2500 mm were also manufactured for the first time in the Boiler Plant. The production of valves registered an increase of over 50% including an increase in the manufacture of 250 atm. valves.

Our boilers are under erection/commissioning at 15 sites including work at six new sites taken up during the year. At the Port Dickson Station in Malaysia, the erection has progressed to 60%.

The first 100 MW Boiler for Obra and three more industrial Boilers have been successfully hydraulically tested. Two 60 MW Boilers for utilities—were commissioned during the year. Supply of steam by these Boilers is in accordance with the design parameters.

The production at Hyderabad Plant was Rs. 16.24 crores including Rs 12.69 crores of turbosets and auxiliaries and Rs 3.53 crores of Air Blast and Minimum Circuit Breakers. The Hyderabad Unit has made a profit for the first time amounting to Rs 1.93 crores. The first 60 MW turboset for Faridabad Power Station in Haryana, the turbo-alternator for the 3rd 60 MW set for Harduaganj Station in U.P. and the 3rd 110 MW set for Pathrathu in Bihar were successfully tested during the year. This Plant also manufactured, tested and supplied one set of 9.5 MW for M/s. Tata Chemicals and one set of 12.5 MW for M/s TISCO, and one set of 2.5 MW has also been

BHARAT HEAVY ELECTRICALS LIMITED

Following is the text of the speech delivered by Shri O. S. Murthy, Chairman on June 21, 1972 at New Delhi.

despatched to M/s Shakti Sugars.

Production of turbosets at the Plant would have been better if the supplies of critical steel castings and forgings from indigenous and foreign sources had kept to the agreed schedules of delivery. The setting up of a captive foundry for complicated Alloy Steel castings and Foundry Forge Plant and atleast of medium size forgings proposed at Hardwar is presently under Government's consideration. This would be a long term solution to this otherwise perennial problem.

The production at the Hardwar Plant increased from 10.79 crores in 1970-71 to 13.12 crores in 1971-72, the value added being as much as 54% in 1971-72 as compared to 45% in 1970-71. Lack of adequate work in the pipeline due to paucity of orders in two years when the Power Plan was not finalised, affected the gross output in this year. It is also likely to affect the quantum of production in 1972-73. Electrical machines valued at Rs 1.56 crores were completed and the Plant manufactured, for the first time, a motor of 3500 MW rating, the largest rating so far. The turbine for the 4th set of 100 MW, was tested successfully. The stator for the generator for the 4th set was completed and the rotor was ready for balancing. Work on 200 MW turbosets being manufactured for the first time in the country, has been taken up as also work on the 235 MW turbo-generator for the Madras Atomic Power Plant. The production of hydro-sets increased to Rs 3.83 crores as compared to Rs 1.90 crores in the previous year. Embedded parts for Bhatgar, Vaitarna and Kulhal Hydro Projects were supplied. Part supplies were also made for Maneribhali Suberanarekha and Bairsaieul Projects. Despatches of main equipment for the two 30 MW hydro-sets for Giribata and one 4.5 MW hydroset for Chenani Project were also commenced. Erection work is in progress at Obra and has commenced at Badarpur.

In the initial stages, the capacity of a Heavy Engineering Industry cannot be measured merely in terms of the equipment physically installed, but it is based on the skills acquired by the workmen to whom the technology is totally new. This depends essentially on the number of machines that are actually built in the concerned Workshop—a factor controlled by adequate advance orders. Often the Project Authorities in their enthusiasm to announce the starting of production publicise the commencement, when only a notional start is made on a few minor parts of a sophisticated product. This in turn leads to the erroneous picture of the total period of gestation for the Heavy Engineering Industry.

Having regard to these factors, the Board of Directors

feel that judged by the value added within the short period of 2 or 3 years of commencement of the main product, all the units of the Company have done fairly well and are poised for rapid increase in the production both in physical as well as financial terms.

A superficial analysis of the financial achievements of the individual units, in relation to the ultimate capacity, as measured by the installed equipment, often gives an unrealistic idea of its performance. Even in financial terms, you will be glad to notice that two of the Units have turned the corner and are making profits. One unit with very heavy capital investment has recently come out of the construction stage. It was the misfortune of this Unit (namely the Hardwar Plant) that upto the end of 1970 it had no orders beyond the first lot of six 100 MW sets. This has resulted in a hiatus in the planning for man-power and material requiring long delivery which had to be imported because of its non-availability from indigenous sources. The result was that there was less work in the pipeline on the shop floor affecting the production in 1971-72 and also in 1972-73. Even so, within the short period of 2 years after commencement of the main equipment, this factory has increased substantially the value added, which during developmental stage is the correct measure of the health of the Unit. With the improved order book position, I am confident that all the Units of the Company are now geared for rapid increase in production both in physical as well as financial terms.

Failure on the part of indigenous manufacturers in the supply of equipment has frequently been highlighted as the cause for present crisis in the power supply position in the country. While the manufacturing Units would readily accept blame where due, and take corrective steps for eliminating the delays, the problem will not be solved but will continue to recur and upset the power programme, if the root cause is not correctly identified and remedial measures taken in time. Making the indigenous manufacturers the scape goat and finding alibi for the shortcomings in planning, organization and execution of power projects appears to be an easy way to evade the issue. It has been mentioned that in the 4th Plan, there would be a shortfall of 2.1 million KW of power generation. An analysis of projects responsible for the shortfall would reveal that as much as 0.69 million KW i.e. nearly 33% is due to delay in the commissioning of schemes for which equipments were to be imported. (Incidentally in the previous two plans when all the equipments were imported, the shortfall was of the order of 35%). Out of the balance, BHEL is responsible for the supply of equipment for 0.543 million KW corresponding to 26%. All these schemes were originally not included in the 4th Plan. For most of these schemes letters of intent were placed on BHEL only in July-September, 1970. It is only after the receipt of these orders that raw material such as castings and forgings, which are long delivery items and which indigenous manufacturers like HEC and others could not supply, was ordered. In the circumstances, having placed orders for equipment late, blaming the indigenous manufacturers for late delivery of equipment which has a long manufacturing cycle, would be to draw a red herring. To make matters even worse for the manufacturing units, technical detail for about 0.4 million KW of generating equipment (e.g. thermal extensions for Barauni, Panki and Harduaganj) have not been finalised yet. In some cases, due to inadequate planning at site by the customer, finished equipment was held up at the workshops (e.g. Hydro schemes at Giribata and Bairsauiel, and Thermal Schemes at Badarpur, Pathratu and Faridabad from time to time). The lesson to be drawn from the past experience, therefore, is that Power Schemes are to be planned well in advance, adequate organisation developed and the schemes put through with vigour. It is time that schemes for the 5th

Plan are initiated immediately. Importing Power equipment is not the answer to the problem.

As I have apprised you in the earlier Annual General Meetings, your Directors have been pleading with the authorities concerned for the need to place adequate orders on the manufacturing units well in time to enable the deliveries to be affected according to requirements. Early in 1969, Government's attention was drawn to the lack of orders beyond the first order of 6x100 MW sets, 5x60 MW and 5x110 MW sets. The need for placing orders well in time to enable the manufacturing units plan for the procurement of long lead items of special castings and forgings not available in the country was also stressed and suggestions were made for an imprest order of 4x110 MW and 4x200 MW sets as standing arrangement to fill up the gaps in the order book as and when they occur to ensure minimum production being maintained at the Plants. Orders were canvassed with the Electricity Boards and orders were obtained for turbo-sets even in anticipation of their inclusion in the plan proposals. Thanks to these special efforts taken by your Directors, the order book position improved, but the lack of orders in two years upto end of 1970 affected the work-in-progress in the pipeline and, therefore, the quantum of production in the years 1971-72 and 1972-73. The adverse effect of the delay in the planning of orders on the operations of the Heavy Electrical Plants is not readily understood. Of the total orders of turbosets for power stations in hand valued at Rs 190 crores, orders for as much as Rs 119 crores were placed only in late 1970.

As reported to you in the last Annual General Meeting, Government have authorised the raising of Share capital of the Company from Rs 65 crores to Rs 80 crores. Government has made the conversion effective from 1-4-1971 by waiving interest charges on Rs 15 crores of loans. The raising of the Share capital from Rs 65 crores to Rs 80 crores (additional 15 crores) to restore the equity loan ratio to 1:1 was long over due and the Company had been loaded with additional interest charges of Rs 1.05 crores per annum for the last three years. We are grateful to the Government to have relieved us of this interest burden at last for the year under review.

Your Company is getting a fair price for the boilers and the switchgears largely due to the prices offered on the basis of open tenders for these products. In the case of turbosets, prices are negotiated with the Electricity Boards. The prices for 13x100 MW set and 8 sets of 60 MW have been settled with the customers directly. Efforts are being made to get the remaining two other customers to fall in line. When there is no agreement between us and our customers we are agreeable to get the prices settled through the Committee appointed by the Government, as in the case of 3x100 MW sets for Badarpur.

You will recall that the Company secured another contract from the National Electricity Board of Malaysia for three numbers of 120 MW oil-fired boilers at a price of Rs 9.3 crores in the face of stiff competition from reputed international suppliers. Work on these boilers has been taken up. Against 3,162 tonnes of total equipment to be delivered to this customer against their earlier order of 2x60 MW sets, 3112 tonnes have already been delivered. The balance is expected to be delivered shortly and in time to keep up with the commissioning programme already drawn up.

Hyderabad Plant exported one 66 KV Minimum Oil Circuit Breaker to Malawi, Africa, through the Indian Consortium for Power Projects.

Preliminary examination has commenced for the design and manufacture of 500 MW thermal generating sets and also 500 MW nuclear generating sets and the gaps in the expertise and

know-how for manufacture and design, will be filled up by securing assistance from collaborators.

Keeping in view the demands of various customers and the manufacturing facilities already set up in the country proposals are under consideration for taking up the manufacture of high speed driving turbines for centrifugal compressors, current and potential transformers which are required by the customers for the switchgear, air preheaters, soot blowers and fans for high rating boilers and reversible pump turbines. These will improve the manufacturing profile of the Company and will help in maintaining the technological level and improve economic viability of its operations.

I should specially acknowledge the employees' contribution to the Defence effort. The employees offered to work hard to increase the production as their contribution to the war effort and responded readily to the Prime Minister's appeal for contribution to the National Defence Fund. A total of Rs 2.38 lakhs was contributed by the staff of the Company to this fund.

On behalf of the Board of Directors, I gratefully acknowledge the valuable co-operation and assistance rendered by the collaborators of the Company. I wish to thank the large number of customers in the Public and Private Sectors for their patronage, the Comptroller and Auditor General of India, various Ministries of the Central and State Government's, Planning Commission, Central Water and Power Commission and State Electricity Boards for their continued help and co-operation. I value specially the contribution made by the employees of all categories of the BHEL whose devotion and endeavours have made it possible for the Company to improve production

and earn a profit for this year also and I have every hope that the improvement will be maintained in the coming years so that the BHEL complex plays its important role in the power development in the country.

I take this opportunity of thanking my colleagues on the Board of Directors for the consideration they have shown and for their unfailing help in the discharge of my functions.

I shall be laying down my office at the end of this month. The 3½ years, during which I had the privilege of serving the Company as its Chairman, have been the most fruitful and rewarding of the 36 years of my career as a public servant. During this period, the production of the Company has increased from Rs 35 crores to Rs 59 crores. The operating results have improved from a loss of Rs 3.4 crores to a profit of Rs 3.2 crore. The order book position is much brighter. A rational and realistic pricing policy fair both to the manufacturers and the customers has been introduced. Two of the Units are making substantial profits and the third is well on its way to break even. The Company as a whole with the target of production for the current year at Rs 82 crores is poised for contributing its share in the industrial development of the country. I could not have hoped for a better reward than this improved health of the Company. I relinquish my charge with the confident hope the progress of BHEL will be sustained and that all officers and staff will give to my successor the co-operation and loyalty, which they gave me in ample measure.

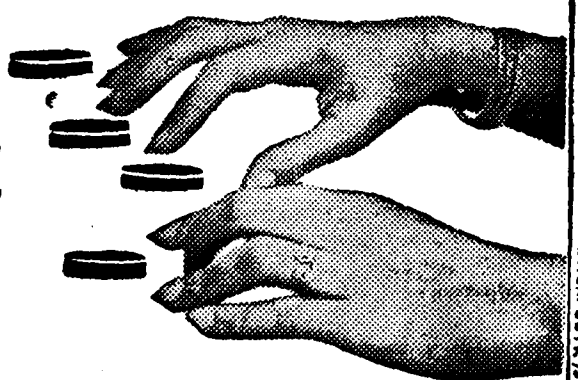
(O. S. MURTHY
Chairman.

(This does not purport to be a report of the proceedings of the Annual General Meeting).

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RECORDS AND STATISTICS

General Insurance Business Bill, 1972

THE management of all insurers carrying on general insurance business was vested in the central government by the General Insurance (Emergency Provision) Ordinance, 1971 which was later replaced by an Act of Parliament. The General Insurance Business (Nationalisation) Bill, 1972, was introduced in the Budget Session of Parliament and was referred to a joint select committee of the two Houses for detailed consideration. Full text of the bill follows :—

The General Insurance (Nationalisation) Bill, 1972.

to provide for the acquisition and transfer of shares of Indian insurance companies and undertakings of other existing insurers in order to serve better the needs of the economy by securing the development of general insurance business in the best interests of the community and to ensure that the operation of the economic system does not result in the concentration of wealth to the common detriment, for the regulation and control of such business and for matters connected therewith or incidental thereto.

BE it enacted by Parliament in the Twenty-third Year of

the Republic of India as follows :—

CHAPTER I Preliminary

1. (1) This Act may be called the General Insurance Business (Nationalisation) Act, 1972.

(2) It shall come into force on such date as the Central Government may, by notification, appoint.

2. It is hereby declared that this Act is for giving effect to the policy of the State towards securing the principles specified in clause (c) of article 39 of the Constitution.

Explanation.—In this section, "State" has the same meaning as in article 12 of the Constitution.

3. In this Act, unless the context otherwise requires,—

(a) "acquiring company" means any Indian insurance company and, where a scheme has been framed involving the merger of one Indian insurance company in another or the amalgamation of two or more such companies, means the Indian insurance company in which any other company has been merged or the company which has been formed as a result of the amalgamation;

(b) "appointed day" means such day as the Central Government may, by notification, appoint;

(c) "Companies Act" means the Companies Act, 1956;

(d) "Corporation" means the General Insurance Corporation of India formed under section 9;

(e) "existing insurer" means

every insurer the management of whose undertaking has vested in the Central Government under section 3 of the General Insurance (Emergency Provisions) Act, 1971, and includes the undertaking of the Life Insurance Corporation in so far as it relates to the general insurance business carried on by it;

(f) "foreign insurer" means an existing insurer incorporated under the law of any country outside India;

(g) "general insurance business" means fire, marine or miscellaneous insurance business, whether carried on singly or in combination with one or more of them, but does not include capital redemption business and annuity certain business;

(h) "Government company" means a Government company as defined in section 617 of the Companies Act;

(i) "Indian insurance company" means an existing insurer having a share capital who is a company within the meaning of the Companies Act;

(j) "Insurance Act" means the Insurance Act, 1938;

(k) "Life Insurance Corporation" means the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956;

(l) "notification" means a notification published in the Official Gazette;

(m) "prescribed" means prescribed by rules made under this Act;

(n) "Schedule" means the Schedule to this Act;

(o) "scheme" means the scheme framed under section 16;

(p) words and expressions used in this Act but not defined herein and defined in the Insurance Act, shall have the meanings respectively assigned to them in that Act;

(q) words and expressions used in this Act but not defined herein or in the Insurance Act and defined in the Companies Act, shall have the meanings

respectively assigned to them in the Companies Act.

CHAPTER II

Transfer to Public Ownership of General Insurance Business

4. (1) On the appointed day, all the shares in the capital of every Indian insurance company shall, by virtue of this Act, stand transferred to and vested in the Central Government free of all trusts, liabilities and encumbrances affecting them.

(2) Out of the shares so transferred and vested, the Central Government shall, immediately thereafter, by notification, provide for the transfer of not less than ten shares to such persons as may be specified in the notification to enable the Indian insurance company to function as a Government company.

(3) Every notification made under sub-section (2) shall specify the names and description of the persons to whom the shares are transferred and the particulars of the shares which are transferred to each such person.

(4) A copy of every notification made under sub-section (2) shall, as soon as may be after it is made, be sent by the Central Government to the concerned Indian insurance company, who shall, on receipt of such copy, and notwithstanding anything contained in the Companies Act or in its articles of association, forthwith rectify its register of members by including therein the persons mentioned in the notification as the holders of the shares specified therein.

(5) For the removal of doubts it is hereby declared that the transfer and vesting of shares effected under sub-section (1) shall not be deemed to affect any right of the Indian insurance company subsisting immediately before the appointed day against any shareholder to recover from him any sum of money on the ground that that shareholder

has not paid or credited to the Insurer whole or any part of the value of the shares held by him or on any other ground whatsoever.

5. (1) On the appointed day, the undertaking of every existing insurer who is not an Indian insurance company shall stand transferred to and vested in the Central Government and the Central Government shall immediately thereafter provide, by notification, for the transfer to and vesting in such Indian insurance company, as it may specify in the notification, of that undertaking.

(2) Any notification made under sub-section (1) may provide that any of the undertakings aforesaid may be transferred to and vested in more than one Indian insurance company in such manner and subject to such conditions as may be specified in the notification.

6. (1) The undertaking of every such existing insurer as is referred to in section 5 shall be deemed to include all assets, rights, powers, authorities and privileges and all property, movable and immovable, cash balances, reserve funds, investments and all other rights and interests in, or arising out of, such property as were immediately before the appointed day in the ownership, possession, power or control of such existing insurer in relation to the undertaking, whether within or without India, and all books of accounts, registers, records and all other documents of whatever nature relating thereto, and shall also be deemed to include all borrowings, liabilities and obligations of whatever kind then subsisting of the existing insurer in relation to the undertaking.

(2) Unless otherwise expressly provided by this Act, all deeds, bonds, agreements, powers of attorney, grants of legal representation and other instruments of whatever nature subsisting or having effect immediately before the appointed day and to which any such insurer as is referred to in section 5 is a party or which are in favour of such existing

insurer shall be of as full force and effect against or in favour of the Indian insurance company in which the undertaking or the part to which the instrument relates has vested and may be enforced or acted upon as fully and effectually as if, in the place of the existing insurer referred to in section 5, the Indian insurance company in which the undertaking or any part thereof has vested had been a party thereto, or as if they had been issued in its favour.

(3) If, on the appointed day, any suit, appeal or other proceeding of whatever nature in relation to any business of the undertaking which has been transferred under section 5 is pending by or against any such existing insurer as is referred to in that section, the same shall not abate, be discontinued or be in any way prejudicially affected by reason of the transfer of the undertaking or of anything contained in this Act, but the suit, appeal or other proceeding may be continued, prosecuted and enforced by or against the Indian insurance company in which the undertaking or the part to which the proceeding relates has vested.

(4) For the removal of doubts it is hereby declared that in the case of a foreign insurer or, as the case may be, the Life Insurance Corporation, the provisions of section 5 and of the preceding sub-sections shall only apply to the extent to which any property appertains, in the former case, to the general insurance business carried on in India and, the latter case, to the general insurance business carried on, whether within or without India, and to rights and powers acquired, and to debts, liabilities and obligations incurred and to contracts, agreements and other instruments made by the foreign insurer or the Life Insurance Corporation, as the case may be, for the purpose of such general insurance business and to legal proceedings relating to those purposes, and the said provisions shall be construed accordingly.

(5) If any question arises as

to whether any property appertains to any such general insurance business as is referred to in this section or whether any rights, powers, liabilities or obligations were acquired or incurred or any contract, agreement or other instrument was made by the foreign insurer or the Life Insurance Corporation, as the case may be, for the purposes of any such business or whether any documents relate to those purposes, the question shall be referred to the Central Government which shall, after giving an opportunity of being heard to the persons interested in the matter, decide it in such manner as it thinks fit.

7. (1) Every whole-time officer or other employees of an existing insurer other than an Indian insurance company who was employed by that insurer wholly or mainly in connection with his general insurance business immediately before the appointed day shall, on the appointed day, become an officer or other employee, as the case may be, of the Indian insurance company in which the undertaking of that insurer or that part of the undertaking to which the service of the officer or other employee relates has vested, and shall hold his office or service under the Indian insurance company on the same terms and conditions and with the same rights to pension, gratuity and other matters as would have been admissible to him if there had been no such vesting, and shall continue to do so unless and until his employment in the Indian insurance company in which the undertaking or part has vested is terminated or until his remuneration, terms and conditions are duly altered by that insurer :

Provided that nothing in this sub-section shall apply to any such officer or other employee who has given, in writing, notice to the Central Government or to any person nominated in this behalf by that Government within one month from the appointed day intimating his intention of not becoming an officer or employee of the insurer in whom the undertaking or part there-

of to which his service relates has vested.

(2) If any question arises as to whether any person was a whole-time officer or employee, or as to whether any officer or employee, was employed wholly or mainly in connection with the general insurance business of the existing insurer referred to in sub-section (1) or the Life Insurance Corporation immediately before the appointed day, the question shall be referred to the Central Government which shall, after giving an opportunity of being heard to the person concerned in the matter, decide it in such manner as it thinks fit and such decision shall be final.

(3) Notwithstanding anything contained in the Industrial Disputes Act, 1947 or in any other law for the time being in force, the transfer of the services of any officer or other employee from one insurer to another under sub-section (1) shall not entitle any such officer or other employee to any compensation under that Act or any other law for the time being in force, and no such claim shall be entertained by any court, tribunal or other authority.

8. (1) Where an existing insurer has established a provident, superannuation, welfare or any other fund for the benefit of his employees and constituted a trust in respect thereof (hereafter in this section referred to as an existing trust), the moneys standing to the credit of such fund on the appointed day, together with any other assets belonging to such fund, shall stand transferred to and vested in the Indian insurance company on the appointed day free from any such trust if the existing trust had been established before the appointed day either in relation to its own employees or in relation to employees of an existing insurer or the Life Insurance Corporation, as the case may be, whose undertaking has vested in that Indian insurance company.

(2) Where the undertaking of an existing insurer has vested

in more than one Indian insurance company, the Central Government may, by order, provide for the apportionment among such Indian insurance companies of any existing trust relating to that undertaking in such manner as in its opinion may be appropriate.

(3) The Indian insurance company shall as soon as may be after the appointed day constitute in respect of the moneys and other assets which are transferred to and vested in it under this section one for more trusts having objects as similar to the objects of the existing trusts as in the circumstances may be practicable.

(4) Where all the moneys and other assets belonging to an existing trust are transferred to and vested in an Indian insurance company under this section, the trustees of trust shall, as from the appointed day, stand discharged from the trust, except as respects things done or omitted to be done before the appointed day.

CHAPTER III

General Insurance Corporation of India

9. (1) As soon as may be after the appointed day, the Central Government shall form a Government company in accordance with the provisions of the Companies Act, to be known as the General Insurance Corporation of India for the purpose of superintending, controlling and carrying on the business of general insurance.

(2) The authorised capital of the Corporation shall be rupees seventy-five crores, divided into seventy-five lakhs fully paid-up shares of one hundred rupees each, out of which rupees five crores shall be the initial subscribed capital of the Corporation.

(3) Allotment of the subscribed capital of the Corporation shall be made in accordance with the memorandum and articles of association of the Corporation.

10. All the shares in the

capital of every Indian insurance company which stand transferred to and vested in the Central Government by virtue of section 4 (with the exception of the shares transferred to any person under sub-section (2) of that section) shall, immediately on the formation of the Corporation, stand transferred to and vested in the Corporation and every Indian insurance company shall forthwith give effect to such transfer of shares and rectify its register of members by including therein the Corporation as the holder of such shares.

CHAPTER IV

Amounts to be Paid for Acquisitions

11. (1) For the transfer of the shares of each Indian insurance company to, and vesting in, the Central Government, under section 4, there shall be paid by the Central Government to the Corporation, for distribution to the shareholders of each such company, the amount specified against such company in the corresponding entry under column 3 of Part A of the Schedule.

(2) For the transfer to, and vesting in, an Indian insurance company, under section 5, of the undertaking of each existing insurer, who is not an Indian insurance company, there shall be paid by the Central Government to the Corporation, for payment to each such existing insurer, the amount specified against such insurer in the corresponding entry under column 3 of Part B of the Schedule.

12. (1) The total amount paid by the Central Government under section 11 shall be treated as additional contribution to the subscribed capital of the Corporation and such additional subscribed capital shall stand allotted to, and vested in, the Central Government.

(2) The Corporation shall distribute the amount paid to it under section 11, to the shareholders of each Indian insurance company and to

each existing insurer, who is not an Indian insurance company, in accordance with their rights and interests, and, if there is any doubt or dispute as to the right, or extent of the right, of any person to receive the whole or any part of such amount, refer such doubt or dispute to the Central Government for determination and thereafter act in accordance with the determination made by that Government.

(3) Save as otherwise provided in sub-section (2), the amount referred to in section 11 shall be given in accordance with the provisions of section 13, section 14 or section 15, as the case may be.

13. (1) Where the amount referred to in section 11 is to be given—

(a) to the member of an Indian insurance company, the amount due to each such member shall be paid to him in full if it does not exceed twenty-five thousand rupees, and, where it exceeds that amount, shall be paid to him in three equal annual instalments, the first of which shall fall due on the appointed day;

(b) to a foreign insurer, it shall be given to him in cash as soon as may be after the appointed day;

(c) to the Life Insurance Corporation, it shall be given to it in three equal annual instalments, the first of which shall fall due on the appointed day;

(d) to an existing insurer who is a co-operative society, it shall be distributed as soon as may be after the appointed day in accordance with the rules of the society which will apply in case of dissolution of the society;

(e) to an existing insurer not falling within any of the foregoing provisions, it shall be apportioned among the individual policy-holders of the insurer whose policies with that insurer were in force on the appointed day and were comprised in the undertaking of such insurer in proportion to the premiums paid by the

policy-holders under such policies and every such payment shall be made either—

(i) in cash, to be sent by postal money order, or

(ii) at the option of the policy-holder, as a deduction in the premium due at the time of the renewal of the policy and such option shall be exercised by the policy-holder before the expiry of three months from the appointed day (or within such further time not exceeding three months as the Central Government may, on the application of the policy-holder, allow); and the option so exercised shall be final and shall not be altered or rescinded after it has been exercised:

Provided that if any policy-holder fails to exercise his option within the time allowed, he shall be deemed to have exercised his option in favour of payment in cash by postal money order.

(2) Where any amount is payable in instalments under the provisions of this section, each instalment shall carry interest at the rate of four per cent. per annum from the appointed day.

14. (1) Notwithstanding anything contained in sub-section (1) of section 13, if a majority in number of the persons, who, immediately before the appointed day, were registered in the books of an Indian insurance company as the members thereof, and representing two-thirds in value of the amount payable to the Indian insurance company, agree either in person or by proxy at a meeting specially convened for the purpose that the amount so payable instead of being distributed among the members, shall be given to any such person or body of persons as the members may nominate either at that meeting or subsequently for the purpose of carrying on any business, and the Central Government is satisfied that due provision has been or will be made for the payment of the value of their respective shares to persons who have dissented from the resolution, the amount may be

given to the person or body of persons so nominated in such manner and subject to such conditions as the Central Government may think fit.

(2) No resolution passed at any such meeting as is referred to in sub-section (1) held after expiry of three months from the appointed day shall have any effect unless the meeting has been convened after obtaining the approval of the Central Government.

15. Where a claim to the amount payable under section 11 is made by two or more persons adversely to one another, the Central Government may cause the amount to be deposited in any civil court having jurisdiction in that behalf and the court shall decide as to whom the payment shall be made.

CHAPTER V

Scheme for Reorganisation of General Insurance Business

16. (1) If the Central Government is of opinion that for the more efficient carrying on of general insurance business it is necessary so to do, it may, by notification, frame one or more schemes providing for all or any of the following matters:—

(a) the merger in one Indian insurance company of any other Indian insurance company, or the formation of a new company by the amalgamation of two or more Indian insurance companies;

(b) the transfer to and vesting in the acquiring company of the undertaking (including all its business, properties, assets and liabilities) of any Indian insurance company which ceases to exist by reason of the scheme;

(c) the constitution, name and registered office and the capital structure of the acquiring company and the issue and allotment of shares;

(d) the constitution of a board of management by whatever name called for the management of the acquiring company;

(e) the alteration of the memorandum and articles of

association of the acquiring company for such purposes as may be necessary to give effect to the scheme;

(f) the continuance in the acquiring company of the services of all officers and other employees of the Indian insurance company which has ceased to exist by reason of the scheme, on the same terms and conditions which they were getting or, as the case may be, by which they were governed immediately before the commencement of the scheme;

(g) the rationalisation or revision of pay scales and other terms and conditions of service of such officers and other employees wherever necessary;

(h) the transfer to the acquiring company of the provident, superannuation, welfare and other funds relating to the officers and other employees of the Indian insurance company which has ceased to exist by reason of the scheme;

(i) the continuance by or against the acquiring company of legal proceedings pending by or against any Indian insurance company which has ceased to exist by reason of the scheme, and the initiation of such legal proceedings, civil or criminal, as the Indian insurance company might have initiated if it had not ceased to exist;

(j) such incidental, consequential and supplemental matters as are necessary to give full effect to the scheme

(2) In framing schemes under sub-section (1), the object of the Central Government shall be to ensure that ultimately there are only four companies in existence and that they are so situate as to render their combined services effective in all parts of India.

(3) Where a scheme under sub-section (1) provides for the transfer of any property or liabilities, then, by virtue of the scheme, the property shall stand transferred to and vested in, and those liabilities shall be transferred to and become the liabilities of, the acquiring company.

(4) If the rationalisation or revision of any pay scale or

other terms and conditions of service under any scheme is not acceptable to any officer or other employee, the acquiring company may terminate his employment by giving him compensation equivalent to three months' remuneration, unless the contract of service with such employee provides for a shorter notice of termination.

Explanation.—The compensation payable to an officer or other employee under this sub-section shall be in addition to, and shall not affect, any pension, gratuity, provident fund or other benefit to which the employee may be entitled under this contract of service.

(5) Notwithstanding anything contained in the Industrial Disputes Act, 1947 or in any other law for the time being in force, the transfer of the services of any officer or other employee of an Indian insurance company to the acquiring company shall not entitle any such officer or other employee to any compensation under the Act or other law, and no such claim shall be entertained by any court, tribunal or other authority.

(6) The Central Government may, by notification, add to, amend or vary any scheme framed under this section.

(7) The provisions of this section and of any scheme framed under it shall have effect notwithstanding anything to the contrary contained in any other law or any agreement, award or other instrument for the time being in force.

17. A copy of every scheme and every amendment thereto framed under section 16 shall be laid, as soon as may be after it is made, before each House of Parliament.

CHAPTER VI

Functions of Corporation and acquiring Companies and their Management

18. (1) The functions of the Corporation shall include—

(a) the carrying on of any part of the general insurance

business, if it thinks it desirable to do so;

(b) aiding, assisting and advising the acquiring companies in the matter of setting up of standards of conduct and sound practice in general insurance business and in the matter of rendering efficient service to holders of policies of general insurance;

(c) advising the acquiring companies in the matter of controlling their expenses including the payment of commission and other expenses;

(d) advising the acquiring companies in the matter of the investment of their funds;

(e) issuing directions to acquiring companies by way of guidance in relation to the conduct of general insurance business.

(2) In issuing any directions under sub-section (1), the Corporation shall keep in mind the desirability of encouraging competition amongst the acquiring companies as far as possible in order to render their services more efficient.

19. (1) Subject to the rules, if any, made by the Central Government in this behalf and to its memorandum and articles of association, it shall be the duty of every acquiring company to carry on general insurance business.

(2) Each acquiring company shall so exercise its powers under this Act as to secure that general insurance business is developed to the best advantage of the community.

(3) In the discharge of any of its functions, each acquiring company shall act so far as may be on business principles and where any directions have been issued by the Corporation shall be guided by such directions.

(4) For the removal of doubts it is hereby declared that the Corporation and any acquiring company may, subject to the rules, if any, made by the Central Government in this behalf, enter into such contracts of reinsurance or reinsurance treaties as it may

think fit for the protection of its interests.

20. (1) After making provision for bad and doubtful debts, depreciation in assets, provident, superannuation, welfare and other funds, debts due to Government and all other matters for which provision is necessary under any law or which are usually provided for by insurance companies, every acquiring company shall distribute the balance of profit as dividends.

(2) Any profit made by the Corporation and any sums received by the Corporation by way of dividends or otherwise shall be dealt with by it in such manner as may be prescribed.

21. (1) Notwithstanding anything contained in the Companies Act or in the memorandum and articles of association of any Indian insurance company, on and from the appointed day and until a new board of directors of the Indian insurance company is duly constituted, the management of the company shall continue to vest in the Custodian in charge of the management of the undertaking of that company immediately before the appointed day by virtue of the provisions contained in the General Insurance (Emergency Provisions) Act, 1971, and the Custodian shall be entitled, subject to such directions as the Central Government may issue in this behalf, to exercise all the powers and do all acts and things as may be exercised or done by the company or by its board of directors.

(2) Nothing contained in sub-section (1) shall be deemed to prevent the Central Government from appointing any other person to take charge of the management of the undertaking of any Indian insurance company during the period referred to in that sub-section if for any reason it becomes necessary so to do, and any person so appointed may exercise all the powers and do all acts and things which a Custodian may exercise or do under sub-section (1).

(3) The Custodian referred

to in sub-section (1) and the person appointed under sub-section (2) shall be entitled to such salaries and other allowances as the Central Government may specify in this behalf and shall hold office during the pleasure of the Central Government.

CHAPTER VII

Miscellaneous

22. (1) Except to the extent expressly provided in this Act, on and from the appointed day, the Corporation and the acquiring companies shall have the exclusive privilege of carrying on general insurance business in India.

(2) Subject to the provisions of section 35, any certificate of registration granted under the Insurance Act to any insurer other than an insurer referred to in sub-section (1) shall, on and from the appointed day, cease to have effect.

23. (1) No person shall take out or renew any policy of insurance in respect of any property situated in India or any ship or other vessel or aircraft registered in India with an insurer whose principal place of business is outside India save with the prior permission of the Central Government.

(2) If any person contravenes any provision of sub-section (1), he shall be punishable with imprisonment for a term which may extend to one year, or with fine which may extend to one thousand rupees, or with both.

24. For the purposes of the Income-tax Act, 1961, every acquiring company shall be deemed to be an Indian company and a company in which the public are substantially interested.

25. An acquiring company may, having regard to its financial condition on the 13th day of May, 1971 or the financial condition on the said date of any existing insurer whose undertaking has been transferred to and vested in it under this Act reduce the amounts of insurance under contracts

of general insurance entered into before the said date in such manner and subject to such conditions as it thinks fit:

Provided that no such reduction shall be made except in accordance with specific proposals made by the acquiring company in this behalf and approved by the Central Government.

26. (i) Where an existing insurer has at any time within three years before the 13th day of May, 1971—

(a) made any payment to any person without consideration,

(b) sold or disposed of any property of the insurer without consideration or for an inadequate consideration.

(c) acquired any property or rights for an excessive consideration,

(d) entered into or varied any agreement so as to require an excessive consideration to be paid or given by the insurer.

(e) entered into any other transaction of such an onerous nature as to cause a loss to, or impose a liability on, the insurer exceeding any benefit accruing to the insurer.

and the payment, sale, disposal, acquisition, agreement or variation thereof or other transaction was not reasonably necessary for the purpose of the general insurance business of the insurer or was made with an unreasonable lack of prudence on the part of the insurer, regard being had in either case to the circumstances at the time, the acquiring company may apply for relief to the court in respect of such transaction, and all parties to the transaction shall, unless the court otherwise directs, be made parties to the application.

(2) The court may make such order against any of the parties to the application as it thinks just having regard to the extent to which those parties were respectively responsible for the transaction or benefited

from it and all the circumstances of the case.

(3) Where an application is made to the court under this section in respect of any transaction and the application is determined in favour of the acquiring company, the court shall have exclusive jurisdiction to determine any claim outstanding in respect of the transaction.

27. (i) Any foreign insurer may, within three months from the commencement of this Act, make an application to the Central Government stating that among the assets appertaining to the undertaking of the insurer in India, there are assets brought into India by the insurer for the purpose of building up his general insurance business in India or that there are any other assets in India belonging to the foreign insurer which, notwithstanding anything contained in section 5, should not be transferred to, and vested in, the Central Government or an Indian insurance company.

(2) On the receipt of an application made under sub-section (1), the Central Government shall, after giving to the foreign insurer an opportunity of being heard in the matter, by order, direct that such assets as it may specify in the order shall not be transferred to and vested in the Central Government or any Indian insurance company, or if the order is made after such transfer and vesting, that the Central Government or the acquiring company, as the case may be, shall be divested of the said assets.

(3) In the case of a foreign insurer the Central Government may also, by order, direct that any such liabilities in respect of general insurance policies expressed in any foreign currency as are specified in the order, together with any such assets necessary to meet the liabilities as may be so specified, shall not be transferred to and vested in the Central Government or any Indian insurance company, or if the order is made after such transfer and vesting, that the Central

government or the acquiring company, as the case may be, shall be divested of such liabilities and assets as aforesaid.

(4) The liabilities in respect of the policies referred to in an order made under sub-section (3) shall include the following, namely:—

(i) reserve for unexpired risks in respect of each policy in force on the appointed day, at such proportion of eighty per cent. of the last premium or instalment of premium paid as the unexpired period in respect of which the premium or instalment of premium was paid bears to the total period thereof;

(ii) the amount of estimated liability in respect of outstanding claims, whether due or intimated on the appointed day;

(iii) all other liabilities existing on the appointed day, including all contingent liabilities which may reasonably be required to be met on or after the appointed day.

28. (1) Where any property appertaining to an existing insurer has been transferred to and vested in an Indian insurance company under section 5:—

(a) every person in whose possession, custody or control any such property may be shall deliver the property to the Indian insurance company forthwith,

(b) any person who immediately before such vesting has in his possession, custody or control any books, documents or other papers relating to an existing insurer shall be liable to account for the said books, documents and papers to the Indian insurance company, and shall deliver them to that company or to such person as that company may direct.

(2) In particular, all the assets of an existing insurer appertaining to the undertaking held in deposit by the Reserve Bank of India under the Insurance Act or by trustees in trust shall be delivered to the Indian insurance company.

(3) Without prejudice to the

other provisions contained in this section, it shall be lawful for each Indian insurance company to take all necessary steps for taking possession of all properties which have been transferred to and vested in it under this Act.

29. If any person wilfully withholds or fails to deliver to an Indian insurance company as required by section 28 any property or any books, documents or other papers which may be in his possession or unlawfully retains possession of any property of an existing insurer which has been transferred to and vested in an Indian insurance company under section 5 or wilfully applies any such property to purposes other than those expressed in or authorised by this Act, he shall, on the complaint of the Indian insurance company, be punishable with imprisonment for a term which may extend to one year or with five which may extend to one thousand rupees, or with both.

30. Every officer of the Corporation or of an acquiring company shall be deemed to be a public servant for the purposes of Chapter IX of the Indian Penal Code.

31. Every officer of the Central Government and every officer or other employee of the Corporation and of any acquiring company shall be indemnified by the Central Government or the Corporation or the acquiring company, as the case may be, against all losses and expenses incurred by him in, or in relation to, the discharge of his duties under this Act except such as have been caused by his own wilful act or default.

32. No provision of law relating to the winding up of corporations shall apply to the Corporation or to an acquiring company, and neither the Corporation nor any such company shall be placed in liquidation save by order of the Central Government and in such manner as it may direct.

33. Any reference to an existing insurer in any law other than this Act or any contract

or other instrument shall, in so far as it relates to an acquiring company, be construed as a reference to that company.

34. (1) Subject to the provisions contained in sub-section (2) the following sections of the Insurance Act shall alone, so far as may be, apply to or in relation to the Corporation and every acquiring company as if the Corporation or the company, as the case may be, were an insurer carrying on general insurance business within the meaning of that Act:—

Sections 2, 2B, 3, 3A, 41, 46 and 64VB.

(2) The Central Government may by notification, direct that any other provision of the Insurance Act shall also apply to or in relation to the Corporation or the acquiring company subject to such exceptions, conditions and modifications as may be specified in the notification.

35. (1) Nothing contained in this Act shall apply in relation to—

(a) any general insurance business carried on by a State Government, to the extent to which such insurance relates to properties belonging to it or undertakings owned wholly or mainly by the State Government;

(b) any general insurance not falling within clause (a) which has been carried on by a State Government before the 14th day of May, 1971, to the extent to which it is necessary to allow such business to run off;

Provided that nothing contained in this clause shall be deemed to authorise the State government to issue any new policies or renew any existing policies;

(c) any insurer whose business is being voluntarily wound up or is being wound up by a court;

(d) the insurance business carried on by the Calcutta Hospital and Nursing Home

Benefit Association Limited;

(e) the insurance business carried on by the Export Guarantee Corporation and the Deposit Insurance Scheme;

(f) any scheme in existence immediately before the 14th day of May 1971 or any scheme framed after the said day with the approval of the Central Government for the insurance of crops or of cattle or of flood risks or of war or emergency risks.

(2) If the Central Government is satisfied that an insurer, whether established before or after the appointed day, carries on only such general insurance business as is not carried on ordinarily by insurers, it may, by notification, direct that nothing contained in this section shall apply to such insurer in which case the Insurance Act shall apply as if the insurer were an insurer.

36. No act or proceeding of the Corporation or of an acquiring company shall be called in question merely on the ground of the existence of any vacancy in, or defect in the constitution of, the Corporation or the company.

37. No suit, prosecution or other legal proceeding shall lie against any officer of the Central Government or officer or other employee of the Corporation or of the acquiring company for anything which is in good faith done or intended to be done under this Act.

38. (1) The Central Government may, by notification, make rules to carry out the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, rules made under this section may provide for—

(a) the period within which and the manner in which any loans advances to the Corporation by the Central Government shall be repaid by it;

(b) the manner in which the profits, if any, and other

monies received by the Corporation may be dealt with;

(c) the conditions, if any, subject to which the Corporation and the acquiring companies shall carry on general insurance business;

(d) the terms and conditions subject to which any reinsurance contracts or treaties may be entered into;

(e) the form and manner in which any notice or application may be given or made to the Central Government;

(f) the reports which may be called for by the Central Government from the Corporation and the acquiring companies;

(g) any other matter which is required to be, or may be, prescribed.

(3) Every rule made under this section and every notification issued under section 34 shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or notification or both Houses agree that the rule or notification should not be made, the rule or notification shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or notification.

THE SCHEDULE

(See section 11)

Amounts to be paid

PART A

Serial number	Name of Indian insurance company	Amount to be paid (Rs)
(1)	(2)	(3)
1	All India General Insurance Company Ltd	10,00,000
2	Anand Insurance Company Ltd	3,50,000
	Preference shares	2,00,000
	Equity shares	12,764
3	Bhabha Marine Insurance Company Ltd	
4	Bharat General Reinsurance Ltd	8,18,000
	Preference shares	
	Ordinary shares	12,63,558
5	British India General Insurance Company Ltd	37,50,000
6	Calcutta Insurance Limited	7,30,450
7	Central Mercantile Assurance Company Ltd	3,38,499
8	Clive Insurance Company Ltd	20,62,500
9	Commonwealth Assurance Company Limited	1,000
10	Concord of India Insurance Company Ltd	22,27,500
11	Devkaran Nanjee Insurance Company Ltd	16,80,000
12	General Assurance Society Ltd	8,06,000
13	Hercules Insurance Company Ltd	87,48,000
14	Hindusthan General Insurance Society Ltd	15,52,500
15	Hindusthan Ideal Insurance Company Ltd	25,20,605

(1)	(2)	(3)
16	Howrah Insurance Company Ltd	97
17	Hukumchand Insurance Company Ltd	10,00,000
18	India Reinsurance Corporation Ltd	1,42,50,000
19	Indian Guarantee & General Insurance Company Ltd	1,03,02,000
20	Indian Mercantile Insurance Company Ltd	47,67,854
21	Indian Merchants' Marine Insurance Company Ltd	2,28,75
22	Indian Ocean Insurance Company Ltd	1,00,000
23	Indian Trade & General Insurance Company Ltd	34,26,000
24	Jalanath Insurance Ltd	10,00,000
25	Jupiter General Insurance Company Ltd	26,24,44
26	Kalyan Marine Insurance Company Ltd	90,70
27	Liberty Insurance Company Ltd	1,00
28	Madras Motor & General Insurance Company Ltd	1,44,90,000
29	Madura Insurance Company Preference shares.	70
	Ordinary shares	15,83,90
	Deferred shares.	12,50
30	Marine & General Insurance Company Ltd	5,00,000
31	Mother India Fire & General Insurance Company Ltd	5,00,000
32	Motor Owners' Insurance Company Ltd	1,65,57
33	Naranji Bhanabhai & Company Ltd	49,20
34	Narhari Marine Insurance Company Ltd	1,00,000
35	National Insurance Company Ltd	35,00,000
36	Neptune Assurance Company Ltd	10,00,000
37	New Great Insurance Company of India Ltd	43,50,000
38	New India Assurance Company Ltd	8,20,37,67
39	New Merchants Insurance Company Ltd	65,82
40	New Premier Insurance Company Ltd	99
41	Northern India General Insurance Company Ltd	99
42	Orient Fire & General Insurance Company Ltd	1,65,00,000
43	Pandyan Insurance Company Ltd	90,00,000
44	Pioneer Fire & General Insurance Company Ltd	11,82,610
45	Porbandar Insurance Company Ltd	59,19
46	Prachi Insurance Company Ltd	21,37
47	Ruby General Insurance Company Ltd	80,22,000
48	Shree Mahasagar Vima Company Ltd	1,18,25
49	South India Insurance Company Ltd	54,00,000
50	Sterling General Insurance Company Ltd	23,00
	Preference shares.	
	Ordinary shares.	16,08,13
51	Triton Insurance Company Ltd	29,32,50
52	United India Fire & General Insurance Company Ltd	16,66,66
53	Universal Fire & General Insurance Company Ltd	16,44,67
54	Vanguard Insurance Company Ltd	89
55	Vulcan Insurance Company Ltd	32,49,61

PART B

Serial number	Number of insurer	Amount to be paid (Rs)
(1)	(2)	(3)
1	Co-operative Fire & General Insurance Society Ltd	3,95,000
2	Co-operative General Insurance Society Ltd	5,63,000
3	Indian Mutual General Insurance Society Ltd	1,000
4	Life Insurance Corporation of India	2,81,34,000
5	Milowners' Mutual Insurance Association Ltd	2,15,000
6	Orissa Co-operative Insurance Society Ltd	2,42,000
7	Reinsurance Association of India (International) Ltd	1,000
8	Union Co-operative Insurance Society Ltd	16,15,000
9	Alliance Assurance Company Ltd	36,65,000
10	American Insurance Company	3,30,000
11	Atlas Assurance Company Ltd	64,85,000
12	Baloise Insurance Company Limited	22,67,000
13	British Aviation Insurance Company Ltd	1,000
14	Caledonian Insurance Company	81,000
15	Century Insurance Company Ltd	6,04,000
16	Commercial Union Assurance Company Ltd	85,32,000
17	Eagle Star Insurance Company Ltd	37,12,000
18	Gerling Global Reinsurance Company Ltd	1,000
19	Great American Insurance Company	3,81,000
20	Guardian Assurance Company Ltd	19,98,000
21	Hanover Insurance Company	42,13,000
22	Hatford Fire Insurance Company	2,96,000
23	Home Insurance Company	3,73,000
24	Legal & General Assurance Society Ltd	5,28,000
25	Liverpool and London and Globe Insurance Company Ltd	8,23,000
26	London Assurance	12,30,000
27	London Guarantee & Accident Company Ltd	40,000
28	London & Lancashire Insurance Company Ltd	47,70,000
29	L'Union Fire, Accident and General Insurance Company Ltd	1,000
30	National Employers' Mutual General Insurance Association Ltd	3,17,000
31	National Insurance Company of New Zealand Ltd	1,000
32	New Hampshire Insurance Company	19,08,000
33	New Zealand Insurance Company Ltd	10,84,000
34	Norwich Union Fire Insurance Society Ltd	31,43,000
35	Phoenix Assurance Company Ltd	2,63,000
36	Provincial Insurance Company Ltd	1,000
37	Queensland Insurance Company Ltd	10,31,000
38	Royal Exchange Assurance	49,62,000
39	Royal Insurance Company Ltd	73,28,000

(1)	(2)	(3)
40	Scottish Union & National Insurance Company	43,15,000
41	Skandia Insurance Company Ltd	1,000
42	South British Insurance Company Ltd	18,42,000
43	Sun Insurance Office Ltd	25,86,000
44	Switzerland General Insurance Company Ltd	6,35,000
45	Threadneedle Insurance Company Ltd	1,000
46	Tokio Marine & Fire Insurance Company Ltd	92,000
47	Union Insurance Society of Canton Ltd	5,89,000
48	United Scottish Insurance Company Ltd	83,000
49	Welfare Insurance Company Ltd	1,000
50	Western Assurance Company	13,92,000
51	Yorkshire Insurance Company Ltd	16,31,000
52	Zurich Insurance Company Ltd	1,000

Statement of Objects and Reasons

By the General Insurance (Emergency Provisions) Ordinance, 1971, which was later replaced by an Act of Parliament, the management of the undertakings of all insurers carrying on general insurance business was vested in the Central Government, pending nationalisation.

The object of the present Bill is to complete the process of nationalisation which is sought to be effected in the following manner. On a day, to be appointed by the Central Government, the shares in insurance companies carrying on general insurance business, which are incorporated in India and having a share capital, would automatically stand transferred to, and vested in, the Central Government. A few shares, however, would thereafter be formally transferred to the nominees of the Central Government in order to enable each of the Indian insurance companies to function as a Government company. On the appointed day, the undertakings of all other insurers, including foreign insurers, and the LIC is so far as it relates to the general insurance business carried on by it, would also stand transferred to, and vested in such one or other of the Indian insurance compa-

nies as the Central Government may specify.

It is also proposed to form under the Companies Act, 1956, a Government company, to be called the General Insurance Corporation of India, which will be entrusted with the task of supervising, controlling and carrying on the business of general insurance. On the formation of the Corporation, the shares of the Indian insurance companies, vested in the Central Government would stand automatically transferred to the Corporation and all the Indian insurance companies would become the subsidiaries of the Corporation.

The Bill further provides for the framing of one or more schemes whereby the Indian insurance companies would so get merged in one another that ultimately there will be only four Indian companies, so situated as to promote competition between them so that effective services in the field of general insurance may be rendered by them in all parts of India.

Y. B. CHAVAN
NEW DELHI :
The 26th May, 1972

Financial Memorandum

Clause 9 of the Bill requires the Central Government to

form a Government company to be known as the General Insurance Corporation of India for the purpose of superintending, controlling and carrying on the business of general insurance, with an authorised capital of Rs 75 crores out of which Rs 5 crores shall be the subscribed capital of the Corporation. Non-recurring expenditure on this account to the extent of Rs 5 crores is therefore likely to be involved during the financial year 1972-73.

Clause 11 provides for payment by the Central Government to each shareholder of every Indian insurance company and to the insurer himself where he is not an Indian insurance company, the amounts specified in the Schedule to the Act. Clause 13 provides that the amount to be paid to the Life Insurance Corporation of India and the amounts to be paid to those members of Indian insurance companies the payment to whom exceeds Rs 25,000 shall be paid in three annual instalments, the first of which shall fall due on the appointed day and each instal-

ment shall carry interest at the rate of 4 per cent per annum from the appointed day. The total amount payable by the Central Government under this clause amounts to Rs 33,03,31,399 which will have to be paid in three instalments from the appointed day; the amount payable in the first year is estimated to be Rs 23,63,62,300. It is estimated that the interest payments in terms of the provision in clause 13 will amount to about Rs. 19 lakhs during 1973-74 and Rs 38 lakhs during 1974-75. After the year 1974-75 no expenditure on this account is involved.

Clause 16 of the Bill empowers the Central Government to include, in the schemes which will be framed, provision for the rationalisation or revision of pay-scales and other terms and conditions of service of officers and other employees wherever necessary. It will be necessary under these powers to integrate and rationalise the emoluments and other service conditions of all employees in all the insurance companies.

For this purpose Government has already set up an Expert Committee which has started functioning from 1st May, 1972. The annual recurring cost on this Committee is estimated at Rs 7.30 lakhs. However, since the full complement of staff for the Committee will be in position only gradually, it is estimated that the cost during 1972-73 will be Rs 5.00 lakhs. The Committee is expected to function till the end of the year 1973-74 and no expenditure on the Committee is expected thereafter. In the beginning a non-recurring expenditure estimated at Rs 0.83 lakh would also be incurred on the Committee the whole of which will be incurred during 1972-73 itself.

The total recurring expenditure on account of pay, allowances and other expenses in case the Bill is passed into law, will therefore be Rs. 7.30 lakhs per year and the total non-recurring expenditure on account of subscribed capital of the General Insurance Corporation of India amounts specified in the Schedule to

the Bill, etc., will be Rs 3804.14 lakhs.

Memorandum Regarding Delegated Legislation

Clause 16 of the Bill empowers the Central Government to frame one or more schemes for the merger of one Indian insurance company with another or for the amalgamation of two or more Indian insurance companies and for matters consequential to such merger or amalgamation, as the case may be. Every such scheme is required to be laid before each House of Parliament.

Clause 38 of the Bill empowers the Central Government to make rules to carry out the provisions of the Act.

The matters in relation to which such scheme or rules may be made are matters of procedure or detail and it is not practicable to provide for them in the Bill itself. The delegation of the legislative power is, therefore, of a normal character.

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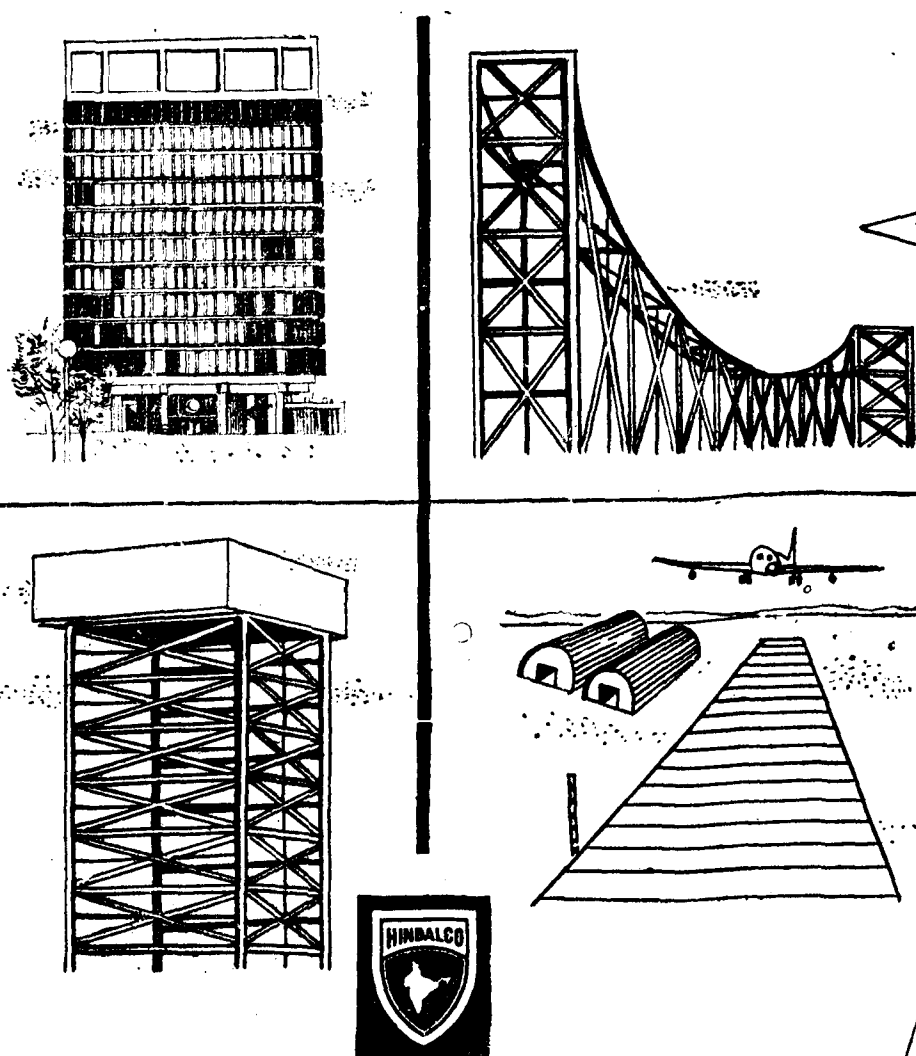
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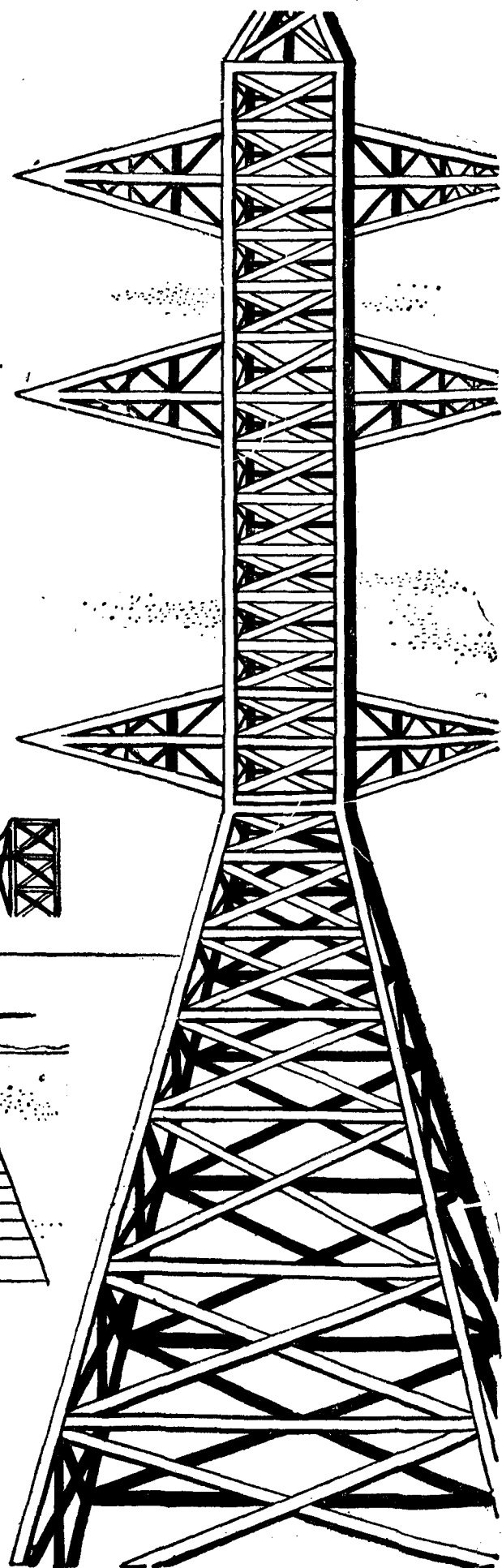
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Floating, but not fancy free

FOR ONCE the gnomes of Zurich are not the villain of the piece. Nor has the dollar sneezed infecting the pound sterling with pneumonia. If Britain's currency is embattled again, its war front runs along its own domestic economic front, where inflation is the enemy. It is true that, when Mr Denis Healey, the opposition "shadow" chancellor, said recently that he did not see devaluation being delayed beyond the summer this year, he had added that this was also the expectation of a very large number of foreign businessmen.

Nevertheless, if there has been a loss of confidence in the immediate course of the British economy, most of the more important doubters are to be found very much nearer home. For quite some time now London has been talking itself into a pessimistic mood about the Heath government's management of the economy. The question that is being raised is not whether this government's economic policies are faltering, but simply why they are doing so.

This has not been an easy question for the City to answer. The Heath government has been doing or attempting to do almost everything the Tory textbooks have prescribed as sound economic philosophy. Efforts have been made to liberalise the tax structure and reform the industrial relations law. It has been plain enough, moreover, that the government is willing to encourage and enable the market mechanism to function more vigorously for stimulating investment while reflation demand. All this, however, did not prevent the business world from celebrating earlier this month the conclusion of Mr Heath's second year of office with a marked lack of enthusiasm for his government's prospects of success in energising Britain's economy. The official growth target of 5 per cent was widely discounted and openly scoffed at with the stock market suffering its sharpest one day fall since 1967. More serious and sinister, still, was a run on the pound which called for support by some £500 million on a single day. Since then the pound has known no peace and it came particularly under pressure during the last few days.

In these circumstances the Heath government can draw only limited comfort from the fact that, even after having paid off all of the £1500 million overseas debts it had inherited from the Labour administration, it had been able to see the country's resources doubled in the past year. The pound, of course, is not under siege in the world's exchange markets in the way it was in the period culminating in the devaluation of November 1967. The decision taken now to let it float freely makes it possible that should the pound be depreciated the authorities would be in a position to arrange what is known as a 'cold' devaluation, as against a 'hot' devaluation carried out under the fierce compulsions of a crisis.

It is of course not possible to say right now what exactly the British government would do in the days that lie immediately ahead, but a safe suggestion would seem to be that the pound would be allowed to float for some time until it is able to establish a relatively stable value for itself. This assessment seems reasonable particularly in view of the statement of the Chancellor of the Exchequer, Mr Anthony Barber, a few days ago that "there can be no question at the present time that the pound is not at an unrealistic rate". Actually the main economic issue for the Heath government now is not the shoring up of the pound but the shoring up of Britain's confidence in Britain's economy. The floating of the pound is relevant to this larger task only to the extent that it adds to the freedom that the Heath government must have for planning its domestic economic strategy. That strategy must seek a difficult package of results. Inflation has to be countered and growth stimulated while unemployment is reduced to acceptable levels. One of the most intractable problems here has been wage inflation. Indeed much of the weakness of the economic policy of the Heath government is to be traced to its political feebleness in coping with wage claims in a way which would avoid inflationary wage settlements or awards. So long as this political feebleness continues a recommendation that part of the answer to Britain's problem of inflation should be sought in an incomes policy clamped on the country by the government would remain an unrealistic prescription. Perhaps the best hope of progress might lie in the direction of consensus being evolved on a voluntary income restraint through tripartite discussions of government, labour and industry.

Meanwhile, as Lord Robins has pointed out, the value of money is depreciating in Britain at a rate which is without precedent, save in war time, in British economic history. The general index of retail prices, with 1962 as the base year, now stands at

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over 160. What domestic inflation of this order must mean to the economy of a trading nation may be gathered from the fact that Britain's gains of competitiveness from the devaluation of the sterling in November 1967 and the revaluation of the Deutsch Mark in October 1969 were more than wiped out by early 1970. The seriousness of this trend gets further emphasized by the fact that export prices for machinery and transport equipment—the sector which makes up nearly half of all the

This is the text of a script written by the editor and broadcast in the "Spotlight" programme on June 24; reproduced by courtesy AIR.

manufacturing exports of Britain—have gone up by 27 per cent since early 1970. Against this background, it is evident that whatever may be the decisions taken specifically with regard to the value of the pound sterling abroad, they will be only tentative in terms of the planning which the Heath government must now under-

Neyveli creates a problem

THE POWER situation in the southern region has suddenly deteriorated and a cut of 25 per cent in the consumption of electricity by high-tension consumers in Andhra Pradesh and Tamil Nadu has had to be imposed. The availability of power in Andhra Pradesh has been difficult for some time past with a growing demand and no great additions to generating capacity. However, with the export of sizable quantities from Mysore and Kerala, the cut was removed in the case of some classes of consumers. Kerala's supplies were transmitted through Tamil Nadu.

With the delay in the onset of the south-west monsoon and the low level of storage in the hydel reservoirs, Mysore had stopped supplies to Tamil Nadu some months back especially as it had to meet its commitments to Goa and Gujarat. Kerala, however, continued to supply sizable quantities to Tamil Nadu and Andhra Pradesh until it felt compelled to suspend completely export when its reserve declined to the low level of 150 million units.

The Tamil Nadu State Electricity Board was somehow managing to meet a growing demand by staggering agricultural loads and increasing its own thermal and hydel

take to stop the erosion of the worth of the currency of Britain in the hands of the people of Britain themselves.

Meanwhile, the government of India has to take a look at the rupee's relations with the pound sterling. If the latter is to float freely for any length of time, the Indian authorities will have to consider whether any consequential uncertainties in foreign exchange transactions will not be too unreasonable a burden for our trade to be asked to bear. Much would depend on the degree of fluctuation to which the pound sterling becomes subject. A reasonable guess could be that the movements are unlikely to be excessive. In that case the Reserve Bank's resources for handling the situation are unlikely to be seriously strained. It is, of course, too soon yet to consider whether the rupee should seek other moorings. As the pound sterling floats downward, more or less gently, we may perhaps sit back and quietly enjoy the modest benefits of a vicarious devaluation of the rupee. It cannot be said, after all, that India's exports will not be the better for such windfalls.

generation. Since its storage position in the hydel reservoirs was quite satisfactory after the end of the north-east monsoon last year, it was confidently expected that there would be no shortage of power in the current year and any shortfall could be made good by maximising generation at the Ennore thermal station and coaxing also the Neyveli Lignite Corporation to use its capacity more effectively. The inability of the latter to export power on the anticipated scale and a slight delay in commissioning the third generating set at Ennore have upset the calculations of the electricity board especially as it was not expected that the import of power from Kerala and Mysore would be completely unavailable.

With the storage in hydel reservoirs under its control around only 250 million units and a high level of consumption, as a matter of precaution the consumption of high tension consumers has been reduced by 25 per cent. This is the first cut in power supply after 1965 when there was a serious shortage for nine months. There was, of course, a temporary cut in 1970 for a few days as a result of a total shutdown of the Neyveli thermal station due to a labour strike. With the fast additions to the generating capacity in Tamil Nadu in recent years there should not have been any occasion for restricting power consumption if only Neyveli could generate power at an average of over 400 MW daily. The Neyveli Corporation, however, has been in a bad way in the past three years and

with lignite raisings at not more than 3.75 million tonnes, due to a breakdown of mining machinery, there has been a shortfall in export by over 300 million units in a year. The corporation should actually export around 2,400 million units even after meeting its own requirements against only about 1800 million units in a year. It is quite surprising that the central government has not taken energetic action to improve the efficiency of mining operations even though it was abundantly clear that the removal of overburden was not taking place quickly enough and the lignite bed could not be exposed at the desired rate.

It took a special committee to find out that at least 4.5 million tonnes of lignite should be available for helping the corporation to avoid heavy losses and enabling optimum power generation. The committee has affirmed that open cast mining is best suited for raising lignite and there should immediately be expenditure of Rs 8 crores for improving mining operations. Further outlay for increasing the output to six million tonnes is to be incurred after the preparation of a feasibility study. There is no need for any elaborate enquiry into the economics of mining lignite because the project has to be saved and the huge investment already effected prevented from going waste. It is not a question of running a high-cost show regardless of its economics. For, sales of electricity are now being made to the Tamil Nadu Electricity Board at less than six paise per unit when the cost of generation at Ennore on the basis of imported coal is over 8.5 paise per unit. It is also necessary to remember that a pithead power station relieves considerable strain on the transport system and the efficient functioning of the thermal station of the size of Neyveli has a stabilising effect on power availability in the whole region. In view of the developments in the current year and the likelihood of delays in the construction of huge projects immediate attention has to be paid to an improve-

ment in the operating efficiency of the existing thermal stations.

The power cut in Tamil Nadu may be shortlived with the regular functioning of the third unit in Ennore which has nearly double the capacity of the earlier units and the availability of irrigation discharges. What is, however, really important is the adoption of an overall view for planning immediately what should be done in the next few years. Even with a sharp increase in hydel and thermal generation by the Tamil Nadu Electricity Board from its own sources, it has not been possible to meet fully all demand without purchases from Kerala and Mysore. There has certainly been a shortfall on account of Neyveli's peculiar problems and some allowance has to be made in purchases from neighbouring states on this account. But the fact remains that consumption of power in Kerala, Mysore and Andhra Pradesh has also been rising at a fast rate with brisk implementation of rural electrification schemes and energisation of pumpsets. Kerala and Mysore may not, therefore, be in a position to export power except for peaking purposes until the Idikki and Kalinadhi projects arrive on the scene.

The Idikki project might probably generate some quantity of power by 1975 if all goes well. But Kalinadhi can be of some help only towards the close of this decade. It will be idle therefore to expect that Mysore will have an exportable surplus. On the other hand there will be a shortage and the neighbouring states should go to its help at least out of gratitude. There should also be no complication on account of the difficulties now being experienced in rushing water to the penstock pipes through the long tunnels. It is proposed to shut down the affected tunnel for repairs after the end of the monsoon period. While it is hoped that there will be no serious upsets and efficient technical guidance will be available, there can be an increase in total availability of power only if the construction work on the Idikki project is hastened and it is also decided to erect a thermal station in Kerala or Mysore. The remaining sets at the Ennore thermal station in Tamil Nadu will of course have to be erected without delay while examining the scope for augmenting the capacity of the Ramagundam and Kothagudem stations in Andhra Pradesh. Unless there is effective coordination of the activities of the four electricity boards and some new schemes are implemented on an emergency basis power cuts will be a regular feature in the coming years. In the light of the experience of Tamil Nadu which is power-hungry even after capacity for over 2,000 MW, including Neyveli, has been created, it will be wrong to expect that the level

of power consumption in Kerala, Andhra Pradesh and Mysore will remain low.

Both Andhra Pradesh and Mysore are anxious to execute rural electrification schemes ambitiously besides energising pumpsets in a big way. The development of industries is also taking place at a faster rate than in recent years in these two states while Kerala is anxious to promote big and small industries. The Tamil Nadu Planning Commission is proposing to double the generating capacity in its region to 4,000 MW. In the neighbouring states also additional capacity of at least 4,000 MW will have to be created which would mean that before 1978-79 hydel and thermal schemes having an aggregate capacity of 6,000 MW will have to be brought into being. The

existing capacity is only around 4,500 MW for all the four states put together. In view of the fact that there can be no surfeit of power at any stage anywhere in the country, for at least a decade, even with a spectacular growth in generating capacity, the warning given by the Tamil Nadu State Electricity Board's decision to cut power consumption should be heeded. The spectre of power famines talking the whole country is extremely discouraging at a time when it has been repeatedly emphasised by the central government and the Planning Commission that agricultural and industrial production should be maximised for achieving a faster rate of economic growth. The ambitious goals now being fixed can have meaning only if there are no bottlenecks on account of power and rail transport.

Ray's style of government

MR SIDDHARTHA Sankar Ray, the Chief Minister of West Bengal, has expressed his determination to streamline the state's administration; and, in the last three months, he has already taken some commendable steps in this direction. Officials have been warned of stern action against corruption, inefficiency and indiscipline. Some have been already suspended or dismissed, and a sense of urgency is being instilled into the various departments. But, despite Mr Ray's initiative and enthusiasm, it may take a long time before the administrative machinery can be brought up to a high level of efficiency, and effectively geared to cope with its enormous responsibilities.

The bane of West Bengal's administration in the past has been the frequent interference in its affairs by political parties. Whether in or out of office, most parties have tried to exert their influence on the administration in various ways. Mr Ray has said that some five per cent of the employees still believe that they can continue their political activities even while remaining in the employment of the government. He has told the employees that unless they give up their political activities within two months they would be asked to quit.

But how is Mr Ray going to deal with the Youth Congress, which also claims to have an effective voice in the state's administration? The leaders of the Youth Congress have their own ideas about enforcing integrity and discipline among government officials, recruitment by the public sector and by the private sector, the levels of salaries and wages that should

prevail, and on other topical issues. It is indeed a healthy sign if the Youth Congress takes a keen interest in the problems of administration but when it resorts to pressure tactics in various forms, it is high time that the Chief Minister did something to halt this trend.

An interesting innovation introduced by Mr Ray is to announce, at the beginning of each month, targets to be reached in that month as well as the achievements of the previous month. This practice is useful to make the administration alert and to bring it close to the people. But public opinion should see to it that the monthly targets are actually achieved. For example, when Mr Ray claims that during a particular month, a certain number of villages were electrified, is he sure that they actually get the electricity? Doubt may arise in this regard because of the widespread and prolonged load-shedding that continues to take place in the state, especially in the Calcutta area. When even major industries like jute are acutely feeling the impact of power shortage, one wonders to what extent the people in the villages are getting electricity even after having been electrified! There have been too many hospitals without doctors, schools without teachers, and wells without water. When the Chief Minister claims that so many small-scale industrial units have been set up in a month, one would like to know how many of them are really viable and have started production. The other fields in which monthly targets are announced relate to the construction of houses, roads, irrigation schemes and various development projects. It would also be useful if the Chief Minister gave details every month of the number of the closed units that have been reopened, and the sick ones that have been rehabilitated.

Mr Ray's decision to give more impor-

tance to the improvement of the administration in the districts deserves appreciation. West Bengal's districts have been badly neglected for too long. Most of them are grossly deficient in respect of even the elementary amenities. It is hardly surprising therefore that few industries flourish in most districts. In fact, the government has very little reliable data in regard to the agricultural and industrial development of the various districts. Mr Ray has decided to undertake three-day tours every week in the districts. It is hoped that, at the same time, the Chief Minister will give adequate encouragement and support to the district authorities in the discharge of their duties without fear or favour. The industrial development of the districts is expected to gather momentum in the next few months as a result of the various incentives offered by the government. It is therefore all the more important that the administration in the districts should be made quite competent to deal with the problems of industrial growth.

Mr Ray's administration will, however, be judged by the extent to which it is able to create opportunities for employment. Though the magnitude of the problem of unemployment is colossal, it should not be difficult to solve, considering West Bengal's immense potential for industrial development, the assurance of generous assistance from New Delhi, and the eagerness of many entrepreneurs to invest in this state. But the government is not helping the generation of more employment by the manner in which it is pressurising employers to prefer "the sons of the soil".

If the government is really keen about this matter, it should clearly announce its policy. It should define "local people" and provide guidelines so that employers can know whom, and how, they should recruit and the unemployed can also understand where to look for jobs. But it seems that the government is not going to clarify its policy in this regard because in whichever way the "locals" are defined, it is bound to create embarrassment and complications. Perhaps, it is the intention of the government that employers should take the hint from ministerial speeches and, accordingly, give the maximum

encouragement to the "sons of the soil", as this term is generally understood. But so long as the government continues to be deliberately vague in this matter, and at the same time, exerts pressure in various forms on employers, it is doubtful if industrial expansion can take place on the scale and the speed that is necessary to create new jobs on a massive scale. West Bengal happily has been free from the curse of provincialism and it will be most unfortunate if, when the state is poised for economic revival, divisions and differences are sought to be created between the so-called insiders and outsiders. Incidentally, it is significant to note that Assam also is intensifying its agitation to give preference to the local people in employment and this movement is likely to affect the Bengalees who have migrated there in search of jobs.

The government of West Bengal has announced that it is drawing up its fifth five-year Plan on an ambitious scale, involving an outlay of over Rs 600 crores, which will be about double that of the fourth Plan. The state's planning board, set up recently, is expected to complete its draft for the fifth Plan shortly. Whatever may be the size of the Plan, West Bengal can implement it successfully only if its machinery of

government is able to work with far greater speed, vigour, and coordination than what it is capable of doing at present

"Poverty is the greatest single disability of Bengal", wrote Mr R. G. Casey who was its Governor between 1944 and 1946. He observed, in his memoirs published in 1947, that for about 50 years, the government of Bengal had been starved of money. He added, "Money is the fertiliser that Bengal needs most, and there is no soil in the world that will respond quicker than the soil of Bengal". Today poverty in this state remains as acute as, or perhaps even worse than what it was in the days of Mr Casey. But there is one difference. Money seems to be no longer a problem for West Bengal. In fact, in the last few years there have been many instances when the state government had to surrender sizable sums of money received from the government of India. The Prime Minister has repeatedly assured West Bengal that no development schemes in the state need suffer for want of funds. If therefore the state government also tries its best to mobilise its resources and its machinery of government is continuously improved, Mr Ray and his colleagues should not find it difficult to justify the confidence that the people have reposed in them.

Eastern Economist 25 Years Ago

July 4, 1947

One of the important aspects of partition is the future of the currency system and the division of the sterling balances between India and Pakistan. As regards the Reserve Bank of India, when Pakistan becomes a sovereign State, it shall be open to Pakistan either to utilise the present Reserve Bank of India or to establish its own separate Central Bank. Although Burma was separated from India under the Government of India Act, 1935, Burma continued to be under the currency system of India and used the Reserve Bank of India as its monetary authority. It was only a few months back that Burma decided upon making a separation so far as currency was concerned and upon making its own arrangements. It is doubtful, however, whether the newly

created sovereign Pakistan State will be in a mood to utilise the Reserve Bank as its monetary authority with all its advantages, because the present communal temper does not give much promise.

The division of the sterling balances between India and Pakistan is one of the most thorny questions because sterling balances represent our foreign exchange resources and, therefore, our reconstruction chest. In settling this question there is no problem of the sterling balances being divided between India and Pakistan on the basis of population resources, taxable capacity area or a combination of one or more of these criteria.

Cloth control : options

TWO IMPORTANT issues are currently before the cotton mill industry—the controlled cloth scheme which came to an end on May 31, 1972 and the cotton mill industry's export target for 1972. Both these questions are linked together, in that the answers to both must needs be determined on the basis of the total quantum of cotton imported from abroad.

The controlled cloth scheme came into force in June, 1971. As per this scheme, the cotton mill industry was required to supply controlled cloth at May, 1968 prices [the Minister of Foreign Trade recently confirmed in the Lok Sabha that "there has been no increase in the prices of controlled cloth (coarse and medium B) since May, 1968"]. Mills producing controlled cloth were, however, given a subsidy to compensate for the rise in production cost, and this has ranged from 50 paise per sq. metre for the first two quarters (June to August and September to November, 1971) to 30 paise for the latest quarter (March to May, 1972). Between December, 1971 and February, 1972, the subsidy was of the order of 35 paise per sq. metre.

The major portion of the funds from which this subsidy came was raised by the industry itself in the form of a voluntary levy on foreign cotton. (Incidentally, this levy is a twin-purpose levy, in that it also happens to be the source for promotion of textile exports). Thanks to the bumper harvest of Indian cotton during the current cotton season, imports of foreign cotton have been cut and with that the income from the levy also has fallen. The industry is, therefore, naturally concerned whether it can raise sufficient funds to take care of both controlled cloth subsidy and the country's exports of cotton textiles. Each of these, it is needless to add, is of vital importance to the country's economy.

The subsidy scheme never found unqualified acceptance with the industry, which favours a straight-

forward rise in prices instead. (The industry agreed to the scheme finalised by the Ministry of Foreign Trade in May, 1971, as a gesture of goodwill, pending the report of the Bureau of Industrial Costs and Production on controlled cloth). A suitable increase in the price of controlled cloth, coupled with a rational basis for pricing the controlled cloth, according to spokesmen of the industry, would not only eliminate the need for subsidising controlled cloth, but also make controlled cloth available to the consumer on a steady basis.

"What is a suitable price"? it may be asked. It is easier to say what is not a suitable price than to define what is. Prices fixed in April, 1967, according to the Tariff Commission formula, were certainly not what one would deem to be "suitable prices". Nor were the prices fixed in May, 1968 when an *ad hoc* increase (of two per cent) was granted, inasmuch as this increase fell very much below the increase in costs between April, 1967, and May, 1968. Those who have been demanding a cut in cloth prices on the plea that cotton prices have fallen since must be made to realise that even the cotton prices prevailing today are higher than those in April, 1967. Other costs also have risen appreciably in the meantime.

It is against this background that some of the options now exercising the minds of people in the mill industry have to be judged. The more important and, in fact, the really relevant ones are the following three :

- (1) to find other sources of finance, if any, for producing controlled cloth on the basis of a subsidy;
- (2) to place an obligation on mills to produce controlled cloth by reactivating the Controlled Cloth Order, and
- (3) to make certain changes in the lapsed controlled cloth scheme by offering the facility of inter-mill transfers in obligation for the manufacture of controlled cloth.

The choice, here, lies mainly between

submitting again to a full-fledged control by government and operating a voluntary scheme mutually agreed upon by the industry among its units and also by the industry and the government jointly.

Had the government of India announced the revised prices for controlled cloth, the industry would doubtless have been able to arrive at a satisfactory decision on the question of controlled cloth production, especially about inter-mill transfers of obligation.

As the industry is structured today, not all mills are equally well-equipped to manufacture controlled cloth or to market it. Those who are would willingly accept the obligation to manufacture the controlled cloth varieties, provided they find the game worth the chase. Those who are not so equipped may also be glad to let those who are well-equipped to take on their obligation, provided it is worth their while. Not until the new prices of controlled cloth are known could either of these interests take a final decision. From this point of view, one feels the Indian Cotton Mills' Federation (ICMF) would have done well to postpone its proposed meeting to consider this question until the government's decision on prices of controlled cloth come to be known.

The second important question before the industry today is the future of cotton textile exports. On the face of it, in the context of the uncertainties created by the entry of the UK into the Common Market, the trend of exports so far in 1972 would appear to be satisfactory, but this is after taking into account the special exports to the USSR under the cotton conversion deal also. Thus, up to the end of May last, exports of mill-made cotton textiles amounted to Rs 56.49 crores, as against Rs 42.97 crores for the corresponding five-month period of 1971. But even assuming that the average monthly rate of exports of these five months continues to be maintained, the total for the year would fall short of the export target of Rs 142 crores accepted by the industry. Actually, the flow of export orders has been on the decline of late.

Modernisation of trade union movement

M. R. Meher

IT HAS been generally recognised that the traditional role of trade unions, that of opposition and furtherance only of group interests, is out of date and inadequate in the present context. The country is confronted with the problems of unemployment and under-employment, and a steady rise in consumer prices. There is urgent need for growth in the economy and increased production of goods and services. Has the trade union movement lived up to its social responsibilities in this context? How far has the movement been progressive or regressive as an instrument of legitimate labour advancement? A look at the trade union movement from this aspect is overdue and an attempt is made in this short article to make a broad assessment.

basic needs

The National Labour Commission has, in its report, referred to the basic needs of the movement. Among the basic needs is mentioned offering responsive co-operation in improving the levels of production. The commission has emphasised that unions should keep the well-being and progress of the community constantly before them even in the midst of their endeavours to help the working class. The unions have a stake in the success of the national Plans for economic development, since these are formulated and implemented as much for maximising production as for distributing the product in an equitable manner. It is only thus that they can progressively become instruments for constructive purposes.

Judged from these standpoints it is evident that unions in general have, in the pursuit of their aims, not lived up to these responsibilities. They have been only demands-oriented, in no wise duty-oriented, in most cases. Not a day passes without ready resort in some industry or other to direct action, both in the private and the public sector as also in public utility industries, without any regard whatsoever for national interests, the effects of their policy

on the state of employment or the hardships that are caused to the community. Strikes, go-slow and the so-called work-to-rule which is a species of go-slow and even violence against the managerial staff have been resorted to press unreasonable demands and force the employers to concede what is often beyond the capacity of the industry, and also to prevent the management from taking action against persons guilty of serious misconduct. Except politicians who have an eye on votes, public opinion has no sympathy with these attitudes of industrial labour which has shown to be bent on securing advantages which cannot be secured except at the cost of other sections of the community. But public opinion has in most cases been unable to assert itself. Government policy has assumed the unions to be the weaker side needing intervention on their behalf by the government, but as a matter of fact, in large industries with organised unions, the balance of power has, as in other industrialised countries, shifted to the unions.

sense of service

One would have expected that the public sector would at least evoke in the workers and unions a sense of service to the community. On the contrary there is more intransigence and ready resort to direct action to extract the grant of demands, however, unreasonable, from the "model employer". In the private sector there is the limiting factor restraining unions, viz., that forcing the employer to give wages and conditions of service beyond the capacity of the industry may result in closing down of the industry and would ultimately harm the workers. But this restraint does not operate in the public sector as there is no question of closing down. The tax-payer would continue to bear losses.

At the conference convened by the union Labour Minister in May, 1971, the Prime Minister called upon both labour and management to end the present state of anarchy in labour-manage-

ment relations. She pointed out that it was understandable if organised labour demanded higher wages and other benefits but these demands had to be pursued within a policy framework which paid due regard to the general state of the economy and the under-employed. The conditions in the country were such that to be employed was itself a privilege. These just observations met with little response and were even resented by some hard-boiled trade unionists. The union Labour Minister's appeal at the conference for increasing productivity and emphasis on productivity bargaining also evoked no response, and some of the labour leaders even suggested that increasing productivity was not their business.

sharing responsibility

At a recent seminar on the "Modernisation of the Trade Union Movement" the union Labour Minister observed that "it was time that trade unions thought of sharing the responsibility of production along with demanding a share in the management." He went on to observe that when the state was eager to concede legitimate demands of workers, for example having worker directors on some public sector undertakings, they must be equally responsible for production and productivity, but he was very sorry that neither the trade unions nor the workers were prepared to share this responsibility.

How can society protect itself against the parasitical tendencies that have grown up in trade unionism? Exhortations to workers and unions on their social responsibilities is not likely to achieve anything. In the long run it is only the collective bargaining power of the employers that can do something to combat these tendencies, provided undue pressure is not brought on employers by the government to purchase peace at any price. It is understood that the government will be introducing a bill to revamp industrial relations in the light of the Report of the National Labour Commission and the recent discussions between the represen-

tatives of the three central trade union organisations, viz. the INTUC, AITUC and HMS. The formula on bargaining evolved in the discussions, where there is no statutory provision at present would help to reduce those evils in trade unionism which have arisen from multiplicity of unions and inter-union and intra-union rivalry. The recent formation of a national council by the INTUC, AITUC and HMS would also help in that direction and lead to more co-operation and co-ordination between unions.

Before concluding, a brief reference may be made to the question of outsiders in trade unions and the hold of political parties containing trade unions within their power and influence. Decisions on matters of trade union policy and action

are often taken by outsiders who may be political leaders, while the lower trade union officials, not to speak, of the rank and file of workers, have little to do with the decision-making process. The injection of politics in trade unionism has harmed employer-employee relations. The National Labour Commission has observed that the issue of outsiders in trade unionism should solve itself as workers become more educated and conscious. Already in some white collar unions and in newly developing industries the unions are managed effectively by persons from the rank and file. This trend should gather momentum. With the spread of workers' education and a greater emphasis on training of trade union workers, internal leadership should develop. Compulsory recognition of majority unions

to represent workers and negotiate with the management would vest union officials with greater responsibilities and give them the necessary competence to build up internal leadership. Outsiders in trade unions should be made redundant by forces from within rather than by legal ban. It is a question whether these proposals go far enough. There is a point of view, expressed, for example by no less a person than Mr V. V. Giri, President of India, that outsiders should be eliminated from trade unions. The veteran trade unionist, Mr V. B. Karnik, has also expressed the view that reliance on outside leaders has led to some undesirable consequences and however, necessary it may have been in earlier years, it should be ended as early as possible after trade unions reach a certain stage.

Social responsibilities of business

S.K. Jain

THE CLASSICAL economist believed in self-interest as the motive behind all economic activities and 'money-making' rather than the production of goods as the purpose of business. Production of goods for them was only incidental to the making of money. To their way of thinking end was all and means meant nothing. Maximisation of profits was their sole objective and its use their personal privilege.

With the spread of education and adoption of corporate form of organisation it was realised by some business leaders in western countries, particularly in the United States of America, that profit-making was only a means of achieving certain objectives and a measure for assessing the economic efficiency of business enterprise rather than an objective in itself. It was further pointed out by social scientists that the means employed to earn profit and the purposes for which it was used were as important as the making of profit itself. "Today there are two separate and fairly well-defined business ideologies; the classical business ideology and the managerial business ideology. The classical ideology is the foundation of the profit ethic and the managerial ideology is the foundation of

social responsibility ethic".¹

Of late the role of business in modern society has been a topic of widespread discussions and an attempt has been made here to prove that a firm can attain greater degree of economic efficiency by realising and discharging its social obligations. "The modern manager should act more like a political office-holder than an entrepreneur. He is responsible to several constituencies: owners, workers, suppliers, dealers, customers, government and the local community. He should use the power he exercises in the firm's name to balance the interests of all these constituencies."²

A firm in order to carry out its economic activities requires, besides other things, manpower. Manpower planning and forecasting ought to engage, therefore, the utmost attention of the firm. Attempt should be made to select a right man for each job with the help of scientific staffing techniques. Recruitment on an arbitrary basis may have an adverse effect on the economic efficiency of the firm. An employee should be given a chance for improvement by providing him enough training and development opportunities. Promotions should be

based on sound considerations like quality of performance and seniority. Salary or wages paid should be adequate and determined on the basis of collective agreements and/or wage board awards. Both group incentive and individual incentive plans should be introduced to motivate each individual employee to use his maximum efficiency for attaining firm's objectives.

Working conditions provided should be such as to protect the health and efficiency of each individual employee. His participation in decision-making should be not only welcomed but vigorously sought in order to give him an opportunity to satisfy his urge for self-expression and use his energy for constructive purposes. Adult education programme should be sponsored to make an employee realise his responsibilities towards his family, the firm and the consumers beside the public in general. Provision of necessary knowledge about organising union activities without having to depend on outside help will greatly benefit the workers. Assurance of work stability will make each employee think of long-term association and identification with the firm.

Recent studies have shown that jo

POINTS OF VIEW

satisfaction results in a strong motivation to workers. "Man needs to find significance in what he does. Unconsciously, at least, he needs to feel that he has created something, served others, and left his mark upon the world."³

If an employee is treated as a friend and a partner his interest in work and consequently his efficiency is bound to increase. Increased efficiency will make for higher production and higher profits. Benefits from the increased size of the economic cake will accrue both to the firm and its employees without causing any harm or loss to either party.

Shareholders are a source of economic strength to the firm as suppliers of capital and customers of its products. The firm should use its resources effectively so as to be able to earn a reasonable profit for them. Besides giving a fair return on the capital invested and risk taken, the firm should supply to its shareholders factual and true information continuously. The shareholders also have certain obligations. They should encourage the firm to pursue a dynamic policy and to plough back sufficient profit for research and expansion.

Consumer satisfaction is the primary and ultimate aim of all economic activities. This involves fair pricing of quality and standardised goods. Suitable channels of distribution should be established and arrangements made for providing after-sale service at reasonable rates. Middlemen's profits should be regulated and care taken to ensure that they supply the firm's products to the consumer at a price fixed by the firm in unadulterated form. Sales promotion techniques like advertisements should be honest and factual and should not mislead the innocent customers. The advertisement expenses should be bare minimum, for, they are ultimately paid for by the consumers. Conscious efforts should be made by the firm to prevent its middlemen from creating artificial scarcity conditions with the idea of charging inflated prices.

Informal meetings, with a few local consumers and community members may be arranged by a firm from time to time for feedback purposes.

Increased industrial activity has, on the one hand, helped in economic growth and, on the other, given rise to the problem of environmental pollution. Industrial sewage and effluents have turned many rivers in India into poisonous nullahs.

New business units should not be

located in crowded and congested areas of the country. The Planning Commission has recently selected 78 industrially backward districts in 14 states. By locating an industrial plant in any one of these districts a businessman would help in achieving the national objective of balanced economic growth of various regions of the country and at the same time entitle himself to get concessional financial help from various financial institutions.

A firm should welcome ITI trained persons sponsored by the state government concerned for industrial training in designated trades as per the provisions of the Apprenticeship Act, 1961. It would be a great service to the community if a firm accommodates a physically handicapped person who has been given necessary vocational training by a vocational rehabilitation centre, short-service commission officers who were recruited during a war and subsequently released by the government also need similar help and accommodation.

A firm should act honestly in maintaining its financial statements and records and pay all taxes to the government concerned in time. Government depends to a significant extent on tax revenue for financing its public welfare activities. A firm should also take note of problems of unemployment and over-population faced by our country. Its schemes of rationalisation should not displace present employees or limit the number of new job opportunity likely to arise as a result of the proposed expansion of its economic activities.

A firm which sincerely discharges its obligations towards its employees, shareholders, consumers and public at large will not be a loser from economic point of view. Such a firm would benefit from increased efficiency of its employees and greater demand for its products. In simple terms it will produce more, sell more and consequently, earn more. The employers and the employees will enjoy the benefit of creating better social image and thus satisfy their need of social approval and recognition.

The directors and managers of a firm should act as trustees for the society. It is unfortunate that the idea of trusteeship has not been accepted by the business community in the country of its birth in spite of Gandhiji's efforts to popularise it. Mr Arvind Mafat Lal, recipient of Business Leadership Award, 1970, pointed out that one of the most distressing developments in India was the abdication of

social responsibilities by the business community.⁴ "Similar trusteeship ideas have been debated upon or worked into the fabric of business organisations in advanced countries. In the US, there seems to be a prevailing trend to equate social responsibility with enlightened self-interest."⁵ To quote William T. Gossett, Vice President, Ford Motor Company, "The basic real interests of the corporation are indivisible from those of the community at large. The modern large industrial corporation is in some respects a public institution...it holds power in trust for the whole community."⁶ General Electric Company has specifically stated that its corporate objectives include "a greater social content" by bringing its technological strengths to bear on urgent problems of society. Ford Motor Company has stated four "challenges" which will be prominent in the firm's thinking in the 1970s reduction of environmental pollution, provision of full equality of opportunity for minority groups, reaction to consumerism, and creation of safer automobiles.⁷

Progressive firms in India should follow the lead given by corporate leaders such as General Electric or Ford Motors. They should include a social objective clause in their policy statements and set specific social goals to be attained in a planned period of time.

Big firms may create a department of social affairs. Such a department would effectively promote the development of a planned, integrated approach to handling social issues which confront these firms.

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Two communist economies battling on

Poland

AFTER VIRTUAL stagnation in 1970, the Polish government is giving priority over the next few years to completing existing projects, eliminating bottlenecks in supply and making investment more effective in the short-term. On the basis of nine months' figures, when industrial output rose at an annual rate of 7 per cent and goods supplied to the consumer market increased by a tenth, targets for 1971 as a whole are estimated to have been more than fulfilled so that the economy in 1972

output of grain and livestock fell sharply, the 1971 harvest was satisfactory and this should help to improve export earnings from farm produce; indeed Poland's foreign currency position strengthened markedly towards the end of last year.

Mr Gierek has continued to consolidate his position as party leader since he succeeded Mr Gomulka in December, 1970. The new government came into being after widespread discontent arising from the former regime's neglect of consumer's interests. Its isolation from, or at any rate indifference to, public opinion and the imposition of very steep increases

how, to be combined with a tight political control.

Under the revised plan for the current five years, investment in consumer goods is to be increased by 60 per cent, exceeding for the first time proposed expenditure on heavy industry. Within heavy industry, investment is to be increased by 50 per cent with greater emphasis on special categories such as electronics, electrical and building machinery, computers, medical equipment and engines. The Comecon Investment Bank has granted Poland some \$ 16 million to build three factories for the output of precision machinery, small electric cars and parts. Spending on services is also to be expanded by just over a half with redeployment of the surplus labour which should be released by mechanisation. This is in interesting contrast to what goes on in many capitalist countries, where redundant workers expect adequate unemployment pay to compensate them for lost jobs rather than that they should learn new techniques and take new jobs in new industries. In the consumer sector, an important project is the production, under licence from Fiat, of a new small car which is to come on to the market in 1974; an initial output of 150,000 a year is planned eventually to reach 300,000 a year.

Social conditions

The most urgent social problem facing the Polish authorities is the acute housing shortage—at least one million families are estimated to be on waiting lists for flats. It is hoped to complete 1,075,000 dwellings during the plan, an increase of a quarter compared with the previous five-year programme. Real incomes have arisen more slowly in Poland over the past decade than in any other Comecon country; under the 1971-75 plan, however, there is to be an increase of nearly a fifth, compared with a rise of less than nine per cent in the previous programme. Indeed, personal incomes expanded much more rapidly than industrial output in the first three quarters of last year, partly as a result of increased pensions and family allowances, partly because of increases of up to 30 per cent for lower workers, and partly because of a substantial increase in contract prices paid to farmers. In contrast, a Soviet loan granted to the present administration

should develop from a considerably strengthened base.

In an effort to encourage farm output, prices paid to producers of beef and milk were raised last year and the previous scheme of compulsory deliveries of produce was discarded in favour of long-term contracts. With a world shortage of beef, Polish farmers who concentrate on fat stock should do well in the next year or two. In addition, special tax reductions for the purchase of land have been announced—it is estimated that two million acres are unused because people are reluctant to create large farms, doubtless from fear of attracting attention as being "too rich for a socialist state" and drawing down confiscatory taxes on themselves. Some 85 per cent of cultivated land in Poland remains privately owned, and although there are some 250 acre holdings, the average is only 12 acres. Following two disastrous years, when

in the price of basic foodstuffs culminated in serious riots in the Baltic ports and the threat of a national strike. "Technocrats" and experienced managers are now playing a much more important role in planning and there had been a gradual streamlining of Communist Party membership, partly because the new administration took over within the framework of the party, and there was no threat of 'counter-revolution', and partly because the impetus for political change came from the workers—not from suspect academics or professionals—it has so far been supported by the Soviet Union, both politically and financially. However, no erosion of party authority over the economy (on the Hungarian model) is likely to get Soviet backing. Any change to a more realistic economic approach, necessary if Poland is to carry through its industrial and technical revolution with resources limited by a basic dependence on an inefficient agricultural system, will have, some-

early in 1971 made it possible for food prices to be adjusted in March 1972, to the levels prevailing before the increases imposed in December, 1970.

Trade Figures (in \$ million)

	Exports	Imports	Balance
1968	2,858	2,853	+5
1969	3,144	3,210	-66
1970	3,547	3,605	-60

Imports from the west are planned to expand rapidly over the next few years and there is also to be more co-operation with western firms in industrial ventures. A more selective import policy gives priority to the purchase of technical equipment, grain and fodder concentrates, raw materials and consumer durables; imports of consumer goods and food products are to increase by 75 per cent, compared with a total growth in imports of 60 per cent.

Concern over UK's action

A trade agreement, signed with the United Kingdom in April, 1971, is to run until the end of 1974, and several large contracts are being negotiated with British companies. There is, however, concern over the effect of British entry into the European Economic Community on Poland's traditionally large market in the UK for agricultural produce, particularly ham, bacon, eggs and butter; it is expected that earnings from these will fall by some £20 million. Nevertheless, UK suppliers are offered major opportunities to provide plant and equipment, industrial processes under licence and consumer goods. An important ten-year contract was agreed in 1971 after several years of intensive negotiation with British Petroleum for the supply of three million tons of crude oil annually. The high cost of transport of oil from the USSR, together with mounting demands on Soviet supplies, has been reflected recently in Polish measures to diversify sources of supply; in addition, a second refinery with a capacity of six million tons a year is being built at Gdansk to supplement the ten million tons a year refinery at Plock and a third will be needed before the end of the 1970s.

Import requirements must be approved by the planning authorities. Commercial transactions with non-communist 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 Poland, provided the terms of contracts are strictly observed.

II China

The new foreign policy of China, reflected, for example, in the visit of President Nixon to Peking, is one indication that policies associated with the "Cultural Revolution" have declined in importance, although the new political pattern is still unclear. During 1971, however, there were a number of signs that a reform of the administrative structure was under way and the names of several new ministers were announced.

There are indications that the economy has now recovered ground lost during the "Cultural Revolution"; indeed it may be moving ahead rapidly. Figures calculated in Japan suggest that China's national income grew by 10 per cent in 1970, and figures announced for 1971 show that the output of steel reached 21 million tons compared to 18 million tons for 1970, while the output of crude oil and of chemical fertilisers rose by 27 and 20 per cent respectively. Last year marked the beginning of China's fourth five-year Plan. No official programme for the period has been published but it became apparent from comment during the year that agriculture and large-scale industry are to receive priority and that emphasis upon basic heavy industry is to be given at the expense of previously important light industries such as electronics. There have also been indications that it is hoped to make each area self-sufficient in major industrial products such as iron, steel and chemicals. This may reflect difficulties in matching supply to demand, but it also suggests that the government is still very concerned with defence.

Coal remains the main source of energy but the output of crude oil has increased and the chief fields appear to be expanding output considerably. The bottleneck to the building up of a petro-chemical industry may therefore occur in refining, which is believed at present to have a capacity of some ten million tons per annum. Attempts are also being made to build up a modern and comprehensive transport system, while in the textile sector a man-made fibre industry is developing quickly.

Agriculture remains China's largest industry and figures released recently suggest that grain production for 1971 reached 246 million tons compared with 240 million tons for 1970 against estimates of 200 million tons per annum in the second half of the 1960s. Overall it has been estimated that for 1970 agricultural pro-

duction rose by some 10 per cent which because the increase in grain output for that year was only 2 to 3 per cent, suggests that substantial gains were made in livestock, market gardening and other crops. Despite increased production, however, the import of agricultural crops, such as wheat, is expected to continue.

The period to 1980 is seen as one for the mechanisation of agriculture in order that progress should not be slowed as the once-for-all benefits to be obtained from irrigating new crops, such as winter wheat, and better agricultural practice are gained. So that this may be achieved, however, a larger part of the surplus now arising from agriculture must be ploughed back into investment in the rural areas. Allied to this problem is the form of social organisation which is best suited to current farming needs and strategy. The growing surplus in many communes is provoking a crisis, because these centres wish to retain a larger proportion for themselves; this appears to be contrary to official policy and may also act as a deterrent to growth in the long term. A debate as to the policy to be adopted is continuing, but the need to ensure that agricultural output continues to expand is likely to entail during the period of mechanisation, up to 1980, the introduction of some form of incentive system.

Finance and banking

The financial and banking sector of the economy functions only within the context of the pattern of national planning and it appears that the central government is urging self-financing for each district and that profits from one enterprise should be used as capital investment in another venture. The control by the government of much of the economic life of the country means that standard western financial methods of accounting capital allocation and the measurement of efficiency are not applicable to China, but it is thought that the new economic Plan has sought to introduce economic accounting and investment appraisal, thus putting capital spending under tighter review. There has also been criticism of banks for failing to supervise strictly the activities of organisations to which they were lending money.

I should have thought that Mr A. N. Banerjee, Director General of the Indian Bureau of Public Enterprises, [who was reported on page 1057 of *Eastern Economist* dated May 26, as revealing that the gross return on the total capital employed in India's state enterprises was 3.9 per cent before provision of interest and taxes on profits wherever (sic!) made] might be interested to compare notes with his Chinese opposite number to ascertain which of the two was losing most public

money in the shortest time.

The amount slated for investment to carry out the new Plan ensures that the demand for capital will exceed supply for some considerable period. Because national revenue depends largely upon profits from states enterprises which supply some 90 per cent of the budget revenue (no personal taxes exist), the amount of capital investment which the government can provide by itself is therefore unlikely to be capable of being increased greatly without upsetting the current price structure. The function of the banking system as a collector of personal savings is likely therefore to be more important than ever.

All foreign trade is managed by the government through a Ministry of Foreign Trade and is, therefore, politically controlled. Although China issues no figures on trade, it is estimated that in 1970 foreign trade reached \$4,000 million, a rise of 8 to 10 per cent on 1969 levels, but estimates of the 1971 total suggest that the level fell by about three per cent. In part this represents a lower level of wheat imports, especially from Australia, during the year. It is thought that in recent years imports have exceeded exports although the reduction in grain imports during 1971 may have given rise to a surplus for that year.

A large part of trade is conducted via the Chinese Commodities Fair, which is held twice yearly. In case you thought of going, I must point out that only businessmen officially invited can attend. Foreign businessmen attending during 1971 came from some ninety countries. Despite the recent more favourable climate for trade, China continues to watch political attitudes towards herself and conditions have been laid down for trade with both the USA and Japan. Recently, there has been an attempt to extend the trade carried on in renminbi; it is not linked to gold but its stability in contrast to the currencies of other countries is being emphasised and there is growing pressure to draw up trade contracts in the currency. The ability of Chinese banks in Macao and Hong Kong to open savings accounts with capital and interest payable and repayable in Hong Kong dollars or renminbi may indicate that China intends the currency to circulate outside China as well as being used as a unit of account.

The performance of British exporters to China has been disappointing, especially during 1971, but the appointment of an ambassador to China should help a revival of trade. The main commodities exported to China in the past have been manufactured goods, non-ferrous metals and machinery and transport equipment. The

present amounts of electrical machinery and chemicals exported to China suggest, however, that an expansion of trade in these goods is possible. A plan for a trade exhibition in Peking during 1973 could provide the opportunities to enter the market for firms so far without trade links, and some five hundred British firms have already expressed interest. In the longer term, the Chinese desire to keep trade with each country in approximate balance may limit the expansion of British exports, because Britain may find it difficult to raise imports from China either rapidly or by sufficient amounts; this problem is not, of course, special to the UK but applies to all countries ready to trade with China.

Import requirements are decided by the authorities, and all foreign trade is conducted through state trading corporations. There are no difficulties with payments for exports to China, provided the terms of contracts are strictly observed.

Sources and acknowledgements : The foregoing summarises two reports kindly sent me on your behalf by the Economic Intelligence Department of Barclays Bank (54 Lombard St., London EC3P 3AH) but the bank is responsible neither for the emphasis of my summary nor for my occasionally outrageous comments, based on a variety of sources.

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The progress of VAT

E. B. Brook

Vienna :

ONE of the most deep-reaching and intimate changes that is being wrought in western Europe by the coming rearrangement of its economic grouping is a new system of taxation. This new system is no new device to "soak the rich" or to make such homely relaxations as smoking, drinking or entertainment more expensive as a slight disincentive but one that will effect every man and woman in the countries adopting it. The Value Added Tax, as it is called in English, or VAT, was invented—as were many Market devices—in France and bears all the coldly logical characteristics of that country. It is due to be fully operative in all Common Market countries and those in west Europe which have association with it by January 1 next year.

So far nine countries have already adopted VAT, the latest being Austria whose Parliament adopted it recently. According to the Common Market directives all member countries were to have introduced the tax by January 1, 1970, but there have been laggards, notably Italy which has not introduced VAT, or any equivalent of it, yet.

There are many variations in the form of Value Added Tax adopted, but the general effect is to make everyday life more expensive for the poorest as well as the richer. In Austria it is estimated VAT or *Mehr wertsteuer* as it is known in German, may raise the cost of living by 16 per cent; since official estimates of this type are usually on the optimistic side, it is reasonable to think all who live in Austria will be paying out one-fifth more for many articles next year than they are at present. The effect in Norway which introduced the tax on time in 1970, is even more expensive and France itself carries the onus of its own invention by a standard tax as high as 23 per cent.

The result of the new form of taxation varies considerably according to the exact form in which it has been adopted. Lucky Luxembourg, that smallest member of the Market and tiniest component of the Low Countries that fairly rolls in prosperity, gets away with a standard tax of only eight per cent and as low as four per cent on many articles. Federal Germany, not quite so prosperous, takes the tax as high as 11 per cent and as low as 5.5 per cent, Holland varies between 14 per cent and four per cent while Belgium and Sweden take the tax as high as 18 per cent.

There is much variation between country and country in method of applying the tax and the Market directives leave much room for choice of administrative application. There are luxury and reduced rates, some exceptions for small businesses if governments choose to adopt them (some have not), some special treatment for agriculture and some latitude for transitional measures while the tax is being brought into operation. Everywhere the cost of introducing the new tax and adapting government methods to it are considerable; in Austria, for example, the cost will be about £33½ million.

According to the Common Market rules the tax need only go as far as the wholesale stage, but many countries are taking it to the whole scale of mercantile operations in order to avoid confusion in working more than one system of government charges on sales. France, where the Value Added Tax was introduced first in 1954, it was applied first to the wholesale stage of manufacturing and merchandise and extended to the retail stage only in 1968. A year earlier Denmark had brought the VAT system of taxation into full operation at all stages, being the first country to do so and two other Scandinavian countries have done the same since. Only Finland in northern Europe remains outside the VAT system.

While the VAT system results in general in a higher cost of living its purposes are generally unexceptional. It is essentially a means of rationalising the indirect tax system and replaces a whole range of other taxes. One reason why Italy is so laggard in coming into line with a Value Added Tax is that it has so wide a range of small and complicated taxes that their replacement is a matter of major difficulty, especially at a time when politics are in a confused condition and the country is without a political government for weeks on end.

The French, Belgian and Germans have swept away a medley of indirect taxes which means that the expense involved in introducing the tax administratively will fairly soon be recovered in saving the cost of collecting these many and often troublesome smaller taxes. The Value Added Tax system, also, allows a whole range of tax rebates on purchases which the earlier taxes did not allow at all. Taxes levied at wholesale and retail stage (such as purchase tax) will disappear, but the more the number of stages of production for a product the heavier the new tax burden will

be. Value added charges on luxuries will be high and those on everyday necessities relatively, but not essentially, low.

The greatest benefit deriving from the new style of tax system—whatever the variations adopted in its practicing countries—will be its incentive to export. Exporters can reclaim the tax on their purchases and sell their products and services abroad tax free. Food is usually taxed but ships and aircraft, since they are mostly sold to foreign countries or used for foreign trade, are VAT tax free.

Reliefs vary from one country to another but generally favourable treatment in the form of either exemption or reduced rates is given to food of the more essential types, to housing, transport, to some social and medical services and, in places, to power supplies and communications. The French, Belgian and the Irish are especially severe with luxuries, among which ranks the motor car—the Dutch, with a combined standard and special tax rate, charge 32 per cent on the purchase price of cars. West Europe, with fairly highly developed public transport services (though the degree of development varies widely) still regards a motor car as a luxury while many owners find them a necessity. Since most cars are used in cities the most appropriate standard for comparison is the urban bus and tram service which remains in many cities inadequate, crowded and some ten times as slow as moving by car, despite traffic jams.

The value of the Value Added Tax to the consumer remains to be proved over a long period; immediately, he does not benefit and is often a loser. Its value to the export services of industry and commerce will be considerable and there is advantage in having a relatively uniform system and philosophy of taxation in the Common Market area and among its nearest associates. Within the European Community, when full Value Added Tax harmonisation has been achieved, the tax will always be paid within the country in which it arises; only those outside the Market area will help pay the tax on merchandise they buy from Common Market suppliers. The tax revenue from VAT will provide varying percentages to the total tax revenue of its operating countries—from a small 10 per cent of the total tax revenue of Sweden to 26 per cent in neighbouring Norway, 16 per cent in Germany and nearly a quarter of France's overall tax earnings.

Mr Kuldip Nayar, Resi-

dent Editor of *The Statesman* in New Delhi (who is perhaps better known as the author of *Between the Lines*—that interesting gossip peep into the green room of New Delhi politics in the immediate post-Nehru years) published last week another bit of "Between the Lines" stuff in his column for his newspaper. He wrote that the reshuffle of the central cabinet was being delayed because the Prime Minister was having difficulty in persuading Mr V. V. Giri to step down from his office in favour of Mr Jagjivan Ram. Mr Nayar suggested that a deal of sorts was being mooted and that a proposal was in fact made to the President of India that, in return for his complying with the wishes of Mrs Gandhi, the latter would be prepared to consider offering a place in the council of ministers to one of the Giri sons who happens to be a member of the Lok Sabha. Never one to let go an opportunity of adding extra spice to whatever he may be dishing out, Mr Nayar thoughtfully said that Mr Giri was insisting on his son being made a minister first.

This story was denied within hours of its publication by a spokesman of the Rashtrapati Bhavan who characterised "Mr Nayar's report as totally false and irresponsible", adding for good measure that the idea was too ridiculous to call for comment. I beg to differ so far as the last part of the stricture is concerned. There is certainly nothing ridiculous about the notion itself. Whether Mr Nayar's story is true or not—its veracity has been challenged on behalf of the President—it undoubtedly has the ring of truth. To start with, from the Prime Minister's point of view, Mr Giri had served her political strategy and purpose as soon as he got elected as President. It is possible that the time has come when he could be useful to her once more only by helping to create a vacancy in Rashtrapati Bhavan. Mr Jagjivan Ram succeeding Mr Giri sooner rather than later is an idea which must clearly appeal to the Prime Minister.

The Constitution prescribes only the maximum period for a presidential term. It is therefore open to the holder of this office to give it up or be persuaded to give it up at any time. Mrs Gandhi, moreover, has been evolving in terms of her own person and authority a presiden-

tial form of government for all practical purposes. In the circumstances there is political sense in a situation in which the President is to be deemed to hold office at the pleasure of the Prime Minister. This is an amendment of the Constitution which applies to the spirit and not the letter of that document. It can therefore be effected not only in an informal manner, but without a single word being articulated to that effect. This, of course, is a great convenience for there is no need here for the time of the legislature to be spent on amending Article 75 of the Constitution.

Mr Kuldip Nayar's insinuation—actually, it is more open and direct than that—that an inducement had to be thought of to bring about the change in the tenancy of the Rashtrapati Bhavan which the Prime Minister desired, is one which was bound to be indignantly challenged, as indeed it was. But here, again, even if the allegation is untrue, can it be said that the idea itself is wholly fanciful? I am not dealing here either with the private ethics or the public morality of it. The question I am concerned with is that the notion itself cannot be easily dismissed as fantastic, given the quality of contemporary politics and the wheeling dealing that has been going on. It has been a common occurrence for instance for decrepit or discredited politicians to beg for governorships and get them too. There is a number of cases on record where it has become impossible to prize a governor out of his post although he has been occupying it for donkey years. In this state of public morals or manners, if the Prime Minister were to ask the President to do her what is more or less a favour, why should the President do it free, gratis and for nothing? Incidentally, Mr Kuldip Nayar's report was not without a touch of verisimilitude. Mr Shankar Giri, MP and son of the President, did meet the Prime Minister a few days before she went on her recent visit to certain countries in Europe. There was speculation at the time that this might have been in connection with possible changes in the council of ministers or, did she call him to her presence only for giving him a piece of her mind?

Mr E.V. Ramaswami, the

famous "Periyar" of "Dravida Kazhagam" and four of his followers, who were prosecuted for taking out a procession

in which the images of Hindu gods were shown in obscene pictures and beaten with shoes to the accompaniment of abuses and offensive slogans, were acquitted last week by the District Magistrate of Salem who had tried the case. I am not going into the merits of the verdict but I must say that I am surprised at the observation in the judgment that the intention of the procession was not to wound religious feelings. "Periyar" should certainly be laughing in his nonagenarian beard. As a practising and preaching atheist the founder and leader of "Dravida Kazhagam" has always been relying on shock tactics. For him the medium has always been the message. Neither the details of the procession nor the responsibility of "Periyar" and his followers for this affair has been in dispute and since the prosecution itself owes a great deal to the private initiative of individuals who have professed and testified to their religious feelings being hurt, it is rather intriguing that the learned district magistrate should have raised the issue of "intention" and decided it in favour of the accused. It seems to me that even the "Dravida Kazhagam" leader's boundless ingenuity will be greatly strained if he were to make the courts take him seriously.

Leafing through a recent

issue of *The Spectator*, I came across the name of that much-maligned Italian journalist, the female of the species, who had interviewed Mr Zulfikar Ali Bhutto and Mrs Indira Gandhi and reported that he said this and that about her. Some among us who seem to have convinced themselves that the fate of India for the next thousand years is going to be decided at "The Retreat" in Simla, had been upse over the possibility that Miss Fallaci's quoting of Mr Bhutto might cause mischief between Pakistan and India and prejudice the summit prospects and have been bending over backwards to present the offending reporter as, professionally speaking, less than a zero. Actually, however Miss Fallaci's journalistic credentials do not seem to be as negligible as all that Mr George Gale, Editor of *The Spectator* writes: "I have been reading three books on Vietnam: one, a sustained piece of emotional reportage by a well known Italian girl who first discovered the taste of violence reporting the Hungarian revolution...". Mr Gale proceeds to say that, of the three books, he found the reportage "the most interesting". The reference is to *Nothing and Amen* by Miss Oriana Fallaci, translated by Miss Isabelle Quigly. I cannot imagine Miss Quigly translating a book by an itinerant reporter of no credentials or consequence, or Mr Gale finding it worthy of his notice.



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TRADE WINDS

Joint Sector

THE SCOPE of the joint sector in industry is proposed to be clearly spelt out in the new industrial policy resolution which is currently under preparation. Disclosing this to newsmen, the Minister for Industrial Development, Mr Moinul Haque Chaudhury, stated here last week that his ministry had prepared a basic paper for amending the present industrial policy resolution. The Planning Commission had also prepared a paper reacting to the draft of the Ministry of Industrial Development. The matter would go shortly to the Committee of Secretaries for consideration. Thereafter, it would be taken up by the union cabinet.

With a view to attuning the programmes of industrialisation to the proposed emphasis in the fifth Plan on the production of basic necessities of life, the list of industries in which there was scope for further growth, Mr Chaudhury said, would be revised in the near future. In drawing up the new list, both the existing and the anticipated shortages of the items of general consumption would be taken into consideration. No Luxury item would be included in this list.

Backward Areas

For fostering industrialisation of backward areas, Mr Chaudhury revealed, the government was considering increasing the number of backward districts for which special concessions were available, from two to six in the less industrialised states and from one to three in the advanced states. The total number of backward districts to be accorded special treatment, thus,

would go up from 44 at present to about 100.

Another significant measure under consideration in this connection, Mr Chaudhury stated, was that the central subsidy of 10 per cent which was currently available for investment in a unit in a backward district up to the level of Rs 50 lakhs, would be made available for projects involving investments of more than Rs 50 lakhs. In these cases, the subsidy, however, would be limited to Rs five lakhs. An Additional Secretary was being put in charge of the backward areas to keep a close watch on their development. All the backward districts would be surveyed for their industrial potential in about 18 months. In course of time, all the districts in the country would be surveyed with a view to identifying the particular industries which can be developed there on the basis of the local resources.

Licensing Procedures

Mr Chaudhury indicated that he would be convening a conference of the state industries ministers in the last week of July for an exchange of views on the bottlenecks in the way of industrial growth. Several steps, he said, had been decided upon to speed up the clearance of applications for letters of intent and industrial licences as well as their implementation. In view of the rapid increase in the number of applicants for letters of intent and industrial licences—currently despite the grant of exemption from licences to investment proposals upto Rs one crore in terms of the 1970 revision of the industrial policy resolution, the number of these applicants was about three times the figure nearly two years ago—Mr Chaudhury

added that it had been decided that the licensing committee should meet once a week, instead of once a fortnight, and at least 75 cases should be cleared at every meeting. He was also thinking of increasing the strength of the staff who deals with these applications so that the applications were speedily processed and cleared.

In the interest of expeditious conversion of letters of intent into industrial licences, Mr Chaudhury observed that it was proposed to reduce the period for the submission of the applications for capital goods licences from one year to three months of the grant of the letters of intent. A sub-committee had been set up to consider whether the present procedure of advertising the requirements of capital equipment so as to find out whether they could be met from indigenous sources, could be waived in cases in which the non-availability of equipment from domestic sources was well known.

The Directorate-General of Technical Development was also proposed to be oriented more towards development work. It was envisaged to be relieved, through computerisation, of excessive statistical work.

The follow-up action on letters of intent and industrial licences, Mr Chaudhury said, was proposed to be intensified. A special committee was being set up to identify the hurdles in the way of implementation of letters of intent and industrial licences industry-wise so that the union Ministry of Industrial Development was able to devise ways and means to overcome these hurdles.

Foreign Collaborations

Mr Chaudhury refuted the allegation that he was liberal in granting foreign collaboration arrangements. Since the number of applications for industrial licences had multiplied fast during the past two years, the number of foreign collaboration proposals, he thought, could be expected to go up. However, the percentage of collaborations allowed

to the total number of applications for letters of intent and industrial licences, he stressed, remained about the same. Mr Chaudhury further pointed out that as we were going into more sophisticated lines of production, collaboration with foreign countries had to be allowed.

Advisory Council

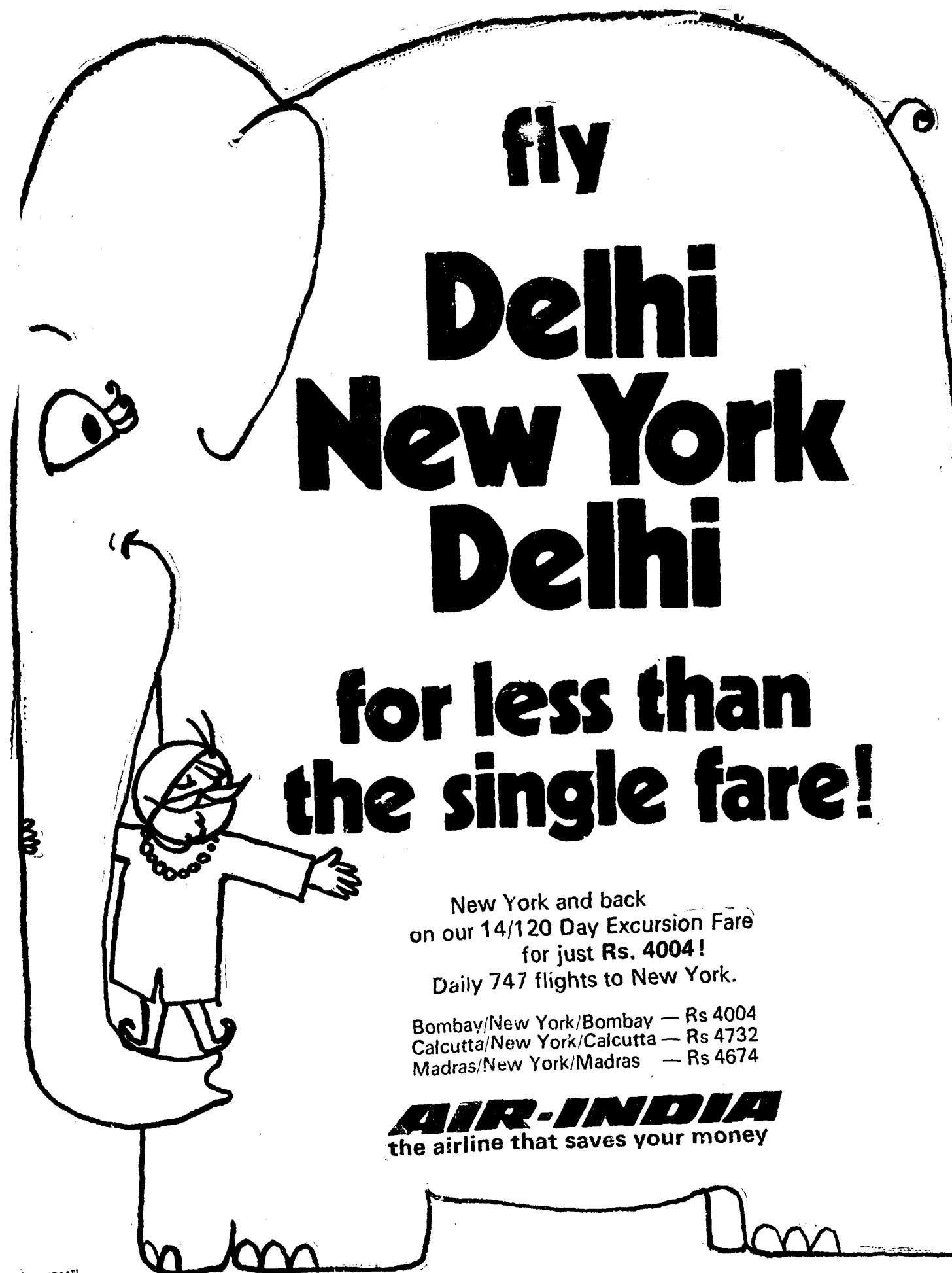
The Central Advisory Council for Industries, Mr Chaudhury disclosed, would soon be reconstituted. Its complexion was proposed to be changed to reflect the present situation in the country. The representation of the private sector in this council was envisaged to be reduced from 10 to six. The new council would consist of six representatives of the private sector, three of the joint sector, three of the public sector, three of the small-scale sector, six labour representatives, one representative of the backward areas, two representatives of financial institutions, one consultant, one economist, two members of Parliament and two representatives of consumers.

Refinery at Mathura

The government of India has decided to locate the proposed 6-million tonne oil refinery at Mathura, 130 kms south of Delhi. Location of the refinery at Mathura offers some excellent advantages since the town is connected by broad gauge as well as metre gauge train systems and has good road links with the rest of the north-west region. Product movement in all directions, including towards Delhi will be facilitated by the multi-track rail system and by the network of roads.

The location which gives maximum economic advantage, will also benefit adjoining regions of Rajasthan and Madhya Pradesh.

The Indian Oil Corporation which considered several locations from the techno-economic and logistical angles after the Planning Commission had approved in principle the establishment of a new refinery in the north-west re-



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gion, is being asked to take up this project on high priority.

On the basis of demand projections for 1978, the refinery is being designed for a capacity of 6-million tonnes. This will make the north-west refinery the largest in the country. The refinery will produce every year 495,000 tonnes of motor spirit, 369,000 tonnes of naphtha, 1723,000 tonnes of high speed diesel oil, 1576,000 tonnes of kerosene oil, 90,000 tonnes of light diesel oil, 820,000 tonnes of furnace oil including fertiliser feed stocks, 50,000 tonnes of L.P.G., and 278,000 tonnes of bitumen.

The refinery is being designed with sufficient flexibility to use one or more of several typical Middle-East crudes including India's share in Rustom and Raksh crude oils. The import of crude will be through a single buoy mooring off-shore terminal in the Gulf of Kutch which will be the first such off-shore terminal in the country. The terminal with a deep draught will be capable of receiving some of the largest tankers of upto 300,000 tonne capacity and will have ideal protection from weather conditions. The utilisation of large size tankers will offer maximum economies in ocean freight transportation costs.

A 1200 km pipeline will bring the imported crude from the terminal to the refinery. The longest crude oil pipeline, it will on the way have the largest diameter of 24-30 inches and will also feed the Koyali Refinery near Baroda through a 165 km long branch line.

The total investment on the refinery, pipelines, off-shore terminal and on-shore facilities on the basis of tentative estimates is likely to be Rs 161.15 crores including the foreign exchange component of Rs 30.9 crores. The refinery (excluding townships) is likely to cost Rs 78.70 crores and the pipelines Rs 74.9 crores. The investment on off-shore terminal is expected to be Rs 2.9 crores. Another Rs 4.65 crores are likely to be spent on on-shore facilities.

A special feature of the refinery will be the likely provision of 1-million tonne Hydro-

Cracker involving sophisticated technology to convert heavy oils into more valuable middle distillates for which there is a large and growing demand in the north-west region. The Hydro-Cracker will enable the refinery to produce as much as 57 per cent middle distillates as compared to an average of 47 per cent being obtained now. The first of its kind in the country, the Hydro-Cracker would pave the way for acquiring technical know-how and expertise in this sophisticated field so that more such Hydro-Crackers can be put up as and when necessary. The Fuel Policy Committee also has specially recommended increasing installation of Hydro-Crackers.

The refinery will be able to feed four to six fertiliser plants. Naphtha from this refinery will meet essential needs of the large fertiliser factory at Kanpur to the east and at Kotah to the south of Mathura. The refinery will also produce feed stock for the Nangal Fertiliser Factory and for other fertiliser units which may be established in the region.

Pound Sterling Floats

Britain let the pound sterling float freely on the world markets on June 23, in the hope of stopping flow of funds from its national reserves. A day earlier Britain had raised its Bank Rate from five to six per cent to attract hot money. For the time being the pound will no longer be firmly tied to the dollar and the currencies of the European Common Market members. This step is similar to the one taken by President Nixon in the dollar crisis of August last year.

For almost a week, the pound was under intense pressure following rumours of approaching devaluation. During the week, large amounts had been poured out of the Treasury's reserves to prop up the pound at its agreed floor level of \$2.58.

Mr Anthony Barber, Chancellor of the Exchequer, stated in the House of Commons that the lack of confidence in the pound was unjustified. There was nothing in the objective

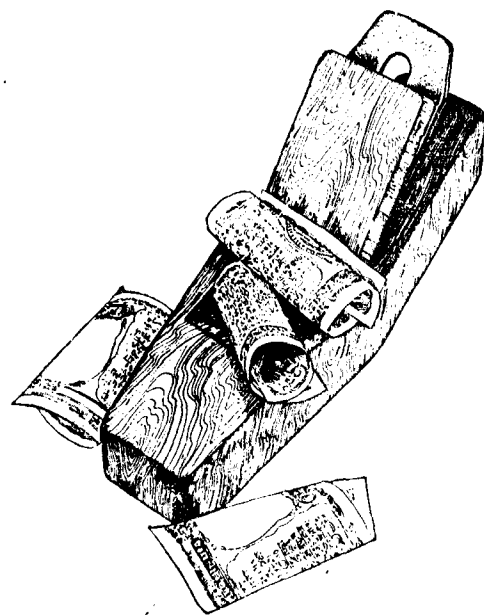
facts of Britain's balance of payments of the level of its reserves to justify the flight of international capital.

Mr Barber also told the House of Commons that another measure taken was to restrict capital movements from Britain to sterling area countries so as to close any loophole for speculative outflow.

The rupee is pegged to the

pound, especially after the December 1971 agreement among the group of Ten richer countries which involved devaluation of the dollar. Official circles in this country would prefer to wait and see what effect the decision to float the pound has on speculative tendencies. To the extent the rupee is linked to sterling, a downward float of pound means that the rupee

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goes with the pound. The exchange rate of the rupee vis-a-vis the pound was fixed at Rs 18.9677 in December last.

Japan Lowers Bank Rate

Japan has lowered its official Bank Rate by half per cent to 4.25 per cent, its lowest post-war level. The reduction is supposed to be a step by the Japanese government to avert international pressure for another yen revaluation. The banking circles have hailed it as opening a new era in the nation's financial history, as for the first time since World War II Japan has a lower Bank Rate than the United States, which is currently 4.5 per cent. The cut in the rate is the sixth since October 1970 when it stood at 6.25 per cent.

Building Our Warships

India has built her first warship—INS Nilgiri which takes its place among the 36 Leander class frigates in the world today. The UK being the pioneer, naturally has the largest number (25), followed by Holland (6) and Australia and New Zealand (two each). India thus becomes the member of this club, but its special pride must be in having built it herself with indigenous components up to 53 per cent. Although built in collaboration with Messrs Vickers Ltd and Yarrow (Shipbuilders) Ltd, the construction was done essentially with Indian know-how and Indian labour and in the Indian shipyard, viz., the Mazagon Dock Ltd (MDL). The shipyard has acquitted itself creditably on this precision job, although the commissioning of INS Nilgiri has been delayed by seven months. Prime Minister Indira Gandhi, who laid the keel in October, 1968 and commissioned the frigate on June 3, 1972, however did not seem disappointed by this delay. On the contrary, she complimented Rear Admiral B.A. Samson, Director of MDL, for making a good job of it and conferred on him the honorary rank of a Vice-Admiral.

According to MDL sources, INS Nilgiri has cost Rs 18.50

crores, of which only 50 per cent., i.e. Rs 9.75 crores, represents the foreign exchange spent, whereas a similar frigate, if it had been ordered from abroad, would have cost Rs 21 crores, all in foreign exchange.

Abolition of Special Trade Account

Czechoslovakia has agreed to abolish the special trade account in India which entitles it to purchase goods other than those covered in the trade plan. There will be only one trade account and one trade plan between the two countries in future. The Czech Prime Minister, Dr Lubomir Strougal, agreed to this suggestion of Prime Minister Indira Gandhi who during her recent visit to Czechoslovakia, pointed out that it was imposing a heavy burden on India's foreign exchange reserves. In this special account, 10 per cent of the sale proceeds were to be paid to Czechoslovakia in free foreign exchange.

Mrs Gandhi pointed out to Dr Strougal that India was faced with similar requests from other socialist countries to open special accounts. This is described as a very significant and important outcome of discussions which mainly centred on economic co-operation. Another major gain of the talks is that both the Prime Ministers have agreed that their Planning Commissions should have periodic consultations to co-ordinate their development programmes on a long-term basis.

Hitherto, the Indo-Czech Joint Economic Commission has mainly been dealing with trade problems. The new suggestion would add a new dimension to the co-operation between India and Czechoslovakia in industrial, technical and scientific spheres.

India and Hungary

India and Hungary have agreed to set up a joint commission to explore the avenues of increasing trade and economic co-operation. This decision was taken by the Prime Ministers of India and Hungary

during Mrs Indira Gandhi's visit to Hungary. The joint commission will meet alternately in New Delhi and Budapest and will have two Indian and Hungarian ministers as co-chairmen. At the political and diplomatic levels, the two sides have decided to systematise their mutual consultations. These will be held periodically.

Lambretta Scooter Project

The Lambretta scooter project in the joint sector is a reality. The agreement was signed recently between the Italian collaborator, Innocenti, the Indian private firm, Automobile Products of India, and the government of India. With an annual capacity of 100,000 scooters the unit is expected to go into production within two years. The agreement provides for shifting of the entire plant at Milano (Italy) to Lucknow. An official team will soon go to Italy to inspect the dismantling of the unit and the shipping of the machinery to India.

A company for implementing this project is being formed with the union government holding 51 per cent of the shares, Innocenti about 20 per cent and API and the general public together the remaining 29 per cent.

Income-tax and Wealth-tax Returns

The Central Board of Direct Taxes will shortly be notifying new forms of returns of income and net wealth which will come into force from a date to be specified in this behalf in the notification. To enable taxpayers to furnish their returns of income and net wealth in the new and up-dated forms, the Board has decided to extend the time for furnishing voluntary returns of income and net wealth for the assessment year 1972-73 till July 31, 1972, in cases where such returns are due before that date.

The Board is also issuing instruction to the Income-Tax Officers to waive in such cases, the interest chargeable under the Income-Tax Act for belated submission of return in respect

of the period of delay up to the end of July 1972.

Lending by Nationalised Banks

The first meeting of the Regional Consultative Committee of the Central Area (consisting of UP and Madhya Pradesh) of the nationalised banks, decided that further substantial efforts should be made to increase lending in rural and semi-urban areas as well as to small borrowers specially in agriculture.

The meeting was held at Lucknow recently under the chairmanship of the Finance Minister, Mr Y. B. Chavan and was attended among others by the Chief Minister and Finance Minister of UP, Industries and Agriculture Ministers of Madhya Pradesh, the Governor of the Reserve Bank of India and the Chief Executives of the 11 public sector banks.

The meeting decided to set up a working group to go into the question of procedures and the simplification of application forms relating to lending to small borrowers in agriculture, small-scale industries, transport, etc. It also decided to select a few districts in UP and Madhya Pradesh on an experimental basis in which steps could be taken to evolve plans of action for identifying bankable programmes for lending and related operational aspects.

Glass Industry

The glass industry in the country has achieved substantial progress over the past twenty years. The production of glass has increased by more than three times, from 92,000 tonnes in 1951 to 2.90 lakh tonnes in 1971. During these twenty years, many new varieties of glass have been produced in the country. These are wired and figured glass, safety glass, fibre glass, capillary glass tubing, optical glass, glass building blocks, glass chatons, and thin sheet glass required for microscopic slides

BHEL Makes a Profit

The Bharat Heavy Electrical Limited (BHEL) made a profit of Rs 3.19 crores in 1971-72 as compared to Rs 65 lakhs in the

previous year. This was stated by Mr O.S. Murthy, Chairman, Bharat Heavy Electricals Limited, at its annual general meeting held recently. He said that the total value of production increased by 23 per cent over the previous year. It amounted to Rs 59.33 crores as compared to Rs 48.26 crores in the previous year.

Mr Murthy said that a significant feature of the working of the company for the year was that two out of the three units of the company, namely, Tiruchy and Hyderabad plants, were now making profits.

Income-tax Assesseees

The Income-tax Department has recently been issuing permanent account numbers to all tax payers. The object of issuing these numbers is to enable proper identification of every taxpayer on all-India basis so as to facilitate communications and improve the procedures of work in the department. If any taxpayer has not received an intimation regarding his permanent account number, he may write to the Income-tax Officer assessing him.

A separate permanent account number is being allotted to each person who is assessable to tax.

Bonus Review Committee

The Bonus Review Committee, set up by the government of India, has invited views, relevant information and statistics from organisations and individuals on the terms of reference of the committee. The committee will like to receive by July 10, 1972 any views on whether there is any case for raising of minimum bonus and whether the present minimum bonus may continue with a provision for its being supplemented through suitable schemes of production or productivity.

Asia 72 and GDR

Mr W. Koehler, Commercial Attache, Consulate General of the German Democratic Republic in India, said at a press conference in the capital recently that the

theme of the GDR pavilion was "The GDR—A Reliable Economic and Trade Partner" and "The GDR—for World Wide Trade and Progress".

Four state owned foreign trade enterprises of the GDR will demonstrate the economic power of the GDR by displaying exhibits which are carefully tuned to India's demand. The foreign trade enterprise Transportmaschinen e.g. will display the harvesting combine E-512, silo equipment and seed dressing equipment which are already well-known in India. The foreign trade enterprise Polygraph Export, the printing equipment of which already operates in many cities of India, will demonstrate the latest products of printing and allied industries of the GDR in operation. The foreign trade enterprise Schiffssommerz will display models of its ships. Cameras, film material and photo chemicals will be exhibited by the foreign trade enterprise Kamera/ORWO whose products are equally well-known in the Indian market.

Mysore's Deficit Budget

Mr M. Y. Ghorpade, Mysore's Finance Minister, presented the state budget for 1972-73 on June 21, which revealed a revenue surplus of Rs 7.30 crores and an overall deficit of Rs 3.45 crores after proposing taxes to yield Rs 2.65 crores in the remaining part of the year. Mr Ghorpade's first regular budget revealed a marked improvement in the state's finance during the three months since he presented the vote on account budget which showed a big overall deficit of Rs 30.52 crores. The budget estimates revenue receipts at Rs 307 crores, against Rs 271.30 crores in the revised estimates for 1971-72 and the revenue expenditure of Rs 299.70 crores compared to the figure of Rs 274.24 crores in the revised estimates for the previous year.

On the capital account, Mr Ghorpade's budget estimates the outgo at Rs 198.00 crores and the receipts at Rs 186.20 crores, leaving a deficit of Rs 11.80 crores. The revenue surplus of Rs 7.30 crores is thus

converted into an overall deficit of Rs 4.50 crores.

The new levies proposed include (1) revision of the water rates to fetch Rs 1.75 crores in a full year and Rs one crore in the current year, (2) an increase in the motor vehicle tax on contract carriages to yield Rs 65 lakhs in a full year and Rs 40 lakhs this year, (3) revision of the sales tax structure to yield Rs 1.50 crores in a full year and Rs 1.25 crores this year. These three measures together are expected to yield Rs 3.9 crores in full year and Rs 2.65 crores in the budget year.

Names in the News

Mr Prem Pandhi has been elected Chairman of the Punjab, Haryana and Delhi Chamber of Commerce and Industry for 1972-73. He succeeds Mr Man Phool Chopra. Mr Raunaq Singh has been elected Deputy Chairman.

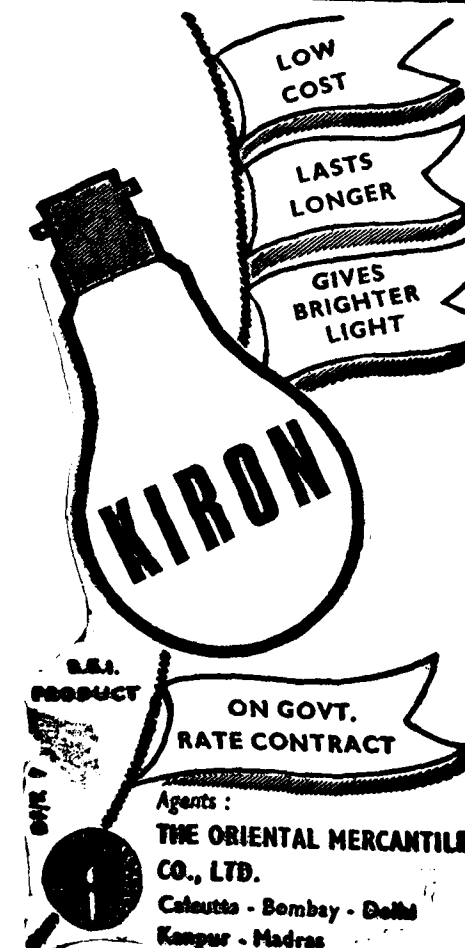
Mr Morris Mathias, 42, a Director of Hindustan Lever, will join Hindustan Thompson Associates on July 1, 1972. He will take over as Chief Execu-

tive of the company on January 1, 1973 on his return from a 4-month visit to Thompson offices in Europe and America. He will be the first Indian to assume this office at HTA.

Mr Sriman Prafulla Goswami, the new Chairman of Oil India, is a parliamentarian and political leader of over forty years standing. He succeeds Mr Sarat Chandra Sinha who has become Chief Minister of Assam.

Mr. W. C. Shrishrimal, Managing Director, Maharashtra State Co-operative Bank Ltd, Bombay, has been elected a director of the Industrial Finance Corporation of India from the Co-operative Banks' constituency. The vacancy was caused by the resignation of Mr Vasant Rao Dada Patil on his joining the Maharashtra state cabinet.

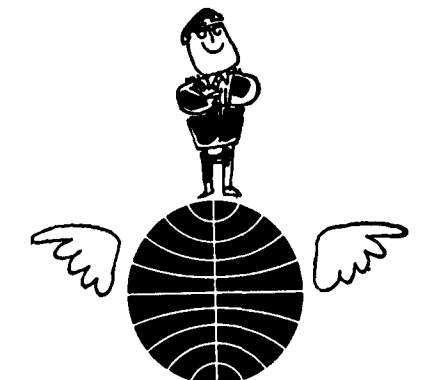
Mr V. Krishnamurthy has taken over as the Deputy Chairman of BHEL from Mr B M. Kapoor. Mr P. V. K. Achan has taken over as General Manager of BHEL Trichy from Mr V. Krishnamurthy.



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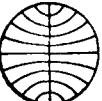


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COMPANY AFFAIRS

Hindustan Motors

AS A PART of its diversification programme, Hindustan Motors Ltd has established a Rs 15-crore earth moving equipment project at Trivellore, near Madras. This unit has been set up in collaboration with the Scottish subsidiary of General Motors Corporation of the USA. The construction of the plant commenced in October 1970 and the first phase of the project involving an investment of Rs 2.5 crores was completed early this year. In 1972-73, the first of its operation, the plant will be producing 120 units of rear dump trucks and front end loaders and it will be reaching the optimum capacity, as licensed by the government, of 600 units per annum in the next few years. The product range will also be expanded so as to include the manufacture of crawler, tractors and scrapers. The turnover of the factory is expected to cross the Rs 40-crores mark in about five years.

All the equipments to be manufactured in this factory will have a very high percentage of indigenous content. Moreover the foreign collaborators has given the right to the company to use the popular American brand name 'Terex' in its products and for enjoying this facility the company will be paying a nominal royalty to General Motors. The first batch of eight machines assembled here have already been delivered on schedule to the Beas project. The company is now having on hand orders exceeding 100 units. Meanwhile the company is planning in a big way to export its products to south Asian and east European countries. Negotiations are already under way for conducting a contract for the sale 80 units to Poland. Inquiries have also been received

from Yugoslavia. The foreign collaborators have also shown keen interest in about 50 components manufactured by the company and hence there are immense possibilities for export of these items to Scotland.

TOMCO

Tata Oil Mills Co Ltd has produced excellent working result during the year ended March 31, 1972 with sales and gross profits recording significant improvements over the previous year. With a smart increase in turnover from Rs 50.83 crores to Rs 60.74 crores, gross profit recorded and impressive rise to Rs 3.57 crores from Rs 2.52 crores in 1970-71. The directors have maintained the equity dividend at 18 per cent—Rs 4.50 per share of Rs 25 each. But it is payable on a enlarged capital as increased by the one-for-two rights issue.

Out of the gross profit the directors have provided Rs 83 lakhs for depreciation, Rs 7.50 lakhs for development rebate reserve and Rs 151 lakhs for taxation as against Rs 82 lakhs, Rs 12.80 lakhs and Rs 74 lakhs allocated respectively in 1970-71. This leaves a balance of Rs 115.22 lakhs and it has been transferred to the general reserve. Equity dividends will claim Rs 52.98 lakhs—Rs 17.66 lakhs more than in 1970-71 while preference dividends will absorb Rs 4.60 lakhs the same as in the earlier year. The dividends will be paid out of the general reserve.

Sales of toilet and washing soaps and synthetic detergents increased by 23 per cent while sales of 'magic' the detergent powder and 'bonus', the detergent cake were up by 64 per cent as compared to the previous year. Exports aggregated Rs three crores during 1971-72

recording a marked rise of about 48 per cent. Exports of shrimps totalled Rs 1.16 crores recording an increase of about 69 per cent. Valuable research and development work has been done in evolving processes for higher utilisation of inedible and minor oils, consumption of which has increased by 21 per cent over the previous year. Further progress has been made in the development of indigenous engineering know-how and in the last three years the company has made 54 new indigenous machines of special and intricate design which in the past were imported. The company's Malaysian project set up with the approval of the government is progressing satisfactorily.

Coromandel Fertilisers

An Industry is set up with the intention of producing goods and services at competitive rates, contribute to the economic activity and earn a profit for its investors. But it would indeed be a sorry state of affairs if industry is reduced to a position of sheer economic survival. This strikingly significant observation was made by the Chairman of Coromandel Fertilisers Ltd, Dr Bharat Ram in his annual statement circulated to the shareholders of the company. Full utilisation of capacity alone, the chairman further observed, cannot contribute substantially to increased profits, if operating costs which are beyond the control of a company rise steeply year after year. Mounting costs of production, for instance, is adversely affecting the performance of even well-managed and efficiently run enterprises such as Coromandel. In this connection the chairman made pointed reference to the abnormal rise in costs of specific items which

are making heavy inroads into the profitability of the company. Although sulphur prices have touched rock-bottom levels the world over, the agency concerned with the supply of sulphur has recently increased its price to Rs 300 per m. tonne resulting in additional cost of Rs 34 lakhs a year to the company. The hike in power tariffs has pushed up power costs by another Rs 25 lakhs annually while increases in rail freight, sliding charges and warehouse rental account for nearly Rs 40 lakhs a year. The Emergency Risks Insurance costs the company by as much as Rs 10 lakhs while the levy on naphtha from June 1971 has burdened the company with an extra amount of Rs 31 lakhs a year.

The company has maintained a steady and progressive growth during the last four operating years. Many factors affecting production have been minimised and consequently the utilisation of capacity is improving steadily. The management is now studying ways and means to achieve higher targets. Fresh technical studies on the expansion of ammonia, phosphoric and sulphuric acid plants are underway and based on the technical report a revalidation of the expansion licence will be obtained and the project finalised. Meanwhile the company has strengthened and enlarged the areas of demonstrations plots, soil testing and farmer services. A new N-P-K complex fertiliser with an analysis of 14-35-14 was added to the product line. It was introduced in the market in April this year and has met with an encouraging response. To overcome the serious bottleneck in transport the company was forced to move the product by road or by covered and uncovered wagons to the available points and then tranship by road.

Indian Organic

Indian Organic Chemicals Ltd has suffered a sharp setback in its working during the year ended March 31, 1972. With a jump in sales from Rs 8.80 crores to Rs 10.98 crores gross profit has slumped to Rs 44.50 lakhs from

Rs 86.44 lakhs in 1970-71. Nevertheless directors have decided to maintain the equity dividend at 12 per cent for the year. Of the proposed equity dividend about 40 per cent is expected to be tax-free.

Heavy imports of plasticizers have adversely affected the company's sales of Phthalete plasticizers. Acute shortage of PVC resins too had its impact on the company's production. However, it is expected that there will be a recovery in the latter half of this year due to the ban on imports of plasticizers and the likelihood of a larger availability of PVC resins. Meanwhile the company is going ahead full steam with its scheme for the completion of the polyester fibre unit at Manali, near Madras. There had been some delay in commissioning of the plant due to late receipt of local fabricated equipment. According to current indications the plant is expected to be commissioned for trial runs sometime in August. Meanwhile the company has received recently an licence for import of raw materials subject to certain stringent export conditions and the matter is being taken up with the government.

The company has earned a lower net profit of Rs 26.01 lakhs during the year under review as compared to Rs 33.48 lakhs in 1970-71 after providing Rs 14.29 lakhs to depreciation, Rs 3.20 lakhs to development rebate reserve, and Rs one lakh to taxation as against Rs 16.21 lakhs, Rs 3.75 lakhs and Rs 33 lakhs allocated respectively in the previous year. After adjustments an amount of Rs 31.27 lakhs was appropriated to general reserve as against Rs 33.35 lakhs in the earlier year. The proposed dividends will be paid out of the general reserve.

Bajaj Electricals

Bajaj Electricals Ltd has reported all-round improvement in its working results during the year ended March 31, 1972. With a jump in sales from Rs 8.80 crores to Rs 10.98 crores gross profit has slumped to Rs 44.50 lakhs from

the company's performance has continued during the current year as well with sales for the first two months being higher at Rs 1.76 crores as against Rs 1.31 crores for the previous year. The directors have proposed to maintain the equity dividend for 1971-72 at Rs 12 per share and the dividend on deferred shares at Rs 9.28 per share.

An outstanding feature of the company's operations during the year is the management's decision to participate in a new venture in the joint sector to manufacture G.L.S. lamps and fluorescent tubes in Madhya Pradesh. An agreement for the same has been entered into with the Madhya Pradesh State Industries Corporation Ltd. The new company styled MP Lamps Ltd will manufacture six million G.L.S. lamps and one million fluorescent tubes per year. Bajaj Electricals will invest 24 per cent and Madhya Pradesh government 27 per cent in the shares of the new company while the remaining will be offered to the public. The cost of project is estimated at around Rs 1.50 crores.

Out of the gross profit the directors have transferred a sum of Rs 1.84 lakhs to depreciation reserve and Rs 39 lakhs towards tax liability as compared to Rs 1.58 lakhs and Rs 27.38 lakhs provided respectively in 1970-71. The proposed equity, preference and deferred dividends will absorb Rs 13.68 lakhs.

News and Notes

Expansion and diversification

National Machinery Manufacturers Ltd is embarking on a large-scale diversification of its lines of manufacture. It has already received a letter of intent for the manufacture of hydraulic motors and gear boxes, and negotiations for a suitable collaboration agreement are under way. An application has been made for permission to manufacture textile and industrial bearings though no letter of intent has been received. The management is also exploring the possibility of manufacturing plastics and printing machinery and mechanical presses. Recently it

has received a licence for the manufacture of machinery for synthetic fibres. Technical collaboration agreement has already been completed with Barmag Barmer Maschinensabrik AG of West Germany and the company hopes to roll out the first machine before mid-1973 from its new factory at Baroda.

New Venture

Tanfort Tyres Ltd proposes to set up project in Bangalore for the manufacture of various types of tyres and tubes, initially for scooters, motor cycles and light vehicles and later on for heavy vehicles in progressive stages. An outstanding feature of this new venture is that the entire project will be executed with local plant, machinery and equipment. To start with the proposed factory will have an installed capacity of 16.50 lakh tyres and tubes for various kinds of light vehicles. The cost of the project is estimated at Rs 70 lakhs of which Rs 44 lakhs will be spent on plant and machinery. It will be financed through the share capital of Rs 50 lakhs and a loan of Rs 20 lakhs from Mysore State Financial Corporation. Land has been acquired and the entire equipment has been procured from indigenous sources. A major portion of the plant and machinery is now under erection.

Out of the share capital of Rs 50 lakhs, equity shares worth Rs 12.82 lakhs have already been subscribed. The present issue consists of Rs 37.18 lakhs—Rs 30.68 lakhs in equity shares and Rs 6.50 lakhs in preference shares. Equity shares of the value of Rs 50,000 have been reserved for the Mysore State Industrial Investment and Development Corporation while equity capital of Rs 8.68 lakhs have been reserved for allotment to promoters for supply of machinery. The company now proposes to make a public issue of 2,15,000 equity shares of Rs 10 each and 6,500 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each at par.

New Issues

Jg Glass Ltd is setting up an

automatic glass manufacturing plant at Rishikesh in Uttar Pradesh, capable of producing bottles of one oz. to 40 oz. capacity and in different shapes. This new venture has been promoted by Jg Glass Industries Pvt. Ltd which has been engaged in glass manufacturing since 1957 and is one of the leading manufacturer of glass containers in the country. The company will initially undertake the manufacture of vials for packing antibiotics. The surplus capacity, if any, will be utilised for manufacture of bottles for cosmetics, dairies, aerated water, and chemicals. Production is expected to commence by the end of this year.

To raise resources for financing this project the company will soon be entering the market to raise a capital of Rs 30 lakhs consisting of 3,00,000 equity shares of Rs 10 each. The capital outlay on the project is estimated at Rs 1.29 crores and it will be met through the share capital of Rs 50 lakhs, loans to the tune of Rs 72.50 lakhs and by deferred payments of the order of Rs 6.55 lakhs. The management hopes to declare a maiden of 10 per cent in 1973 and raise it to 15 per cent in subsequent years.

As the public issue of Atlas Copco (India) Ltd was oversubscribed several times on the very first day of its opening the company had decided to close the list on June 23. The company offered for public subscription 289,250 equity shares of Rs 10 each at a premium of Rs 7.50 per share. The subscription list for this fully underwritten issue opened on June 21.

The Industrial Credit and Investment Corporation of India Limited (ICICI) received applications for debentures exceeding Rs nine crores as against the issue of Rs seven crores. In view of this oversubscription, ICICI closed the subscription list on June 22. This is the third issue of debentures by ICICI. Its previous two issues of Rs six crores and Rs five crores made in 1967 and 1969 were also oversubscribed.

Readers' Roundtable

Performance of HEIL

Sir, Your editorial, (June 9, 1972), throwing light on the poor performance of Heavy Electricals India Limited, is most timely. Having invested huge amounts in the three factories at Bhopal, Hyderabad and Hardwar, the government had planned to meet all the future requirements for new power plants from the production of these factories. But, after eight years of their commencing production, these factories have succeeded in supplying only six thermal plants which were fully imported and about the same number of plants were manufactured at the Bhopal and Hardwar factories. The Hardwar factory, which is supposed to manufacture the larger size of 200 MW thermal plant units, is not ready even to start production. The slow progress of these factories has resulted in a serious power shortage which is likely to increase in future as the demand for power is growing very rapidly.

It may be pointed out that the success of such undertakings of national importance largely depends on the practical managerial experience and factory expertise of persons who have actually worked in such factories and become specialists in their operations. The top management of these factories has continued to demonstrate expertise only in finding alibis for its poor performance and transferring the blame to other departments and electricity boards. No doubt, the working of some of the state electricity boards is also very far from satisfactory in the matter of planning for new generation of power, but this should not be advanced as a justification for the dismal performance of both Heavy Electricals Limited and BHEL.

May I also correct one wrong impression which your comments might create. The losses incurred by the HEIL as well as

the BHEL could not have been avoided by a review of its pricing policy as you seem to imply. In fact, their prices have already been very high. It seems that their losses are not due to low prices but very low level of production. Unless the production goes up 4 to 5 times of its present level, these undertakings will continue to pay a very high price for its power plants which in turn will affect the cost of power which should be as low as possible in order to bring down the cost of industrial production.

Delhi B. R. POHOJA
(Mr Pohoja's fear that the

Incentives to Cottonseed Crushers

Sir, We are highly thankful to you for the discriminating support extended to the cause of the scientific cottonseed crushing industry through the article entitled "Incentives for Cottonseed Crushers" appearing in your esteemed journal of May 26, 1972.

In the course of the article, it has been asked "what efforts have cottonseed crushers made to bring down their costs, so as to bring down the prices of edible oil and other products? It is to be hoped that AICOSCA would address itself to these important issues."

The answer to these queries is provided in the following paragraphs:

(a) The availability of cottonseed has been much larger (22 lakh tonnes) in the current season as a result of the bigger cotton crop. Our members stepped up crushing to produce more edible oil at a time when the country is facing a wide edible oil gap as a result of

article "No 'Heil' to HEIL" is likely to create a wrong impression about the pricing policy is unfounded since, immediately after urging this undertaking to review its pricing policy, we have clearly pointed out that "this measure alone would not put an end to all its troubles" and that "it is necessary that steps should be taken to increase the utilisation of machine capacity". All the three statements have been made one after the other and they must be considered together. The attention of readers is also invited to the speech of the Chairman of Bharat Heavy Electricals Ltd, which was published in our issue of June 23, pp. 1237 to 1239—Ed.)

the stoppage of imports of soya bean oil.

We enclose a statement showing the monthly average prices of washed cottonseed oil at Bombay during the past 12 months (alongside). It will be seen that the prices of cottonseed oil have declined by 12 per cent in the aforesaid period.

(b) In spite of the withdrawal of the cash incentive of 12½ per cent on export of cottonseed extraction since April 1, 1971, to which you have made an appropriate reference in your article, the scientific crushing industry has reluctantly shouldered the burden of disposal of the by-products, namely, cottonseed extraction, which has only an export outlet, and cottonseed expeller, which has to be marketed in a saturated indigenous market.

That the grant of cash assistance for exports will only benefit the country can be seen from the following calculation:

For every 100 tonnes of

cottonseed crushed in the organised sector, the country gets four additional tonnes of oil as compared to the unorganised sector. Additional four tonnes will be a valuable substitute for four tonnes of soya bean oil, roughly valued at Rs 9,000 in foreign exchange.

Further, there would be 43 tonnes of decorticated extractions available for export, which will fetch exchange of the order of Rs 21,000. In addition, there will be a production of 7.5 to 8 tonnes of linters if proper delinting is done, capable of yielding five tonnes of rayon and chemical grade pulp, thereby saving a minimum of Rs 8,000 worth of imported pulp. As against this, the exchequer will lose only about Rs 5,200 by way of cash assistance at the rate of 25 per cent. It is clear from these figures that by grant of incentive of Rs 5,200, the

Monthly Average Prices of Washed Cottonseed Oil at Bombay During May 1971 to April 1972

Month	Price per tonne (Rs)
May 1971	3884
June 1971	3711
July 1971	3923
August 1971	4232
September 1971	4196
October 1971	3979
November 1971	3742
December 1971	3793
January 1972	3867
February 1972	3867
March 1972	3791
April 1972	3577

country gains in foreign exchange to the tune of Rs 38,000 (i.e. Rs 9,000+Rs 21,000+Rs 8,000), besides substantially contributing to self-reliance in edible oils.

The vital role of cash assistance in exports will be clear from the fact that the development of the industry during the past decade is related entirely to the quantum of export assistance. When the export assistance was at the rate of 25 per cent, the exports of decorticated cake/extractions went up to 1,34,000 tonnes in 1967 (Rs six crores). When assistance was withdrawn from April 1, 1971, exports slumped to 63,000 tonnes in 1971 (Rs three crores).

(c) The industry is undertaking widespread propagation of the use of cottonseed cake in the country through demonstrations, visual and other forms of publicity and personal contacts. If this drive is successful, it will help to wean the cattlefeeders from the use of cottonseed as such and that, in turn, would be conducive to the increased production of cottonseed oil and to the gradual decline in the price levels of oil.

(d) The third by-product namely, cotton linters has also been produced to a substantial extent along with the cake. Our members, however, have found it most difficult to dispose of the linters, even though they form a good raw material for linter pulp, and by replacing imported wood pulp, would enable a substantial degree of import substitution to be achieved. In spite of the repeated representations by AICOSCA to government, wood pulp imports have not been reduced, leaving our crushers without a market for our stock of cotton linters.

We shall be grateful if the attention of the public could be directed to the above aspects.

Bombay. R. V. KOPPIKAR
Secretary,
All-India Cottonseed Crushers' Association

Save with grace

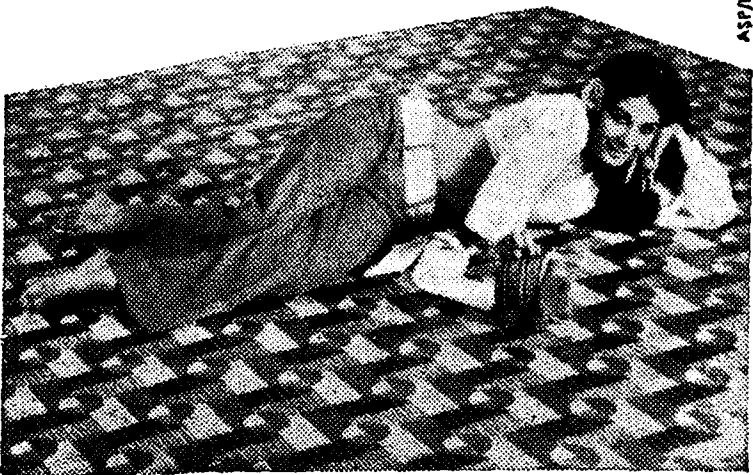
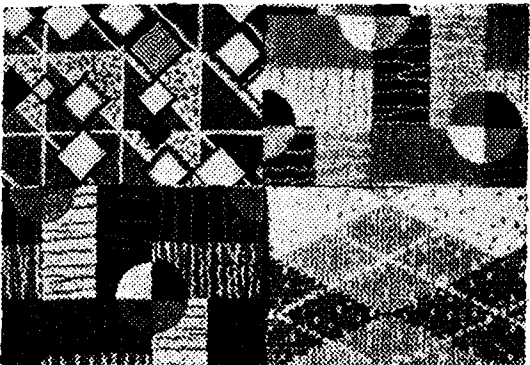
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MAHINDRA UGINE STEEL COMPANY LIMITED

Statement of the Chairman MR. HARISH MAHINDRA

Following is the statement of the Chairman, Mr. Harish Mahindra to the Members on the occasion of the 9th Annual General Meeting of the Company held in Bombay on 26th June 1972.

Political and Economic Outlook

The year 1971 was a difficult and eventful one for our country. It was the most tumultuous year in certain respects after we attained independence. Under the inspiring leadership of our Prime Minister Smt. Indira Gandhi, in our hostilities with Pakistan, we were able to register a victory for truth, liberty and democracy, the ideals which we cherish so dearly. It was a Dharmayudha in the real sense of the term and it was a unique kind of war, which resulted in the creation of an entirely new nation.

It is more than two months ago that we have had the fifth general elections to the State Assemblies. In almost all the States stable Governments have been formed by one and the same party, which is in power at the Centre. This should herald a period of political stability in the country and also a certain measure of uniformity, coherence and consistency in various economic policies. This is also the right occasion to concentrate on the foremost problems before the country and for implementation of various programmes for solving the over-riding issues of poverty and unemployment.

The ruling party is engaged in discussing certain far-reaching radical reforms. Many of us here at the moment have little doubt as to which way we are heading in the realisation of our desire for a socially

and economically more egalitarian society. Most of our economic policies which decisively set the pace and pattern of economic development still suffer from ambiguity, nebulousness and anomalies.

Certain basic lessons in economic development which we learnt from the past are being ignored in the rush and tumble of events. While it is true that growth in GNP does not necessarily mean an improvement in the living standards of the masses, we cannot afford to go to the other extreme and decry rapid growth which we must have at all costs. While it is essential that we introduce equalisation measures, as one of the solutions to the contentious problems of poverty and unemployment, such a solution, however, does not necessitate the slackening of our development efforts for one reason or the other. On the contrary, an accelerated rate of development will in fact reduce the intensity of the problem.

While, I for one, welcome the radical measures initiated or contemplated by the powers that be, I feel that this should not become an obsession with the planners to the detriment of the growth of the economy as a whole. Although it is a truism and platitude, I would like to reiterate that only through implementation of massive labour intensive schemes such as construction of national highways, bridges,

interlinking of inland water ways etc., the seemingly intractable problem of unemployment can be overcome.

Budget 1972-73 :

The Budget for 1972-73 has been rather disappointing for the corporate sector which had looked forward to certain development-oriented taxation measures. Contrary to the expectations of the corporate sector, the Government has withdrawn the allowance of a special deduction of an amount equal to 5% of profits of domestic companies engaged in the priority industries. Conversely, the surcharge on corporate tax has been enhanced from 2½% during 1971-72 to 5% in the current year's Budget.

It is not these imposts that are causing concern. It is on the other hand what the Budget has failed to offer to enliven the investment climate has been a source of anxiety. I refer here to my previous statement to you wherein I had taken the position that the abolition of Development Rebate after 31st May 1974 would positively hinder capital formation. The same view has been continued to be echoed and stressed by various other persons and organisations. The Finance Minister has reiterated on several occasions that there is no possibility of revival of Development Rebate in its original form. However, it now appears that the Government is searching for a suitable substitute so

that the withdrawal of the Development Rebate does not have a negative impact on investment policy and an inhibiting effect on the growth of industrial activity in India. I would plead for the reconsideration of the question of withdrawal of Development Rebate because I do not share the view that the Development Rebate contributed in any way to over-capitalisation as argued by its detractors. No management worth its name, while planning the capital structure of a Company, would deliberately over-capitalise only for the sake of availing itself of the benefits of Development Rebate. If Government feels that Development Rebate cannot be reinstated, I would suggest that either accelerated development rates should be allowed or grant of initial investment allowance as prevailing in other countries should be given as a corrective factor to counteract the rise in replacement costs of plant and equipment. If the Government is serious in directing industrial investments into so-called backward areas, it would be well advised to retain the incentive of Development Rebate at least for projects located in such areas. In the context of all these tax reforms and measures, the most important factor to be kept in mind is that what is at stake is not the growth, expansion, prosperity or adversity of a few organisations, but the very industrial development of the country itself.

Working Results :

Coming to the affairs of our own organisation, I am sure you would have observed the very satisfactory and marked increase in the sales of your Company and the consequent surplus position obtaining therefrom from the Directors' Report and Accounts for the year ended 31st December 1971. We were able to achieve an increase of more than 26 per cent in the income from sale of products and other income which is gratifying by any standard. The increase was of the order of about Rs 2.188 crores from Rs 8.265 crores. In terms of quantity, the output of saleable finished products increased to 31,836 tonnes—an increase of approximately 22 per cent over the previous year's output.

The turnover during the first five months of the current year has worked out to Rs 427 lakhs as against Rs 429 lakhs in the corresponding period of 1971. The order load at the moment is quite satisfactory and we expect that the inflow of fresh orders would be at the same levels as in the past.

Expansion :

You are aware that we had received some time back an expansion licence permitting us to produce tool, alloy and special steels of all types, grades and categories (with the exception of sheets and plates) upto 36,000 tonnes per annum of finished steel. After a detailed study, your Company had come to the conclusion that additional capital outlay for implementing the expansion of the existing capacity of 24,000 tonnes to 36,000 tonnes per annum would be disproportionate to the incremental return on the extra output of 12,000 tonnes, particularly as the prices for arc furnaces, blooming mill, etc. had registered a phenomenal increase since 1968. After considerable deliberations and advice received from our collaborators proposals for expansion of the productive capacity of the plant from 24,000 tonnes to 60,000 tonnes per annum in terms of finished steel were initially submitted to the

Government on 9th June 1970. Our expansion scheme as submitted to the Government is more in the nature of quantitative expansion inasmuch as product diversification is covered by the licence already held by us.

So far as the overall position of Alloy and Special Steel is concerned, the recent projections of NCAER and market surveys of different Agencies have proved beyond doubt that by 1980-81 there would be a substantial gap between the estimated demand and availability and especially in respect of Alloy and Constructional Steel, the gap would be quite appreciable. To ensure a balance between the demand and availability by 1980-81, additional capacities would have to be necessarily planned and action initiated as expeditiously as possible having due regard to long gestation period.

Basically, there is an acceptance by the Government that priority should be accorded to the expansion of the existing Steel Plants over the establishment of new Plants for three principal reasons viz. (1) The cost of expansion would be appreciably lower than construction of a new Plant, (2) Expansion would be comparatively less time-consuming and (3) Economies stemming from larger scale of production would render some of the existing Units more viable.

For instance, it has been reported that the Steel Ministry now admits that the investment costs per tonne of steel ingots for the proposed Vijaynagar and Vizag Steel Plants in the South would be almost double that of the cost involved for expansion of Bokaro or Bhilai. Whereas investment per ingot tonne for plants located on green-field site is expected to vary between Rs 3,750 and Rs 4,000, the corresponding capital cost on identical basis for expansion of the capacity of Bhilai (from 2.6 million to 4.0 million tonnes) has been estimated at Rs 2,500 and, in the case of Bokaro, about Rs 2,160 (for expansion from 1.7 million to 4.0 million tonnes).

The capital outlay on our project based on an annual capacity of 60,000 tonnes would work out considerably less than the corresponding capital outlay on new projects recently sanctioned by Government.

If we had received the approval of the Government to our Expansion Scheme within a reasonable period we could have taken advantage of the prices of plant and equipment prevailing in 1971 thereby saving a considerable amount of foreign exchange expenditure. Increase in the price of the plant and equipment in the Continent has been anywhere from 10% to 15% per year and the delay in going ahead with the Expansion Scheme will result in avoidable increase in the capital outlay, particularly in terms of foreign exchange.

Another factor which is in favour of expansion of a plant like ours is the shorter gestation period resulting in quicker displacement of imports and consequential savings in foreign exchange as well as larger earnings of foreign exchange through exports of alloy-steel-based engineering products.

Moreover, in respect of royalties, MUSCO's expansion would yield a distinct and recurring advantage from the point of view of National Exchequer in terms of smaller outflow of foreign exchange. Our Collaborators have agreed graciously not to charge additional royalty on any quantity beyond 36,000 tonnes. This advantage alone should weigh heavily in the minds of the Authorities in favour of our proposal for expansion of plant capacity upto 60,000 tonnes.

Summing up, I feel that our Expansion Scheme is basically in consonance with the Government's thinking on the expansion of Mild Steel Plants. The social cost benefit of our Scheme from a macro perspective is also too obvious to be emphasised. In spite of these advantages, the fact that our expansion scheme has been virtually kept in cold storage by the

Government for nearly two years is rather inexplicable in the face of the avowed policy of the Government that units in the Private Sector are expected to augment the production of Alloy and Special Steels in the country. In these days when self-reliance, import displacement and rapid growth of economy are the cornerstones of our economic planning, we cannot afford to let industrial applications, based on sound economic reasons, shrivel up in delays like this. I therefore fervently hope that the Government will accord its approval to our Expansion proposals without and further loss of time.

Scrap :

Over the year under review, the capacity utilisation of Alloy Steel Industry has not been upto the mark. We have, as in the past, met with snags in the supplies of several of our most essential raw materials. In the case of scrap, the severity of shortage is fully manifest in the relentless surge in prices. It is desirable that scrap dealers voluntarily agree to exercise some restraint in the matter of scrap price increases. A recent study indicates that the requirements of scrap in 1976-77 would be double that of 1972-73, being of the order of 1.37 million tonnes. The supplies, however, are not growing at the same rate. From a nominal surplus position in 1970-71, we have today reached a stage when we have to start importing heavy melting scrap.

Even after measures are taken to improve scrap collection and scrap processing, there would still be a wide gap between scrap requirements and availability. It is, therefore, necessary to plan ahead, foresee gaps in supplies and attempt to bridge them by setting up sponge iron plants/metallised iron pellet plants.

Power :

In respect of power, there are mainly two points which are of immediate relevance to the operations of your Company.

The first relates to the apprehended serious shortage of power which is an essential input for melting operations, in the coming years. As you know, the present power situation in Maharashtra is not that comfortable and this situation is likely to continue unless immediate steps are taken to augment power generation. If I may say so, the Electric Furnace Industry, which is a power intensive one, has a share in the total generation capacity of only about 0.2 million K.Ws or about 1.5% of the generation capacity or 2% of the peak demand. We would, therefore, urge the authorities concerned to ensure adequate supplies of this essential input round-the-clock and all through-the-year. I would also suggest the creation of regional grids, which will help any Power Authority to take advantage of the ups and downs in the daily and seasonal peak demands, so that temporary shortages in one State may be made good by the temporary surplus in another State. Attention has also to be paid to the question of reducing energy losses in transmission and distribution. Hand in hand with these measures, there should be no slackening in the creation of fresh capacity for power generation.

A second and more urgent issue relates to the power tariff. At the moment the power cost for electric steel production in Maharashtra is almost prohibitive. I had referred in my previous statement that a Committee headed by the Industries Commissioner had been appointed by the Government of Maharashtra to inquire into this question. We learn that this Committee has recommended granting of exemption from Electricity duty to power intensive industries and bringing the tariff for power intensive units on par with those prevailing in States such as Mysore, Tamil Nadu, Gujarat and Madhya Pradesh.

Of late the Union Government is said to be advocating a concessional tariff of about 4.5 Paise per KWH for purposes of encouraging Mini Steel

plants in order to stimulate the growth of indigenous technology for sponge iron. Needless to say this is a move in the right direction and I only hope that the Maharashtra Government will act quickly in the matter of restructuring the MSEB tariff for electro-metallurgical industries.

Exports :

Although the indigenous output of Alloy and Special Steels is not sufficient to meet the requirements of the country, which position is likely to continue for a few years to come, there is, in my opinion, scope for direct export of certain types of Alloy and Special Steels. Of course, indirect exports of Alloy and Special Steels are taking place at the moment in the form of sophisticated engineering products. My submission to the Government is that those Alloy Steel Plants which have been able to establish reputation for consistency in quality should be offered adequate incentives for export of Alloy and Special Steels. Although initially the quantity which could be spared for export market would not be substantial, the efforts to find markets for such sophisticated products will pay dividends from a longterm perspective when the country's output of Alloy Steel will be sufficient to meet the entire domestic demand, leaving some exportable surplus.

Imports of Canalised Items :

As I had mentioned in my previous statement, the imports of Graphite Electrodes, Refractories, Ferro Alloys, Heavy Melting Scrap, Sponge Iron and Nickel were canalised through Government Trading organisations. On this matter we have had an open mind despite our misgivings. Nevertheless, I am now constrained to say that our experience so far in the matter of our obtaining these imported materials has not been happy. Nor are we satisfied with the manner in which imports are arranged, the lead time for physical receipt of the material and finally the actual cost we have to incur

for their supplies. The commission of the order of 5 to 7½% of the CIF value charged by the Canalising Agencies is definitely on the higher side and by any measure, out of proportion to the actual costs involved in the import of such materials. A better way to calculate commission would be to work out the actual cost of imports and to charge about 1% extra over and above such actual costs.

There is not much of a business-like approach in arranging imports. The time taken for finalising firm orders is nearly 6 to 7 months, whereas it never ought to take more than 2 to 3 months. Secondly, to curtail such delays, regular live-wire contacts with the consumers for purposes of consulting them regarding the most desirable source of supply, prices, quality, specifications and so forth are lacking. I suggest that the Canalising Agencies permit the consumers to scrutinise the offers received by them so that they could identify the best offer without any undue loss of time. Such a procedure will also ensure that specification-wise the material ordered by the Canalising Agencies is strictly in accordance with their requirements. The time lag involved between the date of the application for release order and the physical receipt of the canalised material is such that the expressed intention of the Government that the consumers could get their half-yearly requirements on a replenishment basis is defeated. Timely receipt of the materials is a *sine qua non* for keeping the wheels of production running. Clubbing all release orders for small values entails a certain amount of delay in placing the final orders with the foreign suppliers, completely upsetting the delivery requirements of the consumers. There is, therefore, a *prima facie* case for Canalising Agencies issuing letters of authority in favour of consumers to import on their own wherever the value of each individual release order is less than Rs 50,000.

Collaborators :

The Shareholders will be

glad to know that there has been a merger effective from 1st January 1972 between our Collaborators—Ugine Kuhlmann and Pechiney Group in France. This merger has resulted in the creation of a super conglomerate with an annual turnover of 2.7 billion dollars—according to various rankings, this new undertaking shall be number one in France and will be one of the top ten companies outside the United States. As a result of the merger, the assets and industrial activities of various companies belonging to Pechiney and Ugine Kuhlmann Group have been regrouped within the seven divisions viz. Aluminium, Copper, Special Steel, Ferro Alloys, Chemicals, Special Products and Nuclear Products.

Our association with Pechiney Ugine Kuhlmann opens up new vistas for close cooperation and collaboration in several fields whereby we can make fuller use of our financial and manpower resources and the expertise we have been able to build up within our own organisation. With a view to selecting some of the products within the gamut of activities of Pechiney Ugine Kuhlmann for eventual manufacture in the country, it is proposed to establish a Merchandising Division to acquire the necessary skill and experience in marketing PUK's products and sale of their techniques to third parties in India wherever considered necessary.

Before I conclude, I would like to express my sincere appreciation of the unstinted efforts put in by your officers, staff and workers in setting new records. I am also grateful to my colleagues on the Board for their sound advice and counsel. We are also indebted to Ugine Aciers for providing technical assistance in solving some of the production problems and in establishing new grades of steel.

Note : This does not purport to be the record of the proceedings of the Ninth Annual General Meeting of the Company.

RECORDS AND STATISTICS

Population of India : April 1, 1971

THE 1971 decennial census enumeration of the population of India was carried out from March 10, to April 3, 1971 with reference period as the sunrise of April 1, 1971. The abstracts of the population figures were collected from more than a million enumeration staff engaged in the gigantic operation through a relay system from the field and the provisional population figures were released by the Registrar General within a record time of ten days from completion of the enumeration. This was the shortest time in the history of Indian Census, as indeed in the census history of any country in the world, that the provisional results were announced after the Population Count. The schedules canvassed for every individual in the country were processed in hundred and old Regional Tabulation offices opened all over the country and now the final figures of population are available.

The final population of India as on sunrise of April 1, 1971 was 547,949,809; the break-up by sex and rural-urban areas, is as follows.

For the first time, the 1971 Census covered the Indian members and their families of our Missions abroad (Diplomatic Corps).

The difference between the final population now compiled after detailed sorting and tabu-

lation of the schedules and the provisional population figure released last year with the help of the census enumerator's abstracts is extremely small being only 0.11 per cent. Besides, the provisional figures did not include the figures of our Indian Missions abroad :

(1) Final population 547,949,809

(2) Provisional population 547,367,926.

(3) Difference between Provisional and Final Population (1)–(2) 581,883.

(4) % difference over (2) +0.11.

The total population of scheduled Castes and scheduled Tribes as revealed by the 1971 Census was as follows :

Total Population 547,949,809.

Scheduled Caste Population
Number 79,995,896. % to the total population 14.60.

Scheduled Tribe Population
Number 37,974,953; % to the total population 6.93.

The present volume of final population figures is being re-

TABLE I
Sex in Rural and Urban Areas

	Persons	Males	Females
Total	547,949,809	283,936,614	264,013,195
Rural	438,855,500	225,218,984	213,636,516
Urban	109,094,309	58,717,630	50,376,679

TABLE II
Urban Areas : Over One Million

Urban Area	Population	Urban Area	Population
1. Calcutta Urban Agglomeration	7,031,382	6. Ahmedabad Urban Agglomeration	1,741,522
2. Greater Bombay	5,970,575	7. Bangalore Urban Agglomeration	1,653,779
3. Delhi Urban Agglomeration	3,647,023	8. Kanpur Urban Agglomeration	1,275,242
4. Madras Urban Agglomeration	1,169,930	9. Poona Urban Agglomeration	1,135,034
5. Hyderabad Urban Agglomeration	1,796,339		

TABLE III
Population : Religion-wise

Religious Community	Population	Sex ratio (i.e. females per 1000 males)	Proportion to total population (per cent)	Decadal growth rate 1961-71 (per cent)
Total Population	547,949,809	930	100.00	24.80
Hindus	453,292,086	930	82.72	23.69
Muslims	61,417,934	922	11.21	30.85
Christians	14,223,382	986	2.60	32.60
Sikhs	10,378,797	859	1.89	32.28
Buddhists	3,812,325	962	0.70	17.20
Jains	2,604,646	940	0.47	28.48
Others	2,184,556	1,011	0.40	26.10
Religion not stated	36,083	863	0.01	—

TABLE IV
Trends in Population Growth : 1951-61 and 1961-71

Religion	Population		Proportion to total population (per cent)		Decadal growth rate per cent	
	1961	1971	1961	1971	1951-61	1961-71
Total Population	439,072,582	547,949,809	100.00	100.00	21.50	24.80
Hindus	366,393,102*	453,292,086	83.51	82.72	20.29	23.69
Muslims	46,938,584*	61,417,943	10.70	11.21	25.61	30.85
Christians	10,723,560*	14,223,382	2.44	2.60	27.38	32.60
Sikhs	7,845,098*	10,378,797	1.79	1.89	25.13	32.28
Buddhists	3,200,333*	3,812,325	0.73	0.70	2267.01	17.20
Jains	2,027,248*	2,604,646	0.46	0.47	15.17	28.48

*Note : The 1961 figures do not contain the figures of Arunachal Pradesh as the All India Schedule was not Canvassed throughout that Pradesh then.

leased to meet the persistent demands for the statutory use of the 1971 Census figures for various purposes such as delimitation of electoral constituencies, allocation of funds, determination of city allowances, etc.

Over one million population cities

The final population figures now compiled confirm the following nine urban areas as having a population of over one million :

The broad picture revealed of the major religious communities in India at the 1971 Census is as follows :

Table IV indicates the trends observed in the last two decades :

Hindus

The Hindus form the bulk of India's population, accounting for 82.72 per cent of the total population. The states and union territories in which Hindus constitute less than 60 per cent of the population are : Kerala (59.4 per cent), Manipur (58.97 per cent), Punjab (37.54 per cent), Jammu & Kashmir (30.42 per cent), Arunachal Pradesh (21.99 per cent), Meghalaya (18.50 per cent), Nagaland (11.43 per cent), L. M & A Islands (4.86 per cent). In 38 districts out of the total of 356 districts in the country the Hindus form less than 50 per cent of the population. The growth rate (23.69 per cent) of Hindus who constitute the large majority of the population conforms to the general growth rate of 24.80 per cent.

Muslims

The Muslims constituting 11.21 per cent of the total population form the next largest section of the population. The states and union territories in which their proportion is larger than the national average are : L. M & A Islands (94.37 per cent), Jammu & Kashmir (65.85 per cent), Assam (24.03 per cent), West Bengal (20.46 per cent), Kerala (19.50 per cent), Uttar Pradesh (15.48 per cent), Bihar (13.48 per cent). There are 38 districts in the country in which Muslims form more than 20 per cent

of the population. The growth rate recorded by the Muslims in 1961-71 was (30.85 per cent) which is much higher than the general growth rate of 24.80 per cent. The higher growth rate of Muslims has been attributed by some research scholars to the higher fertility among them due to their socio-cultural traits such as permissiveness of remarriage lesser extent of abstinence etc.

Christians

The Christians form only 2.60 per cent of the population. The southern states of Kerala, Tamil Nadu and Andhra Pradesh together account for more than 60 per cent of the Christian population of the country. The states and union territories in which more than a fifth of the population is made up of Christians are : Nagaland (66.76 per cent), Meghalaya (46.98 per cent), Goa, Daman & Diu (31.77 per cent), Andaman & Nicobar Islands (26.35 per cent), Manipur (26.03 per cent) and Kerala (21.05 per cent). The Christians have recorded a high growth rate of 32.60 per cent during the decade 1961-71. Excepting in Gujarat, Himachal Pradesh, Kerala, Punjab, West Bengal, Andaman and Nicobar Islands, Delhi, Goa, Daman and Diu and Pondicherry, the growth rate of Christian population has been higher than that of the respective general population growth rates in the rest of the states and union territories.

Sikhs

The Sikhs who form only 1.89 per cent of the total population are concentrated largely in the Punjab which accounts for 78.62 per cent of the Sikh population of the country. 60.22 per cent of the population of Punjab and 25.45 per cent of the population of Chandigarh Union Territory, 7.16 per cent of the population of Delhi Union Territory and 6.29 per cent of the population of Haryana is made up of Sikhs. In no other state or union territory do they form even five per cent. However, the growth rate recorded by the Sikhs during 1961-71 has been quite high, viz., 32.28 per cent.

Buddhists

The Buddhists constitute only 0.70 per cent of the total population of the country. Maharashtra accounts for over 85 per cent of the total Buddhist population of the country though forming only 6.47 per cent of the population of the state. In Arunachal Pradesh 13.13 per cent of the population are Buddhists. At the district level, in the three well-known Buddhist districts of Lahaul & Spiti (61.53 per cent) in Himachal Pradesh, Ladakh (51.82 per cent) in Jammu and Kashmir and Kameng (37.98 per cent) of Arunachal Pradesh, the Buddhists form a substantially large proportion. The growth rate recorded of Buddhists in 1961-71 was only 17.20 per cent as against the phenomenal growth rate of about 2267 per cent in the previous decade. The decade 1951-61 witnessed the neo-Buddhist movement which led to large-scale adoption of Buddhism by the Scheduled Castes, particularly in Maharashtra. It is possible that during 1961-71 certain

converts from Scheduled Castes to Buddhism preferred to return their religion as 'Hindu' with the hope of not depriving themselves of the concessions available to Scheduled Castes.

Jains

The Jains constitute only 0.47 per cent of the population and they are spread largely in the Western part of the country viz. Maharashtra, Rajasthan and Gujarat, but even in those states they form a very small proportion of the total population. The only states and union territories in which at least one per cent of the population are Jains are : Rajasthan (1.99 per cent), Gujarat (1.69 per cent), Maharashtra (1.40 per cent) and Delhi (1.24 per cent). The Jains are essentially concentrated in urban areas. This is the only religious community whose total number in urban areas exceeds its strength in rural areas. There is nothing striking about their growth rate which was 28.48 per cent during the decade 1961-71 except that it exceeded the general growth rate of 24.80 per cent.

GOVERNMENT OF INDIA

4½ PER CENT LOAN 1979 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 15TH JULY 1979
5 PER CENT LOAN 1983 TO BE ISSUED AT RS. 99.50 PER CENT AND REPAYABLE AT PAR ON 15TH JULY 1983.
5½ PER CENT LOAN 2002 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 15TH JULY 2002

Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs. 350 crores (approximately). Subscriptions may be in the form of (i) cash/cheque or (ii) securities of the Government of India 4½ per cent Loan 1972 and/or 4 per cent Loan 1972 which will be accepted for conversion at par. Government reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

If the total subscriptions received for the new loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the cash subscriptions received and the balance refunded in cash as soon as possible.

Interest on the securities of 4½ per cent Loan 1972 and 4 per cent Loan 1972 tendered for conversion into the new Loan will be paid at the rate of 4½ per cent per annum and 4 per cent per annum respectively upto and inclusive of 14th July 1972 at the time of issue of the new securities.

Interest will be paid half-yearly on the 15th January and 15th July. Interest on all the loans now issued together with interest on other previous Government Securities and income from other approved investments will be exempt from income-tax subject to a limit of Rs. 3,000 per annum and subject to other provisions of Section 80L of the income-tax Act, 1961. The value of investments in the loans now issued together with the value of other previous investments in Government securities and the other investments specified in Section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax upto Rs. 1,50,000/-.

Subscription lists will open on 15 July 1972

and close on 18th July 1972 or earlier without notice.

Applications for the new loans will be received at :

- offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna ;
- branches of the subsidiary bank of the State Bank of India conducting Government treasury work except at Hyderabad; and
- branches of the State Bank of India at other places in India.

For full particulars please apply to any of these offices or branches.

Financial Performance of 543 Companies 1970-71

THE CORPORATE sector performed well in 1970-71, according to a study by the Industrial Credit and Investment Corporation of India (ICICI) of the finances of 543 companies. The companies reviewed consist of 454 public limited companies and 89 private limited companies which received ICICI assistance in the year ending September 30, 1971. Sales net of excise duty for these companies increased from Rs 3,489 crores to Rs 4,010 crores; correspondingly, gross profit increased from Rs 584 crores to Rs 676 crores. Among industry groups, automobile and cycles, chemicals and petro-chemicals, machinery, manufacture, metals (ferrous and non-ferrous), shipping, sugar and textiles show a gain both in sales and gross profits.

At present there is a considerable time-lag in the availability of data on the financial performance of the private corporate sector. A systematic analysis based on a sample study of the private corporate sector is available from two sources, namely, the Reserve Bank of India (RBI) and The Economic Times Research Bureau. The latest sample study of RBI for 1501 public

limited companies, just published, provides data for the financial year (April-March) 1969-70 and the one by The Economic Times, based on a sample of 686 public limited companies, also covers the same financial year.¹ To some extent RBI has made an effort to bridge this gap by publishing a study on 290 large public limited companies for the year 1970-71.²

The sample of 543 companies to which the following tables relate, is composed of 454 public limited companies and 89 private limited companies. In terms of paid-up capital, the 454 public limited companies in ICICI's sample form about 65 per cent of the RBI's sample of 1501 public limited companies and 53 per cent of the private corporate sector. However, in interpreting the ICICI data, it should be borne in mind that the ICICI sample is not a statistically representative sample of the private corporate sector.

Following the pattern of distribution of ICICI assistance, the sample is heavily weighted in favour of non-traditional and new product industries as well as textiles, where ICICI has provided assistance to a large number of companies for modernisation and replacement purposes.³ Thus, as the table below, industry groups such as chemicals and petro-chemicals, ferrous metal products, machinery manufacture, and automobiles and cycles account for nearly 48 per cent of the total paid-up capital of companies covered by the sample.

These 543 companies have combined gross fixed assets of Rs 3,351 crores in 1970-71 which are spread over 17 industry groups spanning 15 states and three union territories. The industry group-wise classification of the companies is based on the United Nations "International Standard Industrial Classification" of all economic activity. The industry groups are very wide in their coverage; for example the chemicals and petro-chemicals group includes products ranging from fertilisers and pharmaceuticals to varnishes and lacquers. It is, there-

TABLE I
Industry-wise Classification of Companies

Industry Group	Number of Companies	Paid-up Capital (Rs crores)	Per Cent of Total
Automobiles and Cycles	26	71.48	7.6
Cement	11	56.20	5.9
Chemicals/Petro-chemicals	74	216.07	23.0
Electricity, Gas & Steam	7	37.54	3.8
Electrical Equipment	43	45.58	4.8
Food Products (Other than sugar)	18	12.42	1.3
Glass & Pottery	16	13.73	1.5
Machinery Manufacture	72	70.24	7.4
Metal Products, Ferrous	42	97.06	10.3
Metal Products, Non-Ferrous	25	51.95	5.5
Pulp, Paper & Paper Products	26	49.91	5.3
Rubber Products	11	23.34	2.5
Shipping	6	20.57	2.2
Sugar	11	11.83	1.3
Textiles	84	115.68	12.2
Wood Cork and Hardboard	4	2.05	0.2
Miscellaneous	67	48.99	5.2
Total	543	944.62	100.0

TABLE 1A
All Companies : Summary of Accounts (Rs crores)

	1969-70	1970-71
Number of Companies	543	543
Paid-up Capital	896.47	944.62
Reserves	597.70	687.65
Long-term Loans	839.07	821.28
Bank Borrowings for working Capital	594.60	624.93
Other Loans	172.77	203.85
Current Liabilities	1636.52	1816.27
Gross Fixed Assets	3115.45	3351.42
Plant and Machinery	2307.70	2466.58
Depreciation (from balance sheet)	1294.47	1476.55
Inventories	855.55	962.29
Current Assets	2044.92	2288.70
Investments	101.94	106.07
Cash and Bank Balances	147.12	172.48
Sales (Net of excise duty)	3488.75	4009.87
Gross Profit	584.48	675.61
Interest	122.96	137.73
Depreciation	177.23	192.90
Operating Profit	274.62	339.78
Taxation	103.47	134.67
Retained Earnings	90.52	111.58
Net cash Accruals	267.76	304.47
Dividends (ordinary and preference)	80.62	93.53
Gross Value—Added	1070.03	1235.86
Net Value—Added	892.79	1042.96
Quick Ratio	39:61	39:61
Current Ratio	56:44	56:44
Equity-Debt Ratio	64:36	67:33
Operating Profit and interest as % of Capital Employed	12.8	14.5
Gross Value—Added as % of Total Assets	26.9	28.6
Net Value—Added as % of Total Assets	22.5	24.2
Asset Turnover Ratio (Net)	112.0	119.6
Asset Turnover Ratio (gross)	87.9	93.0
Inventory Turnover Ratio	24.5	24.0
Operating Profit as % of Sales	7.9	8.5

1. Reserve Bank of India Bulletin, April 1972. The Economic Times, October 26, 1971.

2. Reserve Bank of India Bulletin, February 1972.

3. It should be mentioned that the sample does not cover all companies assisted by ICICI. Companies excluded are mainly those which were not yet in production or those for which balance sheet data were not yet available.

fore, important to use caution in identifying particular industry groups with particular products. Broadly, the product coverage of each industry group is given in Appendix I.

For the purpose of aggregation, the industry classification of a multi-product and diversified company is on the basis of the product accounting for the largest share in the turnover of the company. Similarly, a multi-product firm having plants in various states is classified as belonging to a particular state, if the product having the largest share in the total turnover of the company is manufactured in that state. It should be stressed that state-wise distribution of companies in the sample is highly uneven. The sample covers only a few companies from five states, viz, Assam, Madhya Pradesh, Orissa, Punjab and Rajasthan. For these states, in particular, the sample is highly unrepresentative and should be interpreted with caution.

In terms of size, companies having paid-up capital above Rs 50 lacs constitute nearly 60 per cent of the total number of companies covered in the sample (as against 37 per cent in the RBI's sample of 1501 companies). The ICICI sample, however, also includes 27 small companies with paid-up capital of less than Rs five lacs (RBI's sample covers only companies with paid-up capital above Rs five lacs).

The accounting year for the present study is October-

TABLE III
Distribution of Companies

Year ending	Number of companies
October 1970	18
November 1970	2
December 1970	199
January 1971	2
February 1971	2
March 1971	200
April 1971	12
May 1971	5
June 1971	63
July 1971	6
August 1971	10
September 1971	24

September. Thus, for 1970-71, financial statements ending from October 1, 1970 to September 30, 1971 are included in the ICICI sample. These cover balance sheets received upto end of March 1972. The table below shows the distribution of 543 companies according to the month in which their financial year ends.

It is interesting that as many as 324 companies out of 543 have their year endings in 1971. For the year 1971, therefore, the tables provide the latest available aggregated balance sheet data (the financial year for RBI sample of 290 large companies is April 1970 to March 1971).

The definitions of some of the items included in the tables are as follows :

Gross Fixed Assets : Gross fixed assets are all fixed assets including capital work-in-progress.

Total Assets : Total assets are gross fixed assets and inventories.

Current Assets : Current assets are inventories, stores, receivables, advances and cash, bank balances.

Current Liabilities : Current liabilities are short-term loans, bank borrowings for working capital, and other usual current liabilities.

Operating Profits : Operating profits are profits before tax but after interest, depreciation and management remuneration.

Net Cash Accruals : Net cash accruals are depreciation and retained earnings.*

Gross Value-Added : Gross value-added is operating profits interest, depreciation and salaries and wages.

Net Value-Added : Gross value-added minus de-

* Operating profits as well as retained earnings are based on current year operations only. Adjustments in respect of previous years have been ignored.

preciation.

Equity-Debt Ratio : Proportions of equity and debt expressed in percentage terms : debt includes long term loans only.

Current Ratio : Proportions of current assets to current liabilities expressed

sed in percentage terms.

Quick Ratio : Proportion of liquid assets (i.e. cash and bank balances, investments, receivables and advances to current liabilities expressed in percentage terms.

Asset Turnover Ratio (gross) : Net sales as a percentage

TABLE 1B
All Companies : frequency Distributions

	Number of Companies	
	1969-70	1970-71
Equity : Debt Ratio		
Below 30:70	37	45
30:70 to 50:50	77	55
51:49 to 75:25	176	201
76:24 and above	249	242
Companies not in production	4	—
	543	543
Current Ratio		
Below 40:60	33	33
41:59 to 50:50	122	113
51:49 to 60:40	263	276
61:39 to 70:30	88	88
71:29 and above	33	33
Companies not in production	4	—
	543	543
Return on Capital Employed		
No Return	58	48
0.1% to 5.0%	58	44
5.1% to 10.0%	104	89
10.1% to 15.0%	120	143
15.1% to 20.0%	78	80
20.1% to 30.0%	70	87
30.1% and above	51	52
Companies not in production	4	—
	543	543

TABLE II
Frequency Distribution of Companies by Paid-up Capital

	ICICI Sample (1970-71)		RBI Sample (1969-70)	
	Companies	% of Total	Companies	% of Total
Less than Rs 5 lacs	27	5.0	—	—
Rs 5 lacs to Rs 10 lacs	21	4.0	180	12.0
Rs 10 lacs to Rs 25 lacs	71	13.0	436	29.0
Rs 25 lacs to Rs 50 lacs	97	18.0	330	22.0
Rs 50 lacs to Rs 100 lacs	129	24.0	261	17.0
More than Rs 100 lacs	198	36.0	294	20.0
Total	543	100.0	1501	100.0

of gross fixed assets and inventories.

Asset Turnover Ratio (Net) : Net sales as a percentage of gross fixed assets.

Inventory Turnover Ratio : Inventories as a percentage of net sales.

The fifty-four tables in Part II are organised in three sections. Tables 1A and 1B give data for entire sample; Tables 2A to 18B for each of the 17 major industry groups; and Tables 19 to 36 for 15 states and three union territories. Selected items from the accounts of companies have been summarized and presented in the order of (a) balance sheet items, (b) profit and loss account items, (c) some important ratios. In addition, for the entire sample as well as for each industry-group tables on frequency distributions have been included for equity-debt ratio, Current ratio, and return on capital employed.

Points of Interest

It is not the purpose here to critically review or provide a prose summary of the tables that follow. However, it may not be out of place to touch upon some points of interest regarding the financial state of the corporate sector that emerges from these tables.

Profitability

The first point of interest is that during 1970-71, there has been a significant increase in sales and profitability of the sample companies. Sales increased by 15 per cent and operating profits by about 24 per cent. Operating profits as a percentage of sales thus increased from 7.9 per cent in 1969-70 to 8.5 per cent in 1970-71, and gross returns (profits plus interest) on capital employed increased from 12.8 per cent to 14.5 per cent. It would seem that the better record of profitability, despite higher costs of raw materials and higher incidence of wages, was possible

due to better price realisation in the case of a number of industries. The contribution by value-added as percentage of fixed assets and inventories increased from 26.9 per cent to 28.6 per cent during the period. Operating assets of the companies also seem to have been better utilised, as evidenced by an improvement in asset-turnover ratios.

There are some important differences in the sales and profit performance of different industry groups. Among industry groups that have contributed relatively more to the better sales performance and better asset turnover are automobiles and cycles, chemicals and petro-chemicals, electricity, gas and steam, electrical equipment, metal products (ferrous and non-ferrous) and sugar. In terms of profitability, chemicals, electrical equipment, glass, ferrous and non-ferrous metal products, paper, shipping and wood, cork and hardboard industries showed profit rates over sales (net of excise) of over 10 per cent, while automobiles, food products, machinery manufacture, sugar and textiles showed profit rates of five per cent or lower.

In terms of return (interest plus profits) on total capital employed, there was a decrease in the number of companies showing negative returns; their number decreased from 58 in 1969-70 to 48 in 1970-71. Among companies showing positive returns, a large number (143) showed returns of between 10 and 15 per cent. There were also some companies with exceptionally high returns; 139 companies had rates of return of over 20 per cent in 1970-71 (against 121 companies in 1969-70).

The pattern of appropriation of profits (as between taxes, dividends and retained earnings) seems to have changed in favour of taxes, and the dividend payout was lower during 1970-71. This is in conformity with the findings of the RBI study of 290 large companies. The profits appropriation pattern for the

ICICI sample for 1969-70 and 1970-71 was as follows :

	(% of operating profits) 1969-70 1970-71	
Taxes	37	39
Dividends	30	28
Retained earnings	33	33

Asset Formation

Gross fixed assets of the 543 companies increased from Rs 3115 crores in 1969-70 to Rs 3351 crores in 1970-71. The rate of asset expansion was thus 7.6 per cent (compared with seven per cent in the case of RBI 290 company sample). There has also been an increase in inventories of the order of Rs 107 crores from Rs 855 crores in 1969-70 to Rs 962 crores in 1970-71. The rate of inventory expansion was thus higher at 12.5 per cent. Gross capital formation (fixed assets and inventories) has been of the order of Rs 343 crores (8.6 per cent).

In terms of gross capital formation, sugar industry stands at one extreme with no expansion during the year. The other industries with relatively low rates of expansion were cement, paper and electricity, gas and steam. Highest expansion (19.3 per cent) was recorded in the case of rubber goods industry, followed by machinery manufacture, shipping, electrical equipment, woods, cork and hardboard, and food products (other than sugar).

Means of Financing

It will be noted that internal generation of funds, comprising depreciation and retained earnings, was considerably

larger than additional investment in fixed assets. As a result, the companies were able to reduce somewhat their liability on long-term loans. It is interesting that for the RBI 290 large company sample, internal cash generation was even higher (70 per cent of total).

The following is a summary of sources and uses of funds for the ICICI sample :

As a result of a better record of profits coupled with lower dividend payout, the equity-debt ratio improved somewhat from 64 : 36 in 1969-70 to 67 : 33 in 1970-71 for the sample companies. An overwhelming number of sample companies (443) had equity-debt ratio better than 50 : 50. As many as 291 of them had equity-debt ratio of more than 70 : 30. At the other end were 40 companies which had equity debt ratio for less than 26 : 74.

All industries (except rubber products and wood, cork and hard-board) conform to the board pattern as regards improvement in their equity-debt ratio. Industries with relatively lower equity base (less than 60 per cent) are chemicals and petro-chemicals, and shipping, which are capital intensive and, therefore, rely more on borrowed funds. Industries with high equity base (more than 75 per cent) are food products, glass and pottery, metal products (ferrous), and miscellaneous industries.

Liquidity

Judging from the behaviour of quick ratio and current ratio, it seems that the companies in the sample maintained their liquid position in

TABLE IV
Sources and Uses of Funds

Sources	Rs crores	% of Total	Uses	Rs crores	% of Total
Internal	294	60	Gross Fixed Assets	236	49
External	189	40	Inventories & Stores	142	29
			Liquid Asset	105	22
	483	100		483	100

1970-71; current ratio was 56 : 44 and quick ratio was 39 : 61 for both the years. However, in 1970-71, 300 companies had current ratio lower than the average (as against 308 in 1969-70). Of the liquid assets, the year-end cash and the bank balances held by the sample companies were Rs 172

crores in 1970-71 (against Rs 147 crores in 1969-70). The most significant increase in cash and bank balance was in respect of chemical group of companies.

Industry-wise, 13 industry groups seem to have either maintained or improved their

liquidity position, while for four industry groups there was a marginal fall in the current ratio. Chemicals and petrochemicals, electrical equipment, glass and pottery, non-ferrous metal products, rubber products and shipping industries had a better than average current ratio in 1970-

71. Inter-industry differences in the current ratio are, however, not very large. Depending on the conditions prevailing in different industries, the quick ratio, on the other hand, shows wide divergence; thus for shipping industry the quick ratio was 63 : 37 as against 18 : 82 for the sugar industry.

Appendix I Product Coverage of Industry Groups

Industry Group	ISIC Code	Main Products
1. Automobiles and Cycles	383	Manufacture and assembly of motor vehicles, manufacture of motor vehicle parts and accessories (excluding tyres and tubes); repair of motor vehicles, etc., manufacture of motor cycles, scooters and bicycles and parts thereof.
2. Cement	334	Manufacture of all types of cement.
3. Chemicals and Petro-Chemicals	311 313 319 321 329	Basic industrial chemicals, including fertilizers, synthetic fibres, dyestuffs, plastics, etc.; manufacture of paints, varnishes and lacquers; manufacture of miscellaneous products of petroleum and coal; manufacture of miscellaneous chemicals products such as medicinal and pharmaceutical preparations, cosmetics, soaps and detergents, pesticides etc.
4. Electrical Equipment	370	Manufacture of machinery, apparatus and supplies for the generation, storage and transmission and transformation of electric energy, such as electrical appliances such as fans; insulated wire and cables, electric lamps, radios, storage and dry cell batteries, etc.
5. Electricity, Gas and Steam	511	Generation, transmission and distribution of electrical energy.
6. Food Products (other than sugar)	202 203 204 205 206 208 209 214	Manufacture of dairy products; canning and preserving of fruits and vegetables, fish and other sea foods; manufacture of grain mill products; manufacture of bakery products, cocoa, chocolate, sugar confectionery, soft drinks and carbonated water.
7. Glass and Pottery	331 332 333 339	Manufacture of structural clay products such as bricks and refractories; manufacture of glass and glass products; manufacture of pottery, china and earthenware; manufacture of some non-metallic mineral products like abrasives.
8. Machinery Manufacture	360	Manufacture of machinery and prime-movers other than electrical equipment. Included also are agricultural and industrial tractors and conveyers, refrigerator, air conditioning units, machine tool etc. The group also includes machine shops engaged in producing and repairing machine and equipment parts and the production of ball bearings, etc.
9. Metal Products, Ferrous	341 350 (partly)	Iron and steel basic industries consisting of all processes from smelting in blast furnaces to the semi-finished stage in rolling mills and foundaries, that is the production of billets, blooms, slabs or bars, rerolling, and drawing into basic forms; rough castings and forgings etc.; manufacture of basic metal forms (ferrous) into finished products such as hand tools, steel spring wire rods and bars, wire ropes, etc.
10. Metal Products, Non-Ferrous	342 350 (Partly)	Non-ferrous metal basic industries such as aluminium and consisting of all processes from smelting, alloying and refining, rolling and drawing; manufacture of basic metal forms (non-ferrous) into finished products such as tin cans, etc.
11. Pulp, paper and paper products	271 272	Manufacture of pulp, paper and paper board; coating, glazing and laminating of paper and paper board; manufacture paper products like paper bags, stationery, etc.
12. Rubber products	300	Manufacture of all kinds of rubber products such as tubes and tyres, footwear, etc.; reclaiming of rubber; rebuilding, retraining and vulcanizing of tyres; etc.
13. Shipping	715	Ocean transport of freight and passengers including in coastal waters.
14. Sugar	206	Manufacture and refining of raw sugar.
15. Textiles	231 239	Spinning, weaving and finishing textiles (cotton, jute as well as woollen) including manufacture of carpets and rugs, etc; manufacture of linoleum and other hard surfaced floor coverings, etc. Not included are manufacture of man-made fibre yarns.
16. Wood, Cork and Hardboard	251	Saw mills, planning and other wood mills manufacturing ply-wood, veneers, etc
17. Other Miscellaneous Industries	—	Included here and several industries such as printing and publishing, coal mining etc

Wholesale Prices

THE WHOLESALE PRICES as measured by the official index (with the year ended March, 1962=100) advanced by 0.5 per cent to 192.1 in March, 1972 as against 191.2 for February, 1972. The index for March, 1972 was higher by 5.8 per cent when compared to March, 1971. During the month under review 'food articles' moved up by 1.4 per cent to 216.1 as against 213.2 for the earlier month, Fuel, Power Light and Lubricants and chemicals by 0.4 per cent each to 175.9 and 198.7 respectively, machinery and transport Equipment by 0.1 per cent to 162.6 and 'manufacture's by 0.2 per cent to 172.8 while liquor and tobacco group declined by 0.2 per cent to 202.6 and industrial raw materials by 1.9 per cent to 182.2 as against 185.8 for the previous month.

Food Articles

The index for 'cereals' sub-group rose by 1.2 per cent to 208.5 due to an increase in the prices of rice, jowar and maize. The prices of bajra however, fell. 'Pulses' recorded a fall of 2.1 per cent to 286.1 on account of lower prices of arhar and masur. The prices of gram, however, rose. Other items which showed significant variations under this group are: Potatoes (+10 per cent), Oranges (+16 per cent), Cashewnuts (+8 per cent), Sugar (+7 per cent), Gur (+7 per cent) Khandasari (+6 per cent), Cummin (+11 per cent). Onions (-7 per cent), bananas (-13 per cent), eggs (-7 per cent), turmeric (-6 per cent) Carda-

moms (-12 per cent) and Salt (-9) per cent.

Liquor and Tobacco

The prices of tobacco raw declined, while the prices of tobacco manufactured advanced and consequently the index for this group declined by 0.2 per cent to 202.6.

Fuel, Power, Light & Lubricants

The index for this group

rose by 0.4 per cent to 175.9 due higher prices of kerosene oil.

Industrial Raw Materials

Among the sub-group of fibres the prices of cotton raw declined by 11 per cent while silk raw moved up by 6 per cent and the index for this sub-group receded by 6.8 per cent to 164.2 as against 176.2

for the previous month. The index for oil seed's sub-group advanced by 0.5 per cent to 202.4. The sub-group index for other industrial raw materials stood at 174.8 as against 174.6 for the last month.

Chemicals

The index for 'chemical's' group recorded a rise of 0.5 per cent to 198.7 due to a slight

Index Number of Wholesale Prices by Groups & Sub-groups of Commodities

(Base : 1961-62=100)

Groups and Sub-Groups	March 1972	February 1972	March 1971	Percentage Change	
				March 1972	March 1972
				Feb. 1972	March 1971
Food articles	216.1	213.2	201.4	+1.4	+7.3
Foodgrains	222.6	221.7	200.3	+0.4	+11.1
Cereals	208.5	206.1	193.9	+1.2	+7.5
Pulses	286.1	292.3	229.5	-2.1	+24.7
Fruits & vegetables	188.8	193.2	198.4	-2.3	-4.8
Milk & milk products	216.9	215.8	223.7	+0.5	-3.0
Edible oils	197.7	197.0	217.2	+0.4	-9.0
Fish eggs & meat	262.8	258.5	217.4	+1.7	+20.9
Sugar & allied products	248.0	232.0	183.0	+6.9	+35.5
Others	159.6	160.0	174.4	-0.8	-8.5
Liquor and tobacco	202.6	203.0	184.2	-0.2	+10.0
Fuel, power, light & lubricants	175.9	175.2	168.8	+0.4	+8.0
Industrial raw materials	182.2	185.8	193.8	-1.9	-6.0
Fibres	164.2	176.2	191.4	-6.8	-14.2
Oilseeds	202.3	210.4	211.8	+0.5	-4.4
Minerals	141.5	141.5	131.9	Nil	+7.3
Others	174.8	174.6	167.8	+0.1	+4.2
Chemicals	198.7	198.0	188.4	+0.4	+5.5
Machinery & transport equipment	162.6	162.4	151.4	+0.1	+7.4
Electrical machinery	163.2	163.1	149.3	+0.1	+9.3
Non-electrical machinery	171.3	171.0	160.5	+0.2	+6.7
Transport equipment	146.4	146.4	136.9	Nil	+6.9
Manufactures	172.8	172.4	160.5	-0.2	+7.7
Intermediate products	206.6	205.1	185.8	-0.7	+11.2
Finished products	164.6	164.5	154.4	-0.1	+6.6
Textiles	170.9	172.5	160.2	-0.9	+6.7
Cotton mfrs	164.5	163.9	159.8	-0.4	+2.9
Jute mfrs	201.9	211.8	170.7	-4.7	+18.3
Silk & rayon mfrs	130.8	130.6	121.8	+0.2	+7.4
Woollen mfrs	194.4	194.4	183.2	Nil	+6.1
Coir mats and matting	175.8	175.8	175.8	Nil	Nil
Metal products	187.4	182.8	166.4	+2.5	+12.6
Non-metallic products	154.7	154.0	145.5	+0.5	+6.3
Chemical products	151.9	151.6	149.1	+0.2	+1.9
Leather products	98.0	98.0	92.1	Nil	+6.4
Rubber products	158.3	157.3	156.5	+0.6	+1.2
Paper products	136.0	135.7	124.7	+0.2	+9.1
Oilcakes	177.6	179.4	179.7	-1.0	-1.4
Misc. products	124.1	123.9	123.0	+0.2	+0.9
All commodities	192.1	191.2	181.6	+0.5	+5.8

Source : Office of the Economic Adviser, Ministry of Industrial Development.

rise in the prices sulphuric acid.

Machinery and Transport Equipment

The index for this group worked out to 162.6 as against 162.4 for the previous month due to a fractional rise in the prices of electrical machinery

and non-electrical machinery sub-groups.

Intermediate Products

The index for intermediate products moved up slightly by 0.7 per cent to 206.6 due to higher prices of semis.

Finished Products

The index for textiles sub-

group declined by 0.9 per cent to 170.9 due to lower prices of jute manufactures (—4.7 per cent). The prices of cotton manufactures and silk and rayon manufactures, however rose by 0.4 per cent and 0.2 per cent respectively. The subgroup index for (metal product) advanced by 2.5 per cent to

187.4 due to higher prices of iron and steel manufacture. The indices for non-metalli. products and misc. products recorded a fractional rise. Oilcakes declined by 1.0 per cent to 177.6. On the whole, the index for finished products stood at 164.6 as against 164.5 for the previous month.

Index Numbers of Industrial Production

(Base 1960=100)

	1970	1971				1970	1971		
		Sept.	Oct.	Nov.			Sept.	Oct.	Nov.
General index					Synthetic resins and plastics	194.4	257.0	246.3	250.0
Seasonably adjusted	180.8	186.5	190.1	191.3	Synthetic fibres	230.7	206.3	150.9	160.2
Crude	180.8	185.0	183.3	189.5	Dyestuff and dyes	195.6	170.9	169.0	188.7
Mining and quarrying	149.0	150.6	145.8	161.6	Manufacture of fertilisers	668.7	811.1	782.5	944.4
Manufacturing	174.8	178.2	176.1	181.2	Fine pharmaceutical chemicals	156.6	157.0	156.6	156.4
Food manufacturing industries	157.5	161.0	169.1	146.4	Fine chemicals	132.3	271.1	137.4	64.2
Sugar factories and refineries	165.3	18.0	18.8	103.9	Petroleum refinery products	297.3	356.2	327.0	307.8
Manufacture of hydrogenated oil (vanaspati)	154.4	184.3	184.1	197.2	Manufacture of non-metallic mineral products(c)	189.1	209.2	210.8	213.6
Beverage and tobacco industries	170.1	177.3	179.2	194.9	Manufacture of cement (hydraulic)	177.9	179.3	193.1	186.1
Cigarette manufacturing	168.0	171.0	171.6	188.5	Basic metal industries	205.5	195.5	203.7	209.0
Manufacture of textiles	109.7	105.9	101.7	112.2	Iron and steel basic industries	187.8	172.6	181.1	185.9
Spinning, weaving and finishing of cotton textiles	111.8	105.7	98.3	110.0	Non-ferrous basic metal industries	301.2	319.6	326.2	333.8
Cotton spinning	127.0	119.2	109.5	124.0	Aluminium manufacturing	508.7	542.8	562.5	573.4
Weaving of cotton textiles	97.2	88.8	84.3	92.4	Manufacture of metal products except machinery and transport equipment	219.0	211.3	210.8	204.9
Spinning, weaving and finishing of woollen textiles	161.6	211.6	N.A.	N.A.	Manufacture of machinery except electrical machinery	369.5	409.5	394.4	385.9
Jute manufactures	85.1	83.1	90.7	101.1	Manufacture of industrial machinery	120.6	84.0	71.0	85.3
Manufacture of footwear(a)	161.3	164.5	132.4	182.9	Machine tools	327.6	400.4	389.9	406.3
Manufacture of paper and paper products	216.5	214.8	237.9	230.1	Manufacture of electrical machinery	362.7	407.4	377.6	424.4
Manufacture of paper	217.7	216.3	239.7	237.9	Manufacture of transport equipment	132.0	110.2	121.3	119.9
Paperboard	224.4	222.8	246.6	202.3	Manufacture of motor vehicles	157.8	150.0	180.8	171.7
Manufacture of leather and fur products(b)	65.3	48.3	43.1	56.7	Motor cycles and bicycles	266.5	246.6	249.9	278.0
Manufacture of rubber products	215.7	261.7	224.5	278.3	Manufacture of motorcycles and scooters	603.2	650.1	670.0	743.3
Tyres and tubes	258.3	317.0	276.6	338.8	Manufacture of bicycles and tricycles	194.9	160.8	160.6	179.1
Manufacture of chemical and chemical products	236.5	246.2	242.7	258.0	Electricity generated	334.0	353.6	365.1	371.0
Basic industrial chemicals including fertilisers	332.2	344.8	323.3	359.1					
Heavy organic chemicals	287.7	258.4	260.6	245.7					
Heavy inorganic chemicals	337.4	353.9	346.8	349.0					

(a) Other than wearing apparel and made-up textile goods.
(c) Except products of petroleum and coal.

(b) Except footwear and other wearing apparel.

Source : C.S.O.

Money Supply with the Public

(Rs lakhs)

Last Friday	Money supply	Total currency with the public	Deposit money with the public			variations in money suppl
			Total	Net demand deposits of banks*	Other deposits with Reserve Bank	
1951-52	1,848,18	1,285,51	562,67	544,85	17,82	—160,03
1955-56	2,216,95	1,571,01	645,94	336,90	9,04	+262,16
1960-61	2,868,61	2,098,05	770,56	757,10	13,46	+119,1
1965-66	4,529,39	3,034,28	1,495,10	1,478,38	16,72	+449,11
1966-67	4,949,96	3,196,80	1,753,16	1,711,75	41,41	+420,57
1967-68*	5,350,07	3,376,08	1,973,99	1,917,66	56,32	+400,11
1968-69*	5,779,25	3,681,97	2,097,28	2,016,41	83,88	+429,18
1969-70*	6,386,54	4,010,34	2,376,20	2,318,30	57,90	+607,29
1970-71*	7,136,32	4,379,67	2,756,65	2,712,82	43,83	+749,78
1971-72	8,042,00	4,806,00	3,236,00	3,156,00	80,00	+905,68
January 1971	6,946,31	4,259,01	2,687,29	2,628,46	58,83	+151,88
September 1971	7,402,02	4,473,89	2,928,04	2,886,95	41,09	+49,48
October 1971	7,446,34	4,470,98	2,975,36	2,926,06	49,30	+44,32
November 1971	7,486,67	4,490,09	2,996,58	2,947,89	48,69	+40,33
December 1971	7,702,99	4,567,17	3,135,81	3,069,80	66,02	+216,32
January 1972*	7,809,97	4,708,10	3,101,87	3,038,30	63,57	+106,98
February 1972	7,890,06	4,776,49	3,113,57	3,056,50	57,06	+80,09
March 1972	8,042,00	4,806,00	3,236,00	3,156,00	80,00	+151,94
April 1972	8,234,00	4,913,00	3,321,00	3,244,00	77,00	+192,00
May 1972	8,388,00	5,015,00	3,373,00	3,301,00	72,00	+154,00

*Provisional.

Source : Reserve Bank of India.

Factors Affecting Money Supply with the Public

(Rs crores)

Week ended	1971		1972			
	May 28	April 28	May 5	May 12	May 19	May 26
Money supply with the public	7,353	8,234	8,317	8,382	8,392	8,388
Currency with the public	4,539	4,913	4,990	5,057	5,045	5,015
Other deposits with the Reserve Bank	37	77	77	77	77	72
Bank money	2,777	3,244	3,250	3,248	3,270	3,301
Factors affecting money supply (1+2+3+4—5—6)						
1. Net bank credit to government sector	5,711	6,764	6,508	6,626	6,621	6,855
2. Net bank credit to commercial sector of which banks* net credit to commercial sector (a—b)	2,061	2,041	2,049	2,025	2,077	2,058
(a) Claims on commercial sector	1,913	1,836	1,845	1,824	1,878	1,861
(b) Non-monetary liabilities of banks	5,512	6,116	6,140	6,153	6,207	6,215
3. Net foreign exchange assets of banking sector	3,599	4,280	4,295	4,329	4,329	4,354
4. Government's net currency liabilities to the public	575	602	604	605	615	620
5. Net non-monetary liabilities of the Reserve Bank	392	396	399	401	402	402
6. Residual	775	1,027	751	767	769	1,025
	611	542	492	508	554	522

*Excluding Reserve Bank.

Source : Reserve Bank of India.

Consumer Price Index Numbers for Industrial Workers

(Base : 1960=100)

Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971		1971*			1972*	
							Feb.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
All-India	—	—	—	174**	167	186	184	196	196	197	195	194	193
Ahmedabad	130	148	18	165	169	176	751	183	182	186	184	185	185
Alwaye	145	148	183	198	197	198	192	204	204	206	210	205	204
Asansol	140	145	168	176	178	189	186	198	199	199	195	195	194
Bangalore	144	159	172	180	183	196	188	197	197	199	197	197	196
Bhavnagar	132	152	173	176	178	186	189	195	196	195	199	199	197
Bombay	130	147	164	167	175	182	182	192	193	194	191	190	191
Calcutta	131	148	163	170	172	182	175	194	198	200	193	187	186
Coimbatore	132	144	151	147	154	164	168	178	177	180	184	185	179
Delhi	136	152	172	178	185	199	205	215	213	218	211	213	212
Dighboi	138	160	198	185	180	189	185	192	191	191	190	190	189
Gwalior	139	160	191	179	184	191	189	201	201	200	198	199	197
Howrah	137	154	178	181	176	186	181	194	200	201	196	191	190
Hyderabad	140	158	167	173	185	189	186	199	200	200	197	197	196
Jamshedpur	136	158	183	171	170	183	177	191	191	192	186	187	184
Madras	134	144	151	150	160	170	172	183	185	187	188	194	186
Madurai	128	142	146	148	160	177	184	200	194	197	196	200	197
Monghyr	151	187	215	185	188	204	201	211	213	209	202	201	206
Mundakayam	138	152	173	186	191	197	190	204	200	204	206	202	198
Nagpur	138	148	164	166	176	187	185	194	194	196	197	196	194
Saharanpur	141	163	188	176	181	186	190	195	194	198	200	203	201
Sholapur	128	150	165	167	176	185	187	206	204	201	207	205	197

*Provisional

**Average for eight months — 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	1971	1971*						1972*	
							Feb.	June	July	Aug.	Sept.	Oct.	Dec.	Jan.	Feb.
All-India	132	146	159	161	167	174	174	178	181	183	183	183	182	182	181
Bombay	132	142	153	156	162	168	166	173	173	174	174	174	171	171	171
Delhi-New Delhi	131	142	154	162	168	174	176	179	182	181	181	180	180	181	181
Calcutta	126	139	152	156	162	170	167	174	177	179	179	179	175	172	171
Madras	133	147	154	154	161	175	181	184	186	187	189	191	193	194	191
Hyderabad-															
Secunderabad	133	147	155	159	167	174	174	186	179	181	181	181	184	184	183
Bangalore	133	145	156	160	164	172	175	177	179	180	181	182	182	183	184
Lucknow	132	146	159	156	161	166	167	171	175	177	177	178	176	176	179
Ahmedabad	131	146	160	162	168	171	169	171	174	176	174	175	175	176	176
Jaipur	133	150	162	168	176	183	182	186	189	189	189	189	188	191	193
Patna	139	160	179	180	180	191	189	191	196	196	195	193	190	188	188
Srinagar	134	143	160	167	174	184	191	187	188	191	191	192	193	194	196
Trivandrum	131	146	165	168	172	178	178	180	183	184	184	186	187	188	189
Cuttack-															
Bhubaneswar	142	154	164	167	169	176	175	181	183	188	185	189	188	186	187
Bhopal	133	144	166	166	172	180	180	186	191	191	189	191	191	192	193
Chandigarh	129	143	155	164	171	178	188	180	185	186	183	184	185	186	188
Shillong	123	134	155	163	164	166	166	173	178	177	180	182	179	173	172

*Provisional.

Source : C.S.O.

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Bhutto on Trial

THE PRIME Minister of India has taken Mr Bhutto on trust. By agreeing to the proposition that the Indian and Pakistani forces are to be withdrawn to their respective sides of the international border (the Jammu and Kashmir frontier, which is a cease-fire line, being excepted), she has very considerably strengthened the hands of the President of Pakistan in dealing with his domestic front. Mr Bhutto was in no position to return to Islamabad empty-handed; his hold on power is still too provisional. It is now open to him to tell his people that he has succeeded in persuading the Prime Minister of India not to insist on an Indo-Pakistan agreement on Kashmir being a precondition for India withdrawing its troops from the territory they have occupied in the Sind and Punjab parts of Pakistan. Whether Mr Bhutto uses this argument merely to buy time for himself for consolidating his authority as President or whether he will also employ it to reinforce a policy of constructively negotiating with India and normalising relations thereby realistically resolving Pakistan's problems with our country, most of which are of Pakistan's own making, remains to be seen. It is in this sense that Mrs Gandhi must be held to have taken Mr Bhutto on trust.

It follows that Mr Bhutto is now on trial. It is up to him to capitalise on the readiness shown by the Prime Minister on behalf of this country and its people to go more than half way to facilitate Pakistan giving up its tactics of confrontation or conflict in trying to force its will on India in respect of Kashmir. The agreement signed in Simla is replete with generalisations about the two countries sticking to peaceful bilateral negotiations, or "other peaceful means mutually agreed upon between them" in seeking a settlement of outstanding issues. The onus for lending reality to this broad undertaking rests mainly on Pakistan and more specifically on Mr Bhutto himself since he claims that his country is behind him almost to a man.

It was obvious all the time that the Simla summit, irrespective of the way it might end, would be the first of a series of such meetings between the heads of the governments of India and Pakistan. At the next meeting, however, Mr Bhutto must be prepared for getting closer to the hard core of a peace settlement; the margin which India has for making concessions is not inexhaustible. It is possible, however, that Mr Bhutto's next big task would be not so much of preparing himself for another meeting with Mrs Gandhi, but that of coming to terms with the fact of Bangladesh and its implications. If the President of Pakistan had learnt anything at all in Simla it must have been the elementary truth that the government of Bangladesh must necessarily be a party to discussions on the repatriation of Pakistan's military men taken prisoner in Bangladesh. A Pakistan Foreign Office spokesman was reported to have disclosed in Simla that his government was likely to recognise Bangladesh in August. While the Simla talks should have helped Mr Bhutto to realise that this would be the right course of action, the liberal Indian attitude informing the Simla agreement has undoubtedly made it easier for him to do the right thing. Pakistan's normalisation of its relations with India depends very much on its success in normalising its relations with Bangladesh. In this sense peace in the sub-continent is clearly one and indivisible.

As we have pointed out earlier, Pakistan and Mr Bhutto especially have been the major gainer from the fact that the Simla talks have not failed. At the same time India need not go entirely unrewarded for having gone more than half way to make things easier for the President of Pakistan. Apart from the fact that the Prime Minister, by taking Mr Bhutto on faith, has placed him on trial, the people of Pakistan have been given proof of this country's willingness not only to be reasonable but also liberal in helping to create conditions making for good neighbourliness. In the degree in which the people of Pakistan are able to appreciate this gesture and respond to it they stand to gain, as also the people of India. The Simla agreement has made it clear to all the world that this country and its government are generally responsive to opportunities of promoting peaceful relations with Pakistan. This should make it less easy for the governments of certain countries to persist in their negative and unhelpful attitudes towards New Delhi. Whether the wilful and vindictive man in the White House will now be having second thoughts on his vendetta, it is too soon to say. Nevertheless President Nixon's emissary, Mr John Connally, who is visiting India and has met Mrs Gandhi, cannot be entirely insensitive to the post-Simla atmosphere in this subcontinent.

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Trading with Australia

THE DELEGATION of Indian industrialists which visited Australia recently under the leadership of Lala Charat Ram (co-leader : Mr D. C. Kothari) came away immensely impressed with possibilities of increased trade between the two countries. Australia, with a population of about 13 millions—nearly equivalent to net addition to this country's population every year—has a standard of living (as measured by per capita income) which is more than thirty times that of our country. It is this high level of purchasing power of the Australian people which generates every year demand for a large variety of goods which that country has to import from foreign lands. Our country can undoubtedly take its rightful place among the leading trading partners of Australia provided the government, the state trading agencies and the exporters collectively make a determined effort to study the Australian market and take all possible steps in order to meet the sophisticated requirements of the population of that country. Our share in Australia's total foreign trade is hardly one per cent while even a country such as Indonesia accounts for more than two per cent of Australia's trade. At the top of the list is Japan with more than one-fourth of Australia's trade followed by the USA and the UK.

During the 1950s the exports from this country to Australia usually exceeded imports but in recent years the balance of trade has been adverse year after year because we have continued to increase our imports of non-ferrous metals and wool without making any determined efforts to increase the value of exports of both traditional and non-traditional commodities. As the table below shows, the adverse balance of trade with Australia totalled Rs 56.3 million in the four-year period ending in 1970-71. Surely this gap could have been reduced if our

India's Trade with Australia (Rs million)

	Exports	Imports	Balance of Trade
1951-52	476	176	+300
1960-61	224	178	+ 46
1967-68	280	650	-370
1968-69	255	258	— 3
1969-70	244	313	— 69
1970-71	245	366	-121

(All figures are in terms of post-devaluation rupees).

Mr John Kenneth

Galbraith who had been enjoying himself hugely as the licensed court jester in the all too short-lived Kennedy version of Camelot, has irreverently said that, if heads of state or heads of government travel so much these days, it is simply because they like to travel. Our much-travelled Prime Minister is unlikely to agree. As for the President of Pakistan, his journey to Simla may not exactly be a pleasure trip. Simla is too close to Calvary for his comfort. Bluster as he may, he knows well enough that, somewhere among those lavish courses of dinner or lunch served to him at this hill station of Himachal, there is also a dish of humble pie even if it is not overtly specified in the menu.

State visits and summit conferences have become popular among the politicians in power not only because they make occasions for prestigious or pleasurable travel. They also help immensely

members in the delegations clearly augment the importance which the delegation leaders wish to attach to themselves. In the same manner all those exciting stories of moves or manoeuvres over the agenda of the conference are nicely calculated to impress the world with the magnitude of the herculean labours in which Mrs Gandhi and Mr Bhutto have engaged themselves for the benefit of their respective countries. If, after all this, the talks turn out to have been only talks, the summit pair itself has no cause to lose cheer. On the contrary. For, there will have to be more summits.

Again, results or no results, the summit would still not have been in vain so far as the Prime Minister or the President is concerned. It would have helped Mr Bhutto to pass through some critical months by keeping the people of his country employed on talking or wondering about what all grand exertions he may be making to solve to their

WITHOUT CHARITY

in building up the political or even the private personalities of the VIP travellers. See, for instance, what a big man the very ordinary Mr Richard Nixon has managed to make himself out to be merely by eating a few meals in the Great Hall of the People or the Kremlin. Both Mrs Gandhi and Mr Bhutto naturally appreciate fully what the summit could do for their egos or political avoidrupois. The mere publicity must be meat and drink to them and everything that has been happening lately surely shows very clearly that the two protagonists are quite capable of extracting the last milligram of personal publicity or political dividend.

Writing this as the talks begin, I suspect that neither the Prime Minister of India nor the President of Pakistan may really expect much from the elaborately staged meeting in terms of true significance for the respective countries. It is true that each has taken to Simla an impressive retinue of colleagues and officials, but this is essentially a part of the lavishly organized stage-play. Num-

satisfaction Pakistan's problems with India. As for Mrs Indira Gandhi, nothing has been more useful to her than these loose ends of Indo-Pakistan relations the tying up of which seems to call for such heroic but unending efforts. "Garibi hatao" may now patiently await its turn. Thank God for the rains—they should at least help the people to feed themselves after a fashion. Meanwhile industrial production may falter because, among other things, so much of organized labour, factory or white collar, seeks to work less and less for more and more money. It is not wholly to blame of course, for money itself is coming to buy less and less. The price level is going up steadily creating week after week more poverty and more poor people than the pitiful make-work schemes of the Minister for Planning can hope to reduce or redeem. Industrial investment or business activity, which must produce the industrial expansion, which in turn has to generate the resources for the Prime Minister's "garibi hatao", is kicking no doubt, but not because it is exuberantly alive; it is only throwing fits. This, however, does

not prevent the Minister for Industrial development from hopefully formulating grand designs for a brighter tomorrow for industrial growth, even if he may be a little uncertain about what that tomorrow may bring forth for himself. This minister, it is obvious, need not be taken too seriously; his portfolio is not relevant to the Simla summit here, right now, Mrs Gandhi is trying to discharge her supreme obligation to solve Mr Bhutto's problems for him and, in the process, perhaps India's problems with Pakistan as well. Has he not become the *de facto* Prime Minister of the Indian sub-continent after all?

Let us, then, be grateful for the diversions. The big diversion which has taken our eyes off "garibi hatao" and turned them towards Simla, and also the smaller distractions. Miss Benazir Bhutto, for instance. The President of Pakistan may be a male chauvinist where the Prime Minister of India is concerned, but he does not seem to rule out altogether women's presence in politics. As a matter of fact, he had recently sent his wife to Kabul on what was reported to be a political mission. To Simla he has brought with him not Mrs Nusrat Bhutto, but the daughter. This pretty and apparently pleasant teenager has been performing her assignment, stated or unstated, to perfection. She has channelled the attention and curiosity of the Simla crowds towards herself, for which her father may well be grateful.

The President of Pakistan has had another large bonus too. Large, that is, in every sense of the word. The newly elected chairman of the Swatantra party, the massive Mr Piloo Mody, has lumbered into the forbidden territory of the summit theatre and been having long sessions with Mr Bhutto. Both were at Berkley together and are even otherwise cronies of long standing. Mr Mody has stated repeatedly that Mr Bhutto and himself have been talking on this occasion about everything except summit affairs. Mr Mody certainly is an honourable man. In any case, though a politician, he has never taken politics, his or others', too seriously. It is just possible that, taking legitimate advantage of his matey relationship with Mr Bhutto, he might have merely told him "You, so-and-so, do try and behave yourself", which may be one reason why the President of Pakistan has not staged any walk-out.

TOUCHSTONE

export of traditional goods such as jute manufactures, tea, fabrics, cashews and marine products and of non-traditional items such as iron and steel products and engineering goods was stepped up.

The State Trading Corporation of India (STC) has a branch in Sydney and its research staff has conducted some market surveys regarding products which have possibilities of export to Australia. The list of commodities which according to these surveys could be exported to Australia includes such agricultural products as jute goods, coffee, castor oil, fresh fruits, flowers, vegetables, spices, castor seeds, tobacco and lemongrass oil. A large variety of chemicals, consumer goods, leatherware, canned products and industrial products can also be sold in Australia. It is the view of Mr D.C. Kothari that the trade between the two countries can be raised from the present level of about \$75 million to about \$200 million. Surely, trade is a two-way traffic and co-operation from Australian industrialists will be needed in good measure if this goal is to be reached.

After wool, non-ferrous metals—zinc and lead in particular—take a place of pride among our imports from Australia. More than half of our needs of lead (of 99.99 per cent purity) will be imported by our country this year from Australia. Such industries as battery making, dry cells and cables need large quantities of lead of high purity which can be had at relatively cheaper prices from Australia (because of nearness to this country) than from the USA, Canada, and Mexico. As we come to rely increasingly on Australia for our requirements of non-ferrous metals, we must see to it that our export agencies make relentless efforts for raising our exports to that country.

One encouraging outcome of the Indian delegation's recent visit to Australia has been the hopeful response which it has been able to evoke in that country in the sense that Australia is also thinking in terms of sending out next year a high-power study team to consider the question of Indo-Australian joint ventures. What is more, the industrialists from both the countries have now felt the necessity of specialised delegations visiting both the countries in order to identify areas where mutual co-operation is possible. The inflow of massive foreign investments on which no restrictions are put in Australia has no doubt taken its industry to a high level of development and it has specialised in such sophisticated industries as automobiles, electronics, metals etc. Our country also has attained capabilities of a high order in a number of industries and there is substantial scope for starting joint

venture not only in this country but also in African and south-east Asian countries.

British goods have enjoyed preferential treatment in Australia for the last so many years. This factor alone explains the relatively high proportion of trade between Australia and the United Kingdom though Japan and the USA have taken precedence over the UK in their shares of the Australian trade. The latest figures indicate that about 30 per cent of Australian exports are made to Japan followed by 12 per cent to the USA and nine per cent to Britain. The UK's share is likely to fall further after Britain becomes a member of the European Economic Community. It will result in the abolition of the traditional imperial preferences and even though Australia has put up a cheerful face, it is known that the initial impact of Britain's entry into the Community might not be very pleasing for it. While imports from Britain will become more expensive for Australia, its exports to the United Kingdom will also become more costly. The researchers are not quite clear as to the cumulative effect of these changes in the prices of exports and imports. That is why Australia is keen on making alternative arrangements and is seeking new partners in trade and strengthening its commercial bonds with countries such as India. Here is a golden opportunity for our country to grasp the possibilities which are being offered. Surely the success of any such effort will be assessed in terms of what we are able to offer to Australia and at what prices.

The central point to be considered in all our efforts for increased exports to Australia is the tariff policy of that country which is harsh to subsidised exports. It means that if an industry in our country receives a subsidy on exports, the customs duty on that product in Australia will attract an increased charge. Consequently, it is necessary that the products and commodities proposed to be exported to Australia should be such as can absorb high Australian imposts. Some of the products which the STC has indicated after market surveys in Australia can certainly stand up to this disadvantage.

The export of textiles has renewed possibilities in the context of a bumper cotton harvest in this country and the reduced prices of this fibre. The delegation found sufficient interest in Australia in so far as our textiles are concerned. Perhaps it will be more advantageous to market our textile fabrics in that country. Similarly our engineering goods which have made a mark in European markets will also find ready acceptance in Australia.

The Australian market for tea is limited

in scope because of the small size of the population. Even in this small market, we have not fared well in competition with Ceylon and Indonesia. Nearly 40 per cent of Australia's imports of tea originate in Ceylon followed by Indonesia at 30 per cent and India at 10 per cent. By offering competitive prices, we can certainly improve our position in this regard.

Australia is the only developed country which had decided as long ago as in 1965 to proceed on its own with a system of tariff preferences in favour of specified manufactures and semi-manufactures from developing countries. By the middle of last year, 240 groups (about 400 items) of manufactures and semi-manufactures were eligible for the generalised system of tariff preferences (GSP). At the recent Santa-

go meeting of UNCTAD the Australian spokesman had indicated that this list had been further extended this year by the addition of 200 items. While Australian imports of quota products and handicraft goods under the GSP from developing countries have been increasing in recent years, our country has not availed of this opportunity. It is high time that the exporters in our country turned their attention to Australia and took advantage of the unique opportunities awaiting them there. There is genuine disappointment in Australia that with the exception of Japan, other Asian countries are "far less active themselves in seeking to promote their exports to Australia". It is to be hoped that the meetings between the Indian and Australian businessmen will result in some concrete results.

The noteworthy feature of the latest budget estimates of Mysore is their tidy look. Mr M. Y. Ghorpade, the state's Finance Minister is in a position to know how the resources will be found in the current year for Plan and non-Plan expenditure and how there can be nearly an overall balanced budget. The unauthorised overdraft of Rs 71 crores as on April 29, 1972 has been wiped out with a special loan of Rs 62 crores from the centre. It has been represented to the latter by Mysore that the special loan should have covered the whole of the unauthorised overdrafts as the increase from the level of March 1971 by Rs nine crores was due to payments in respect of 1971-72.

There will however be an uncovered overall deficit of only Rs 3.45 crores against the overall deficit of Rs 30.52 crores in the interim budget. The surplus on revenue account has increased to Rs 7.30 crores in the final budget from Rs 1.21 crores in the interim budget. There will be a deficit of only Rs 11.80 crores in the capital budget against Rs 31.73 crores and the overall deficit in the final budget without taking into account the additional commitment arising out of increased dearness allowances to government employees and pensioners and taxation measures will be Rs 4.50 crores against Rs 30.52 crores as stated already. The deficit will rise to Rs 6.10 crores after giving effect to the new dearness allowances. Fresh taxation in the form of higher irrigation charges, a heavier burden on commercial vehicles and revised sales tax rates will fetch Rs 2.65 crores in the current year and Rs 3.90 crores in a full year. The net deficit will thus be Rs 3.45 crores and Mr Ghorpade has indicated that fresh efforts might be made to fill this gap and even secure additional resources through taxation of agricultural incomes

in the light of the recommendations of the Raj Committee.

The centre has been showing a better understanding of the special problems of Mysore and apart from wiping out the unauthorised overdraft, with a special loan, it has been agreed that the Kalinadhi project will be implemented completely with central assistance. The total outlay is expected to be Rs 164 crores on present estimates and the whole project is scheduled to be completed by 1980-81. It is now recognised that power from this source should be made available without delay and the aggregate generating capacity will be 640 mw by 1980-81. The anticipated expenditure in the current year will be Rs 13 crores and in the next year Rs 25 crores. This gesture of the centre has enabled the Mysore government to release the funds earmarked for Kalinadhi to be used for other schemes, the advantages gained being Rs seven crores. What is more important is the opportunity available for hastening the tempo of construction work on this vital project with full central assistance. Aggregate Plan outlay will be

Our monthly feature 'Books Briefly' will appear in Eastern Economist dated July 14.

Rs 76.28 crores in 1972-73 excluding that on Kalinadhi. This however is only slightly more than the outlay of Rs 74 crores for 1971-72. The Finance Minister has therefore stated that there should be a further rescheduling of debt repayments and interest charges though even for sustaining a Plan outlay of the order indicated above special assistance of Rs 11.50 crores has to be provided by the centre.

The Andhra Pradesh government is probably in a worse plight as on the basis of the interim budget, there would have been a minus cash balance of Rs 118.32 crores. The budget estimates finally presented by Mr A. Bhagavantha Rao to the state legislature recently clearly indicate that no significant progress can be made in the implementation of Plan schemes without a higher level of central assistance and institutional support. The unauthorised overdraft has been reduced significantly with a special loan of Rs 70.86 crores. Taking into account the revenue surplus of Rs 9.81 crores and assistance from the centre there will be a minus cash balance of Rs 40.15 crores against an opening minus cash balance of Rs 79.76 crores. The surplus of Rs 29.80 crores in the capital budget is however misleading as it is due to the special loan for wiping out the unauthorised overdrafts. It has therefore been explained by Mr Bhagavantha Rao that Plan schemes can be implemented only with further special central assistance and measures

for raising additional resources. Unlike in the case of other budgets, no new taxes have been proposed though it has been stated that there will have to be heavy taxation. The Finance Minister has probably adopted this course in order to know what will be the actual gap after getting special central assistance.

The recommendations of the Raj Committee may be available in the next few weeks. It has however to be pointed out that even with a big gap of over Rs 40 crores, Plan outlay in 1972-73 will be only Rs 96.04 crores against Rs 105 crores assumed in the interim budget. Even the latest allocation is in excess of the allocation of Rs 77.95 crores which should have been made having regard to resources in sight. But it is felt that even the spillover schemes cannot be implemented with an outlay of this order and economic development of Andhra Pradesh will be held up seriously.

The state has vast irrigation potential while it has compulsion to create additional generating capacity, thermal and hydel, in a big way in order to boost agricultural and industrial production. It is highly backward in rural electrification while no serious attention

has been paid so far to the energisation of pumpsets for agricultural purposes. The constraint on resources has been responsible for a reduction in the outlay on irrigation and power schemes. If the Pochampad, Nagarjunasagar, Vamsadhara and other projects have to be implemented vigorously much larger resources will have to be found. The Chairman of the Electricity Board has also stated that the completion of the lower Sileru and Srisailem hydel schemes and creation of large thermal capacity at Kothagudem and Vijayawada would be possible only if there is liberal help from the centre and financial institutions. Andhra Pradesh is therefore in an awkward predicament and unless some schemes are financed entirely by the centre, there is no chance of faster economic development in the coming years. It was legitimately complained in the past that the Nagarjunasagar project should have been treated as a central project. The obsession with the implementation of this project in the earlier Plan periods and incorrect planning on the power front have been the main factors for the tardy growth of Andhra Pradesh's economy so far. It has now no dearth of schemes but has an acute dearth of resources.

Dantwala enters a caveat

AFTER THE IDBI (Industrial Development Bank of India) many thought, not unjustifiably though, it was only a matter of time for an ADBI (Agricultural Development Bank of India) to make its appearance. It was a certainty, they felt, after reading the recommendation, made by the National Commission on Agriculture in its interim report on agricultural credit, suggesting the setting up of an ADBI "to consolidate the expertise and experience of agencies like the Agricultural Credit Department of the Reserve Bank of India, Agricultural Refinance Corporation (ARC) and the Agricultural Finance Corporation (AFC) into a single national organisation". The Banking Commission also wanted the merging of the ARC and the AFC to subserve the same end. But those who entertained these expectations or those that nursed fond hopes of such a dream coming true, it seems, were counting their chicken before they are hatched. They were reckoning without the reaction of the AFC chairman, Prof M. L. Dantwala.

Although Prof. Dantwala qualified his remarks by saying that they were purely his own views and that he would not

like to express any categorical views on the weighty recommendations of the two commissions, he left no room for doubt that, in his opinion, any such move was quite premature. "Any radical restructuring of the banking system in so far as it pertains to agricultural finance is not necessary at this juncture", he said in the course of his statement to the shareholders of the AFC at its fourth annual general meeting, held in Bombay recently. He went on to add, and very pertinently: "The process of development and diversification set forth by the nationalisation of commercial banks has not had enough time to settle down. A reshuffling at this stage would only prolong the process of consolidation".

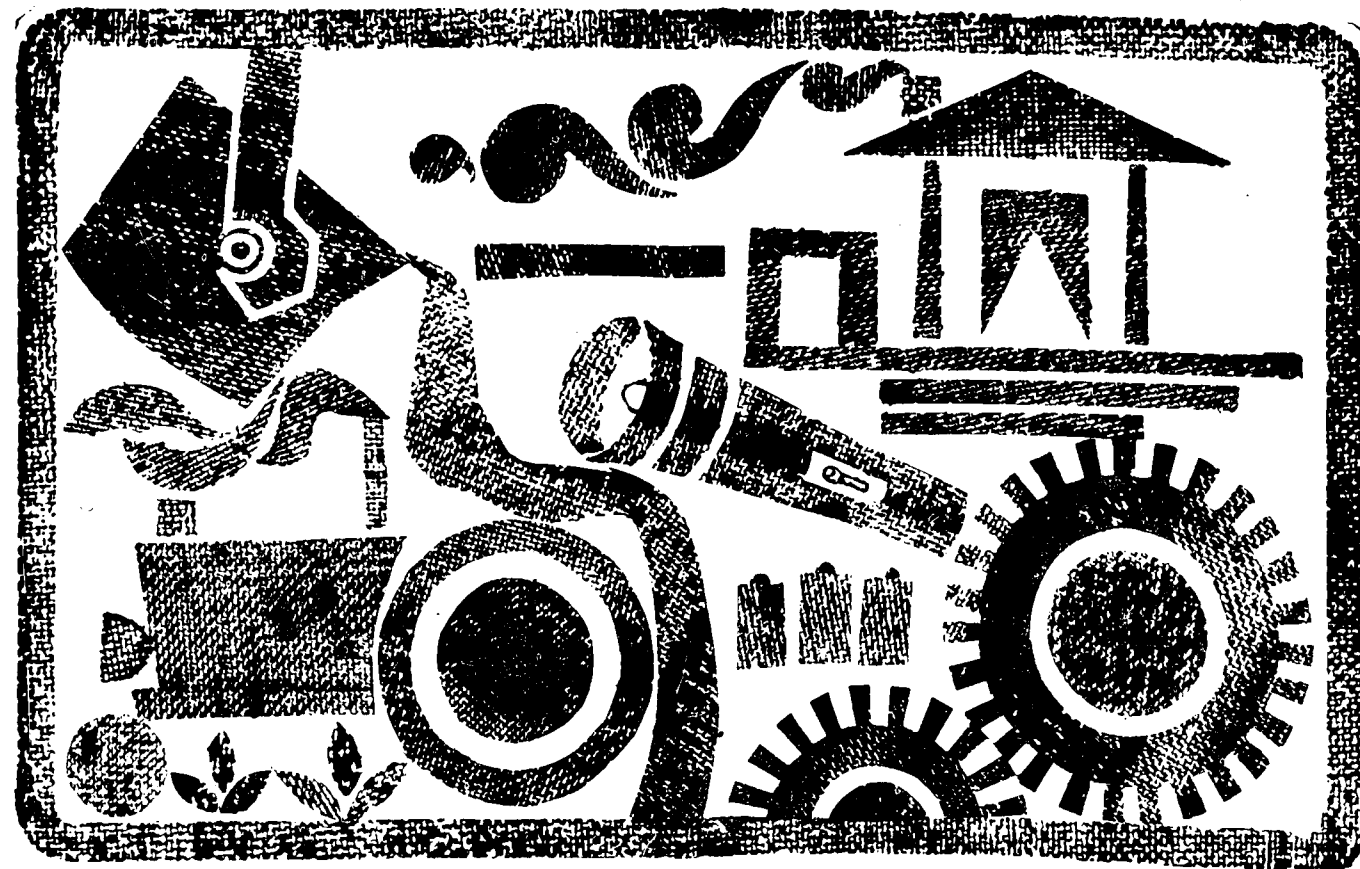
Prof. Dantwala also availed himself of the occasion to drive home to the public what precisely the AFC is, and this was necessary. According to him, "the AFC is somewhat like a Research and Development wing servicing the commercial banks, rather than an independent financial institution. It seeks to do collectively for the member banks what each of them would have been required to do individually". . . the AFC tries to explore and identify fresh avenues of financing agricultural development, test the technical and financial viability of new ventures, remove the procedural road blocks and legal hurdles, provide encouragement and assistance to

new entrepreneurs, acquaint the bank personnel with complexities of new proposals and even make its services available to the member banks to supervise implementation and check performance. The approach and the technical expertise which an organisation like this builds up is somewhat different from the one required by an apex financial institution".

This is only to be expected from Prof Dantwala who, unlike most careerists, is not keen to build an empire for himself to rule over. His interest and concern is to make AFC really useful to member banks and those member banks who are imbued with the same spirit of service and selflessness are bound to endorse his views. Whether his frank views will be equally well relished in other concerned circles is doubtful, but that, as everyone knows, does not bother this professor.

For the rest, the AFC chairman's speech is an answer to two criticisms levelled against the working of the corporation and the member banks, namely that they sought easier avenues of agricultural lending (e.g. loans to electricity boards) and that they were not able to reach the backward regions in a significant manner. Critics of AFC would do well to ponder over these answers, if only to be able to appreciate the tremendous handicaps under which any really useful and constructive work could be carried out by an outside agency in the backward regions of our country. A case in point is the AFC's 1969 proposal involving a loan of Rs 49 crores for minor irrigation and crop finance for multiple cropping in 19 centres located in 14 districts of Bihar. It would be hard to visualise better agency, better teamwork, better understanding of the problem than were vouchsafed for this proposal. And, yet an expert evaluation had some errors to point out, all of which goes to emphasise one unmistakable point, that is, that, where new ground is to be broken, no single agency, much less a commercial bank, can effectively tackle the entire job. As the AFC chairman put it, economic feasibility by itself is not a sufficient condition for undertaking private investment, nor is lack of finance the only inhibiting factor. This is not to say that the AFC's record has been devoid of any worthwhile effort or achievement so far. The scheme in Vaishali area is an example of what any outside agency could do, given the imagination on the part of the agency itself and the receptivity of those for whom such schemes are intended. In all these experiments, the AFC has established what a useful role voluntary agencies could play, given the right guidance. But one must be careful in selecting agencies that are not vitiated by the whims and vagaries of political busybodies.

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POINTS OF VIEW

The game of numbers

S. P. Chopra

THE FINAL tabulation of census data by the Registrar General and Census Commissioner of India indicated an increase of 24.80 per cent in population — from 439.07 million to 547.90 million — in the decade 1961-71 as against a rise of 21.64 per cent in 1951-61. The small increase in the percentage growth of our population has been seen by many a leader writer in the daily press as a grievous failure of the family planning programme. Lamented *The Statesman*: "The population growth indicated by the final figure of the 1971 census does little credit to the birth control programme". *The Times of India* remarked: "What is more, this increase has taken place despite the family planning campaign which has supposedly been picking up momentum in recent years".

unnecessary criticism

Both these newspapers have been unnecessarily critical of the family planning programme as the Department of Family Planning (in the Ministry of Health and Family Planning) had never made the claim that the rate of growth in population would be reduced in the decade 1961-71. All that it claimed was that through its various campaigns, only 7.4 million births had been prevented in the decade 1961-71 (see table). Is there any indication in the final figure of India's population to show that this was an unjustified claim? In fact, the demographers in the government of India had forecast this country's population at 461 million in 1971 much before the census operations were started after taking into account the expected fall in births due to the family planning programme and the anticipated drop in death rate following large-scale investment in health services and widespread use of antibiotics.

The truth of the matter is that this country had no effective family planning programme till 1966. This is apparent from the fact that the family planners claimed prevention of births of no more than one million between 1961 and 1966. The campaign gathered momentum from 1968 onwards and, here again, the failure on the IUCD (loop) front gave a rude shock to the programme. The family planning programme was in full operation only for the last two years of the de-

cade under review. It is therefore unjust to brand the family planning campaign as failure simply because the rate of growth in population was not arrested in the decade 1961-71.

Commenting on the explanation offered by the Census Commissioner that the upturn in the rate of rise in population was due to a steep fall in the death rate, *The Statesman* opined: "The death rate may have fallen during the past decade but the family planning programme was presumed to have brought about at least a matching, if not larger, fall in the birth rate. Here again *The Statesman* has been unfair to the Department of Family Planning because with the resources at its command and the late start of the programme, the family planning campaign could not reduce the number of births equivalent to the addition to the population resulting from the fall in the death rate. The limitations of the programme had been fully listed in the annual reports of the department. The fall in the birth rate to about 32 per thousand population is expected to be achieved in 1973-74 as against 39 per thousand population at present. Never had the Department of Family Planning claimed that the fall in birth rate would match the drop in death rate.

drop in death rate

If for the sake of argument, it is assumed that the family planning programme had no impact on the birth rate and that it remained unchanged at 41.7 per thousand population in 1961-71 (as in 1961), the death rate works out at 16.9 per thousand population in 1971 as against 22.8 per thousand population in 1961. Surely, the drop in death rate has been sufficiently steep, thanks to the efforts made in the past decade to improve the health services and increase the use of medicines, particularly antibiotics. Let us not forget that the death rate in this country was as high as 48.6 per thousand population in 1921 and during the last half century it has been cut to nearly one-third its level. According to the latest calculations made by the Ministry of Health and Family Planning, the birth rate was reduced to 39.0 per thousand population in 1971. With population rise at 24.8 per cent in 1961-71, the death rate is supposed

to have dropped to 14.2 per thousand population in 1971. This is the central reason for the rise in population in the decade 1961-71 and the anger of the daily press against the family planning campaign is unwarranted. If anything, the Ministry of Health deserves praise for the drop in the death rate.

growth of minorities

The tabulation of population data according to religion has shown that the minorities have grown — with the exception of the Buddhists — at rates which are higher than that of the majority community, i.e. the Hindus. As against the decennial rate of growth for the Hindus at 23.69 per cent, the Muslims increased by 30.85 per cent, the Christians by 32.60 per cent, the Sikhs by 32.28 per cent, the Buddhists by 17.20 per cent and the Jains by 28.48 per cent. These figures have been interpreted in different ways by various political groups. The Census Commissioner has, however, taken the increased rates of growth in population of the minorities as a measure of the freedom (and secularism)

Family Planning: 1961-71

(Births prevented in thousands)

Year	Births prevented (in 1000)
1961	32
1962	53
1963	86
1964	124
1965	209
1966-67	524
1967-68	898
1968-69	1417
1969-70	1859
1970-71	2238
	(Provisional)
Total	7440

POINTS OF VIEW

which prevails in this country. Some sections of the Hindus community have been reminded of 1947 when nearly 75 million Muslim forced a partition of the sub-continent. The present population of the Muslims is around 67 million and within three to four years, it is bound to rise to 80 million. Whether the Muslims will then succeed or not in forcing this country to carve out another homeland for them is debatable but what is obvious is that the minorities are politically motivated and in their rising population they see a hope for increased leverage in political affairs in the coming years. For this reason

alone, there is every likelihood of their continuing to ignore the family planning programme.

The relatively faster rate of growth in population of the minorities can also be seen as a measure of their backwardness. An unabated rise in the growth of population of the minorities may continue to worsen their economic status, making them disgruntled with their place in the body-politic of the country. The census figures should, therefore, be taken as an index demonstrating the need for increased efforts at family planning opera-

tions among these communities. The religion-wise break-up of the 7.4 million births prevented by the family planning programme in 1961-71 is not available but surely the share of the minorities would be negligible. If anything, the census enjoins the need for more vigorous efforts for communicating the message of family planning to the minorities. Improved modes of communication will have to be found in order to impress upon these communities the benefits which are likely to accrue to them from planned parenthood which alone, in the long run, can bring prosperity to them.

Problems of Indian tobacco

H. P. Singh

INDIA PRODUCES about nine per cent of the total world output of tobacco and is the third largest producer after US and China. The tobacco grown in 434,000 hectares by 50,000 farmers in the country not only provides employment to nearly 300,000 farm labourers in the tobacco fields and 120,000 workers in the tobacco processing and packaging industry but also earns foreign exchange worth Rs 37 crores. In addition, the tobacco industry processes about 30 per cent of the total production to meet the domestic demand of about 70 million tobacco consumers in our country who consume tobacco in various forms worth about Rs 150 crores annually.

Of the total production of 350 million kgs of tobacco in the country, Andhra Pradesh accounts for nearly 93 per cent of the flue cured virginia production, over 44 per cent of other types of tobacco and 90 per cent of the foreign exchange earnings from tobacco. But due to production of tobacco in black cotton soil which does not stand irrigation and the cultivation in low soil PH areas in Andhra Pradesh, a serious problem of producing quality tobacco has emerged in recent years due to adverse factors of production and stagnant per acre yield. The per acre yield of tobacco in our country is depressingly low at barely 755 lbs compared to 2191 lbs in Japan, 1913 lbs in US, 2652 lbs in Belgium, 2112 lbs in France and 2064 lbs in West Germany. While the yield per unit of crop area in these countries has been continuously increasing during the last 10 years, the yield in our country has actually declined from

876 kgs per acre in 1964-65 to 865 kgs in 1967-68.

Recently a number of varieties of cigarette type tobacco like virginia gold, delcrest, white gold, 402, Hicks special, Kutsaga special, HR 62-3 and HR-62-7 have been introduced with a view to increasing the yield and improving the quality of cigarette tobacco. The cigar type variety mainly Olour and Havana 381 and cheroot type namely 1-737 and OK-1 have been introduced to produce

quality cigar and cheroot tobacco, to meet the needs of trade and to develop new export markets. In addition, two varieties of natu tobacco DG-3 and DG-4 and bidi tobacco varieties namely K-46, K-20, Anand 2, 23 and 119 have been introduced for better production and to meet the growing demand of bidi industry. These varieties however have not yet created confidence in farmers for adoption for cultivation. Surprisingly even for growing the recommended and approved varieties, the farmer is required to give an under-

Eastern Economist 25 Years Ago

July 11, 1947

With the appointment of Mrs Vijayalakshmi Pandit to the ambassadorship of Russia and the establishment of diplomatic relations with that country is ushered in a new phase in India's foreign policy and in Indo-Soviet relations. For the first time in modern times the real India emerging independent after a long freedom struggle is making contact with Russia which, having patiently consolidated her revolution, has come out of World War II with a power and influence in international affairs so patently crucial to the maintenance of world peace. It is all-important, therefore, that the new contact is made and Indo-Soviet affairs—as indeed those with every other country—are conducted in such a manner as to promote sympathetic understanding and friendship and to make that friend-

ship a weighty factor in world counsels.

It is not as if India and Russia had not known one another in ancient and medieval times. The Himalayas have not doubt been an almost impregnable barrier which cut off India from her northern Asiatic continental countries, but within the limitations imposed by nature there have been trading and cultural relations between India and Russia. According to Academician Barannikov, India is mentioned in some of the ancient Russian epics. In the medieval times Indian merchants visited Russia and Russian merchants also visited India, the outstanding among the latter being Nikitin who came in the 1460s. Nikitin's travel notes are said to be a useful source of information on the conditions of the Deccan in the fifteenth century.

POINTS OF VIEW

taking of risk-bearing. Unless research is carried out on a large scale at the farmer's field, the adoption of these varieties may continue to be hampered.

The majority of tobacco growers are small farmers who dispose of their produce immediately after harvest due to poor retainability, inadequate storage facility and market finance. The bulk of tobacco is sold by the farmer in the village by private negotiation with the buyers or their agents. The tobacco markets are actually secondary markets where merchants and warehousemen collect the tobacco purchased by their agents from the producing areas. The tobacco markets have been monopolised by the Indian Leaf Tobacco Co., the British India Tobacco and National Tobacco who purchase tobacco not only for internal cigarette production but also for export. The NCAER report on tobacco reveals that if the export price of one kg of tobacco is fixed at Rs 10, the farmer in Andhra Pradesh gets only Rs 4.70, hardly 47 per cent of the consumer's rupee.

problem of glut

The periodic gluts due to non-responsiveness of supply to the changing price and demand condition is another major marketing problems distressing the farmers. The harvesting season of tobacco commences about the end of December and continues till late in March. The first four pickings account for 30 to 53 per cent of total output and 65 to 70 per cent of the total value of the crop. The last two pickings accounting for 55 to 60 per cent of the total output of the crop, yield poor quality leaf. The low grade tobacco of the last two pickings create glut in the markets under unfavourable demand conditions. The low grade stock of flue cured virginia has increased sharply from one million kg in 1965 to 36 million kg in 1969. The problem of glut can be solved by planning the production and acreage under tobacco on advance assessment of domestic and export demand, the effective regulation of tobacco markets, fixation of export price and sale of tobacco on the basis of Agmark grades. The marketing co-operatives should be organised with adequate arrangements of grading, pooling, processing, storage facilities and market finance. Co-operatives should run the bidi and cigarette factories for utilising the tobacco raw material.

Hardly 20 per cent of tobacco produced in the country is exported after redrying

(cigarette type) and Agmark grading to some 50 countries all over the world. The main grading, processing, and exporting centre is Guntur in Andhra Pradesh.

virginia tobacco

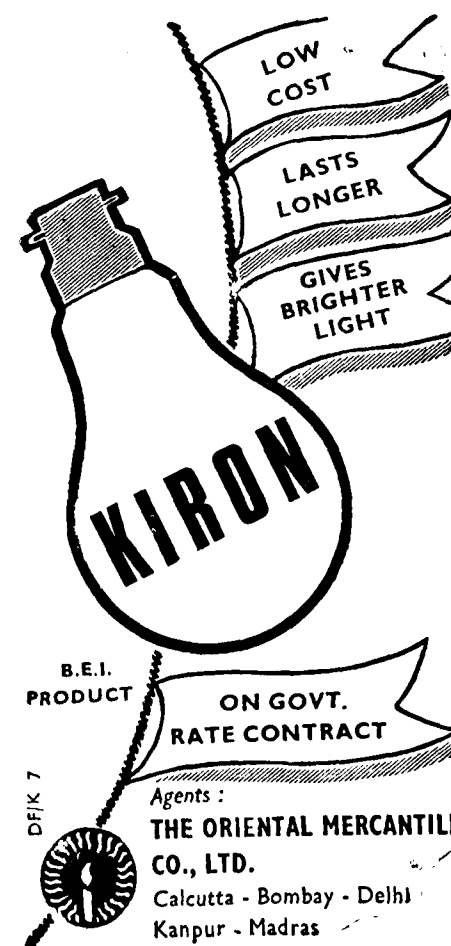
India is second largest exporter of flue cured virginia. The main importing country till recently was United Kingdom which accounted for 40 per cent in volume and about 60 per cent in terms of value of the total export of tobacco from India. The share of UK has come down considerably to 30 per cent in terms of volume and 40 per cent in terms of value and the unit value realised has also declined due to increasing proportion of by-products (stems and stem-bits). However, the increased take off by the USSR and Japan in 1971 has improved the export situation. Other important importing countries are German Democratic Republic, Egypt, Belgium, Singapore and Nepal.

The unit value realised in respect of all unmanufactured tobacco has declined to Rs 6.02 per kg during 1969-70 from Rs 6.09 per kg in 1968-69. The unit value of flue cured virginia tobacco, which accounted for 41.4 million kg valued at Rs 28.96 crores, also declined from Rs 7.26 per kg in 1968-69 to Rs 6.99 per kg in 1969-70. A comparative study of average prices realised by major exporting countries in respect of flue cured virginia tobacco is disturbing. While the unit value per pound in US cents realised by India increased from 28.6 in 1955 to 44.4 in 1968 the unit value of Canadian tobacco increased impressively from 57.3 to 107.2 and the average price realised by the US increased from 67.3 to 96.2 cents per pound during the same period. Similarly the FCV tobacco exported from India in 1968 could realise only 53.1 cents per pound in the UK compared to 114 cents per pound realised by the Canadian tobacco.

The unit value realised by India is declining because of our inability to export tobacco to meet the changing consumer preferences and pressure on export markets. The tobacco consumers are highly conscious of quality and developing countries in Asia and Africa should offer quality tobacco at low export prices. A pointed reference may be made here regarding the neglect of export markets from the quality point of view. Of the

superior grades of tobacco production, the domestic market consume about 40 million kgs, leaving hardly 25 million kgs for export markets.

Despite the spectacular growth of tobacco and its contribution to Indian economy, it is confronted with many new problems and serious challenges. The recent announcement by the government of India regarding the setting up of a Tobacco Board is a step in the right direction. The organisations concerned with the production, marketing and exports, namely the Tobacco Development Council, the Central Tobacco Research Institute, the Directorate of Marketing and Inspection and the Export Promotion Council must be included in the proposed tobacco board for consultative purposes. The Tobacco Board should be able to help in achieving the targets of production and exports and in promoting, supporting, protecting and maintaining planned production, strict quality control and export promotional activities in our country also.



Growth in Perspective

R. V. Murthy

THE PRIME Minister, Mrs Indira Gandhi, is to be more pitied than pilloried for allowing herself to be taken in by the so-called new approach to development planning of the much publicised Pakistan Professor Dr Mahabub ul Haque. But, to say the least, it was naive of her to assume that any one could talk the language of economics with the same levity as one could talk the language of ideology. Unlike ideology, economics demands a degree of precision, apart from a clear understanding of the different schools. Less seldom, therefore, does one hear of claims by people of having evolved a new theory in economics than in other sciences. Invariably, experience shows that what passes for a new theory in economics is at best no more than the variation of a fugue of the same theme, shorn of some flashes here and there. For the basic theories of economics are inexorable and the familiar concepts to measure economic growth based thereon, such as GNP, cannot be dismissed cavalierly by all and sundry as being inconsequential.

no suitable guide

Incidentally, Dr Haque is by no means the first to point out that a high growth rate of the GNP, *taken singly*, is not a suitable guide for planning economic development, especially for the poorer countries. More eminent people have done so, (Colin Clark, P.T. Buaer, Simon Kuznets, Gunnar Myrdal and Dudley Seers, to name a few), but they have not pooh-poohed the GNP test. They accept that it is a tolerably reasonable barometer of development performance. It is not that they have ignored the shortcomings of GNP. If GNP has continued to be in vogue, it is only because of the obvious difficulty of devising a more satisfactory alternative. Dr Haque has not suggested a useful alternative either; nor has he made any contribution to a new development policy. His thesis that anti-poverty schemes must simultaneously be part of economic growth, even if some increase in GNP has to be sacrificed by the diversion of financial and physical resources from investments into such socially-oriented anti-poverty schemes, apart from being not tenable (in the sense that sacrificing increase in GNP is not only called for to achieve the

objective in view, but may prove detrimental to it) has more a psychological appeal than an economic ring. Could this perhaps be the explanation for its so readily catching the imagination of Mrs Indira Gandhi?

Be that as it may, public interest has been aroused in what has been described as "the new economics of growth", especially since the Prime Minister's address at the last annual session of the Federation of Indian Chambers of Commerce and Industry (FICCI), and some interesting comments have been made on the subject which deserve to be noticed. Two comments in particular are interesting and instructive, one by "Martial" in the latest issue of *Freedom First*, and the other in the form of two articles in *Financial Express* by Dr F. A. Mehta, who heads the economic section of Tatas.

main aspects

"Martial" first refers to four aspects of Dr Haque's thesis in particular. First, according to the Pakistan Professor, "the problem of development must be defined as a selective attack on the worst forms of poverty". Secondly, he has argued that "the developing countries should define minimum consumption standards that they must reach in a manageable period of time." Thirdly, Dr Haque has opined that the concern for more production and better distribution should be brought together in defining the pattern of development. And, fourthly, he has suggested that employment must become a primary objective of economic planning and that it should no longer be treated as only a secondary objective. Dealing with each of these four, "Martial" has said:

(1) "Dr Haque does not tell us how we distinguish between these worst forms of poverty and other relatively innocuous forms. Neither does he tell us the criteria of selection on which the alleged 'selective attack' should be based".

(2) "How these minimum needs (consumption standards) are to be fixed is not specified. We are only told that they must not depend in the ability to pay. But it is unclear as to what this means. If the poor group's incomes do not rise

enough to enable them to pay for their minimum material needs, it means that they will have to be maintained on the dole. Does Dr Haque really comprehend the consequences of putting about 40 per cent of the population on the dole? If he does not, what is the meaning of the phrase that the ability to pay should not be considered at all?"

(3) "Bravo!" But what about the cases where the two concerns (for more production and better distribution) do not match? What to do about farmers, who, in the process of generating the green revolution, are also becoming a newly-emergent high income class? Should they or should they not be heavily taxed? No comment from Dr Haque!

(4) This means that we must "treat the pool of labour as given at any particular time which has to be combined with the existing stock irrespective of how low the productivity of labour or capital may be". In other words, "the state must create jobs for everybody, no matter at what earnings and under what conditions of work and guarantee for everybody a minimum income defined by itself. This is, of course, an old idea and has been practised, among others, by Comrade Mao Tse-Tung. But why present this as something original?"

difficult to conceal

"Martial" has also his explanation as to why propaganda of this sort has suddenly become popular with all crypto-collectivists. He says: "As long as the GNP criterion is retained, the failure of the government to promote economic growth remains measurable and cannot be concealed from the public. It is also difficult to conceal the fact that countries which follow liberal economic policies (like Malaysia and Thailand) make a better job of promoting growth than do 'well planned countries' like India or Burma. Thus, since the failure of collectivism is so very important, let us by all means change the rules of the game! We must no longer be interested in the GNP". But, as "Martial" adds: "what Dr Haque and his comrades forget is that dropping the GNP criterion does not make the world

safe for collectivist economic planning" itself.

Dr Mehta's comments, however, are in a different vein. After briefly recapitulating the basic assertions of "the new economics of growth", he examines their implications and poses a number of pertinent questions. First, he wonders if "the new economics of growth" approach will not result in a slowing down of India's already low rate of economic growth, due to a further diversion of financial resources away from investment into schemes of social welfare. On the other hand, according to him, the Indian situation calls for a substantive speed-up in the rate of economic growth in the GNP, if only to ensure the basic minimum standards of living to at least 30 per cent of the people below the poverty line. (Even if India's current rate of growth in GNP can be doubled—from five per cent to 10 per cent—the additional financial and physical resources generated will not suffice to meet the needs of a mass anti-poverty programme). Also he is for specific anti-poverty programmes (e.g. those suggested recently by the NCAER and Mr J. R. D. Tata) being initiated forthwith, "even if they do involve, in the initial stages, a departure from pure economic considerations".

Secondly, like "Martial" in *Freedom First* Dr Mehta also finds "the new economics of growth" far from being original. Taking one of the fundamental tenets or "the new economics"—that the investment pattern should be biased at the very outset in favour of basic necessities for the masses instead of catering for the luxuries of the classes—he rightly regards it as a revised version of the wage-goods thesis of economic development, used way back in the fifties by Dr P.R. Brahmananda and others to attack the then popular model of economic growth. "The new economics", therefore, is but "a renewed plea for a right ordering of priorities in which investment shall be earmarked towards the mass-production of 'mass' consumption goods".

narrow base

Next, Dr Mehta demolishes the contention of the protagonists of "the new economics" that "the fiscal systems of nearly all developing countries have a narrow base and cannot, therefore, by itself serve, as an important mechanism of redistribution" or, in other words, "that the tax resources generated will be small in relation to the resources required to make a dent on poverty", and argues that, in the case of India at any rate, the tax effort

has not only been enormous but that it does not lack an automatic built-in mechanism for the distribution of the gains of economic growth. To make his point, he has cited Raja J. Chelliah ("Trends in Taxation in Developing Countries") and the latest Economic Survey, and given figures of tax-revenues of just the government of India alone to show how these have grown from Rs 573 crores in 1956-57 to Rs 3,850 crores in 1971-72 and to perhaps Rs 4,400 crores by the end of 1972-73. But Dr Mehta also admits there were circumstances why the government could not use these growing resources for the purpose of redistributing income, e.g. investment in huge long gestation-period projects in the public sector and diversion of a substantial part of the growing tax revenues to defence effort.

"The tragedy of India's continued poverty has not been the lack of a redistributive mechanism planted into India's production-apparatus" either, according to this economist. How can that be, he asks, "when every one per cent increase in industrial production has repaid the exchequer in the last fifteen years with a 1.65 per cent increase in its tax revenues, and when every rupee earned by a shareholder of the corporate sector has immediately brought at least Rs 4.30 to the government?" But Dr Mehta is not content to cry over spilt milk. Forward-looking as he is, he says that we have now at least an opportunity to make a specific move in the desired direction, albeit only in a modest way.

wrong perspective

Dr Mehta blames both the leftists and the rightists for their "totally wrong perspective". While the leftist circles in India refuse to recognise the fact of the built-in distributive mechanism planted into the Indian industrial system, he says, spokesmen of industry continue to harp on the old theme: "we cannot distribute the slice of the cake before we bake the cake". This "ignores the very substance of democracy in which the competitive pressure—groups will necessarily demand at once as much as possible". Apart from being "a wrong perspective" thus, "it is also a wrong depiction of the actual situation". He goes on: "In nine out of ten cases, the captains of industry themselves are the first to introduce 'incentive schemes' to maximise production in their industrial plants, proclaiming thereby that in the very hour of increased production not only is there taking place increased distribution, but that this increased distri-

bution is, in an important sense, a precondition of increased production".

Lastly—and this is seldom recognised, whether deliberately or otherwise, no one can say—Dr Mehta convincingly counters "the new economics" thesis that "the luxury consumption sector not only steals a substantial volume of the scarce resources of a developing economy, but saddles it with patterns of production and investment from which it is very difficult later on to extricate itself".

complicated issues

Conceding an element of truth in the proposition, Dr Mehta points out how the concerned issues are very complicated by reason of the fact that "the standard of living" is not merely an economic concept but a socio-psychological one. To quote him, this sector is "really not important or worrisome from the economic angle, it is, however, a political menace because of its psychological implications in a society in which, on the one side, the bottom layers are without even their elementary necessities of life and, on the other side, the 'medium' layers keep on (through the demonstration-effect) initiating the consumption standards of the higher groups so that *psychological discontent is the result in both the cases*". Dr Mehta's counsel—a counsel that never seems to be heeded—accordingly is that there is urgent need on the part of the governing and the rich classes to display "an enormous maturity" in their standards of living. Dr Mehta concludes by saying that the rat-race is not for economic growth as such, but for the gains of economic growth.

It is necessary to add here that Dr Mehta, while being critical of "the new economics of growth", is not slow to recognise its psychological appeal to a developing country believing in democratic approach such as ours, and has postulated his own strategy of economic growth in which he seeks to incorporate the very features of the new economics of growth which, as he says, "demands from every layer of the Indian economic society a degree of self-discipline and self-denial". All agree that a degree of self-discipline and a degree of self-denial are called for, but the question is: who will bell the cat? So long as we continue to expect someone else to do this, as we have been doing all along and ourselves not volunteer to take on the task, the stalemate is bound to last for some more time or, if we are unfortunate, to explode into something really unpleasant to all.

The world money outlook

Josselyn Hennessey

London

I Tour of the Horizon

HERE is a summary of the latest six monthly report on the world monetary outlook issued by the Société Financière Européenne, the multi-national Company formed in 1962 to aid in the modernisation and expansion of European companies by long and medium term loans, equity financing, and advisory services. The Société is owned by the Algemeine Bank Nederland NV, the Banca Nazionale del Lavoro, the Banque de Bruxelles SA, the Banque Nationale de Paris, the Bank of America NT and SA, Barclays Bank Ltd and the Dresden Bank Ltd.

During the six months since our last review, the major industrial countries

than the USA are expected to increase production of goods and services by about 4½ per cent this year while the USA's GNP in real terms should grow at least a percentage point higher.

Generally the industrial world is recovering from slow growth and recession.

The other major industrial countries, however, lag 6-18 months behind the US cycle. In some cases, notably West Germany and France, the downturns in economic activity have been less serious than expected. In others, e.g. Italy, the period of slow growth will be more extended. Generally, recovery is being prompted by fiscal measures and easy monetary policies.

The easing of monetary policy in coun-

more difficult to regulate without inflation and unemployment. The reasons include: widespread uncertainty; the lessened effectiveness of national monetary policies increasingly internationally intermingled, and political fears inhibiting fiscal policies. As a consequence, the slowing of economic activity in all the major industrial countries, while less serious than it might have been, has been unusually prolonged. Recovery to full capacity is still at least a year ahead for the USA and Canada, and more than that for Europe and Japan.

Anticipated movements in interest rates reflect this pattern of recovery; levels will probably remain generally low during coming months, with further but relatively slight declines in local markets in France, Italy and Japan. Gradually rising rates, already underway in the USA, will become evident later in 1972 in Belgium, the Netherlands, the UK and possibly West Germany. In international markets, particularly Eurodollars, rates are expected to continue to be weak, in part because demand is inhibited by special national measures. Consequently, the premium of domestic dollar rates over Eurodollars will narrow.

widespread inflation

The gradual recovery of the industrial economies will promote somewhat faster rates of expansion in world trade but persisting widespread inflation will bedevil the prices of internationally traded commodities.

The faster rate of expansion in the USA, and the resultant rise in security prices there, would ordinarily attract an increasing volume of foreign investment. Offsetting factors will be measures designed to promote domestic investment in the recovering economies elsewhere, and the persisting concern about the dollar. Japan, however, is taking steps to promote an outflow of long-term capital, in large part to hold back the increase in its international reserves. Such outflows are expected to influence international investment in the years ahead.

Under pressure of events, the monetary authorities of the major industrial countries have taken a rather less rigid approach

In recent years, economies have been

to exchange rate variations than previously. The narrowing of permissible variation of the cross rates between the currencies of the EEC and prospects of further narrowing in the future, along with various more closely co-ordinated monetary conditions do, however, at least point to a more rigid pattern of intra-European rates. The April agreements between the EEC monetary authorities (subsequently extended to the prospective members as well) in the immediate future have the main effect of restoring something similar to the pre-1971 situation. Then, given intervention limits against the dollar of ¾ per cent either side of parity, the EEC cross rates could vary by no more than three per cent. The current agreements provide for variable margins between Community currencies of up to 2½ per cent. The real test of EEC monetary co-ordination will probably not have to be faced until the cross rate bands are narrowed further, when it might be necessary to remove the limits of intervention against the dollar for the EEC currencies.

II

The Dollar

Sustained economic recovery supported by, and at the same time encouraging, a rise in business confidence will be confirmed during 1972, despite considerable election year uncertainties and the problems of the second phase of the prices and incomes policy.

A real growth of at least 5½ per cent now appears more feasible. Business investment plans have been revised upwards; plant and equipment spending may rise by as much as 10½ per cent this year and should continue into 1973. Corporate performance is expected to be reflected in a rise in profits after tax of as much as 15 per cent over 1971, thus moving closer to their historical share of national income.

The pace of the economic recovery in the USA, inevitably accompanied by a continuing albeit fairly moderate inflation, foreshadows a rise in both long-term and short-term interest rates during the remainder of 1972, if not into next year. During the early months of 1972, the level of short-term rates was contained by an easy monetary policy, and failed to take into account the possibility of renewed inflation.

Upward pressures will also result from offerings of US securities from foreign official holdings and from sizeable Treasury issues stemming from large budget deficits. However, long-term rates will show more resistance to upward pressure,

both because of policies to effect a flatter yield curve and because of the greater possibilities of internal financing of capital spending, which bypasses and thus does not fully reflect market forces. The higher levels of demand for goods and money probably mean that short-term money market rates will settle at 5½ per cent by the end of 1972. Long-term rates should range from, say 6½ per cent for five-year Treasuries to about 8½ per cent for dollar Eurobonds.

reducing inflation

The rise in both US interest rates and external dollar rates—and contrary tendencies among major foreign currencies—will help to preclude excessive speculative pressure in foreign exchange markets. The strong reflow of funds into the US widely, though naively, expected earlier will occur gradually and with occasional reverses during most of 1972; this will exercise much less influence on US monetary policy than anticipated. Progress against inflation will eventually support the effects of devaluation in strengthening the balance of payments on current account, although this is unlikely before the final quarter of 1972 and probably later.

On the domestic front, the US economy has so far reacted as well as might have been expected to its recent experiment with direct controls on prices and incomes. The test has, however, yet to come, primarily from the anticipated large budget deficits which will create a highly liquid financial system. Inflation will probably be closer to four per cent for 1972 than the official goal of between 2½ per cent and three per cent. Nevertheless, consumer confidence, damaged by inflation and unemployment, appears to be recovering along with retail sales. The high savings rate (eight per cent of disposable income), the result of consumer uncertainty in the face of a rapid rise in personal income, is, however, not expected to decline significantly until early in 1973. Unemployment will fall only slowly, partly because of the large number of women and adolescents who have entered the labour market and who find work less easily than older men.

The performance of the US economy, in brief, is improving, and 1972 will in retrospect appear a better year than some conventional indicators may imply. There will be an underlying improvement, both in domestic activity and in the balance of international transactions, though official statistics may be slow to reveal this. The misleading signals are an inevitable consequence of a period of rapid reorientation of policies, including the introduction of some novel experiments. By early 1973 the

data should reflect more clearly the actual performance.

III

The French Franc

The slight downturn expected in economic activity during 1972 will probably be somewhat less marked than seemed likely a few months ago. The international currency agreements of December and March have made business leaders more optimistic; in addition, the government has introduced cautious reflationary measures. However, no dynamic expansion is to be expected and growing unemployment is causing concern. Nor is the situation in the labour market likely to improve; for this to happen industrial production would have to increase by about seven per cent per annum. Nevertheless consumer demand should be sustained although the increase in production could slow because of the high level of stocks. The increase in private investment will be small so that production of capital goods will grow mainly in the public sector, particularly in building.

During the closing months of 1971 the increase in available money became more pronounced: it rose 11 per cent. The growth in liquid savings, which also went up during the last quarter, was far more marked, and reached 21 per cent. However, the tendency of households to expand personal savings is likely to flatten because of persisting inflation. The marked upturn in long-term savings, reflected in a substantial rise in the issue of stocks, is also likely to fall. The stock exchange has recovered since the start of the year, mainly because of foreign buying.

Despite persisting inflation, the Banque de France shows no signs of deciding to restrict its monetary policy further. On the contrary, it reduced the coefficient of the banks' reserves in December and March to force down the cost of credit. For the same reason interest rates on savings deposits were reduced. Two reductions in the discount rate, in January and April, also signified cautious support for the trend towards reduced rates. There is little likelihood, however, that this will take on larger proportions so long as inflation continues.

The inflationary tendencies weakened slightly during the closing months of 1971, a slowing which should be confirmed in 1972. Similarly the rise in the cost of living slowed to an annual rate of 4.5 per cent based on the last three months, compared with an annual rate of 5.7 per cent over the year. Nevertheless, persisting inflation remains a cause for concern. Pressure on prices is particularly marked

WINDOW ON THE WORLD

have introduced reforms in the international monetary system. Although by no means subject to the fears of the last half of 1971, world money markets remain clouded by uncertainties during what must be a period of experiments in policies, national and international, following the Smithsonian Agreement of December and the steps taken in April toward closer monetary union among the present and future members of the European Economic Community.

Prospects for the major countries have changed surprisingly little in the past half year, possibly because the optimists have, on the whole, been vindicated and the worst of the expected consequences of the 1971 currency crises have not been realised. The industrial economies other

tries other than the USA has also been prompted by concern to discourage a further inflow of dollars into their reserves. Monetary conditions in Europe have not been as easy as would have been warranted by high unemployment and excess industrial capacity, mainly because of concern about persistent inflation. Further, because monetary conditions in the USA have not been as restrictive as desirable from balance of payments considerations, and because forward exchange markets have continued to reflect speculative pressures more than interest differentials, the easy monetary policies have in most countries had to be supplemented by additional measures including exchange controls.

in food, following the application of a common EEC policy. As against this, official restrictions on industrial prices have kept increases to 1.5 per cent in six months. In future the rise could be greater, even though the official target is to hold it down to an annual three per cent.

In 1971, the trade balance showed a surplus of Frs. 4,500 million compared with less than Frs. 1,000 million in 1970. This is the more encouraging as the growth in economic activity was restrained in France's leading markets. It was helped by increased competitiveness of French products resulting from the revaluation or floating of certain currencies, a competitiveness little affected by December's currency realignments. However, a flattening in exports evident at the start of 1972 has probably continued: the backlog of foreign orders in industry is currently low.

The balance of payments showed a surplus of over \$2,000 million in 1971. Including the banking sector's increased loans abroad, the state's exchange holdings rose by \$3,300 million. Note, however, that the unwelcome inflow of capital almost ceased after last August following regulation of the external position of the banks and the institution of the double exchange market. In particular, official currency reserves during the first quarter rose by only a few million dollars. The balance of current payments could show a deficit, but this would be offset by an inflow of long-term capital.

IV

The West German Mark

The December Washington agreement resulted in a revaluation of the DM by 6.5 per cent. After a short period of weakness, however, the demand for D-Marks again rose and the Bundesbank had to step in in order to avoid the dollar reaching its lower intervention point. Monetary reserves of the Bundesbank rose by more than \$1,000 million within the first quarter of 1972. No major changes are likely in the near future provided that new pressures from abroad can be avoided. If there are further dollar inflows the government would be ready for rigid exchange controls jointly with other EEC member countries.

The renewed capital inflow earlier this year was largely induced by the relatively high interest levels in West Germany and possibly also by new speculative expectations. As West German banks are still prohibited from paying interest on deposits from abroad, foreign investors mainly bought substantial amounts of DM-denominated bonds and West German stocks. This brought bond yields down

from eight to about seven per cent and stock prices rose by more than 30 per cent within a few months.

To counteract this flow of hot money, the Bundesbank lowered its discount rate on February 25 from four to three per cent which also eased money market rates. In addition, on March 1, the authorities applied the Cash Deposit Law. With a few exceptions, 40 per cent of loans raised abroad by West German companies now have to be deposited on special non-interest-bearing accounts with the Bundesbank. This reduces the interest differentials between domestic and international financed markets. The new law seems successfully to have stopped West German borrowing abroad.

slack in imports

The DM revaluation has so far only moderated the growth of West German exports. In the first quarter of 1972 they rose six per cent, compared with 15 per cent in the first quarter of 1971. On the other hand, slackening domestic demand has resulted in a rise in imports of only four per cent so that the trade surplus was substantially higher than in 1971. The current account balance however, remained near equilibrium because services and other transactions continued in deficit. The business situation still suggests some uncertainty. GNP in the first quarter achieved real growth, but results in some industries have improved. A recession similar to that of 1966-67 is not on. However, investment is still weak, and prospects will depend mainly on whether and by how much earnings improve. With recent wage settlements more in line with gains in productivity, pressures on costs have abated so that some optimism is justified both for earnings and for improved international competitiveness.

At present, the main problem is that inflation is still strong. With the cost of living currently rising at about 5.5 per cent the government and the Bundesbank hesitate to introduce reflationary policies. The Bundesbank says that it will keep bank liquidity as tight as is compatible with its endeavour to keep foreign money out of the country. Although some DM 6,000 million collected in 1970 and 1971 as an anti-cyclical surcharge on income tax (covering both companies and individuals) will have to be rebated in June, compensating restrictions may be imposed to prevent further credit expansion. The most recent reduction in Bank rate was accompanied by an increase in minimum reserve requirements.

In the capital market, international DM-bond issues were floated in large amounts early this year, with yields up to 0.5 per cent below interest rates for domestic issues. Buyers were foreign investors buy-

ing because interest on such bonds are tax free. The decrease in interest rates ended in March and was followed by a rise of bond yields to eight per cent. New issues have been stopped and the Bundesbank has welcomed the higher interest rates in the hope they will help to control an over-expansion in private building.

V

The Pound Sterling

A noticeable feature of British monetary conditions in the past six months has been the resistance of short-term interest rates to the downward trend in Europe.

This arises in part from the uncertainties emerging about the balance-of-payments in the second half of 1972; such doubts arise partly from an expectation in some quarters that the recent Budget will stimulate the economy to the extent that the current balance-of-payments will move into deficit and that this change would by itself lead to an outflow of short-term funds. The degree of stimulation achieved remains to be seen.

At present Bank rate stands at five per cent and the clearing banks' base rate at 4½ per cent. Apart from published rates, borrowers have been called upon to pay significantly more over the past twelve months because the margins charged above base rate have been widened, and there can be little expectation that this will be reversed in 1972. The blue chip, or prime, rate, is now about one per cent over base rate but personal borrowers for unsecured advances can go to over five per cent; rates charged on credit cards and by hire purchase firms are naturally substantially higher because of the built-in service element. The change-over from Bank rate as an anchor rate to base rate was made in September, 1971, by all the London clearing banks.

There has been a lack of demand from industry for bank loans although demand from personal borrowers for consumer finance has been good; some of this borrowing however reflects business attracted away from the hire purchase companies. Nevertheless, apart from motor cars, the retail trade has not shown the buoyancy hoped for that would get the economy out of its relative stagnation.

Despite the four per cent level of unemployment and rising savings, now approaching a tenth of disposal income, equity prices have been giving a remarkably good performance although there have been some spectacular setbacks in the older established blue chips.

Since this report was written, threats of railway and dock strikes and industrial unrest have led to a shake-out in the bull market. Prices have fallen all round by

about 20 per cent. The optimists regard this as temporary and believe that as soon as we have industrial peace, the bulls will come stampeding back. The pessimists believe that this is the end of the long bull market which began in 1970.

The economy is certainly in a shake-out phase and is becoming increasingly cost controlled; the financial officer is coming to the fore in corporate administration.

In general, however, company finances have become stronger over the past year, partly because the labour force has been cut back sharply with a consequent improvement in productivity and partly because of improved profit margins where it has been possible to raise prices significantly.

The better tone of many company reports has stimulated the rise in equity prices over the past year and the improvement has also been stimulated by merger activity, but even so prices are not substantially above earlier peak levels.

The main concern now is how long it will be before firms begin to increase their capital expenditure and the extent to

which they will require outside finance.

signs of improvement

The direct incentives given by the Chancellor to stimulate investment are about £300 million a year but some time will elapse before this boost can bring unemployment down. There are, indeed, signs that some improvement is on the way but this comes mainly from sample surveys which, in the past, have been notoriously over-optimistic. However, the impact of the recent budget will strengthen corporate liquidity and this fortunately is coming at a time when company finances may be coming under some strain, largely because they will be unable to gain so much benefit in 1972 from a further pruning of the labour force and further running down of stocks. All in all it may be expected that there will be no great demand from industry on the banks during 1972.

One of the significant moves touching on financial policy has been that since May 1, the £ is not to fluctuate by more than 2.25 per cent against any of the EEC currencies, and this does mean that UK financial policy will have to be tighter.

I can perhaps best summarise this sum-

mary by paraphrasing the cry of Samuel Taylor Coleridge's Ancient Mariner :

Inflation, inflation everywhere

Nor any stop to think !

I must remind my readers that in so far as the foregoing report refers to the future, and proclaims that something "will" happen, it is crystal gazing. A few minutes after drafting it, I was myself forcibly reminded of this by hearing the BBC News announce pressure on the £ following the recent fall in the balance of trade figures, which, taken in conjunction with the situation outlined above, have started speculation that the £ is due for a devaluation. Dennis Healey, the Shadow Chancellor, gave this speculation a boost by announcing that he did not see how a devaluation could be avoided, to which the Chancellor replied that devaluation only occurred when a currency was over-valued and he stressed that all available statistics contained no suggestions that the £ was over-valued. I myself do not pretend to know whether the £ is over or under valued. Anyone who is certain on this point could make his fortune by judicious speculation in the foreign exchange market, but mind your fingers !

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Mechanism of aid

Hardev Singh

DURING THE last few years, in India we have been watching the mechanism of aid from the receiving end. We have talked about the quantity of aid and the sources from which India will draw her requirements. It was therefore an interesting exercise to listen to the other side of the story: the process of dispensing aid from the angle of some aid-givers.

At a recent meeting Mr Francis Wells, Head of the Economic Development Division, Development Assistance Committee of the OECD, Paris, gave an illuminating first-hand account of the mechanism of development assistance from the point of view of the major donors.

The Development Assistance Committee is a kind of high-powered body of the donor members of the OECD countries aimed to 'secure an expansion of the aggregate volume of resources made available to less developed countries and to improve their effectiveness'. The members of the committee are Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Norway, Portugal, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Economic Communities.

important activity

Perhaps the most important continuing activity of the Development Assistance Committee (DAC), as described by Mr Wells was its annual review sessions, which normally started around February each year. At these annual meetings each donor country is expected to discuss and defend its policy before the committee, where the representatives of the IMF and the IBRD are also present as observers. The broad technique of these meetings has been perfected over the years. In the first instance the DAC secretariat receives from a particular donor country appearing before the committee, a memorandum which spells out the general policy and objectives of the country's aid programme. The secretariat then prepares a report on the memorandum, and it also sets out a series of questions for the convenience of the members of the committee. On the basis of these three papers—the memorandum, the report by the secretariat and the questions—there follows a full-fledged discussion at the meeting.

The delegation of a donor country is usually made up of six to ten persons, depending upon a particular country's desire to defend its policies and the extent of criticism it expects. The delegation

is usually headed by a senior member of the government; it may be the minister in charge of aid or the head of the aid-giving institution. In the case of the UK for instance it may be the Secretary of State for Commonwealth Affairs or the head of Overseas Development Administration.

Mr Wells pointed out that the discussions are usually quite frank and open and the chairman is there to see that the discussion does not become sloppy. He gave an interesting instance of a British representative who tried to be too brief and curt, when a question was posed to him: Did he not think that the UK's policies of local costs required a reassessment? His answer was 'No'. The chairman intervened and insisted that the representative should elaborate his answer with precise instances. The chairman, therefore, ensures that no country gets away with vague answers. He poses the questions more firmly and demands the answers more precisely.

positive objective

Mr Wells stressed the fact that such discussions have positive objectives. In the first instance the meetings provide an opportunity for examining the figures of assistance promised by a particular country. It is a way of keeping the countries up-to-date in respect of their commitments. In general terms they are reminded of the agreements arrived at, and are required to translate them into hard practical terms.

Perhaps the most important objective of these meetings is to strengthen the hands of that part of opinion in every country which is in favour of more aid. Each country's representative explains the reasons why aid did not materialise, to the extent it was expected. He listens to the arguments in favour of more aid and then he goes back home strengthened in his approach to demand more aid. The meeting in a way reinforces the representative in his own private battle against the hardliners at home. Mr Wells considered this aspect of great significance because no country, he thought, was completely monolithic in its structure. In the UK, for instance, there are battles going on, up and down Whitehall. The final position adopted by the country in question emerges after a fairly long discussion. In this manner the DAC is able to strengthen the hands of the aid administrations in the donor countries. In fact the DAC secretariat knows the lobby in favour of aid and tries to provide it with facts and

figures.

Apart from these meetings the DAC is continuously gathering facts and figures concerning aid, which it needs for its working. It is able to keep a constant watch over the progress of aid by looking at these figures provided by each member country. In the process of aid review the DAC is able to examine the figures and can question their validity. It is also able to ask for details and explanations which other agencies such as the UN and the IMF are not able to secure. In this manner it has some advantage over other institutions. Consequently agencies such as the UN rely upon the DAC for basic statistics in this sphere.

allied issues

The DAC is also constantly involved in the examination of certain other allied issues such as technical assistance and private investment. Its secretariat has a permanent staff which examines these subjects and prepares statements on the latest situation for the information of the committee. Mr Wells added that there are certain casual subjects too which though not continuously examined are discussed during the inter-session period. For instance, some years ago, the DAC assessed the significance of agricultural aid in Asia, and prepared a paper. This paper led to a major meeting on aid in Asia in the context of agriculture. Similarly, subjects such as unemployment in developing countries and rural development were taken up by the secretariat.

In reply to my question on the motives of donors when giving aid, Mr Wells observed that during his ten years with the DAC he has felt that motives of donors are a mixture of broadly four elements. The first is the humanitarian motive. He said: "Although it may sound hollow, I don't think it would be acceptable in our countries, that the government should sit quiet when there is starvation in some other country. Secondly, the commercial benefit out of investment accompanied by aid is definitely a motive which can be examined in various instances. It is possible that this commercial benefit is accompanied by a positive benefit for the recipient country. In the third place political motives are an element in aid. Economic aid is definitely used as a political tool in advancing better relations between two countries. In the fourth place, a view is largely held that a world of extremes of poverty and riches can explode in an ugly manner. Aid is considered to be an instrument for reducing the areas of conflict.

When the Prime Mini-

ster landed at Palam after her European tour, there was the usual crowd of obliging pressmen at the airport, all keyed up to convey to the world her latest thoughts on matters national or international. One of the questions put to her was, naturally enough, about her plans for the President of India as told in *The Statesman* by its Resident Editor, Mr Kuldip Nayar. Mrs Gandhi made it clear that she was not at all amused and declared that "it is totally fantastic nonsense and probably mischief-making as well". This was on June 24. Three days later *The Statesman* in its 'Letters to the Editor' column published a communication from the Press Secretary to the President which said, in part, "he (the President) has authorised me to say that the statement (i.e., the Kuldip story) is totally baseless and a deliberate lie". This letter was published without any elucidation by or on behalf of *The Statesman* of its own position, but under the caption "A Regrettable Lapse". The inference must be that the newspaper has attempted an indirect offer of apology for publishing a report which it is in no position, apparently, to substantiate. In circumstances such as these, there are certainly ways of a newspaper making amends in a more open, straightforward and dignified manner. (Since this was written *The Statesman* has tendered a full-throated apology).

Mr Kuldip Nayar's own position is no less unenviable. His professional integrity has been called into question in a clear and direct manner by the President and less emphatically, but not less effectively, by the Prime Minister, both of whom have charged him with intentional mischief-making. Worse, still, his own newspaper has clumsily disowned him by rebuking him publicly for "a regrettable lapse". In the circumstances, if there are any professional standards in journalism, they would seem to demand that Mr Nayar should either state in his own newspaper that he stands by his sources or his story or, if he is not able to do so, confess without mincing words that he has been sold a pup. It would of course be too much to expect even of a Resident Editor that he should resign when he can-

not or does not re-establish his *bona fides* after his professional integrity has been challenged, with his own newspaper conceding that no defence is possible. Our public life is not of that quality these days.

All this reminds me of

an episode in *The Hindustan Times* some years ago. The late Devadas Gandhi was the managing editor of the newspaper then and Mr Durga Das the joint editor. The latter was running a popular weekly political column under the *nom de plume* "Insaf". One week Mr Durga Das wrote to the effect that Dr Radhakrishnan, who was then the President of India, was in the habit of giving recommendation letters rather freely. Dr Radhakrishnan, philosopher by profession though he was, was certainly not the one to take such comments with philosophic indifference. Moreover, the late Devadas Gandhi, who was then in Madras on a visit, happened to have high personal regard for Dr Radhakrishnan. Naturally there were fire-works. I was then an Assistant Editor on the staff of *The Hindustan Times*, but was also doing duty as News Editor. Late in the night, Devadas Gandhi called me on the telephone, dictated a thorough-going apology for the offending observations in the 'Insaf' column, directed me to put it in the next morning's paper and added emphatically that there was no need to inform Mr Durga Das in advance of this. Consequently, there was a rather unpleasant surprise for Mr Durga Das when he got his *Hindustan Times* the next day, but while I am no uncritical admirer of his, I must confess that he did react rather energetically. While agreeing that the managing editor had every right to express regret on behalf of the newspaper for publishing matter which he thought it should not have published, Mr Durga Das declared that, since his journalistic judgment had been questioned, he would not continue with his "Insaf" column. Considering how much he was in love with that feature and how well it used to serve his purposes this was certainly no small sacrifice for Mr Durga Das.

I make no apology for

returning to the fascist capers of the DMK in Tamil Nadu, about which I had a few things to say in the issue of this journal

dated June 23. Cinema theatres in Madras city have been directed to drop a certain portion of the latest Indian News Review which related to the recent attack by a mob on the office of a Tamil evening daily (published in the city) which happens to be critical of DMK politics and politicians. *The Hindu*, perhaps playing safe, has reported this news in a low key, but we in New Delhi have had the advantage of reading more informative accounts carried in newspapers published here. Anyhow, the essence of the matter is that the chief secretary to the state government was able to prevail upon a certain local official of the Films Division to bring about a further censoring of a news reel which has been duly approved for all-India release by competent authorities of the central government's Ministry of Information and Broadcasting. Whether the local official of the Films Division has exceeded his authority in his desire to fall in with the wishes of the state government is only one of the issues that needs to be looked into. A far more important question is whether the state government, through its chief secretary, has acted properly.

According to the report in *The Hindu* the chief secretary had explained his part in the affair by suggesting that the screening of the film of the mob attack "was likely to aggravate the labour situation and result in disharmony". The version put out by *The Times of India* News Service had it that the chief secretary said that "the deletion was made at the instance of the government as it felt the exhibition of only a part of a chain of events could lead to a law and order situation". There is clearly a difference of substance between these two phrasings of this official's observations, but let that pass. What must worry us is that the Tamil Nadu administration is making itself a tool in the hands of the ruling party in a way which threatens the right to freedom of information of the people of that state. It is obvious that the DMK got the newsreel cut because the screening of the mob attack on an opposition newspaper would reveal to the public the true nature of the ugly forces which energise and activate the political muscles of this party. When the chief secretary of the Tamil Nadu government said — as *The Times of India* News Service reports it — that there could be "a law and order situation", was he by any chance implying that the cinema theatres were liable to be attacked by DMK hooligans and that, should this happen, the administration of which he is the executive head would not be in a position to offer normal police protection to the property or lives which may be the targets of mob violence?



MOVING FINGER

TRADE WINDS

Minimum Prices of Raw Jute

THE GOVERNMENT of India has decided that the minimum support price of raw jute should be fixed on a statutory basis. The minimum statutory price has been fixed at Rs 115 per quintal for 1972-73 and will be subject to a review after two months. These decisions are in pursuance of the assurances given by Mr L. N. Mishra, Foreign Trade Minister in the Lok Sabha recently during a discussion on raw jute prices.

The minimum prices have been fixed on a statutory basis. It would henceforth be obligatory on the part of all, including the mills, not to buy raw jute at any level below the minimum prices. It has further been decided that the differentials between the minimum prices in Calcutta and the upcountry prices would be determined by the Jute Corporation of India, taking into full consideration the interests of the jute growers. The Jute Corporation of India will extend its operations quickly to all secondary markets and, later, to primary markets as well in the jute growing areas.

It has also been decided that in order to remove transport bottlenecks with utmost expedition, a special cell will be set up in Calcutta by the Railway Board for co-ordinating transport of raw jute from the producing centres to the mills. The government has also decided to accelerate the pace of progress in respect of setting up regulated markets for raw jute.

The public sector Jute Corporation of India has taken a number of steps to gear up its purchase operations in respect of raw jute. Initially, the

corporation proposes to buy 900,000 bales of raw jute, as against a few thousand bales purchased during the last season. It is envisaged that, later, in stages, the entire trade in raw jute would be taken over by the Jute Corporation. Pending this, it would be the endeavour of the corporation to ensure that large arrivals of raw jute do not depress prices in particular markets, by siphoning off such excess supplies, wherever these might appear.

The corporation's purchases would be made through departmental purchase centres, co-operative societies, wherever viable societies are functioning and where such agencies are not available, through private agents for the time being. It is also proposed to make adequate warehousing arrangements for storing raw jute. Space has already been booked with the state and central warehousing corporations for this purpose.

Gujarat Budget for 1972-73

The Gujarat Finance Minister, Mr Kantilal Ghia, on June 26 presented in the state assembly the budget for 1972-73, which showed an overall deficit of Rs 8.92 crores. The budget contained new taxation proposals to yield Rs 3.43 crores.

The revenue receipts for the year were estimated at Rs 271.44 crores against an expenditure of Rs 251.07 crores. While the revenue surplus was Rs 20.37 crores, expenses earmarked for capital expenditure were Rs 54.79 crores and the debt head, including loans to be received from the central government and from the open market, amounted to Rs 25.47 crores.

Rationalisation of the pre-

sent structure of entertainment duty and advertisement tax in the towns of Nadiad, Porbandar, Junagadh and Broach was estimated to yield one crore of rupees in a full year and Rs 75 lakhs during the current year.

Mr Ghia also announced the withdrawal of certain sales tax exemptions or concessions in respect of chemical fertilisers, loose tea, hardware articles and purchase of certain goods by the textile industry.

New Taxes in Bengal

The state Finance Minister, Mr Shankar Ghosh, on June 26 announced tax measures to raise extra revenue of Rs 10 crores this year. Details of the new measures, he said, would be spelt out in the form of specific bills soon. Besides rationalising, revising and increasing the sales tax on certain commodities, Mr Ghosh announced a tax hike on a number of luxury consumer items such as precious and synthetic stones, gold and silver filigree, furs and articles made of furs and perfumes and on motor vehicles used for hauling goods and passengers. Admission rates in cinema houses will be increased on a progressive scale according to the value of its tickets. Cabaret shows or other entertainment and luxuries provided in hotels and restaurants will be costlier because of a new levy; stamp duty and public works cess are also being increased.

The only item on Mr Ghosh's list of tax proposals, having a direct impact on the rural sector, was a revision of land revenue, the rates of which had been fixed before the World War I.

One significant indication of the government's current thinking on the mobilisation of additional resources was Mr Ghosh's reference to Maharashtra having a cess on crops ranging from Rs 10 to Rs 100 per acre on each crop. Mr Ghosh was hopeful that with this additional revenue of Rs 10 crores, it should be possible to narrow down the current year's deficit to Rs 3.36 crores. The gap might be reduced further with the expected buoyancy in the economy.

Mr Ghosh's estimate show

an overall deficit of about Rs 37 crores. Mr Ghosh said it was "eminently desirable that central assistance should be given to the state on the basis of population" and "no attempt to remove regional disparities should be made in a manner which will retard the economic growth of the country as a whole."

Land Alienation in Orissa

The ordinance prohibiting alienation of land in excess of 10 standard acres held by any "person" was promulgated by the Governor of Orissa on June 27. The preamble to the ordinance explained that the ban was being imposed pending amendment of the Orissa Land Reforms Act to reduce the ceiling area and to secure the principles under clauses B and C of Article 39 of the Constitution.

It also expressed the apprehension that "large-scale transfer of land may take place to defeat the objects in view if it becomes known that such legislation is being undertaken."

The Revenue Minister, Mr Brajamohan Mohanty, who released the ordinance to the Press, said that the government wanted retrospective operation of the ceiling provisions after amendment of the Act. He said transfer of land was taking place and as such the government wanted to prevent "unnecessary harassment" of the people and to maintain *status quo ante*.

The minister did not specify what would be the lowered limit of the ceiling though he said the government wanted to make "radical changes" in the maximum limit of land which could be held by an owner.

Under the present Land Reforms Act the ceiling for any "persons" is 20 acres for best canal irrigated land, the limit going up to 80 acres according to the quality of land, excluding 20 acres permissible for homestead, tanks etc.

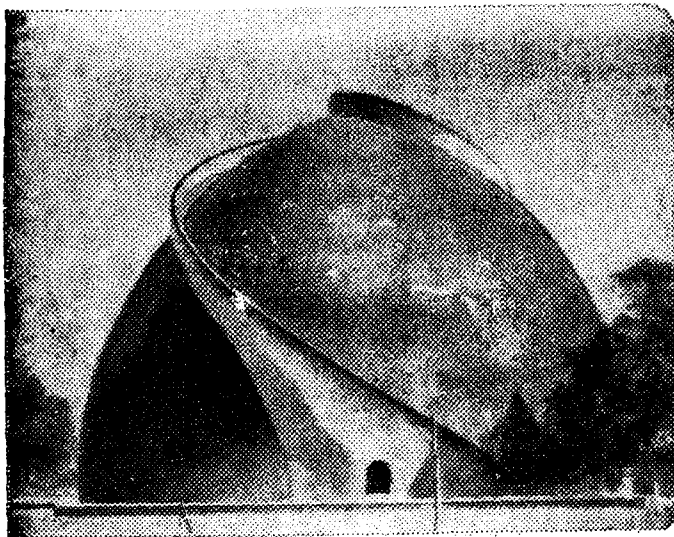
The ordinance retains the definition of standard acre. It also retains the definition of "person" in the Act which in-

Where have all the flowers gone?

She has them all slashed on her elegant ensemble crafted from Modi Cambrics

MODI CLOTH MILLS
Modinagar (U.P.)

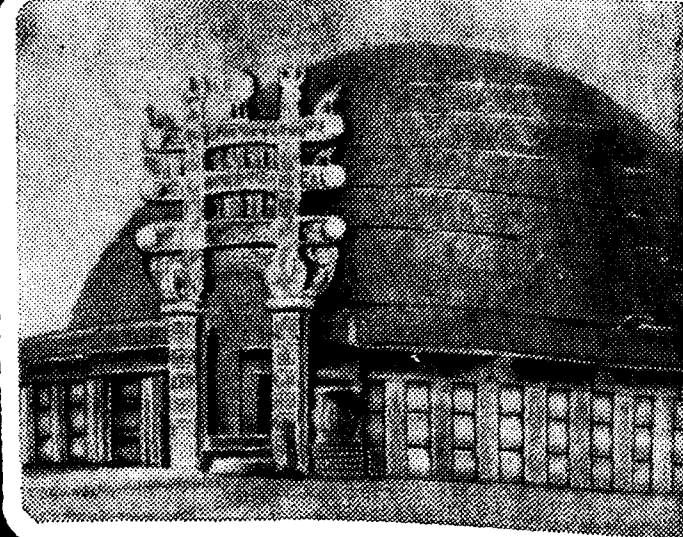
State Bank opens new LOCAL HEAD OFFICES in PATNA and BHOPAL



Originally erected as a granary in 1786, the Golghar is a prominent feature of Patna even today.

To serve the people better, State Bank has been progressively decentralising its administration. Two new Local Head Offices come into existence today, one in Patna and the other in Bhopal.

The formal inauguration by Shri Kedar Pandey, Chief Minister of Bihar, at Patna on 1st July, and by Shri P.C.Sethi,



Work on the Great Stupa at Sanchi, near Bhopal, was begun by Emperor Ashoka but completed by his successors in the 2nd Century B.C.

Chief Minister of Madhya Pradesh, at Bhopal later in July, will mark the importance of the change for the respective States.

The new Local Head Offices will devote closer attention to the economic problems of these States and help to quicken their pace of progress.



STATE BANK

cludes a company or any other corporate body or Joint Hindu Mitakshara family.

The ordinance, which comes into force with immediate effect, includes within its purview documents relating to land alienation registered on or after the enforcement date but executed earlier.

Improving the Tax System

New legislation intended to improve the taxation system on the basis of the Wanchoo Committee recommendations, and rid the economy of black money is currently under the consideration of the government. Addressing the Mysore Chamber of Commerce on June 24, Mr Y. B. Chavan said that leading economists were invited to Delhi early in June 10 to elicit their views on the Wanchoo Committee report. The government would also study the views of chambers of commerce and federations of trade and industry. Mr Chavan further said that the government was examining what kind of fiscal incentives would be required in the context of priorities in the fifth five-year Plan. The government would like to encourage labour-oriented industries, he added.

The expanding agricultural sector, he said, should also make adequate contribution for national development. The Raj committee was entrusted with the task of suggesting specific measures for taxing incomes and wealth in the agricultural sector.

Sixth Finance Commission

The President has, by a formal order promulgated in the Gazette of India Extraordinary on June 28, constituted a Finance Commission under the chairmanship of Mr K. Brahmananda Reddi, former Chief Minister of Andhra Pradesh, who will have the rank of a cabinet minister. The other members of the commission are:

1. Mr Justice Syed Sadat Abul Masud, Judge, Calcutta High Court (Member).
2. Dr B. S. Minhas, Mem-

ber, Planning Commission (Member, Part-time).

3. Dr I. S. Gulati, Senior Fellow, Centre for Development Studies, Trivandrum (Member, Part-time).

4. Mr G. Ramachandran, Joint Secretary, government of India (Member-Secretary).

The chairman and members of the commission are expected to assume office shortly.

A member of the Planning Commission is associated with the Finance Commission as part-time member for the first time in order to ensure co-ordination between the two bodies.

The commission is the sixth to be constituted after coming into force of the Constitution of India. Under Article 280(3) (a) and (b) of the Constitution the commission is charged with the duty of making recommendations to the President as to—

- (a) distribution between the union and the states and the states *inter-se* of the net proceeds of central taxes like taxes on income other than corporation tax, and union excise duties.
- (b) the principles which should govern the grants-in-aid of the revenues of the states out of the Consolidated Fund of India.

In addition the commission will also determine the amount payable as grants-in-aid to the states in need of assistance under Article 275 of the Constitution. Finance Commission will take cognisance of the present arrangement wherein Plan grants are made on the recommendations of the Planning commission. The commission will also take into account in computing the needs of the states, among other factors, the emoluments of the government employees, teachers and local body employees as obtaining on a specified date, as determined by the commission and the requirements of the backward states to raise the level of their general administration to the levels obtaining in more advanced

states over a period of ten years.

Under Article 280(3) (c) it is open to the President to refer to the commission any other matter in the interests of sound finance. In terms of this provision, as usual, the commission has been asked to recommend the principles for distribution of the net proceeds of estate duty on property other than agricultural land and grants in lieu of tax on railway passenger fares and the net proceeds of additional excise duties on cotton, woollen, rayon and artificial silk fabrics, sugar and tobacco which are levied in replacement of states' sales taxes thereon. The commission will also suggest the basis of allocation of grant on account of wealth tax on agricultural property.

Two issues being referred to the commission for the first time are:—

- (a) the assessment of the non-Plan capital gap of the states on a uniform and comparable basis for the five years ending with 1978-79. In the light of such an assessment the commission may undertake a general review of the states' debt position with particular reference to the central loans advanced to them and likely to be outstanding as at the end of 1973-74 and suggest changes in the existing terms of repayment having regard *inter alia* to the overall non-Plan gap of the states, their relative position and the purposes for which the loans have been utilised and the requirements of the centre; and

- (b) review of the policy and arrangements in regard to the financing of relief expenditure by the states affected by natural calamities. The commission may examine *inter alia* the feasibility of establishing a National Fund to which the central and state governments may contri-

bute a percentage of their revenue receipts.

In making recommendations, the commission shall have regard to the resources of the central government and the demands thereon on account of expenditure on civil administration, defence and border security, debt servicing and other committed expenditure or liabilities.

The award of the Sixth Finance Commission would cover the period of the fifth Plan which is to commence from April 1, 1974. The commission has been asked to submit its report by October 31, 1973 so that its report is available well in time for finalising the financial projections in the fifth Plan and budget 1974-75.

Electric Supply Industry

Dr K. L. Rao, union Minister of Irrigation and Power, stated in Srinagar recently while addressing the conference of state ministers, that the country's power development programme needed to be undertaken on a war footing called for radical reorganisation in the electric supply industry to make it suit the needs of the large magnitude of power development envisaged for the foreseeable future.

He suggested the following four-tier arrangement:

- (1) An Electricity Council at the centre with the union Minister for Irrigation and Power as chairman and about ten ministers from different states for giving direction on major policy issues;
- (2) A National Power Supply Board to deal with planning, financial control, settlement of disputes (arbitration) and dissemination of information etc.;
- (3) A Power Generation Board with regional offices owning and operating power stations and major transmission lines. Integrated operation of power system will also be arranged by these regional boards and
- (4) The state electricit

boards will continue to be responsible for distribution and sale of energy within their respective areas.

He described the progress achieved in the power sector as significant and said that during the Plans and in the last two decades, as much as 15 million KW of generating capacity had been created bringing the total generating capacity at the end of 1971-72 to about 17.2 million KW with an investment of Rs 5,106 crores.

The minister said that without adequate supply of power, the necessary infrastructure in the industrial and agricultural sectors could not be provided. To meet the requirements of all sectors, the present installed generating capacity of about 17 million KW have to be increased three-fold by the end of the decade. He suggested that the seventies be called the Power Decade. With the demand for power increasing almost at the rate of 12 per cent annually in the country, there was need to add generating capacity at a slightly higher rate. The Decade Plan prepared by the Ministry of Irrigation and Power envisaged a target of 52 million KW by 1980-81, raising the present per capita consumption of about 90 KWh to 240 KWh.

Referring to the fifth Plan proposals for power development, Dr Rao said that it was envisaged to add to the generating capacity as much as 21.8 million KW—about 8.6 million KW hydro, 12.4 million KW thermal and about 0.8 million KW nuclear—with an outlay of Rs 7,500 crores.

The minister blamed the indigenous manufacturers for slippages in the supply of plant and equipment which contributed to the shortfall in the fourth Plan target. He wanted a critical study be made of the possibility of supply by the indigenous manufacturers and laying down of time schedules for delivery of equipment.

Suggesting that reasonable prices should be fixed for the indigenous equipment, the minister disclosed that proposals for setting up a revolving fund in the Ministry of Indus-

trial Development covering the amount of advance from year to year for utilisation towards payment to the manufacturing units and reimbursement of these amounts by the state electricity boards when funds were released to them from year to year were under consideration.

Referring to the progress made by the Rural Electrification Corporation, Dr Rao said that during the first three years of its operation, nearly eight lakh additional pumpsets had been energised, bringing the total to 18.84 lakhs. Against 74,466 villages electrified at the beginning of the Plan, 1,20,800 villages had been electrified by the end of March, 1972. He expected that cent per cent electrification of villages would be reached in the states of Kerala and Tamil Nadu and in the union territories of Delhi, Pondicherry, Chandigarh, Goa, Daman and Diu and Laccadive, Minicoy and Amindivi islands, by the end of the current Plan.

Strategy for Sugar Production

Mr R. R. Bahl, Chairman, Development Council for Sugar Industry, defined the objectives of maximising sugar production and meeting the consumer demands at a reasonable price while addressing the 28th meeting of the council.

So far as the sugar industry was concerned, he said, on the basis of an estimated per capita consumption, the country would require 6.0 million tonnes of white sugar and 9.6 million tonnes of gur and khandasari. This could call for a production of 156 million tonnes of the sugarcane.

The problems of sugarcane production would be solved, said Mr Bahl, by improved irrigation, supply of better varieties of sugarcane seeds, adequate use of fertilizers and control of pests and diseases.

The chairman of the council observed that in any programme of improved production and availability of sugarcane the price paid by the factories for sugarcane in comparison with other crops would be of crucial importance. He added, increase or decrease in the area under

sugarcane, and consequently in the production of sugarcane in successive years was mainly due to the expansion or contraction of the area which was regulated by the cultivator, depending upon the relative profitability of sugarcane cultivation of comparison with other competing crops.

As regards the capacity of the sugar industry, Mr Bahl stated, it was decided to raise the licensed capacity to 5.3 million tonnes. The installed annual sugar production capacity of the industry during 1971-72 was 3.91 million tonnes. It was estimated that the installed capacity might increase to about 3.95 million tonnes by the end of 1971-72 season. Thus, there was a gap of about 1.4 million tonnes between installed and the licensed capacities. The chairman warned that unless the licencees took effective steps to implement the licences granted to them, the government might have to review the matter and grant licences to other parties which were more likely to make use of their licences.

The chairman pointed out that the cost of sugar production in India was the highest compared to the major sugar producing countries of the world. He said, this set a limit on the expansion of our export trade in sugar as the Indian sugar would be exported only at a high subsidy. He stressed that there was every need to increase the productivity of our sugar industry by installing modern plants with latest design features, application of research and development, proper maintenance of equipment by suitably trained staff and increasing the labour productivity. Apart from this, he said, there was enough scope for increasing the technical efficiency of the sugar factories by reducing the losses in milling, processing and increasing the fuel efficiency. Economic utilisation of the by-products of the industry, such as bagasse, molasses and press mud would also help in reducing the cost of production, Mr Bahl added.

Birla Research Institute

Mr G. D. Birla founded Birla Research Institute for Applied Sciences in 1965 with the object of serving "Industry through Research". The institute was registered under the MP Societies Registration Act, 1960 with its headquarters at Birlagram, in April, 1965. Later on, the CSIR and the Ministry of Education duly approved the research institute as an institute for scientific research.

Poznan Fair

A record business of Rs 1.25 crores was contracted on the

spot at the India pavilion in the Poznan International Fair, Poland, which ended recently. Additionally, about Rs Three crores worth of business is under negotiation, as a result of the goods displayed at the Indian Exhibition in Poznan. Most of the business contracted and under negotiation is in non-traditional items. According to a report, the Indian Exhibition achieved a breakthrough in pushing up exports of consumer durable goods to Poland. This has also opened up opportunities for the export of a large variety of non-traditional and engineering items.

Besides actual business transacted and negotiated, trade enquiries have been received from Polish buying organisations for a large variety of Indian goods. These include sanitary fittings, automobile ancillaries, shoes and leather garments, hardness testing machines, machine tools and hand tools, industrial valves, refrigeration and air-conditioning equipments, aluminium, stainless steel cutlery and table-ware, carpets, textiles, measuring instruments etc.

Following the participation in the Poznan International Fair, several Polish trade delegations will now be visiting India to further negotiate and conclude agreements for the purchase of several consumer and other products. These purchase delegations are expected here during the later part of this year.

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The institute is managed by a board of governors consisting of a number of industrialists and scientists of international reputation through the

Director-General, the Chief Executive and Academic Officer of the Institute. Mr D. P. Mandelia is the President at present. Dr S. M. Mitra is the Director-General.

The scientists and technologists of Gwalior Rayon developed a process for the manufacture of dissolving grade pulp from bamboo which hitherto was an imported commodity. Based on this process, a pulp plant having 150 tons per day capacity was established in Kerala, which went into production in 1963. This plant is first in the world to manufacture dissolving grade pulp from bamboo.

The Birla Research Institute carried out exhaustive studies on the pulping behaviour of Eucalyptus Mysore Hybrid of different age groups from various dry and wet areas, high and low altitude in south India for the Harihar Polyfibers. This includes the studies of the properties of the Black Liquor with varying pulping conditions with special reference to the recovery of the chemicals.

The above study would serve as a guide to the newly established factory—Harihar Polyfibres, which would be using Eucalyptus MH for the manufacture of dissolving grade pulp in its Harihar plant.

Rayon may become glamourous in the near future unless a technical revolution and new generations of rayon, much superior than the existing one, are brought about. Can this be done? These are the questions whose answers are being sought by the research scientists at Birla Research Institute, which operates modern laboratories and pilot plants for studies in pulp and viscose making.

The institute has undertaken the problem of utilising chlorine of a caustic soda mill which would be producing tons of chlorine per day.

The successful pilot plant trials at the institute to produce Ferric Chloride, Stannous and Stannic Chloride, Calcium Chloride, Barium Chloride and Zinc Chloride will be steadily implemented for the manufac-

ture of the chlorine-based chemicals on a large scale.

Market Loan for Rs 350 Crores

The government of India has announced the floatation of the following three loans aggregating Rs 350 crores:

- 4½ per cent Loan 1979 to be issued at Rs 100.00 per cent and repayable at par on 15th July, 1979.
- 5 per cent Loan 1983 to be issued at Rs 99.50 per cent and repayable at par on 15th July, 1983.
- 5½ per cent Loan 2002 to be issued at Rs 100.00 per cent and repayable at par on 15th July, 2002.

Subscriptions will be received in the form of cash/cheque or securities of 4½ per cent Loan 1972 and/or 4 per cent Loan 1972.

Subscriptions will be received from July 15 to July 18, 1972 (both days inclusive) but the subscription lists may be closed earlier without notice as soon as the total subscription amounts to Rs 350 crores. The government reserves the right to retain subscriptions up to ten per cent in excess of the notified amount.

If the total subscriptions received for the new loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the cash subscriptions received and the balance refunded in cash as soon as possible.

Interest at the rate of 4½ per cent per annum and 4 per cent per annum on the securities of 4½ per cent Loan 1972 and 4 per cent Loan 1972 respectively, tendered for conversion will be paid up to and inclusive of 14th July 1972 at the time of issue of new securities.

Interest on the loans will be paid half-yearly on the January 15 and July 15. Interest on all the loans now issued together with interest on other previous government securities and income from other approved investments will be exempt from income-tax subject to a

limit of Rs 3,000 per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments in government securities and the other investments specified in Section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax up to Rs 1,50,000.

Applications for the new loans will be received at:

- offices of the Reserve Bank of India, at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna;
- branches of the subsidiary banks of the State Bank of India conducting government treasury work except at Hyderabad; and
- branches of the State Bank of India at other places in India.

The budget for the current year took credit for gross loan amounting to Rs 515 crores. Loans to the extent of Rs 300.22 crores would be maturing during the current year. Out of this, 4½ per cent Loan 1972 for Rs 100.13 crores would mature on July 15 and 4 per cent Loan 1972 for Rs 154.13 crores would mature on August 1, 1972.

Repayment of 1972 Loans

The outstanding balances of the 4½ per cent Loan, 1972 and the 4 per cent Loan, 1972 are repayable at par on July 15, 1972 and on August 1, 1972 respectively and no interest will accrue thereon from these dates. The holders may tender their securities for conversion into new loans being floated viz. 4½ per cent Loan 1979, 5 per cent Loan 1983 and 5½ per cent Loan 2002 which will bear interest from July 15, 1972. Interest on loans tendered for conversion will be paid up to and inclusive of July 14, 1972, at the time of issue of new securities.

Those who do not desire to convert their securities may to facilitate repayment on the

due dates, tender the securities at the Public Debt Office, Treasury or the branch of the State Bank of India or its subsidiary bank (at which they are entered or registered for payment of interest), on or after July 5, 1972 in the case of 4½ per cent Loan, 1972 and July 22, 1972 in the case of 4 per cent Loan, 1972.

Closed Period for Issue of Securities

On the advice of the Reserve Bank of India, the government issued a gazette notification on January 31, 1972, to the effect that during calendar year 1972 no offer of securities in excess of Rs 249 lakhs (nominal value) (exclusive of amounts to be subscribed by the government and non-residents) by a public limited company shall be made or kept open during the period between July 1, 1972 and September 9, 1972 (both days inclusive) without obtaining prior approval of the central government as to the timing of the offer. Some companies have sought clarification as to whether the figure of Rs 249 lakhs refers to the amount of securities to be issued to the public only or to the total amount of issue of securities to be made by a company. The Reserve Bank of India has been consulted in the matter and it is clarified that the closed period applies to the total amount of securities to be issued by a public company in excess of Rs 249 lakhs.

Names in the News

Mr N. M. Jain, Vice President (Marketing), Century Rayon, Bombay, has been elected President of the Association of Manmade Fibre Industry. He is also chairman of the Tyre Cord Panel for the Silk and Rayon Textiles Export promotion Council.

Prof P. C. Mahalanobis, eminent statistician, died in Calcutta on June 28, 1972. He was 79. He was awarded the Padma Vibhushan in 1968 in recognition of his service to the cause of Indian science. He was founder of the Indian Statistical Institute which has now attained the status of a national research-cum-teaching institute.

Announcement regarding issue of 25,000 9.5% 3rd Redeemable Cumulative Preference Shares of Rs. 100/- each

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

PERSONS INTERESTED IN FULL DETAILS MAY OBTAIN COPIES OF THE PROSPECTUS FROM THE COMPANY'S HEAD OFFICE, BANKERS, BROKERS AND UNDERWRITERS

An application will be made to the Calcutta Stock Exchange for permission to deal in and for an official quotation for the Preference Shares of the Company being issued now. The existing Equity and Preference Shares of the Company are already listed on the said Stock Exchange.



BHARAT COMMERCE AND INDUSTRIES LIMITED

(Incorporated on 11th August, 1945 under the Indian Companies Act, 1913)

(Registered Office: Industries House, 10, Camac Street, Calcutta-17)

(will be shifted to Union Territory of Delhi shortly)

Head Office: 'Surya Kiran', 5th Floor, 19 Kasturba Gandhi Marg, New Delhi-1

HISTORY AND BUSINESS OF THE COMPANY

The Company was incorporated on the 11th August, 1945 under the name of Bharat Airways Limited. The Company obtained the certificate to commence business on the 12th February, 1946 and set up aviation business. Due to the taking over of the aviation business by Indian Airlines Corporation in the year 1953, the Company undertook other business also and consequently took steps to alter the object clause of the Memorandum and also to change the name of the Company. The High Court at Calcutta by its order dated 12th December, 1955, approved alteration of the objects of the Company. The name was changed to its present name i.e. BHARAT COMMERCE AND INDUSTRIES LIMITED from 4th January, 1956. The Company is at present manufacturing staple fibre yarn, polyester/viscose yarn, fancy yarn, cotton yarn etc. The Company owns at present a fleet of three helicopters and five Spinning Mills with 1,16,672 Ring Spindles and 46,004 Doubling Spindles. The Helicopters are engaged in aviation operation.

OBJECTS OF THE ISSUE

The Company has programmes of modernization, renovation, replacement and balancing of plants in some of the units of the Company. Certain machineries are required to be replaced by the improved and latest equipments so as to increase the productivity and profitability of the Company. The present issue is being made to provide for the finance required for the implementation of the aforesaid programmes.

SHARE CAPITAL

AUTHORISED CAPITAL Rs. 5,00,00,000 (Five crores)

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

15,00,000 Equity Shares of Rs. 10/- each	1,50,00,000
30,000 9% Redeemable Cumulative Preference Shares of Rs 100/- each	30,00,000
20,000 9.3% Second Redeemable Cumulative Preference Shares of Rs. 100/- each	20,00,000
Total Rs.	2,00,00,000

PRESENT ISSUE OFFERED FOR PUBLIC SUBSCRIPTION FOR CASH AT PAR:

25,000 9.5% Third Redeemable Cumulative Preference Shares of Rs. 100/- each payable in full on application	Rs. 25,00,000
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The Third Cumulative Preference Shares shall be redeemed by the Company at par at any time after 31st December, 1982 but not later than 30th June 1984 by giving not less than three months notice to the holders of such shares. These shares shall rank for dividend and return of capital and arrears of dividend next after the Redeemable Cumulative Preference Shares and Second Redeemable Cumulative Preference Shares of the Company, but in priority to the Equity Shares.

BOARD OF DIRECTORS

(1) Shri S.M. Dahanukar s/o Shri Mahadeo Laxman Dahanukar 'Shree Sadan', 4A, Carmichael Road, Bombay-26

MERCHANT. Chairman of Centron Industrial Alliance Pvt. Ltd., N.U.C. Pvt. Ltd., Belvandi Pvt. Ltd., Worli Chemical Works Pvt. Ltd., Planwel Consultants Pvt. Ltd. **Director of The Straw Paper Mills of India Ltd., Bennett Coleman & Co. Ltd., The Bombay Gas Co. Ltd., Bajaj Plastics Ltd., and others.**

(2) Shri A.V. Birla s/o Late Shri Gajanan Birla Industries House, 159, Churchgate Reclamation, Bombay-20 **MERCHANT. Director of Birla Bombay Pvt. Ltd., Electric Construction & Equip. Co. Ltd., Indian Tools Mfgs. Ltd., Industrial Investment Trust Ltd., Jiyajeerao Cotton Mills Ltd., Kores (India) Ltd., Oudh Sugar Mills Ltd., Zenith Steel Pipes Ltd., and others.**

(3) Shri Viren J. Shah s/o Shri Jeewanlal Motichand Shah C/o Mukand Iron & Steel Works Ltd. Kurla, Bombay-70 **AS. INDUSTRIALIST. Chairman of Infin Consultants Pvt. Ltd., Vice-Chairman & Mg. Director of Mukund Iron & Steel Works Ltd., Director of Albright Morarji & Pandit Ltd., Bajaj Auto Ltd., Kirloskar Asea Ltd., Polysteels (India) Ltd., & others.**

(4) Shri R.L. Binani s/o Late Shri Chhaganlal Binani 6/1A, Anukul Mukherji Road, Calcutta-6 **BUSINESS. Director of Padmavati Rajee Cotton Mills Ltd., and Automatic Printers Pvt. Ltd.**

(5) Shri D.K. Roy s/o Late Bhupendra Nath Roy, Roy House, Behala, Calcutta-34

LANDHOLDER. Director of Jayshree Textiles & Industries Ltd., & Eastern Spinning Mills Ltd.

(6) Shri B.M. Patel s/o Shri Motibhai Ashabhai Patel, 6, Raten-done Road, New Delhi-11

INDUSTRIALIST. Mg. Director of The Indian Aluminium Cables Ltd., Hindustan Kokoku Wire Ltd., Chairman of Alfa Rubber Co. Ltd., Davis & White (India) Pvt. Ltd., Transasia Transformers Pvt. Ltd., Vice-Chairman of Gwalior Cables & Conductors Ltd., Promain Ltd., Director of Delhi Pneumatic Valves Mfg. Co. Ltd., Shambhu Nath & Sons Ltd., and others.

(7) Shri V. Balasubramanian s/o Shri R. Venkataraman, D-7, Green Park, New Delhi-11.

JOURNALIST.

(8) Shri P.K. Mohta s/o Shri Shree Ratan Mohta, 22, Belvedere Road, Calcutta-27

BUSINESS. Director of Universal Auto Crafts Pvt. Ltd. & Hindustan Gas & Industries Ltd.

(9) Shri H.R. Sugla s/o Late Chuni Lal Sugla, Surya Kiran, 5th Floor, 19 Kasturba Gandhi Marg., New Delhi-1

MANAGING DIRECTOR OF THE COMPANY

SECRETARY Shri V.N. Poddar—A-43, South Extension Part II, New Delhi-49.

AUDITORS Messrs S.R. Batliboi & Co.—Chartered Accountants, Himalaya House, 23, Kasturba Gandhi Marg, New Delhi-1

SOLICITORS TO THE ISSUE Messrs Khaitan & Co.—Himalaya House, 23, Kasturba Gandhi Marg, New Delhi-1

BANKERS TO THE ISSUE

United Commercial Bank
Parliament Street branch, New Delhi-1

Central Bank of India
Parliament Street branch, New Delhi-1

Punjab National Bank
Parliament Street branch, New Delhi-1

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Apollo Street, Bombay-1

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Messrs Chimanlal J. Dalal & Co.
107, Stock Exchange Buildings, Dalal Street, Bombay-1

Messrs Rasiklal Maneklal & Co.
Stock Exchange Building, Dalal Street, Bombay-1

Messrs Navalchand T. Shah & Co.
Union Bank Building, Dalal Street, Fort, Bombay-1

Messrs Kantilal Purtapshi
New Stock Exchange Building, Apollo Street, Fort, Bombay-1

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Messrs Chinubhai Chimanlal Dalal
Fateh Bhai's Haveli, Ratanpole, Ahmedabad-1

PROSPECTUS AND APPLICATION FORM

Copies of the Prospectus and Application Form may be obtained from the Head office of the Company and from the Underwriters, Managing Broker and Brokers stated above. They may be obtained also from the bankers to this issue mentioned herein before or from their main offices, if any at the following places:—

Ahmedabad, Bangalore, Bombay, Calcutta,
Hyderabad, Indore, Madras and New Delhi

The full amount of Rs. 100/- per share shall be payable on the application and the applications for shares must be made for a minimum of 5 shares or multiple thereof. No bank collection charges will be payable on cheques or drafts which are drawn on any of the said banks or any scheduled bank at any of the aforesaid places to which the application is sent. Outstation cheques/drafts will not be accepted.

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON MONDAY, THE 17TH JULY, 1972, AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON SATURDAY, THE 22ND JULY, 1972 OR EARLIER AT THE DISCRETION OF THE DIRECTORS BUT NOT BEFORE THE CLOSE OF BANKING HOURS ON WEDNESDAY, THE 19TH JULY, 1972.

COMPANY AFFAIRS

Madras Aluminium

IN THE context of stagnating prices and mounting cost of production it is felt that technical innovation and increased production with diversification alone can improve the working of Madras Aluminium Company Ltd, in the years to come. Conscious of this objective the management, despite severe handicaps and financial strains, is going ahead full steam with the implementation of its expansion programme. The additional production in the first phase is expected to commence in the course of the next two months while the entire expansion of metal production will be completed by early 1973. Moreover the alumina plant of the expanded capacity will be so designed that it will be able to process even the rejects—bauxite with low alumina content — thereby ensuring maximum utilisation of the bauxite material. In fact the company is having the most technically advanced aluminium plant in the country and is currently enjoying the proud privilege of producing the largest proportion of EC grade metal. This was disclosed by the Managing Director Mr R. Venkataswamy Naidu while addressing the annual general meeting of the company.

Apart from striving to expedite the expansion scheme, the company is also concentrating its efforts at development work. It is gratifying to note that it will be marketing its aluminium circles in the course of this month. It will, soon be producing aluminium alloy rods and it hopes to introduce in the market sheets of larger dimensions in 1973 and extrusions by the end of 1973 or early 1974.

The Managing Director also

urged the government to reconsider its pricing policies and allow more remunerative prices to producers. As even units of 50,000 tonnes capacity are not considered economic or viable in international parlance, Madras Aluminium, which even after expansion will be producing a little over 25,000 tonnes a year can hardly be considered as a very economic unit especially when compared with the giant units planned or in operation in the public and private sectors in the country. Mr Venkataswamy therefore made a strong plea to the government to extend the benefit of excise rebate up to a production of 30,000 tonnes per year.

Mahindra Ugine

In his annual statement circulated to the shareholders of Mahindra Ugine Steel Company Ltd the Chairman Mr Harish Mahindra has dealt with the several aspects of the company's expansion programme. The company, the chairman said, had received sometime back a licence to expand its capacity from 24,000 tonnes to 36,000 tonnes. Since the capital cost of such limited expansion would be disproportionate to the incremental return on the extra output of 12,000 tonnes the company had submitted to the government in June 1970 a proposal to allow expansion from 24,000 tonnes to 60,000 tonnes per annum. This is, however, still pending with the government. Meanwhile the cost of plant and equipment have gone up resulting in an increase of 10 to 15 per cent on the capital outlay. As the expansion scheme was basically in consonance with the government's thinking on the expansion of mild steel plants the chairman hoped that the government

would approve the company's proposal without any further loss of time. Moreover the foreign collaborators have agreed not to charge any additional royalty on any quantity beyond 36,000 tonnes. This advantage too, the chairman said, should enable the government to consider the company's proposal most favourably.

As the present power situation in Maharashtra was not comfortable the chairman urged the government to take immediate steps to augment the power supply. Setting up of fresh capacity for power generation, creation of regional grids and reduction in transmission and distribution, are some of the steps which the chairman felt would go a long way in ensuring adequate supplies of this essential input to the industry.

Referring to the growing shortage of scrap, the chairman suggested the setting up of sponge iron plants and metallised iron pellet plants, as measures to overcome the severity in the shortage of this most essential raw material.

Telco

Tata Engineering and Locomotive Co. Ltd, has reported impressive working results during the year ended March 31, 1971. With an appreciable rise in sales from Rs 136.24 crores to Rs 158.49 crores profit has edged up by 15.8 per cent to Rs 16.43 crores from Rs 14.22 crores in 1970-71. Encouraged by the working results the directors have enhanced the equity dividend from 14 5 to 15 per cent—Rs 14.5 to Rs 15 a share.

Out of the gross profit an amount of Rs 8.87 crores was appropriated to depreciation reserve, Rs 1.22 crores to

development rebate reserve and Rs 3.00 crores towards tax liability as against Rs 7.49 crores, Rs 1.15 crores and Rs 2.70 crores provided respectively in 1970-71. This leaves a higher net profit of Rs 334.11 lakhs against Rs 288.20 lakhs in the preceding year. After earmarking a sum of Rs 20 lakhs to debenture redemption reserve, the balance of Rs 314.11 lakhs was transferred to general reserve and the proposed dividends will be paid out of the general reserve. Equity dividend will absorb Rs 226.64 lakhs — Rs 13.07 lakhs more than in 1970-71 while preference dividend will absorb Rs 45.91 lakhs as against Rs 37.20 lakhs in the previous year.

South India Viscose

South India Viscose Ltd has embarked on an ambitious programme of expansion and diversification. The company has recently received a letter of intent for installing a polynosic staple fibre plant for the manufacture of 20 tons per day. This plant will replace substantially the import of Egyptian cotton which is required for the production of finer varieties of yarn and cloth. It has also taken on hand the expansion of staple fibre plant for trebling the production of staple fibre to 30 tons per day. The contract for the supply of machinery and equipment has been awarded to Gwalior Rayon Silk Mfg. (Wvg) Co. Ltd and for erection and commissioning of the plant to Messrs Birla Consultants Private Ltd on turn-key basis. The capital outlay for this expansion is estimated at Rs 6 crores which will be met entirely from the internal sources of the company. The Plant is expected to be commissioned before the end of 1973. Meanwhile the company is approaching the government seeking its consent for doubling the capacity of pulp plant to 120 tons per day. In view of the expansion proposal the question of utilising other species of wood viz. eucalyptus grandis, Acacia Arabica etc. apart from the bluegum and wattle is under the active consideration of the

company and its collaborators. This was disclosed by the Chairman Mr Venkataswamy Naidu while addressing the annual general meeting of the company.

The company has reported satisfactory working results during the year ended December 31, 1971, Sales soared to

Rs 13.63 crores from Rs 9.77 crores in 1970 while profit, after providing for depreciation, jumped to Rs 2.89 crores from Rs 1.13 crores in the preceding year. After allocating a sum of Rs 90 lakhs each to development rebate reserve and general reserve the directors have recommended an equity dividend of 16 per cent which will

absorb Rs 78.40 lakhs. A sum of Rs 2.2 crores is still to be provided towards development rebate and it is hoped that this sum would be provided before 1974.

Sandur Manganese

The Sandur Manganese and Iron Ores Ltd hopes to stabi-

lise production and shipment of manganese ore at a level of about 3 to 3.5 lakh tonnes by 1973 or by 1974. Apart from maximising manganese ore production, the company is examining the possibility of undertaking large-scale mining of iron ore. For this purpose Smiore has already entrusted the Indian Bureau of

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Mines to prepare a feasibility report to the production and export of about one to two million tonnes of iron ore per annum from the company's mining areas. Side by side and as a part of its integrated programme the company has planned to expand its electro-metalurgical industry. This was disclosed by the Chairman and Managing Director Mr Y.R. Ghorpade while addressing the annual general meeting of the company.

The company is also going ahead with its programme of further expansion and diversification. It has already received a letter of intent for the manufacture of 24,000 tonnes of ferro-silicon per annum. Two ferro-silicon furnaces each of 20,000 KVA capacity will be installed for this purpose and they are expected to go into production by the middle of 1974. After the commissioning of this project, Smiore will have three electric furnaces in all, including the existing pig iron furnace. The capital cost of the project is estimated at Rs four crores and it will be financed by the issue of fresh capital of Rs 1.5 crores and loan capital of Rs 2.5 crores. The foreign exchange component of the project is placed around Rs 1.07 crores.

The shut down of 15,000 KVA electric pig iron furnace for about eight to nine months during 1971 has adversely affected the operations of the company during the year under review. However advantage was taken of this shut down period to modify the furnace incorporating certain latest developments in furnace technology as a result of which the furnace is now giving a ten per cent higher production as compared to the years 1969 and 1970. During 1971 the company incurred a net loss of Rs 40.3 lakhs before providing for depreciation and taxation as against a profit of Rs 40.4 lakhs in 1970. In spite of this the company repaid loans and deferred payment liabilities in 1971 to the extent of Rs 12.74 lakhs.

Indo-Burma Petroleum

Besides consolidation and progress in oil trade, Indo-

Burma Petroleum Company Ltd is now venturing into new fields of development activities. It has recently entered into a technical collaboration agreement with a Belgian firm for the manufacture of sophisticated bottle filling equipment used in aerated water, soft drinks and beer industries. Hence a significant improvement in the profitability of the engineering division is expected in the coming years. This is revealed in the Chairman, Mr Kamaljit Singh's annual statement to the shareholders of the company.

IBP's association with Indian Oil Corporation has started yielding rich dividends. As compared to 1970 sales of automotive fuels went up by 39 per cent and sales of all products by 32.8 per cent, thus achieving record sales of 371,244 tonnes and a turnover of Rs 31.5 crores during 1971. Profit before tax shot up to Rs 74.66 lakhs from Rs 53.77 lakhs in 1970 while the percentage of profit after tax to capital employed advanced to 16.83 from 10.28 in the preceding year. The encouraging working results have enabled the directors to recommend a higher dividend of 18 per cent as compared to 17 per cent paid in 1970.

The company's investments in Balmer Lawrie and ICICI fetched good returns. During the year the company purchased an additional 3332 shares in ICICI as a result of rights issue made by the ICICI. But the company's investments in Shama Pistons & Rings Ltd, Shama Forge Company Ltd and Assam Sillimanite Ltd did not yield dividends. During the year the company sold its equity holding in Shama Pistons & Rings Ltd worth Rs eight lakhs at par value. As a consequence the IFC has released the loan guarantees executed by the company in respect of loans advanced to Shama Pistons and Rings Ltd. This will reduce the company's contingent liability to the extent of Rs 52.55 lakhs apart from interest charges.

The company which has been holding about 30 per cent

of the equity shares of Messrs Balmer Lawrie over a decade has now entered into an agreement to purchase additionally two large blocks of shares in this company held by Duncan Brothers and Alex Lawrie & Co (India) Ltd. As a result of this acquisition the company will be holding now about 80 per cent of the equity shares of Messrs Balmer Lawrie. Meanwhile the company has taken over the management of the Balmer Lawrie group with effect from June 6, 1972.

Escorts

Escorts Ltd is planning to set up a joint venture in Malaysia for the manufacture of automobile ancillaries. The cost of the project is estimated at around five million Malaysian dollars or about Rs 1.25 crores. Escorts will be investing Rs 30 to 40 lakhs over the next two years in the equity capital of the company. An agreement is expected to be concluded shortly.

Despite green revolution it is ironic that the tractor industry which has rendered yeoman service to agriculture, in spite of severe constraints such as uneconomic prices and stiff competition from duty-free imported tractors, should be in a state of recession. In fact many units have gone into the red, with one undertaking practically remaining closed throughout 1971. But it is no wonder if well-managed and efficiently-run giant enterprises such as Escorts, with its magnificent record in product diversification, continuous expansion in the field of import substitution and excellent training facilities for its personnel, was able to meet the formidable challenges most creditably but even succeed to produce quite encouraging working results. The year in fact turned out to be a saga of solid achievements for the company. A new sports model of Rajdoot motorcycle has been developed and tested and it is now on the threshold of commercial production. The company has also broken new ground in the automotive ancillary market by introducing in April 1972 a new range

quality gears under the brand name 'Transpower'.

The price increase on tractors allowed by government in February 1972 has enabled the company to effect marked improvements in its product range and launch a new tractor—Escort 3036—with water-cooled engine and with the addition of several new features. What is more, the company has recently received the consent of the government to import from Poland engine components to enable the company to manufacture yet another new model of Escorts tractor up to 12,000 numbers during 1972-73. This will put the company on a firm footing to attain better quality production and higher profitability with none or very little increase in tractor prices. It is gratifying to note that the company has bagged the 1971 award for outstanding achievement in agriculture from the Federation of India Chambers of Commerce and Industry.

A peep into the working results reveal that the company has fared extremely well during 1971. Sales climbed to a new peak of Rs 40.44 crores registering a handsome gain of Rs 1.56 crores over 1970. The net profit however declined to Rs 70.97 lakhs as compared to Rs 101.75 lakhs in 1970. The net profit has been arrived at after providing Rs 90.42 lakhs for depreciation, Rs 66.00 lakhs for taxation and Rs 120.01 lakhs towards interest charges as against Rs 88.20 lakhs, Rs 77.00 lakhs and Rs 73.96 lakhs allocated respectively in the previous year. After adjustments a sum of Rs 12.94 lakhs was appropriated to development rebate reserve as against Rs 25.08 lakhs in the preceding year while an amount of Rs 66.84 lakhs was transferred to general reserve as compared to Rs 81.28 lakhs in 1970. The directors have recommended payment of dividend on equity capital amounting to Rs 38.32 lakhs at the rate of 11 per cent. It is anticipated that a part of the dividend will be free from income-tax.

The company continued to

maintain its progress during the current year as well. Sales in the first six months of 1972 have already touched the high level of Rs 21.50 crores recording a substantial expansion of Rs three crores over the same period of 1971. If this trend is maintained a significant improvement in working results can be anticipated during the current year.

Mr H. P. Nanda, the President of Escorts Ltd, deplored the government's decision to import 20,000 tractors during the current financial year. The seven existing units in the country had already a capacity to manufacture 55,000 tractors as against a demand of 35,000 tractors. The president therefore appealed to the government to restrict the import of tractors besides pleading for a reduction in customs duty on foreign components and excise duty in order to bring down the cost of tractors.

News & Notes

Expansion and Diversification
SLM-Maneklal Industries Ltd. proposes to spend about Rs 25 lakhs on its various expansion programmes. The proto-type of Kautex blow moulding machines has been prepared and is undergoing trial tests. Commercial production is expected to start very soon. The company has recently received an industrial licence for the manufacture of plastic injection moulding machines. A technical collaboration arrangement has been entered into by the company with Toshiba (Japan) for the manufacture of this item but the proposal is under the consideration of the government. The company is now going ahead with its scheme for the manufacture of compressors for railways in collaboration with Brown Boveri. The production of this item is expected to commence by the end of this year.

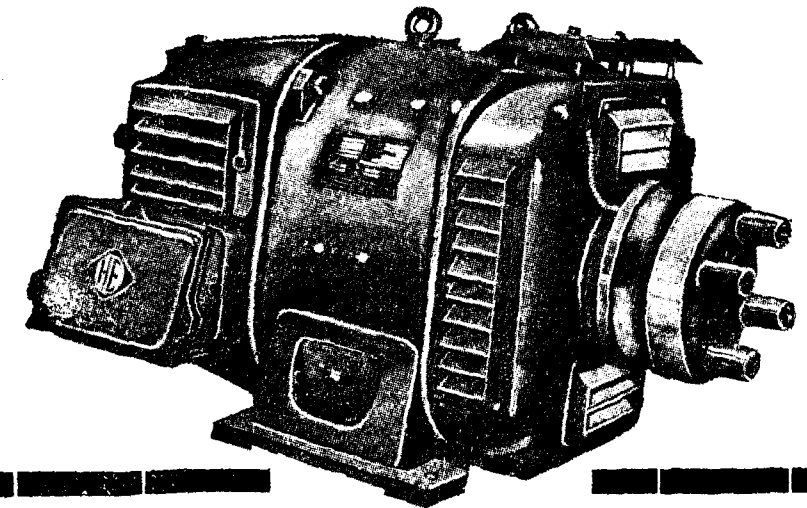
New Issues

Polygas will be approaching the capital market towards the end of this year with a public issue of Rs 15 lakhs,

in equity shares of Rs 10 each at par. The issued capital of the company is of the order of Rs 25 lakhs but shares worth Rs 10 lakhs have been taken up by the promoters, directors and employees. The remaining capital of Rs 15 lakhs is being offered to the public for subscription. The company, which is being converted into a public limited company, proposes to buy from

Indian Oxygen Ltd an oxygen plant and instal the same in the premises of Polysteels (India) Ltd, at Bhavnagar. The plant will have a capacity to produce one million cubic metres of gas—liquid oxygen and nitrogen—annually. It will enter into a long-term contract with Polysteels for the supply of 60 per cent of the production. Another 20 per cent will be taken up

by Saurashtra Iron Foundry and Steel Works (P) Ltd., Bhavnagar and the balance of 20 per cent will be sold in the open market. The gas plant is expected to go into production by the end of 1973. The total outlay on the project is estimated at Rs 50 lakhs which will be met by the share capital of Rs 25 lakhs while an equal amount will be raised through loans.



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COMPANY MEETINGS

THE INDO-BURMA PETROLEUM COMPANY LIMITED

The following is the text of the statement of Shri Kamaljit Singh, Chairman, The Indo-Burma Petroleum Co. Ltd. delivered at the 64th annual general meeting held at Calcutta on June 29, 1972



Shri Kamaljit Singh

Ladies & Gentlemen,

It gives me great pleasure to welcome you to this meeting today. The Directors' Report, Balance Sheet and Profit and Loss Account for the year ended 31st December 1971 have been in your hands for some time, and with your permission, I take them as read.

As I mentioned to you last year, the association of your company with the Indian Oil Corporation commencing from January 1970 has helped to improve the working results of your company. The following table shows the position for the last three years:—

Year	Sales (Lacs metric tonnes)	Profit before tax (lacs Rs)	Percentage of profit after tax to capital employed
1969	2.04	32.50	6.20
1970	2.79	53.77	10.28
1971	3.71	74.66	16.83

It has been possible to recommend a total dividend of 18% for 1971, as against 17% for 1970. I am glad to say that your company continued to make all round progress in 1971. As compared to 1970, sales of automotive fuels went up by 39% and sales of all products by 32.8% thus achieving record sales of 371,244 tonnes and a turnover of Rs. 31.5 crores. Dur-

ing the first five months of 1972, the sales are estimated to be about 30% more than in the corresponding months of 1971. Besides consolidation and progress in the oil trade, your company has also made plans for development in other fields. I am glad to inform you that your company entered into a technical collaboration agreement with a Belgian firm in March 1972, for the manufacture of sophisticated bottle filling equipment used in aerated water, soft drink and beer industries. As a consequence, it is hoped that the profitability of your company's engineering

division will improve in future years.

Company's investments in Balmer Lawrie and ICICI fetched the same rate of dividend as in previous years. However, your company purchased an additional 3332 shares in ICICI, as a result of "rights issue", made by the ICICI.

Your company's investments in the Shama Piston & Rings

Ltd., Shama Forge Company Ltd and Assam Sillimanite Ltd. did not yield any dividends. However, I would like to inform you that with the efforts of the financial institutions, the Shama Pistons & Rings Ltd. was reorganised in May 1972, and as a part of the overall arrangements, your company has sold its equity holding in Shama Pistons & Rings Ltd. worth Rs. 8 lakhs at par value. I am glad to say that as a consequence the Industrial Finance Corporation of India have agreed to release the guarantee executed by your company in their favour in respect of loans granted by Industrial Finance Corporation of India to Shama Pistons & Rings Ltd. This will reduce your Company's contingent liability to the extent of Rs 52.55 lakhs plus interest.

Your company was holding about 30% of the equity shares of M/s. Balmer Lawrie, Calcutta, for more than a decade. Earlier this month your Company has entered into an agreement to purchase additionally two large blocks of shares in this company held by Duncan Brothers and Alex Lawrie & Co. (India) Ltd. Subject to to your approval, these additional shares will be acquired next month and your company will hold about 80% of the

equity shares of M/s. Balmer Lawrie and thus have control over that company and its subsidiaries, with their varied industrial activities, including barrel making, grease manufacture, engineering and electrical industries. Meanwhile your company has taken over the management of the Balmer Lawrie Group from 6th June, 1972.

Your company's retail outlets have been renovated in 1971 using the new colour scheme and new logo. We hope these outlets now project the new image of your company, viz. the image of an organisation dedicated to service and efficiency. Your company has also initiated a scheme for the rehabilitation of the ex-servicemen and their families by appointing them as dealers at company developed retail outlets and for selling kerosene.

The success achieved during 1971 has been the result of the hard work and devotion of your employees and dealers. I am glad to convey deep felt appreciation to one and all, both on your behalf and on behalf of the Board of Directors.

Note—(This does not purport to be a record of the proceedings of the annual general meeting.)



Shri Y. R. Ghorpade

GENTLEMEN,

The production of manganese ore in the year 1971 increased to 2.61 lakh tonnes from 2.34 lakh tonnes in 1970 and 2.05 lakh tonnes in 1969. In 1972, the production of manganese ore is expected to be still higher and exceed 3 lakh tonnes during 1973. It may be recalled that in my speech last year, I had stated that every effort will be made to stabilise our manganese ore production and exports at a level of about 3 lakh tonnes per annum which is about six times the Company's annual manganese ore production before 1960 and about three times the annual production during 1960-65. Bulk of this ore is exported to Japan and some to Europe. It is being examined whether it would be possible to ultimately aim at a production of about 4 lakh tonnes of all grades of manganese ores in response to the Japanese market. Sandur manganese ore is now as well established in Japan as in Europe.

2. Manganese ore shipped during 1971 is 2.40 lakh tonnes as against a production of 2.61 lakh tonnes. Some shipments had to be postponed to 1972 at the request of our Japanese buyers and as a result of the Indo-Pakistan war. In the year 1972 also our level of production is likely to be somewhat higher than the shipments. This will enable the Company to build up adequate stocks for better co-ordination between production, railing and shipment and quality control.

Every effort is being made to ensure that quality does not suffer as a result of increased production. It is gratifying that the out-turn analysis results of the shipments of manganese ore during the first quarter of 1972 have been well above the guaranteed minimum. The problem of increasing overburden is also being tackled. The two traxcavators commissioned in February 1972 will help in the removal of overburden at a faster rate resulting in higher production. The scope to further strengthen the mining equipment and transport facilities at the mines is being actively considered.

3. In the next year or two both our level of production and shipment of manganese ore will have to be stabilised at a level of about 3 to 3.5 lakh tonnes. Every effort will be made to reach an average of 3 shipments per month. This means not only adequate railings but adequate facilities at the port of Mormugao from which this ore is being shipped. With the development of the Mormugao outer harbour, the present mechanical ore handling plant could be made available for loading manganese ore. This would considerably quicken the pace of manganese ore shipments at Mormugao. Generally speaking, with the growing international competition, better ore handling facilities at ports becomes inevitable to safeguard the competitive position of all Indian ores. The Government of India should

THE SANDUR MANGANESE & IRON ORES LIMITED

Speech by Shri Y. R. Ghorpade

Chairman & Managing Director

The Sandur Manganese & Iron Ores Limited, at the Eighteenth Annual General Meeting held on 30th June 1972

give adequate attention to port development during the 'Fifth Plan' period to enable sufficiently large ships to be loaded at a faster rate, thereby reducing the sea freight for Indian ores to the same level as for ores from other parts of the world.

4. Smiore is conscious of the fact that manganese and iron ore production is and ought to be labour intensive and employment oriented. We are, therefore, determined to do as much manganese and iron ore production as is economically feasible, keeping in mind railing, shipping and other available facilities. Apart from maximising manganese ore production, the Company is examining the possibility of undertaking large-scale mining of iron ore. For this purpose, Smiore has already entrusted the Indian Bureau of Mines to prepare a feasibility report for the production and export of about one to two million tonnes of iron ore per annum from the Company's mining areas. Our friend in Japan are likely to be interested both in our manganese and iron ore development in a big way. This is fully in line with the country's effort to increase exports and earn more foreign exchange. Side by side and as a part of an integrated programme, the Company has planned to expand its electro-metallurgical industry.

5. The 15,000 KVA electric pig iron furnace of the Sandur

Metal and Ferro Alloys Plant near Hospet had to be shut down for about 8 to 9 months during 1971 for the purpose of relining. The furnace had functioned satisfactorily during 1969 and 1970. The requisite refractory material for relining was not readily available. There was great difficulty in this regard. The refractory material required to completely reline the furnace had to be specially manufactured within the country. However, advantage was taken of this extended shut down period to modify the furnace, incorporating certain latest developments in furnace technology, as a result of which the furnace is now giving a 10% higher production compared to the years 1969-70. Production of pig iron in 1972 is expected to be 36,000 tonnes as against 33,991 tonnes in 1970 and 31,604 tonnes in 1969. This amounts to 100% utilisation of licensed capacity. But there has been steep increase in prices of raw materials, particularly coke and electrode paste and this is seriously engaging the attention of the Company. Smiore has developed considerable technical expertise and experience which is now one of its main advantages in launching on further expansion.

6. During 1971, the Company incurred a net loss of Rs. 40.3 lakhs before depreciation and taxation as against a profit of Rs. 40.4 lakhs in 1970. After depreciation and amortisation the loss for the year is Rs 67.2 lakhs. This was

mainly because of the long shut down of the pig iron furnace for about 8 to 9 months upto September 1971. In spite of this, the Company repaid loans and deferred payment liabilities to the extent of Rs. 12.74 lakhs in 1971. The Bank of India and the Industrial Credit & Investment Corporation of India Ltd., have kindly agreed to reschedule loan repayments in view of the plant shut down in 1971. However, the furnace is functioning very satisfactorily from September 1971 and the Company expects to make up by 1974 the loss incurred in 1971.

7. The Company is also going ahead with its programme of further diversification and industrial expansion. It has a Letter of Intent for the production of 24,000 tonnes of ferrosilicon per annum. The ferrosilicon project report, prepared by the Company, for the installation of two 20,000 KVA furnaces for an annual production of 24,000 tonnes of ferro-silicon, has already been submitted to the financial institutions, viz., Industrial Finance Corporation of India, Industrial Credit & Investment Corporation of India, Industrial Development Bank of India, Life Insurance Corporation of India and the Unit Trust of India. The estimated capital cost of the project is Rs. 4 crores and is expected to be financed by the issue of fresh capital of Rs. 1.5 crores and loan finance of Rs. 2.5 crores. Foreign exchange component of the project is Rs. 1.07 crores. The Company has already made applications to the Controller of Capital Issues and the Controller of Imports & Exports in this regard. The Mysore Government have agreed to supply a minimum of four lakh bags of charcoal per annum. The balance of reductants may have to come from other alternative sources. In view of the Company's substantial manganese ore export performance and programme, it may be possible to consider the import of some quantities of metallurgical coke of the best quality, with the approval of the Government of India, in order to maximise technical efficiency and production. The

Mysore State Electricity Board has agreed to supply the necessary power on a long term basis at the present HT-1A tariff. This increased power rate will be economically feasible in view of the higher profitability of ferrosilicon compared to pig iron. Completion of the ferrosilicon project will further diversify the Company's production and make the Metal and Ferro Alloys Plant more broad-based and viable. As per the time schedule drawn up for the implementation of this project, the two ferrosilicon furnaces, each of 20,000 KVA capacity, are expected to go into production by middle of 1974. After the commissioning of this project, Smiore will have three electric furnaces in all, including the existing pig iron furnace, and will no longer suffer from the disadvantage, which it acutely experienced in 1971, of functioning with only one furnace.

8. With regard to labour welfare amenities, the Company has tried to do its utmost. The Life Insurance Corporation of India have sanctioned a loan of Rs. 25 lakhs to the Company towards construction of a modern colony for employees of the Metal & Ferro Alloys Plant. The Company has also applied to the Mysore Housing Board for financial assistance for constructing houses for its mining labour. The Company has a mining force of nearly 3,000. Efforts are also being made to augment the drinking water supply at the mines which gets depleted during summer months. The Company has revised the pay-scales of its employees both at Mines and at the Metal & Ferro Alloys Plant from January 1972 as a result of which the annual wage bill increased by Rs. 6 lakhs.

9. The inauguration of the work on the Vijayanagar Steel Plant by the Prime Minister on 14th October 1971 marks a significant land mark in the economic development of Sandur, Bellary District and the State as a whole. The Government of India have now indicated that this two million tonne steel plant will cost as much

as Rs. 750 crores. I am sure the State Government will take all steps to ensure that this steel plant is completed as expeditiously as possible. Now that the Mysore Government has sanctioned the Taranagar multi-purpose irrigation project, we could reasonably expect the National Mineral Development Corporation to commence work on its proposed two million tonne pelletisation plant costing Rs. 25 to 30 crores in the valley of Sandur. The Mysore Government has agreed to meet the water requirements of this public sector pelletisation plant from the Taranagar project. All this will naturally result in a lot of ancillary development and employment in Sandur and the adjoining areas. This is a matter of great satisfaction to all those who have worked for the modernisation and develop-

ment of Sandur which is destined to play a significant role in the progress and prosperity of our State and the country.

10. Shri M. Y. Ghorpade has resigned as the Joint Managing Director of the Company on his appointment as Finance Minister of Mysore State. The Board of Directors wish to place on record their appreciation of the valuable and signal services rendered by Shri M.Y. Ghorpade to the Company since its inception in 1954 and wish him every success in the discharge of the high responsibilities that he has been called upon to shoulder at this crucial juncture in the service of the State.

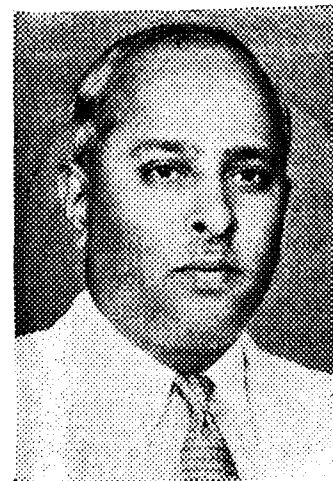
Note: This does not purport to be the proceedings of the eighteenth Annual General Meeting of the Company.

SOUTH INDIA VISCOSE LIMITED COIMBATORE.

Speech of the Chairman, Sri R. Venkataswamy Naidu delivered at the Fourteenth Annual General Meeting of the Shareholders held on 28th June, 1972 at 10-30 A. M. at the Registered Office of the Company, "Shanmuga Manram", Race Course, Coimbatore-18.

Ladies & Gentlemen,

I have great pleasure in welcoming you to this Fourteenth Annual General Meeting of the Company and presenting to you the Annual Accounts of the Company and Report of the Board of Directors for the year ended 31-12-1971. The printed copies of the Accounts and the Directors' Report have been circulated to all the shareholders and with your permission I shall take them as read.



Sri R. Venkataswamy Naidu

On this occasion, I would like to refer to the significant event of the year viz. the influx of millions of refugees from the former East Pakistan followed by a 15 days' war with Pakistan; India emerging out of the war victoriously, birth of Bangladesh and the return of the refugees to their Homeland. I am sure that you will join with me in congratulating our Prime Minister, Mrs. Indira Gandhi for steering the country to victory in the crucial period.

The refugee problem and the war with Pakistan placed heavy strain on our economy and still we have the impact of war as some of the levies imposed dur-

ing the emergency have still not been withdrawn. It is of utmost importance that the economy in the country should be stable and the production accelerated to the maximum extent possible to create greater potential for remunerative employment.

The present policy of taxation is not conducive for the development of industries but on the other hand it retards savings and capital formation. In order to help the development of Industry, I hope that the Government of India will reconsider their decision to abolish tax relief to the priority industries, the increase in the surcharge on company profits and the withdrawal of the development rebate concession after 1974.

Review on the Working of the Company

Coming to the affairs of the Company, I am happy to say that the performance of the Company during the year has been very satisfactory and the working results noteworthy. There is a marked rise in the sales and profit of the Company. The sales have totalled to Rs. 13.63 crores as against Rs. 9.77 crores for 1970. The profit amounts to Rs. 2.89 crores as against 1.13 crores for 1970, after providing Rs. 1.59 crores for depreciation. After transferring a sum of Rs. 90 lacs each to the Development Rebate Reserve and General Reserve, your Directors are pleased to recommend a dividend of 16% on the Equity shares absorbing Rs. 78.40 lacs. A sum of Rs. 2.2 crores is still to be provided towards development rebate. I am hopeful that with the continued trend of good profits, it would be possible to provide this sum before 1974. In this

context of good working results of the Company, I also wish to remind you that this is a very highly capital intensive industry. Our sales turnover is of the order of 13.63 crores of Rupees for a total capital investment of 25.53 crores of Rupees.

Raw Materials

The production of the Company is satisfactory but the shortage of raw materials especially Caustic Soda required for the production of Staple Fibre, Rayon Yarn and Pulp still continues. Our regular suppliers of Caustic Soda have reduced the quota considerably due to the shortage of raw materials for the production of caustic soda. The price of Caustic Soda in the open market is very high and even at the enhanced rate the requisite quantity is not available. In this connection, I wish to mention that our Staple Fibre Plant was stopped for a period of about two months during the year under review due to short supply of caustic soda.

The availability of pulp wood—the basic raw material—alotted to us by the Government of Tamil Nadu viz 1,000 acres of Bluegum and 2,500 acres of Wattle are far too short of our demands. We are, therefore, in correspondence with the Government:—

(1) for the increase in allotment of bluegum areas to the maximum extent possible as also to allot to us areas for growing pulp wood either on lease or as a joint venture with the Government.

(2) to allot Eucalyptus Grandis areas in addition to the bluegum areas.

In view of the short fall in supplies from the Government forests, we are also taking pulp

wood from private parties to tide over the shortages.

Negotiations have already been started with the private parties for the acquisition of lands for growing bluegum and other pulp wood to ensure adequate supplies for all time.

In view of the proposal for the expansion of the Pulp Plant from the present 60 tons to 120 tons a day capacity, the question of utilising other species of wood viz. Eucalyptus Grandis, Acacia Arabica (Karuvellam) etc., apart from the bluegum and wattle is under the active consideration and examination by our Collaborators.

Expansion

I am happy to inform you that we have taken up the expansion of Staple Fibre Plant for increasing the production of Staple Fibre from 10 tons to 30 tons per day. In this context, I wish to recall to you that our Company was promoted by a Consortium of Cotton Textile Units in this area with a view to produce staple fibre to relieve the shortage of cotton. Hence, with a view to stabilise the cotton textile industry, we have undertaken substantial expansion of the Staple Fibre Plant. Almost the entire machinery will be fabricated indigenously and the contract for the supply of machinery and equipment has been awarded to Gwalior Rayon Silk Mfg. (Wvg.) Co. Ltd., and for erection and commissioning of the plant to M/s. Birla Consultants Private Ltd., on turn key basis. The capital outlay for this expansion is estimated to be Rs. 6 crores which will be met from the internal resources of the Company. It is expected that all the machinery will be erected and commissioned before the end of 1973.

We have also obtained a Letter of Intent for installing a Polynosic Staple Fibre Plant for the production of 20 tons per day. We deputed two of our Engineers to study the working of the Polynosic Staple Fibre Plant in our Collaborators' Factory in Italy and the orders for the plant and machinery required for this expansion are expected to be placed shortly. Most of

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the Plant will be indigenously procured or fabricated with the drawings provided by our Collaborators; only highly sophisticated and specialised equipments which cannot be fabricated in India will be imported. The Polynosic Staple Fibre Plant will replace substantially the import of Egyptian cotton which is required for the production of finer varieties of yarn and cloth.

In the past, Rayon grade pulp was imported under U.S. AID Scheme. After the hostilities with Pakistan, America has suspended the aid with the result the import of pulp from America has been stopped. In view of this development, the production of indigenous pulp has to be increased by greater utilisation of existing capacity and also expanding the existing capacity.

The capacity of our Pulp Plant is only 60 tons per day which is not an economic unit in the international parlance. The Management is discussing with the Government of Tamil Nadu the need to increase the area of cultivation of bluegum so as to enable the Company to increase the capacity from 60 to 120 tons per day. In this context, I wish to inform you that we have applied to the Government of India for sanction to increase the capacity accordingly. The Letter of Intent is awaited. It is needless to say that with the implementation of the expansion of the Pulp Plant, not only the production of our Rayon yarn and Staple fibre will be uninterrupted but also a considerable amount of foreign exchange will be saved in the sale of pulp to other spinners in the country.

Labour Welfare

We are anxious not only to increase the growth of the Company but are also keen on providing amenities to workers and staff. It is our earnest desire to provide most modern living conditions to our workers and staff.

We have introduced, in collaboration with the Life Insurance Corporation of India, One-Year Renewable Group Term Insurance Scheme for the benefit of our employees. Under this Scheme, if anything untoward happens to an

employee, his dependants will receive 20 times his monthly salary from the L.I.C. The premium is fully borne by the Company. The minimum benefit to the dependant of a worker in the Company under this policy would exceed Rs. 6,000/-.

For providing accommodation to our workers, we have taken up the construction of 120 modern flats in the first instance under L.I.C. Housing Scheme. In course of time, more flats will be constructed.

The relation between the labour and management continued to be cordial during the year, though there were some disturbances due to inter-union rivalry.

Conclusion

Textile consumption in the world has increased very much over the years. The supply of natural fibre is not adequate to meet the demand of the modern market. So, the gap has to be filled up by the Man-Made fibres either alone or in blends. The Man-Made fibre Industry needs due encouragement and necessary assistance from the Government and a liberal policy of the Government will stimulate the growth of the industry.

At one stage, it was feared that the Viscose fibre and filament yarn would lose popularity and that this industry would not have a bright future. However, today, the world over we see the rayon industry making steady growth while synthetics have been affected by glut in the market with heavily depressed prices. I am confident that the rayon industry will maintain its popularity in India in spite of the growth of the synthetic fibre industry, because, the rayon fabrics are more suited for the climatic conditions of the country.

I am confident that the working results will continue to be good in future years and that the expansion programmes will be carried out by maximising utilisation of indigenous equipments and with minimum borrowings.

The policy of the Company has always been to plough back the profits in the business, after declaring a reasonable dividend to the Shareholders. This will provide increased em-

ployment opportunities in the Factory and in the forests and also contribute to the supply of additional raw materials viz., Pulp, Staple fibre and Rayon yarn, which again go a long way to increase the employment opportunities in the textile mills and among the spinners and weavers.

I request you to join me in expressing our thanks to our Collaborators in agreeing to

assist us in fabricating the equipments for our expansion project indigenously.

I conclude by expressing, on your behalf and on behalf of the Directors, my appreciation to the employees of all cadres for their devoted service to the Company's progress.

(NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting).



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BINNY LIMITED

Statement of the Chairman, Mr. N. S. Bhat

Following is the statement of the Chairman, Mr. N. S. Bhat to the shareholders on the occasion of the 3rd Annual General Meeting of the Company held in Madras on 30th June, 1972.

Ladies and Gentlemen,

I have great pleasure in extending to you a warm welcome to the third Annual General Meeting of the Company.

I consider it a privilege and challenging experience to be able to serve this great Company as Chairman and Managing Director during one of the most difficult periods in the history of the House of Binny. Having worked in the rich traditions of the House of Binny for twentyfive years, I shall endeavour during the rest of my career to maintain those traditions while promoting the immediate and long term objectives of the Company.

The road to success is not always smooth but is often full of difficult and unpredictable problems. Nevertheless with your goodwill and support your Board can and will, I venture to submit, restore your Company to its rightful place on the industrial map of our country.

The Directors' Report and Accounts for the year ended 31st December 1971 have been circulated in the prescribed manner and, with your permission, I shall take them as read.

1971 was a difficult and disappointing year for the Textile Industry in general. For the Company's Mills in particular, which are equipped to manufacture mainly coarse categories of cloth, using Indian cotton, and in which a substantial part of the machinery needs rehabilitation, it was a

very bad year indeed. Mill cloth production in 1971 at less than 4,000 million metres was the lowest on record for the industry since 1951. Cloth production in 1971 in the Madras and Bangalore Mills was also less than in 1970. The main reasons for the fall in production and poor results in 1971 were: (a) unprecedented high prices of cotton (b) inability to realise economic prices on finished cloth due to strong —and quite understandable— consumer resistance (c) collapse of major markets due to severe floods and the India-Pakistan war (d) constraints imposed by old plant and equipment (e) inadequate working capital and (f) strike followed by a lockout for two months in the Bangalore Mills.

The raw cotton price index number in September 1970 was 183 (Base 1961-62=100). It rose to 253 in January 1971, dropped to 220 in May, but rose again in subsequent months to stand at 249 in September. Against the steep rise in the raw cotton price index, the wholesale price index of cotton manufactures went up by only 19 points from 142 in September 1970 to 161 in September 1971. Cost of cotton is, as you are aware, about half the manufacturing cost of cloth. In other words the textile industry, and not the consumer, carried the bulk of the burden.

Coupled with higher cost of cotton, wages and costs of stores, spares, fuel and freight also increased substantially in 1971. These additional costs and the collapse of major markets caused severe

strain on the Company's liquid resources.

In the Interim Report sent to you in November 1971 reference was made to the need to modernise/rehabilitate pre-weaving machinery, much of which is old. Old plant and equipment is a serious handicap and will continue to be so until it is renewed or modernised. This will take time and involve substantial expenditure; nevertheless it has to be done as soon as possible.

If the results for 1970 were disappointing, 1971 proved to be worse. Although the performance of the textile industry generally in 1971 was worse than in 1970, in view of the substantial loss suffered in 1970 and 1971, I am sure you will expect me to give you some indication of the future outlook, especially for the current year. It would be rash for me to make any precise commitment for the future, especially in an environment which is full of socio-economic uncertainties, but I would like to tell you frankly and candidly what we have done so far to restore your Company's fortunes and how far the Company has progressed during the last 8 or 9 months.

Let me start by assuring you that the Company is on the road to recovery and is no longer in the red.

At the last Annual General Meeting my distinguished predecessor said that the most serious problems confronting your Company concerned the Madras Mills and that future profitability lay in improving the working of the Textile Division, especially the Madras

Mills. In financial terms the problem was simply one of revenue falling short of direct manufacturing costs and fixed costs including wages. The only way to resolve the problem quickly was to reduce manufacturing costs by strict economies; to improve efficiencies and to find cloths which could be produced and sold at economic prices. Substantial reduction in fixed costs was not considered a short term possibility and in any event much of the fixed costs are beyond the control of the Company.

In the third quarter of 1971 your Board was faced with a heavy loss of Rs. 144 lakhs for the first half of that year close on the heels of a substantial loss suffered in 1970. To add to our problems the Company's sales were affected by severe floods and the threat of the India-Pakistan war. The situation was serious indeed, but by then the malady in the Textile Division had been diagnosed and, bearing in mind the national interest and the interests of shareholders, employees and the trade, your Board had accepted the challenge and initiated a determined effort to regain the lost ground. In doing so the Board relied on the goodwill and assistance of shareholders, the Textile Commissioner and other concerned Government authorities, employees, guarantors, distributors, customers, suppliers, the Company's bankers and all others who have been associated with the Company in one form or another over its long history. Some of our fibre suppliers in particular give us

a measure of steadfast support for which we shall always be grateful. I am happy to acknowledge here the unstinted help we received from all these people and institutions.

The battle for recovery has been stiff and will continue to be so but the spirit with which everyone concerned responded has demonstrated that our greatest asset at this critical juncture was, and is, high morale among our own staff and labour and their determination to work together to lift the Company out of its difficulties. In the Binny tradition we found courage in adversity at all levels among the Company's personnel. I would like to express my deep appreciation of their excellent work and my confidence that it will continue.

Our first task was to reduce manufacturing costs in the Textile Division, to which end we consulted the South India Textile Research Association. Their very helpful and valuable recommendations were received in May 1971 in respect of the Madras Mills and in September 1971 in respect of the Bangalore Mills. The recommendations were implemented as quickly as possible and the benefits derived have been substantial. Special attention was also given to improving mill working efficiencies and significant results have been achieved. Organisational changes were made to manage the Company by what are known as Profit Centres—each Profit Centre coming under a single Profit Centre Director/Manager with responsibility to attain the target set for that Centre. This important organisational change, which involved decentralisation of certain functions, such as selling and some purchasing, has proved to be beneficial.

The South India Textile Research Association's recommendations aside, a determined drive on cost reduction has been initiated and this has already produced beneficial effects. This too, will be a continuing process since in this way we can to some extent combat inflationary trends.

The pattern of production

was changed where practicable to produce more of what can be sold at economic prices and the search for more profitable cloths will be a continuing process. Distribution outlets are being expanded at wholesale and retail levels; this process will continue until we are assured of our essential share of the market. A Marketing Research Cell has been organised to improve feed-back of information from the market. Advertising has been made more creative and purposeful, emphasising that Binny Textiles, apart from being durable and providing value for money, also provide variety for men and women. Steps have been and are continuously being taken to improve our service to dealers.

We have also sought advice from the Indian Institute of Management, Ahmedabad on marketing and our organisational structure. Their first reports are presently receiving the attention of the Board.

In brief your Board's short term goal was to make current operations economically sound and the cost reduction programme involved will continue. Our medium and long term objectives must include re-equipment of the Mills to produce economically what the market will want in future.

In the Interim Report of November 1971 hope was expressed that the Textile Division would return to profitable working before long. In particular, it was stated that, barring circumstances beyond the Directors' control, the results for the second half year of 1971 would be significantly better than those of the first half year. The hope expressed in the Interim Report has materialised.

I would like to tell you now in financial terms what has been achieved so far by the various measures taken by us.

In the second half of 1971 the loss was contained at Rs. 63 lakh as against a loss of Rs. 144 lakhs for the first half. It should be appreciated that this improvement was achieved des-

pite increased manufacturing costs, especially in the Textile Division, due to rise in the price of raw materials, stores, etc., higher dearness allowance and other emoluments following the Arbitration Award on the Textile Wage Board's recommendations and difficult market conditions.

The progress made in the second half of 1971 has continued in 1972. We have stopped making losses and the first five months show a small profit after providing for depreciation and statutory minimum bonus. June working has also been satisfactory. The first half year of 1972 should, therefore, result in a modest profit. I am especially pleased to be able to inform you that the Madras Mills are again working satisfactorily, notwithstanding the constraints of poor layout and over-age of a substantial part of the plant which needs renovation/modernisation.

I expect the progress made so far to be maintained provided (a) good quality raw material is available at reasonable prices and at the right time; (b) full co-operation by labour and uninterrupted working of all units are forthcoming; and (c) additional heavy financial burdens do not fall on the Company through legislation, Government executive action or labour demands. In this connection you may be interested to know that the Company's operations generated in 1971, directly or indirectly, revenues to the State and Central Governments to the extent of Rs. 5.3 crores besides providing direct employment opportunities sufficient to support 24,000 families.

Notwithstanding the above heavy burden of taxation the 1972 Finance Act has imposed additional excise duty on polyester fibre, polyester blended yarn, wool blended yarn and polyester blended cloth which will cost approximately Rs. 30 lakhs in 1972. The increase in excise duty on wool blended yarn for Cotswol is of the order of 344% and will, as far as I know, affect in a significant way only our Bangalore

Mills as no other mill produces similar cloth in substantial quantities.

The rate of excise duty on polyester fibre has progressively increased to a level at which the price of the fibre is abnormally high. If it is Government's desire to popularise polyester blended fabrics, as evidenced by the new polyester plants coming on stream, our current taxation policy may not promote this objective.

I feel that revenue currently derived by Government from this source can be protected and may even be augmented by suitably reducing the burden at the fibre point and spindle point. This should improve the offtake of the fibre and eventually of the blended fabric resulting in increased revenues from an enlarged source.

It is also relevant to mention that the Arbitration Award on the Second Textile Wage Board's recommendations will cast on the Company an additional burden of Rs. 30 lakhs per annum.

Cotton

During the past few years my predecessors have been devoting a good part of their statement to problems mainly arising out of low yield per acre of Indian Cotton. I will not cover that ground again except to say that the cotton crisis last year has induced the Central and State Governments to see the need earnestly to promote schemes to improve yields and quality. The programme announced by the Union Minister for Agriculture for intensifying cotton development in certain irrigated and rain-fed districts is welcome.

I feel the current season's crop, estimated at 64/66 lakhs standard bales, should be attributed partly to a favourable monsoon in most cotton growing areas and partly to research and development work carried out by the Indian Council of Agricultural Research. A disquieting feature this year, however, is that with a larger crop

there are reports that the quality has deteriorated. It would be worthwhile for the Department of Agriculture to take steps to ensure that an increase in quantity does not entail a fall in the quality of the cotton crop.

The impact of a low cotton crop and abnormally high prices on production and employment can be appreciated from the following facts.

On 31st December 1970, 69 mills with 1.50 million spindles and 17,000 looms employing 75,000 workers were closed. By 30th June 1971, 88 mills with 2.03 million spindles and 24,000 looms employing 96,000 workers were closed. By 31st December 1971, partly as a result of take over of some mills by the public sector under the auspices of the National Textile Corporation, the biggest Mill Management in India, the number of closed mills came down to 76 with 1.61 million spindles and 17,000 looms employing 76,000 workers. According to official estimates cloth and yarn production in 1971 was the lowest in the last 20 years.

With the experience of 1971, I would suggest that Government, while taking appropriate measures to encourage growers to increase cotton production by ensuring a stable and fair price, should also enable the industry to operate economically without losing sight of the interests of the consumer. This means that the growers' interests must be promoted by higher yields and not merely by higher prices.

The steps already taken by Government to relax credit restrictions and to remove stock limits are welcome. However, I am not altogether happy with the move to take over the marketing of cotton through monopoly agencies. Cotton marketing involves specialist skills not quickly acquired. I would therefore suggest that, until the required know-how is acquired outside the cotton trade, the large and reputable cotton traders, whose long experience and considerable expertise is of the

utmost value to the community, be used fully in the interests of the growers, the industry and ultimately the consumers.

I will now briefly review the operations of the various divisions of the Company in 1971.

Textile Division

I have already given you an indication of the result of the various measures taken to improve the working of the Textile Division.

Notwithstanding the strain on liquid resources improvements have been made to the Carding and Spinning Departments in the Madras Mills partly by overhauling and partly by re-equipment. Conversion of ring frames to the top arm drafting system, overhauling of blowroom machinery and the re-clothing of cards are progressing.

The Bangalore Mills suffered a loss of profit as indicated in the Interim Report, due to a strike followed by a lock-out for two months. In addition, the expectation that the wool supply position in 1971 would be better than in 1970 did not materialise. Large quantities of wool purchased by paying a heavy premium had to be used in 1971. The reasons for this were delays in the issue of licences for the import of wool tops for defence orders and to combing bottlenecks in India for combing greasy wool imported with Actual User Licences.

The Finance Act, 1971 imposed a 40% Import Duty on wool and wool tops in addition to an increase in excise duty on wool tops and yarn. The additional burden had to be borne partly by the Company.

62 BAZ 110 cm. looms were installed in the Bangalore Mills in 1971. An additional boiler was commissioned and helped in meeting the increased demand for steam required for processing Angola Shirting for Defence Supply.

During the India-Pakistan

war the Company at short notice accepted and executed substantial additional orders for Olive Green drill and Cellular shirting (the Madras Mills) and for Angola Shirting (the Bangalore Mills). Our efforts in this regard were appreciated by Government.

Exports

Last year my predecessor expressed the view that unless prices of Indian Cotton came down to reasonable levels or improved supplies were made available, exports were likely to decline steeply in 1971 despite the increase in export incentives. Mainly on account of the steep rise in the cost of cotton, exports in 1971 from the two Mills did decline steeply. Indian cotton prices have since come down but imported cotton prices are higher than before due to the incidence of enhanced premiums and other levies. Nevertheless the outlook for 1972 is better.

There are reports current that Government have decided in principle to canalise the export of textiles through Public Sector Agencies on the ground that the textile industry had failed to meet its export obligation.

I have referred to the main reason for the drop in exports in 1971, and it was certainly no fault of the industry. If the industry's export performance is viewed over a period of 5 or 10 years, it will be seen consistently one of the major foreign exchange earners. As a major exporting Company for many years past, and what is more exporter of finished, not grey, goods, I can assure Government that building up and maintaining the level of exports we have achieved has not been easy. In doing so we have gained valuable experience and have developed contacts and earned goodwill all over the world. This is no doubt true of all major exporting mills and export houses.

In recent years the chief impediment to maintaining or increasing exports has been the ever-rising price of Indian

cotton which, in turn, was mainly due to the very low yields per acre of the Indian crop. As a result Indian cotton prices have stood at levels substantially higher than equivalent cottons available to our principal competitors overseas. For several years the industry has done its best to overcome this problem through cotton extension schemes. I am sure Government, who have recognised the need to deploy substantial resources to improve farm output of cotton, appreciate that all the blame cannot be placed on the industry if export levels are lower than they might be.

If Government are, however, dissatisfied with the level of exports achieved by the industry, I would suggest that they set up their own export house and supplement the efforts of the industry. By this means Government will gain the experience, expertise and goodwill which they must have if they are to be a successful export agency. At the same time the country will continue to benefit from the very substantial volume of exports which the industry already achieves.

GARMENT FACTORY

The Garment industry as a whole is passing through a very difficult period. The excise duty imposed by the Finance Act, 1971 and the increase in the cost of cloth and other items of manufacturing costs, coupled with consumer resistance to higher prices, have caused serious problems. Notwithstanding these adverse factors, exports in 1971 increased by 33.24% over 1970 which, I believe, is more than the increase achieved by the industry as a whole. The factory is at present engaged almost entirely on export orders.

ENGINEERING DIVISION

Madras Works

The Directors' Report gives a review of the operations of this Unit in 1971. Although the turnover, as stated in the Directors' Report, increased

from Rs 122 lakhs in 1970 to Rs 156 lakhs in 1971, production in 1971 was lower than in the previous year by Rs. 6 lakhs. It is worth mentioning that notwithstanding the drop in production, wages and other cash emoluments in this Unit increased by about Rs. 3 lakhs from the previous year.

In 1971 this Unit accepted and executed at short notice orders for additional Bailey Bridges. The use to which this type of equipment was put during the India-Pakistan war, especially in Bangla Desh, is well known.

Shortage of steel continues to be a problem with this Unit. I hope we shall soon see the steel plants in India meeting the Country's demand for steel in the required quantities.

Giovanola-Binny Ltd.,—Subsidiary

The working results of the Company, though not yet satisfactory, improved upon the results for 1970, notwithstanding several adverse factors beyond the control of the Management. Against a loss of Rs. 22 lakhs in 1970, the loss in 1971 was contained at Rs. 7 lakhs.

There was a serious set back in the production of penstocks and pressure vessels for about three months during the year due to delays in the receipts of imported steel plates and interrupted supply of industrial X-ray films. Non-availability of seamless steel tubes with test certificates and steel of shipbuilding quality affected the production of pressure vessels and barges.

I am glad to say, however, that this year most of the steel required for the fabrication programme is in stock and that the supply position of X-ray films has improved due to bulk imports arranged by the State Trading Corporation of India.

The Order Book improved considerably during the year under report and is at a satisfactory level now. For the first time the Company se-

cured two penstock contracts in North India, one in Bihar and a second in Himachal Pradesh. The Company has also two penstock export orders on hand one of which will be completed this year.

Grant of an Industrial Licence for the manufacture of pressure vessels, referred to at previous Annual General Meetings, will provide further opportunities for the Company to achieve satisfactory results. The Company's application made in 1969 is still pending with Government. I hope favourable orders will be received in the near future, having regard to the fact that this is the only company in Kerala that has facilities and experience to manufacture pressure vessels of all sizes.

TRADING AND AGENCY DIVISION

The Directors' Report provides a review of the operations of this division which has made a valuable contribution to the profits of the Company.

LABOUR

Industrial relations during the year were generally satisfactory.

I said earlier that the improvements made so far in the working of the Company should be maintained provided additional heavy burdens do not fall on the Company through labour demands. I would like to add that labour demands for higher emoluments will not be resisted provided such demands are adequately linked to higher output or productivity. We would welcome any proposals based on sharing the gains of higher productivity.

Last year my predecessor referred to the intractable problem of high absenteeism and the additional dearness allowance paid in 1970 to the tune of Rs. 63 lakhs without any return in the form of better work or otherwise. In 1971 the dearness allowance increased further by Rs. 30 lakhs.

My predecessor suggested that all wages including dearness allowance should, in some form or other, be linked to productivity—a view with which I entirely agree. Increasing the wages of a section of the community without a corresponding increase in productivity is not a sound economic proposition. Additional wages by themselves will not increase the real income of the workers. I would therefore, strongly appeal to our Labour Union Leaders and to Government that they examine this problem objectively and support Management in its endeavour to increase productivity. I would also appeal to our Labour Union Leaders to advise labour to resist the temptation to stay away from work without sufficient cause, especially by abusing the facilities of the Employees State Insurance Scheme.

I have personally requested the Labour Union Leaders in all our major undertakings to urge their members to stand by the Company in fighting the battle of 1972, and I have been encouraged by their response. I am, therefore, hopefully looking forward to a period of industrial peace and harmony, especially as we do not have the misfortune of suffering from serious inter-union rivalry in any of our Units. I have in this context offered to settle all reasonable grievances of the workers, as far as possible, by a process of bipartite negotiations and, if necessary, by the institution of an internal machinery similar to the Industrial Relations Commission recommended by the National Commission on Labour. In 1971 our workers generally co-operated with us during a difficult year, especially during the recent India-Pakistan war. I believe they will continue to support us in our endeavours to reverse the ill-fortune of the last two years.

FINANCE DIVISION

Financial Information

The Gross loss of Rs 106 lakhs in 1971, as against a Gross profit of Rs. 3 lakhs in

1970, and higher raw material and other costs placed a considerable strain on the Company's liquid resources during the year. Selective control on Bank credit and higher interest rates aggravated the difficult situation. It was not, therefore, possible to go ahead with plans for diversification and development on the scale indicated by my predecessor last year. However, despite the strain on liquid resources, we found it possible to spend Rs. 72 lakhs on re-habilitating/modernising the two mills. Arrears of wages for 1969 and 1970, which became payable in June 1971 under the terms of the Second Textile Wage Board's recommendations, amounted to Rs. 45.75 lakhs in respect of both mills.

Dividends

Since the accumulated losses exceed the sum available in General Reserve, your Directors have been compelled to pass the dividend on Preference Share Capital for the year. The question of paying dividend on the Equity Share Capital can be considered only after the loss carried forward from 1971 has been wiped out and the Company's obligation under the Debenture Trust Deeds have been met.

FUTURE PROSPECTS

We have made an encouraging start to 1972. The improvements in working which started in the last quarter of 1971 have been maintained so far this year. Cotton prices are expected to remain at reasonable levels and provided all the Units work uninterruptedly and we are not burdened with heavy additional levies, there is reason to expect that the results for 1972 will be satisfactory.

The Company has built its strengths over a long period, and I believe we enjoy the confidence and goodwill of our customers, bankers, Financial Institutions, Government and the public. We have a team of loyal, dedicated and technically competent Management Staff and an experienced and self-disciplined labour force. We are fortunate to

have a single strong trade union in each Unit to represent labour and another to represent staff. Our distribution system has, in the past, worked well even in difficult times. We are also aware of our weaknesses and are receptive to new and constructive ideas. Our products enjoy a reputation for quality and durability and we now offer a wider variety than in the past. Above all, the Company's financial position is basically sound.

Relying on all these strengths we should be able to restore the Company's fortunes in the near future. Indeed I am hopeful that we will turn the corner this year. But there is no room whatever for complacency. We have a difficult task to perform; but with the continued support of all those associated with the Company I believe we shall accomplish what is expected from us.

ACKNOWLEDGEMENTS

Mr. M.K. Vellodi retired as Chairman of the Board of Directors with effect from 1st January 1972 as forecast by him last year. I would like to say on behalf of my colleagues and myself how much we appreciated his guidance and wisdom during the last two years of his Chairmanship. I am happy that we will continue to have the benefit of his advice as he has very kindly agreed to remain on our Board.

Mr. M.A. Sreenivasan resigned from the Board on 17th March 1972. Mr. Sreenivasan joined the Board of The Buckingham & Carnatic Co. Ltd., on 3rd March 1949 and was one of the first seven Directors of Binny Limited at the time of its incorporation. During the past twenty-three years Mr. Sreenivasan has taken a very keen interest in the Company's affairs. I would like to express on behalf of my colleagues and myself our high appreciation of his services.

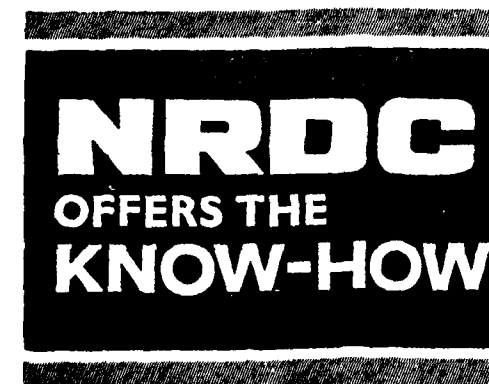
Mr. A.M.M. Arunachalam and Mr. K. Sreenivasan were appointed as Additional Directors after the last Annual General Meeting. Their appointment will come up for

your approval at this meeting. Mr. Arunachalam and Mr. Sreenivasan are well known in industrial circles and need no introduction to you.

In conclusion I would express my deep appreciation of the help and support I received from all my colleagues on the Board throughout the year and

thank them for their valuable advice.

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



- Cadmium sulphide photo conductive cell
- Lead sulphide infrared detector
- Improved process for garlic powder
- Speciality papers (filter papers etc.)
- Monochloro acetic acid
- Fatty alcohols
- Chloroscope
- Bimetallic powder
- Extra fine metal powder
- All round moving cum oscillating table fan
- Sealing wax melting and dispensing device
- Electrical strain gauges
- Transistorised television receiver
- Improved formulation of potassium silicate based chemical resistant cement
- Coupler mechanism for railway rolling stock
- Gypsum plaster retarder
- Sealing compound
- Broad spectrum weedicide
- Non-drip candles
- Fool proof camera
- Benzoic acid
- Torque converter
- Ethyl cellulose
- Electronic hygrometer
- Lithium carbonate from indigenous lepidolite
- Ethyl aceto acetate
- Scopolomine hydrobromide from seeds of Datunamel and D. innoxia
- Tairo automatic control or slasher sizing machine
- Decutling of sesame seeds
- Remote indicating hydraulic load cell
- Remote indicating convergence recorder
- Parchment paper
- Furfural
- 8-Hydroxy quinoline
- Triphenyl and tricesyl phosphate
- Phenacetin, p-acetamol and p-anisidine
- Waxless paper
- Carbon tissues
- Domestic fuel from Assam coa

For details please contact:
The Managing Director.

**NATIONAL
RESEARCH DEVELOPMENT
CORPORATION OF INDIA**

61, Ring Road, Lajpat Nagar III,
New Delhi-24.
(A GOVT. OF INDIA UNDERTAKING)



day 778 (1)/72

THE MADRAS ALUMINIUM COMPANY LIMITED

'JAYALAKSHMI', RACE COURSE, COIMBATORE 18.

The following is the address to the Members of the Company delivered by Shri R. Venkataswamy Naidu, Managing Director, at the 12th Annual General Meeting of The Madras Aluminium Company Limited held at the Registered Office at 'Jayalakshmi', Race Course, Coimbatore - 18 on Wednesday the 28th June 1972.

I have great pleasure in welcoming you all to the 12th Annual General Meeting of the Company.

Before discussing the affairs of the Company, I would like to dwell on the eventful period through which the country has passed recently. Nearly 10 million refugees poured into the country from the former East Pakistan. India had to bear the heavy burden of caring for the refugees. This caused a very heavy strain on the economy of the country. International Organisations had only lip sympathy for India's predicament and they were either unwilling or were unable to create conditions for the return of refugees. India had no alternative but to take necessary steps to solve this issue. The people stood united under the dynamic leadership of the Prime Minister. India's successful military operation in the former East Pakistan took only 14 days and the refugees were able to return back to their homelands. This successful operation has enhanced the image of the country internationally as a military power of consequence.

Your Board of Directors' Annual Report, Balance Sheet as on 31st December 71 with the Profit and Loss Account and Auditors' Report have been with you for sometime. You would have noted that our turnover and gross profit have come down when compared to the previous year. You will recall that this was anticipated in the last Annual Meeting itself. The Government of India notified the prices of Aluminium and its products from 25th May 71. Though the Government offered a rebate in Excise Duty to small Producers like

us, our net realisation has come down by nearly Rs 400/- per tonne. This has affected our working results. Secondly, the cost of production has gone up considerably due to increases in the costs of all raw materials and services mainly due to governmental imports. The increased cost of production has eroded into our gross profit considerably. In addition, we did not have the benefit of the Tax Credit (Excise Duty on Excess Clearance) Scheme for the year 1971, as the scheme lapsed on 31st March 1970. You will recall that under this Scheme about Rs. 22 lakhs accrued to the Company in the previous accounting year. It is most unfortunate that the benefit of this scheme was available to the Aluminium Industry for only three years.

As we have a large quantum of unabsorbed development rebate, your Board of Directors have decided to transfer Rs. 84 lakhs (practically the entire net profit) to development rebate reserve and to pay the Dividend on Preference as well as Equity shares out of General Reserve.

It has been the policy of this Company to plough back its profits after paying reasonable dividends to the shareholders. The profits have not been frittered away in any manner. The ploughed back profits have been utilised to bring the industry to international standards and to increase its productive capacity, resulting in the manufacture of industrial raw materials required by the nation and in creating remunerative employment potential.

We have made strong representations to the Government of India that they should reconsider their decision on the

pricing and allow us more remunerative prices. Though the Government order stipulated that any increase in the prices of Synthetic Cryolite and Aluminium Fluoride would be neutralised by sanctioning increase in the price of Aluminium and its products, so far, the Government of India have not deemed fit to sanction the increase in spite of the prices of these chemicals having gone up. In addition, the prices of all raw materials like Calcined Petroleum Coke, Pitch, Caustic Soda etc., have gone up considerably. Moreover, the cost of raising steam is higher for us when compared to the other Aluminium Producers, as we use a costly fuel like furnace oil unlike other producers, who use coal for steam raising. We are also operating under a handicap of having a small plant producing less than 13,500 tonnes per year without the advantage of fabrication facilities. As I have indicated on an earlier occasion, in international parlance, even units of 50,000 tonnes capacity are not considered economic or viable. Even with our expansion, we will be producing only, probably, a little over 25,000 tonnes per year which, by no means, can be considered a very economic unit specially when compared to the huge production capacities executed and planned for the two private sector and the public sector projects. I request you to join me to appeal to the Government of India to extend the benefit of excise rebate upto a production of 30,000 tonnes per year.

From the working results, you will notice that we have increased the sale of our intermediary products like Alu-

mina Hydrate, Calcined Alumina and Carbon Electrode Paste from Rs. 49 lakhs to Rs. 61 lakhs. This is a matter of gratification to us and I am hopeful that we would maintain the sales during this year also.

Based on the working results, I am quite sure that you will agree with me that only technical innovation and increased production with the diversification alone can improve the working of your Company in the years to come. Conscious of this objective, your Board of Directors have been pushing ahead with the expansion programme and in spite of various difficulties, we are trying to complete the expansion programme as per schedule. Due to the delay in the financial institutions' making available the term loans, the Company has been put to severe financial strain in its efforts to complete the expansion project. The physical progress is quite satisfactory and I am confident that additional production in the first phase will start in the course of the next month or two and that the entire expansion of metal production will be completed by early 1973.

In this connection, I wish to place on record the help rendered by our Collaborators M/s. Montecatini Edison, who have been assisting us with the relevant data, drawings and engineering services, even without receiving in advance the fees that have been sanctioned to them. As indicated earlier, the electrolytic pots of our expansion will operate at more than 100,000 Amps. Moreover, the Alumina Plant of the expanded capacity will be so designed that it will be able to process even Bauxite with low alumina content—literally the rejects from the Bauxite Mines. This will enable us to maximise the utilisation of our Bauxite, thereby, providing for the longevity of our Mines.

I may be pardoned, if I once again take pride in the fact, that as on date, we are the most technically advanced Aluminium unit in the country, as we operate our present electrolytic pot room at higher amper-

age. Moreover, we produce the largest proportion of E.C. grade metal in the country.

As a matter of policy, at the initial stage, we decide not to employ engineers from other companies. We decided to recruit young engineers and develop them to take positions of responsibility. Our Collaborators have assisted us in training several of our technical personnel. This policy has paid rich dividends in that our young engineers under the leadership of the technically qualified management have been able to reduce the imports for expansion to barely 5 per cent as against the local fabrication and utilisation of local machinery up to 95 per cent. The reverse was the case when the original plant was erected and commissioned. I believe that India cannot afford to go on importing machinery for developing her industries. But she must develop her indigenous talent for designing and fabricating machinery. Only by such a policy, the country can progress without the burden of foreign exchange loans. We, in this Company, being alive fully to our responsibility in this direction, have utilised the services of our young engineers in designing and fabricating of our indigenous equipments for our expansion. We are also willing to share our knowledge and experience with the Public Sector units also in the manufacture of specialised equipments to avoid imports.

As mentioned earlier, only technical innovation, increased production and diversification can help your Company to maintain its working against stagnating prices at uneconomic levels and against rising cost of production. With this objective, we have continuously given our attention for developmental work, apart from striving to complete the expansion project expeditiously. I am glad to inform you that from July onwards, we expect to market aluminium circles, which will come into production out of equipments designed, fabricated and commissioned by us. We are also in the process producing Aluminium Alloy Rods for eventual manufacture of alloy conductors for use in specialised fields.

We have also undertaken necessary steps for manufacturing sheets and extrusions. I expect that we will be marketing sheets of larger dimensions in 1973 and possibly extrusions by end of 1973 or early 1974.

I am glad to inform you that labour relations during 1971 were smooth and cordial, though there has been labour unrest for the last two months due to inter-union rivalry unconnected with relations between management and labour. I wish to take this opportunity to assure our workers and staff that their welfare is of paramount importance to us. We are conscious of our social responsibility to our workers. I hope that our workers will identify themselves with the interests of the Company and share in its progress.

I am confident that your Company has a great future in view of its expansion and diversification programme. Moreover, the demand for Aluminium in the country is continuously growing. The production is not keeping pace with the growing demand. Your Company, being conscious of its responsibility to the Nation, is willing to extend its co-operation to the public sector units in sharing its experience in fabricating equipments indigenously. However, I wish to utter a word of caution that the Government should be very careful in allowing imports of Aluminium in order to avoid a situation like 1967-68 being repeated in the country, when due to depressed demand, Aluminium was exported from the country at low prices, while importing Aluminium at higher prices—the country losing foreign exchange both ways.

I also wish to appeal to the Government of India to reconsider the decision to abolish tax relief to the priority industries, the increase in the surcharge on the company profits and the withdrawal of development rebate concession after 1974.

I wish to thank Government of Tamilnadu, M/s. Mediocredito of Italy, Industrial Finance Corporation of India, Industrial Development Bank of India, Industrial Credit and Investment Corporation of India Limited, Unit Trust of

India, Life Insurance Corporation of India, Punjab National Bank and Indian Bank and my colleagues on the Board and all our Senior Executives for their help and co-operation.

In conclusion, I request you to join me in paying tributes

to our employees at all levels for their unstinted co-operation and loyal service.

NOTE : This does not purport to be a record of the proceedings of the Annual General Meeting.

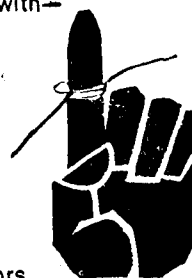
Income TAX

DEDUCTIONS ON PAYMENTS TO contractors

While making payments to contractors, for carrying out any work, tax at 2% will be deducted from the payment made after May 31, 1972. This applies to contracts with—

- ☐ Government Departments and Corporations.
- ☐ Local authorities.
- ☐ Companies

Contractors will, in turn, deduct 1% tax on all payments to sub-contractors for such contracts.



Exemptions :-

- ☐ No deduction will be required to be made if the consideration for the contract does not exceed Rs. 5,000/-
- ☐ Contracts for sale of goods and for rendering professional services by engineers and architects, etc., will not be subject to deduction of tax.

For further clarification :-
PLEASE CONTACT INCOME TAX OFFICER,
CENTRAL BOARD OF DIRECT TAXES.
MINISTRY OF FINANCE, GOVERNMENT OF INDIA

INDIAN SUGAR MILLS ASSOCIATION

Extract of Presidential Address of Lala Bansidhar delivered at the 39th Annual General Meeting of Indian Sugar Mills Association held at New Delhi on 3rd July, 1972.

Problems and Prospects of Sugar Industry by Bansidhar

During the last two years the sugar output has come down precipitously from a record output of 42.6 lakh tonnes in 1969-70 to 37.4 lakh tonnes in 1970-71. During the current season, 1971-72, it has dropped further to a bare 31 lakh tonnes. Such a sharp drop in output was paradoxical, specially when the installed capacity in the industry has been going up annually to the tune of about 1.5 to 2 lakh tonnes. The fall was basically due to sharp decline in cane acreage, which during the last two years has come down by eight per cent in factory areas. Besides excessive rains and floods in some areas and drought in others also affected the cane yields.

Despite a very sharp drop in the sugar output in the last season, Government continued to maintain the monthly releases at the current level of 3.25 lakh tonnes which was possible only due to large carry-forward stock of 14 lakh tonnes from the preceding season. But at the end of this sugar year, the carry-forward stock is not expected to be more than 5 lakh tonnes which is not sufficient even to maintain the present monthly supplies for the next two months when normally new production is not available. To maintain the present level of consumption, Government will have to draw from the new season's production during the months of October and November. But, in the next season i.e. 1973-74, we would be starting from scratch with no stocks to fall back upon.

On Government's own reckoning the country would need about 52 lakh tonnes sugar i.e. by the end of the Fourth Plan

Period (1973-74) and 60 lakh tonnes by the end of the Fifth Plan Period (1978-79) taking into account the requirements for export and buffer stock. These estimates seem to be quite realistic. But their achievement is, by no means, easy.

No doubt, higher cane prices paid by the factories in the last season has induced larger cane plantings. According to the initial survey made by the Indian Sugar Mills Association, there is an overall increase of 5.6 per cent in the cane acreage in factory areas. The unfavourable weather conditions, more particularly the recent heat wave, have adversely affected the cane crop. The monsoon will, of course, play a dominant role in the conditioning of the crop.

The new levy prices announced by the Government effective from July, 1972 which have been fixed without due regard for the actual costs obtaining in the industry are highly unrealistic. Besides, there are certain apparent lacunae in the Tariff Commission cost schedules based on which the levy prices have been fixed. The Commission, as a package deal, had recommended a lower rate of depreciation but a uniform allowance of rehabilitation. While the Government did not accept the recommendation to provide rehabilitation in the price, they did not enhance the depreciation allowance so as to conform it to the provisions of the Income Tax Rules. The industry has thus suffered on both the counts.

SURPLUS TO SHORTAGE:

Sugar was decontrolled in May, 1971 by Government as an alternative to increase the

levy prices. The decision came as a surprise to the industry as sugar policy for any season is normally announced at the start of the season and is expected to hold good for that season at least. By that time the declining trend in cane acreage and production had become quite clear. It was also apparent that internal consumption was picking up at a fast rate and to maintain supplies we shall have to draw substantially from the carry forward stocks. Despite this apparent tight statistical position following decontrol, Government continued to release sugar far in excess of quantities actually needed by the markets. Moreover Government did not create buffer stocks in 1969-70, when stocks were plentiful. Thus, due to excessive releases and the absence of buffer stocks a tight supply position has now emerged.

ESSENTIALS OF A LONG TERM POLICY:

For planning a steady increase in sugar output, it is apparent that a long term policy needs to be devised, which should comprehensively deal with all the relevant aspects of the working of the industry. If any significant aspect is left out of consideration, the policy will soon run into rough weather, needing a change. The policy has to be a production oriented policy and the first and foremost consideration which should go into its making is the determination of a remunerative cane price which would ensure the desired level of sugarcane output. The existing statutory minimum cane price of Rs 7.37 per quintal is

not remunerative to the cultivators.

Also extension of cane acreage would be inevitable. Happily, with the advent of 'Green Revolution', food yields have shown substantial rise and it is imperative to divert some of the cultivated land to sugarcane. As it is, sugarcane accounts for a very small portion of the cultivated land, being only about 1.8 per cent. Even if it is doubled, sugarcane will not account for more than 3.5 percent of the gross cultivated areas.

It must be pointed out here that a uniform increase in the statutory minimum cane price for all the regions may not be practical. Government may have to fix regional cane prices depending on the actual conditions obtaining in different regions in the matter of yields and parity realisation from other crops as also competition from gur and khand-sari. The cane growers should, by and large, be assured of similar per acre returns in different regions. The, Cost disparities arising from different regional cane prices will have to be equalised through appropriate adjustments in the sugar excise. For this, if it is necessary to amend the Excise Act and Rules, this should be done in the larger interest of cane growers in different regions.

NEED FOR AN INTEGRATED APPROACH:

The sugar policy should also ensure a uniform treatment to all the three sweetening agents. The Government's approach should be integrated one. In the absence of this, sugar output has invariably suffered far more severe variations than gur and khand-sari. In the last 10 years, while in the case of gur and khand-sari the variations around 6.3 per cent have been modest, in the case of sugar they were as high as 22.1 percent. In the recent past, the cane production in 1971-72 came down by 11 per cent as compared to the previous year. Against this, the sugar output has dropped by 27 per cent to 31 lakh tonnes in 1971-72. Thus, the shortfall in cane production has not affected uniformly all

the three sweetening agents, and the brunt has been felt mainly by sugar.

With the rate of extraction of available sugar in gur and khand-sari being only about 50 to 60 percent against well over 90 percent in a vacuum pan sugar factory, it stands to reason that even if the sugar factories do not get any preference they should not be at a disadvantage in the matter of cane supplies. Here lies the clue to a long term stable sugar policy. It has to be an integrated policy embracing equally the three sweetening agents. For every stick of sugarcane which is diverted from factory areas to power crushers and khand-sars, the country loses valuable sugar which it can ill-afford. Besides, Government also loses in excise, cess and other taxes.

BUFFER STOCKS:

Sugar, being an agrobased industry, its output has been subject to a four-year cyclic variation which can not be entirely eliminated. Hence, there is a need for creation of buffer stocks to minimise the hardship to consumers, cane growers and the industry. It has to be an integral part of the long term sugar policy.

Government should draw upon such stocks only in periods of shortages. It should not happen, as in the past, that efforts are made to liquidate surplus stocks through excessive releases regardless of future prospects of cane area, crop and market conditions. Such excessive releases, which amounted to as much as 5/6 lakh tonnes during certain months, have undermined stability and the industry's financial position which has affected production. The stocks earmarked as buffer stocks should be released only when required in the interest of the consumer.

MONTHLY RELEASES:

During the last two years, the Government's policy of monthly releases had been somewhat unsteady. Very often excessive releases have been made without proper consideration of the market condition. The industry has to sell sugar at a loss and conse-

quently has to face financial difficulties. Such variations could be avoided through a policy of planned and judicious releases.

EARLY & LATE CRUSHING:

Depending on the size of the crop and the requirements of sugar, factories may have to start early and also continue crushing late in hot summer months. Late crushing becomes necessary when the prices of gur and khand-sari come down and farmers divert their cane to sugar factories. This excess supply of cane has to be crushed in the interest of cane growers. Early and late crushing is highly uneconomical and factories need to be compensated through adequate rebate in sugar excise duty. This has a special significance for the ensuing season when factories should start early to secure maximum output during the months of October and November.

BANK FINANCE:

Equally significant for the stability of the industry is the provision for adequate bank finance. The non-availability of bank finance commensurate with the stocks in the past has been primarily responsible for the accumulation of cane price arrears. When adequate finance is not available from banks, the factories are helpless, although, unfortunately, it is they who face the public criticism. It is necessary that the policy decision should also govern the bank advances to this industry. When factories don't, receive adequate bank finance they have two clear alternatives. They should either suspend working and leave the cane uncrushed to dry up in the fields or to crush it by deferring the cane payments. It would be disastrous for growers to pursue the first alternative. The cane, which is highly perishable, must be crushed in the larger interest of cane growers. If the factories, responding to the needs of the situation, opt for the second alternative, should they be blamed for delayed cane payments?

In order to find a solution to the problem of cane price arrears on the Association's

suggestion, with the Food Ministry's approval and blessings, the Reserve Bank of India has directed all the nationalised commercial banks to segregate the bank accounts of the mills into two separate accounts—the cane account and general account. All the drawings from the bank are first credited to the cane account to provide for the cane dues and it is only the balance that is credited to the general account of the mills.

INCREASE IN SUGAR PRODUCTION FROM GUR SENSITIVE AREAS:

Due consideration must be given to the peculiar problems of gur sensitive areas especially in the context of the need for an immediate increase in sugar output. For, it is in these areas that production can be stepped up within the shortest period without any further capital investment. Factories in these areas, through appropriate measures, should be enabled to prevent diversion of cane from their areas to gur and khand-sari by paying competitive cane prices. In the present situation, it is essential that the capacity of such factories is fully utilised and this would depend mainly on the policy decision of the Government with regard to these areas.

LICENSING OF CAPACITY:

For achieving higher sugar output, Government have already licensed adequate capacity. The licensed capacity currently stands at 53.04 lakh tonnes, against the planned production target of 52 lakh tonnes. The installed capacity achieved during the season 1971-72 is only 39.5 lakh tonnes and it is expected to go up to 41 lakh tonnes during the ensuing season 1972-73. But according to the present trend, it is not likely to exceed 43 lakh tonnes by the end of the season 1973-74, the last season of the Fourth Plan Period. We would thus be left with a gap of 9 lakh tonnes between the capacity actually achieved and the planned target of production of the 4th Plan.

CANE DEVELOPMENT:

The essentials of an ambitious cane development programme are quite well-known

and have received a wide measure of support, from all concerned. The need has been recognised for provision of assured and adequate irrigation, drainage facilities, supply of manures and fertilizers, good cane varieties and above all for sufficient availability of disease free seed material. Hitherto, however, availability of adequate finance has been one of the limiting factors resulting in a slow rate of progress in this behalf. While there is need for all the State Governments to utilise the entire proceeds of cane cess/purchase tax on cane for cane development work, effective participation of the Central Government in the matter through allocation of adequate funds is also very necessary.

Here, it may be mentioned that much better and more tangible results can be achieved provided a direct link between the cane growers and the sugar factories can be established. The Pasricha Committee which has recently submitted its Report to Government has also recognised the need for direct link between the sugar factories and the cane growers. This Committee has also made other valuable recommendation for accelerating cane development work. These should be implemented expeditiously.

SUGAR EXPORTS:

A well defined export policy particularly with regard to meeting of export loss, should also form an integral part of a long term sugar policy.

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RECORDS AND STATISTICS

World Economy in 1971

THE WORLD economy made unspectacular progress in 1971—a year overshadowed by the international monetary crisis. Output rose only about 4 per cent, slightly better than 1970 but well below the 5.3 per cent average of the 1960s. These are among major economic developments highlighted in the World Economic survey, 1971, published by the United Nations. It notes that a world-wide recession, which at times seemed a possibility, was averted in 1971, but many developed market economies are still struggling to find a policy to tackle the twin problems of unemployment and inflation. The year saw the end of the international monetary crisis, but a viable new international monetary system is yet to be constructed.

The survey, twenty-third in a series of annual reviews of world economic trends and conditions, also contains a brief, policy-oriented analysis of the main economic issues facing the international community. It concludes that steps taken now in the monetary, trade and financial spheres will lay the foundation needed for a more efficient and human system.

Among key developments detailed in the survey:

—The developed Market Economies increased output by an average 3.4

per cent, but a combination of inflation, unemployment and external monetary imbalance continue to pose policy problems for a number of countries.

—Developing countries expanded economically at an average 5.4 per cent, an encouraging performance, above the target set for the 1960s but short of the 6 per cent target of the United Nations Second Development Decade.

—Centrally Planned Economies of Europe and USSR recorded a 6.4 per cent increase, with trends evident towards greater investment in consumer goods and more employment in services.

—The first official figures from China released in more than a decade show that industrial and agricultural production expanded by 10 per cent.

—The volume of world trade was up 6 per cent below the 1960's average, although its value rose in line with the decade's performance. But in neither case was performance as good as 1970.

—Petroleum prices rose a dramatic 18 per cent in 1971, reflecting the increased bargaining power of producer nations.

A New Economic Order?

The issues facing the international economic community, the survey says, are too important to be left to a few countries. A long-term solution requires much broader representation of countries and interests.

The main monetary issues

requiring urgent international negotiation, the survey says, are: the future international currency unit—including the precise role of gold, the dollar, the SDRs and the adjustment mechanism for deficit and surplus countries.

There is a real danger that progress on the international monetary front will not be matched by commensurate progress in the trading arena. In effect, the basic premises of postwar trade liberalization have been questioned. Protectionist sentiments are on the rise in some developed countries; the principle of the most-favoured nation treatment has been seriously eroded by regional groupings, and with the impending enlargement of the European Economic Community a major portion of world trade in manufactures will take place under preferential arrangements. Non-tariff restrictions are also becoming a serious obstacle to trade and their orderly elimination must be high on the agenda of future trade negotiations. An international code of conduct for capital movements may be needed.

The survey notes that in the past domestic policies designed to promote growth have often neglected or aggravated unemployment and social problems. Commenting on the new emphasis on social objectives and the quality of life embodied in some current development programmes, the survey says that a proper perspective is emerging. But it states that this redirection of priorities is not the same as an unqualified endorsement of alarmist views about economic growth. The central aim for most countries is, and rightly so, growth with quality rather than quantity with zero growth. The concern about the environment has focused attention on the fact that mankind shares a common fate on a small planet, the survey adds.

Developed Market Economies

Another year of slow growth was experienced by the Developed Market Economies. Total output of goods and services in 1971 rose by only 3.4

per cent, up from the 2.6 per cent increase recorded in 1970, but below the long-term growth average.

Economic performance, however, varied from region to region. North America entered a recovery phase during the year, while Western Europe and Japan had yet to work themselves out of a period of deceleration. The recovery period was somewhat slower than expected, the survey says, and the degree of slowdown surprisingly severe in some major countries.

The growth of gross domestic product in 1971 for a range of developed market economies was: United States, 2.7 per cent (compared with -0.7 per cent in 1970); Canada, 5.4 (3.2); France, 5.5 (5.9); Federal Republic of Germany, 3.5 (5.6); Italy, 0.5 (5.3); Netherlands, 5.6 (6.0); Sweden, 0.3 (4.6); Turkey, 7.9 (5.6); United Kingdom, 1.0 (2.0); Japan, 6.1 (10.5); and Australia, 4.3 (5.7). Despite the slowdown in Italy and the Republic of Germany, overall output increased in the European Economic Community by 3.7 per cent in 1971, compared with 5.7 per cent the previous year. Thirteen of the 27 Developed Market Economies had growth rates of 5 per cent or more in 1971, compared with 16 in 1970.

The threat of inflation was a major factor in the slow growth rate; policies to combat it contributed to the international monetary crisis, the survey says. For the countries as a group, the rate of inflation—as measured by the rise in consumer prices—was more than 5 per cent, considerably more than the 1960s annual average of 3.4 per cent. Restraints on demand were widespread and the economies were considerably dampened, sometimes beyond what was intended. Then a relaxation of the restraints and even active stimulation of demand had to be introduced. This was coupled with a strengthening of measures to control prices and incomes.

Commenting on the outlook for Developed Market Economies, the survey says that

1972 started with some signs of renewed, though moderate, expansion. For the group it suggests that the growth rate may be about 4.6 per cent, up from the 3.4 per cent in 1971. But it notes that as the expansion follows several years of slow growth it will not be enough to absorb the unemployed and new entrants into the labour force and reach potential capacity.

The Centrally Planned Economies: Eastern Europe and the USSR

The year 1971 was the beginning of a five-year plan period for the centrally planned economies of eastern Europe and the USSR. In that year, national income in these countries grew at an average 6.4 per cent. In the previous year, the group averaged 8.0 per cent growth in national income. Apart from the persistent problems of investment efficiency and industrial productivity, no major setbacks seem to have occurred in 1971, the survey says.

Growth figures recorded for the countries in 1971 were: Bulgaria, 9.4 per cent (compared with 7 per cent in 1970); Czechoslovakia, 5.3 (5.1); German Democratic Republic, 4.5 (5.2); Hungary, 7.5 (4.9); Poland, 7.5 (5.2); Romania, 12.5 (7.1); USSR, (6.0) (9.0).

Unfavourable weather conditions caused a decline in agricultural production, particularly in potatoes and sugar beet output. Most affected was the USSR, which stepped up sugar purchases on the world market, and the German Democratic Republic. Sugar buying by the USSR contributed to steep rise in world sugar prices during the last quarter of 1971.

The survey also notes a shift in priorities towards consumption in the countries of the group, in line with most of the five-year plans. This was reflected in an increase in consumption's share of national income, a greater emphasis on investment in consumer products and a redeployment of labour in favour of services.

Looking to the future, the

survey concludes that for the centrally planned economies of Europe and the USSR, the years, 1971 and 1972 may be regarded as a period of consolidation, preceding an expected new wave of accelerated growth.

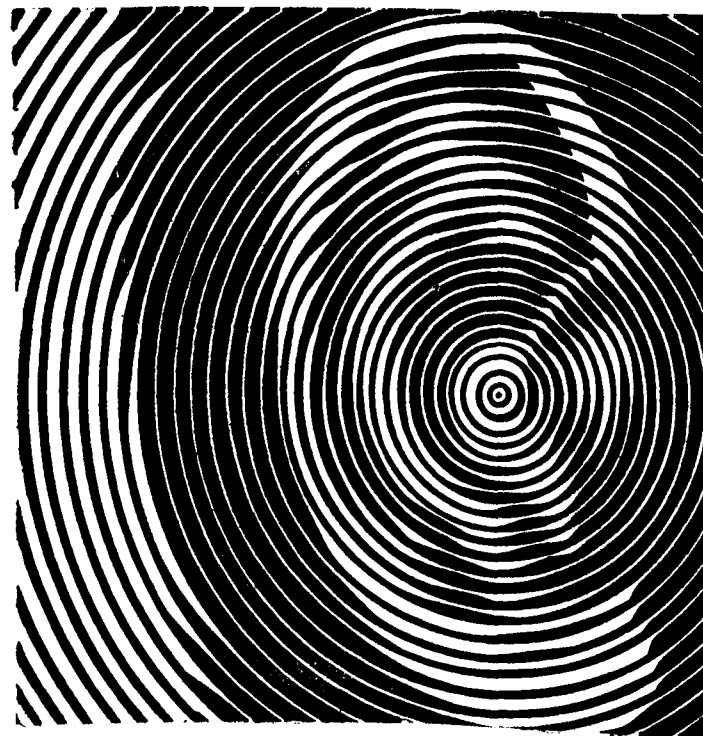
Asian Centrally Planned Economies

A new section in the survey, Centrally Planned Economies in Asia, discusses the People's Republic of China, Mongolia, the Democratic People's Republic of Korea and the Democratic Republic of Vietnam. It notes that despite adverse weather, agricultural output increased satisfactorily in the region, except in the Democratic Republic of Vietnam where heavy autumn floods affected the rice harvest and necessitated large import, although efforts to achieve self-sufficiency through use of high-yield grains continue.

Mongolia and China were the two countries in the group to make available some statistical data. Mongolia's grain crop increased by 44 per cent in 1970 to a record 410,000 tons while livestock production increased quite satisfactorily. Industrial output rose 8.5 per cent, the average wage rose 2.3 per cent and foreign trade was up 19 per cent.

The first official figures on China's economic performance released in more than a decade and published in the survey, show that the world's most populous country is sustaining high rates of growth on its farms and in its factories. Aggregate industrial and agricultural production increased by 10 per cent in 1971.

Despite bad weather, agriculture in the People's Republic of China had a good year in 1971 with grain production up 2.5 per cent, and yields per hectare reaching new record levels. Growth averaged 10 per cent in the industrial sector with iron ore output up 26 per cent, pig iron production 23 per cent, and crude steel 18 per cent. During 1971 China became the world's largest producer of cotton cloth. Among other basic industrial materials,



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crude oil output increased by 27 per cent, chemical fertilizer production rose 20 per cent, and coal output was boosted by 8 per cent. After a 10 per cent rise in 1970, China's foreign trade increased by 4 to 5 per cent in 1971 to about \$4.5 billion. Japan continued to be largest trading partner, accounting for 20 per cent of the total.

The developing countries were in general not seriously affected by the difficulties that confronted the Developed Market Economies, says the survey. The year 1971 saw a trend towards greater self-reliance in the developing world and an average 5.4 per cent growth rate. Although this was slightly below the 6 per cent target of the Second United Nations Development Decade, it followed two good years of growth and was better than the average for the 1960s. This fact, the survey believes, "augurs well" for the long process of narrowing the gap between the rich and poor nations.

A slackening in agricultural growth, despite, in some cases, progress in the green revolution, makes the 1971 performance all the more noteworthy. But group averages were affected by substantial improvements in a few countries. These included some of the largest, with a corresponding impact on the overall figures.

Developing countries in the Western Hemisphere stepped up total output by 6.5 per cent in 1971 (compared with 6.8 per cent the previous year), while in Africa the increase was 4.5 (4.5); West Asia, 7.7 (6.7); and Southern and South-Eastern Asia, 4.5 (5.3).

The volume of goods exported by the developing countries increased by about 5 per cent in 1971. This was below the 8.2 per cent increase in 1970 and also short of the 1960s average of 6.5 per cent. The slackening was largely a reflection of reduced demand in the developed market economies, the survey says, with the slowdown most pronounced in Africa, where a 10 per cent expansion in 1970 was followed by a decline in 1971, and West Asia where annual growth decelerated

from 12 per cent in 1970 to 3.3 per cent in 1971.

World trade by volume expanded at the relatively high rate of 6 per cent in 1971, although this was well below the average of the 1960s and the 1970 increase of 9 per cent. The dollar value increase in trade was 11 per cent in 1971, down slightly from the 1970 figure of 14 per cent but in line with the average increase in the 1960s. Export price increased by about 6 per cent in the case of manufactured goods and an average 5 per cent for primary commodities, resulting in the relatively high increase in the dollar value of world trade.

The weakness in prices of some agricultural commodities and base metals moderated the dollar value rise but petroleum and petroleum products recorded a dramatic price increase. The price index for petroleum rose from 100 in 1970 to 118 in 1971. This increase largely reflects the improved bargaining position of the producers, the survey notes.

The 1971 crisis, the survey says, signalled a transition from one era to another and put at stake the whole international monetary and trade system.

Until then, the Bretton Woods Agreement had served the needs of an expanding world economy. The relative stability of major currency exchange rates facilitated international commerce. Outside the United States, world liquidity—not including the IMF Special Drawing Rights—tripled between 1950 and 1970.

This liberal supply of liquidity formed a basis for domestic expansion in most parts of the world and for steady liberalization of exchange controls and trade.

But the very success of the system also revealed its basic weakness since the increase in world liquidity was made possible only by a steady decline in the liquidity of the United States. And this in turn weakened the dollar—the key currency of the entire system.

The currency realignment negotiated among the major trading nations at the Smith-

sonian Institute in December 1971 brought the immediate crisis to an end. But says the survey, this was clearly a transitional arrangement. It must now be followed by a more durable arrangement with many fundamental issues going for beyond payments equilibrium demanding simultaneous solution.

Only if the longer-term issues are settled, says the survey, will the uncertainty of the international monetary situation be removed.

The survey makes the point that such issues are too important to the world community as a whole to be left to a few countries. A long-term solution requires much broader representation of countries and interests.

But, before large-scale negotiations can be fruitful, it is essential that there be careful preparation by the specialized international institutions dealing with monetary or trade matters.

On the monetary issue, the survey points out that:

- The precise role of gold in the future international monetary system remains to be settled;
- The role of the dollar in the future system—including arrangements concerning the \$50 billion or more at present held by governments outside the United States—has yet to be determined; and
- A new international reserve unit has to be created; creation of the IMF's special Drawing Rights (SDRs) has established the principle that international reserves can be deliberately created by an international institution.

But international reserve creation depends on the willingness of nations to delegate responsibility to an international monetary institution.

The survey notes important differences between money creation within a nation and internationally. Since SDRs are allocated to individual countries the formula for allocation, at present based on existing quotas in the

IMF, could be rearranged so that developing countries would be treated more favourably, the survey says.

But it adds that the creation of a truly strong international monetary authority has to be balanced by the diffusion of power to control it among many countries.

To do this, the survey suggests the international community plan for a series of stages during which a progressive process of integration takes place quite rapidly within "fairly homogeneous" groups of countries.

Inter-group integration would then take place more gradually, eventually forming a global superstructure.

The survey acknowledges the need for some degree of exchange rate flexibility and for "stronger international supervision of surplus as well as deficit countries". Flexibility could be more readily achieved if the international reserve unit became less dependent on a single national currency.

But the survey warns of a "real danger" that progress on the international monetary front will not be matched by commensurate progress on the trade front. Recent developments and the crisis of 1971, it says, have led to a reappraisal of the basic premises of the post-war advances in trade liberalization and to an upsurge of protectionist sentiments in some developed countries.

The principle of most-favoured-nation treatment has been seriously eroded by regional groupings. With the impending enlargement of the European Economic Community, it is expected that a major portion of world trade in manufactures will in fact take place under preferential arrangements.

The decline in the relative economic pre-eminence of the United States as a result of improvements in the position of other countries should form a basis for true equality and competition. A movement towards freer trade among the main developed nations may make more sense now that

competition among equals has virtually become a reality.

The elimination of tariffs will automatically render preferential tariffs arrangements ineffective. But, says the survey, while trade relations among the developed countries will there by improve, the benefits of preferences in favour of developing countries will evaporate unless new schemes are introduced to compensate for the loss.

Pervasive non-tariff restrictions are becoming increasingly serious in the face of shrinking tariffs. International scrutiny and, in some cases, orderly elimination of non-tariff restrictions must be high on the agenda of future trade negotiations.

During the monetary crises the unsettling effects of massive movement of short-term capital also have caused great concern, the survey adds.

An international code of conduct and a mechanism for surveillance may be needed to avert disequilibrating measures and unilateral restrictions. And such measures are no less necessary in the matter of long-term capital movements to allay fears of foreign domination or "take over" on the one hand and of arbitrary expropriation on the other.

These issues are closely related to the future disposition of dollar balances; and what the survey calls "a most useful way of funding dollar balances" could be found in either liquidation of a portion of the vast United States investment abroad or, alternatively, by the holders of excess dollars investing in United States assets.

The issues are also related to the operations of multinational corporations which have played an increasingly important part in both short-term and long-term capital movements. While these corporations are frequently effective agents for the transfer of technology as well as capital to developing countries, their role says the survey, is "sometimes viewed with awe since their size and power may surpass the host country's entire economy".

The survey notes that the

international community has yet to formulate a positive policy and establish effective machinery for dealing with the issues raised by the activities of these corporations.

China

The first official figures on China's economic performance released in more than a decade show that the world's most populous country is sustaining high rates of growth on its farms and in its factories. It increased aggregate industrial and agricultural production by 10 per cent in 1971.

Among highlights of China's economic performance in 1971:

—Despite bad weather, agriculture had a good year rising an implied 10 per cent with grain production up 2.5 per cent, and yields per hectare reaching new record levels;

—Growth averaged 10 per cent in the industrial sector with iron ore output up 26 per cent, pig iron production 23 per cent, and crude steel 18 per cent. During 1971 China became the world's largest producer of cotton cloth;

—Among other basic industrial materials, crude oil output increased by 27.2 per cent, chemical fertilizer production rose 20.2 per cent, and coal output was boosted by 8 per cent;

—After a 10 per cent rise in 1970, China's foreign trade increased 4 to 5 per cent in 1971 to about \$4.5 billion. Japan continued to be the largest trading partner accounting for 20 per cent of the total.

The survey's discussion of China's economic performance is detailed in a new section in the publication, Centrally Planned Economies in Asia, which also includes Mongolia, the Democratic People's Republic of Korea and the Democratic Republic of Vietnam. It notes that despite adverse weather, agricultural output increased satis-

factorily in the region, except in the Democratic Republic of Vietnam where heavy autumn floods affected the rice harvest and resulted in large imports although efforts to achieve self-sufficiency through use of high-yield grains continue.

Mongolia and China were the two countries in the group to make available detailed statistics. These show that Mongolia's grain crop increased 44 per cent in 1970 to a record 410,000 tons and livestock population seems to have increased satisfactorily. Industrial output rose 8.5 per cent, the average wage rose 2.3 per cent and foreign trade was up 19 per cent.

"The combined production of industry and agriculture" in China increased 10 per cent in 1971, says the survey. The same growth rate is given for industry, which implies, the survey adds, a similar 10 per cent increase in agricultural output.

Despite bad weather in some provinces, the country's grain output rose by 2.5 per cent to reach 246 million tons. This figure includes a grain equivalent of potato production computed on the basis of four tons of potato to one ton of grain. At the same time grain yields per hectare reached new record levels. National targets for grain yields, exceeded in 1971, were 3 tons for the north and 6 tons for the south. Non-grain output, including livestock and poultry production, vegetables and industrial crops must by, implication, also have grown very rapidly, the survey says.

Other developments in the agricultural sector in 1971 include a 13 per cent boost in the supply of chemical fertilizer and substantial increase in the supply of drainage and irrigation appliances, insecticides, oil for farm machinery, and farm tools. Meanwhile, prices paid by farmers for fertilizers, insecticides, diesel oil, kerosene and all farm machinery were substantially reduced. At the same time prices paid to farmers for some industrial crops including oil-seed and sugar cane, were increased.

Very high growth rates were

achieved in the iron and steel industry during 1971 in China, says the survey. Iron ore production rose 26 per cent, pig iron output was up 23 per cent, with crude steel and rolled steel increasing by 18 per cent and 15 per cent respectively. Crude Steel output reached 15 million tons a year in 1971—placing China between France and Italy in the list of world producers.

Production of other basic industrial materials also increased considerably. Among the rises: coal up 8 per cent (reaching about 300 to 350 million tons annually); crude oil up 27.3 per cent to reach 25.5 million tons; and chemical fertilizer production 20.2 per cent to nearly 17 million tons. In 1971, according to official statements, China became the world's largest producer of cotton cloth, the main manufactured consumer item.

A concentration on establishing small and medium-sized mines and factories based on local supplies, characterized China's industrialization process, the survey notes. About 60 per cent of the country's fertilizer and 40 per cent of its cement production came from local plants. As part of the programme for mechanizing agriculture, considerable importance was placed on factories and workshops to make and maintain farm machinery. Noting that little is known about the fixed asset investment process in China, the survey states that one very important aspect was irrigation and water conservancy schemes in which tens of millions of peasants participated.

After a rapid expansion of about 10 per cent in foreign trade in 1970, trade rose a more modest 4 to 5 per cent during 1971. It reached about \$4.4 to \$4.6 million with China's main partner, Japan accounting for about \$900 million or 20 per cent of the total compared with some \$825 million in 1970. Trade also increased with some of the Eastern European centrally planned economies. Trade with this group of countries is now approaching 25 per cent of the total.

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Would the PM listen ?

SOMEBODY OUGHT to tell the Prime Minister before it is too late that she is taking unacceptable risks with the economic stability of our country. Since no one among those who are surrounding her and in fact crowding upon her seems to have either the guts or the wits to tell her this, *Eastern Economist* takes it upon itself to do so. For the better part of the last four years Mrs Gandhi's preoccupation has been primarily with securing for herself a dominant position in her party, the government and the country, in that order. With the scoring of that famous victory in the last general election to the Lok Sabha, mainly through her political entrepreneurship, she had completed successfully most of this process.

Followed Pakistan's moment of truth in what was then its eastern region and is now the independent state of Bangladesh. The flight of a million refugees into our country, the call for our assistance from the freedom movement of Bangladesh and our confrontation with Pakistan, which developed into a military conflict, combined to dictate to the Prime Minister, the government of India and India itself their own logic of responses and reactions. The vindication of the Bangladesh movement and India's association with it, so impressively recorded through the military defeat of Pakistan on all the fronts and the total and final collapse of the authority of Islamabad in what was its eastern territory, further strengthened the Prime Minister's personal ascendancy and the political stature of her party on which Mrs Gandhi promptly capitalized by calling for elections to the state assemblies and ensuring that her followers were returned firmly to power in various state capitals.

Since almost all of this period was one of intense political activity, the Prime Minister had some justification for asking the country to bear with her until she was a little more free to attend to its economic affairs. Although the nation did not say 'no' to her, it must be conceded that these four years, during which the economic problems and the needs of the country have been grievously neglected, had clearly been storing up difficulties for the future. This future is not a distant one; on the contrary, it has for all practical purposes arrived well and truly and is with us here and now.

Meanwhile there has been far too much complacency all round. During the short war with Pakistan and immediately after, there was exultation in the country that our national economy had been able to meet the demands of the nation's defence efforts without showing serious strains at any point. It was conveniently forgotten then that the war had not lasted long enough to test the extent of the flexibility of our resources and, worse still, no concern was shown at the fact that, even this short war did exert excessive pressure on certain strategic resources such as rail transport. In any case, if the economy showed a certain capacity to rise to the occasion then, it was essentially because of the industrial and other investments which had been undertaken in the earlier years dating back to the early sixties.

Our problem, however, is that, even from the middle of the sixties onwards, the tempo of industrial production or investment has not been kept up at a level which is necessary for maintaining the growing population at least in slowly improving conditions of living. The country and its people are now becoming uneasily aware of the widening gap between their needs on the one hand and their activated resources or capacities on the other. Unfortunately, the Prime Minister does not dispose of either an adequate political group of ministers or a sufficiently dynamic administrative team of officials to cope with the situation. It is probably true that Mr C. Subramaniam is the only one among the cabinet ministers who may lay claim to some ability as well as experience in high level policy-making and administration in the economic field. He lacks, however, the wisdom and the stamina to think big or act big. Mr Mohan Kumaramangalam, who has reportedly risen high among the Prime Minister's economic counsellors, such as they are, is no doubt an activist but he is also an adventurist with not enough experience of government, but with a political background which must necessarily be suspect. As for the rest of the cabinet, its knowledge or skills in the economic field may not add up to much more than what the Prime Minister may carry in her vanity bag when she goes abroad. Given this quality of ministerial leadership in economic matters, the function of the bureaucracy has settled down to a course which is at once mediocre, unenthusiastic and plainly opportunist. The question is whether, with only such feeble instruments in her hands, the Prime Minister can at all attempt anything sufficient or significant by way of those positive economic directions which the country needs.

This is assuming that the Prime Minister herself has the wisdom and the will to want to do the things which need to be done if economic stability is to be saved and economic progress maintained. On this point, it is not even possible to give Mrs

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Gandhi the benefit of the doubt. The recent actions or decisions of herself, her government or her party plainly show that all the three are blissfully ignorant, for instance, of the gathering storm of inflation. Even as the rate of economic growth is becoming more and more depressed, the rate of increase in prices is gathering momentum. This means that less and less of real resources are or can be released for investment or development, while more purchasing power is being injected into the economy than there are additions to its

Sugar : search for a long-term policy

MR FAKHRUDDIN Ali Ahmed, the union Food and Agriculture Minister, appealed to the sugar industry at the 39th annual general meeting of the Indian Sugar Mills Association (ISMA) held recently in the capital, not to raise mill delivery prices of sugar "on market sentiments". By asking the mills not to be influenced by "market sentiments" does Mr Ahmed mean that they should sell sugar at below market prices so as to allow increased profit to the middlemen? Surely, this is not his intention. The minister was perhaps only playing to the gallery when he made this pointless appeal.

Mr Ahmed cannot be unaware of the basic rules governing partial control of sugar which had been hailed five years ago both by the industry and the government as the best solution which had been worked out for the smooth growth of this industry. That the government did not abide by the rules set down by itself is now a part of history. After complete decontrol in May last year and voluntary partial control with effect from January 1 this year in the wake of the emergency, the industry is back in the grip of statutory partial control since July 1. Each sugar mill is now under statutory obligation to surrender 60 per cent of its production at levy price for distribution through fair price shops and 3.5 per cent of its output at fixed price for exports while it is free to unload the remaining 36.5 per cent of its production in the market at prevailing prices. This free sugar under partial control has hitherto acted as a safety valve. If market prices went up, it not only allowed the mills to realise increased prices on the free quota but also enabled them to offer higher prices for sugarcane in a bid to compete with gur and khandsari manufacturers. A part of the losses incurred by the sugar mills on levy sugar was recovered

stream of goods and services. As a result poverty is acquiring a new edge for the poor while the socio-economic pressures on the middle class are becoming increasingly harder to live with. The economy needs an immediate programme for stepping up current production as well as a short-term programme for stimulating investment in industrial and allied expansion. What it has is a government which has other interests and purposes still to pursue. Which is a misfortune, which could be a tragedy.

ed from these free sales. This is how the system had worked to the satisfaction of the industry, the cane grower and the consumer for two to three years.

The production of sugar in this country had been steadily increasing under partial control and it attained an all-time peak at 4.26 million tonnes in 1969-70. There was, however, a sharp fall in the subsequent two years to 3.74 million tonnes in 1970-71 and to 3.10 million tonnes in 1971-72 despite the fact that the installed capacity had continued to increase every year by 150,000 to 200,000 tonnes. The fall in acreage under sugarcane coupled with floods in some areas and droughts in others was partly responsible for reduced production. If declining output did not bring about any scarcity of sugar in the country despite a steady rise in consumption from year to year, it was the easy stock position which had kept prices under control through normal monthly releases. Since the stocks of sugar at the beginning of next season (in October 1972) would be around 500,000 tonnes as against 1.4 million tonnes at the start of the current season, it is feared that prices of free sugar will shoot up once again in the last quar-

ter of the current year unless the government decides to draw upon the production of this season right from the beginning.

A crisis may somehow be averted this year, but 1973-74 would be a truly bad year with no stocks to fall back upon. It is in this context that the advice of the Sen Commission and the Estimates Committee in Parliament that the government should eschew *ad hocism* and evolve a long-term policy, gains pertinent relevance. But what should this long-term policy be? Lala Bansi Dhar, the outgoing President of ISMA, has listed no less than nine points which in his view should be the necessary constituents of a long-term sugar policy. They are: remunerative cane prices, integrated approach to growth, building up of adequate buffer stocks, regulated monthly releases, prolongation of the crushing season, easy bank finance, steady increase in licensing of capacity, genuine efforts at cane development and increased exports. The first important element of this policy — production-oriented policy, as indicated by Lala Bansi Dhar — would be a remunerative cane price so as to ensure the desired level of output. In 1969-70 and 1970-71, the uneconomical free sugar prices did not permit the sugar mills to pay for cane such prices as were significantly higher than the statutory minimum prices. Consequently, the acreage under sugarcane fell and this hurt the sugar mills more than the diversion of cane to the manufacture of gur or khandsari. Lala Bansi Dhar cited figures to show that between 1961-62 and 1970-71, the average annual variation in the output of sugar was as high as 22.1 per cent while it was relatively modest at 6.3 per cent in the case of gur and khandsari (see table below). In other words, the shortages of sugarcane in difficult years have tended

to hurt the sugar mills more than the manufacturers of gur and khandsari.

It follows that in formulating its sugar policy, the government should adopt an integrated approach which takes into account, as Lala Bansi Dhar puts it, "the future prospects of cane acreage, gur and khandsari stocks and their price trends."

The question of buffer stocks is related to monthly releases since sugar is a seasonal industry. The manufacture of sugar takes place within four to five months while its consumption is spread over the whole year. Sometimes the releases of sugar by the government have depleted the buffer stocks at such a fast rate that it has hurt the sugar industry by a crash in prices. This again causes strain on the financial resources of the sugar mills resulting in reduced prices for sugarcane and consequent reduced cane production.

The output of sugar can also be increased by extending the season i.e. by starting the crushing operations early and continuing them till late in the season, even though recovery is much below average. The sugar mills which prolong the crushing season deserve some incentive by way of compensation such as a rebate in excise duty; then alone will they be prompted to increase the output of sugar. Even after all these hurdles have been overcome, the sugar mills face the formidable problem of bank finance. If adequate bank finance is not made available at the right time the factories become helpless. Their requirements of finance also vary from season to season. Unless the mills are assured of ready finance for increased production, they will hesitate to crush additional cane even if it is available at their gates.

As the capacity of the industry is not increasing at the anticipated pace due to a number of factors, it will be helpful if the emphasis is shifted from new units to expansion of the existing ones. This is a less costly process and can be put into practice speedily. Lala Bansi Dhar has rightly advocated that expansion schemes should not continue to be subject to licensing. The question of cane development also has received scant attention in the past; though the states continue to realise substantial sums by way of cess, precious little seems to have been attained in this regard. The sucrose content in cane in certain states is much higher than in Uttar Pradesh and Bihar despite continuous demands by industry in these states that some concrete measures should be taken in this regard.

Alarmed by the drop in production of sugar in the current season, Mr Ahmed has assured the industry that a sugar policy would be evolved which would "hold good for at least three to five years". He has promised the fixation

of an appropriate cane price for the 1972-73 season and special measures for cane development. He has also promised to announce well in time such incentives as are necessary for stimulating production. A rebate in excise duty for prolongation of the season either through early start in crushing or late crushing has

New taxes in West Bengal

MR SANKER Ghose, the Finance Minister of West Bengal, has shown courage in resorting to fresh taxation of about Rs 10 crores during 1972-73 in spite of the difficult situation confronting the state's economy. He disclosed, in his budget speech on the June 26, that an unprecedented draught has hit West Bengal this year, resulting in the total loss of agricultural production, including the loss on account of vegetables, estimated at Rs 80 crores. Industrial activity in the state also continues to be sluggish. The overall deficit in the current year, excluding the negative opening balance of Rs 23.59 crores, is placed at Rs 13.36 crores; and Mr Ghose has decided to reduce it to Rs 3.36 crores by raising additional taxation of Rs 10 crores. The Finance Minister has said that in a budget of Rs 576 crores, this deficit is not large and he has expressed the hope that with the revival of the state's economy, it will be possible to augment the revenues.

Mr Ghose has chosen his new levies rather judiciously. The rates of admission to the cinematographic exhibition have been raised on a progressive scale, according to the value of the admission tickets. Cabaret shows and other entertainment as well as the luxuries provided in hotels and restaurants have been taxed. On many luxury items such as precious and synthetic stones, real, artificial or cultured, golden and silver filigree, furs and articles made of furs and perfumes, the sales tax has been increased. Besides, the sales tax on certain commodities has been revised and rationalised. The rates of stamp duty have been enhanced. The taxes on goods vehicles have been revised on a slab basis in terms of laden weight and the bigger passenger cars have been taxed more.

Another important proposal is the revision of the rates of land revenue. The significance of this step lies in the fact that the existing rates were last settled before the first world war. Table I compares the rates of land revenue in West Bengal and some other states.

Mr Ghose has assured that the re-

also been assured. The minister said that the suggestions made by Lala Bansi Dhar in regard to the formulation of the long-term policy had already been considered by the Development Council for Sugar Industry. It is to be hoped that the government will live up to the assurances that the minister has held out to the industry.

sources to be raised by revising the land revenue will generally be ploughed back for investment in the rural economy in the form of agricultural inputs and for providing irrigation and other facilities. Similarly, the proceeds from the enhanced rate of the Public Works Cess will be used to improve the communication in the districts.

With the additional resources to be raised from the above levies, West Bengal hopes to have a Plan outlay of Rs 73.5 crores during 1972-73.

In regard to central assistance, Mr Ghose made some suggestions for the consideration by the Sixth Finance Commission. He pointed out that the devolutions recommended by the Fifth Finance Commission did not meet the non-Plan gap on revenue account of many states, including West Bengal. The government of India therefore gave special loan assistance to such states to bridge their non-Plan gaps on revenue account. But Mr Ghose said that while such central loans are given to meet the revenue expenditure, no income accrues from it and so the states are unable to repay such loans. He said that the Finance Commissions are expected to make recommendations to meet only the non-Plan gap on revenue account

TABLE I

Comparison of Land Revenue in Various States for Average Quality of Land

	Basic land revenue	Sur-charge or cess on land revenue	Total
	Rs	Rs	Rs
Maharashtra	7.90	8.80	16.70
Tamil Nadu	8.18	2.08	11.78
		1.52	
Andhra	13.00	2.86	18.33
		2.47	
West Bengal	3.87	0.08	4.55

(In Maharashtra there is also a cess varying from Rs 10 to Rs 100 per acre on each crop).

Sugarcane Acreage, Cane, Sugar and Gur Output : 1960-61—1970-71

Year	Cane acreage (in 000 acres)	% Variation	Cane output (in million tonnes)	% Variation	Sugar output (in lakh tonnes)	% Variation	Gur & khand-sari output (in lakh tonnes)	% Variation
1960-61	5789	—	111	—	30.28	—	65.3	—
1961-62	5988	+3.4	104	-6.3	27.30	-9.8	62.7	-4.0
1962-63	5635	-5.9	94	-9.6	21.35	-21.8	61.5	-1.9
1963-64	5577	-1.3	105	+11.7	25.62	+20.0	65.8	+6.9
1964-65	6328	+13.5	120	+14.3	32.32	+26.1	72.5	+10.2
1965-66	6867	+8.5	120	—	35.32	+9.3	70.0	-3.5
1966-67	5687	-17.2	93	-22.5	21.51	-39.1	60.1	-14.2
1967-68	5033	-11.5	96	+3.2	22.48	+4.5	61.8	+2.8
1968-69	6257	+24.3	125	+30.2	35.59	+58.3	72.2	+16.8
1969-70	6792	+8.5	135	+8.0	42.62	+19.8	72.9	+0.9
1970-71	6565	-3.3	129	-4.4	37.40	-12.2	73.9	+1.4
					Average 22%		Average 6.3%	

and not with respect to the overall budgetary needs of the states.

Mr Ghosh also suggested that the Planning Commission should have some link with the Finance Commission so that the transfer of federal resources to the states for meeting the Plan and non-Plan gaps are made in an integrated manner. Another proposal by West Bengal's Finance Minister was that there should be some machinery for assessing and meeting the liabilities imposed on the state governments after the award of the Finance Commission. For example, since Fifth Finance Commission gave its award, the West Bengal government had to undertake substantial commitments in respect of dearness allowance and revision of pay scales of government servants and on other items. But such expenditures have been left uncovered since there was no machinery to deal with the liabilities that arose after the Fifth Finance Commission gave its award.

Mr Ghose's suggestions deserve consideration from the government of India especially in relation to West Bengal which has been faced with various difficult problems one after another in the recent years. At the same time, the government of West Bengal should take energetic steps

to revive its economy rapidly so that even on the basis of the existing rates of taxation, the revenues can be sizeably increased. There is enormous scope for effecting economies in expenditure but Mr Ghose has not given any hint as to whether he is going to consider them. On the other hand, there is likelihood of unproductive expenditure going up sharply because of the government's anxiety to create somehow new employment opportunities.

In his budget speech Mr Ghose took credit for the fact that in the sphere of wages and earnings of workers, his government has been able to make 'significant improvement' within a short time. He referred particularly to the increase in the wages of jute workers by 30 per cent. But such 'improvements' were brought about solely by exercising government pressure on the managements concerned without any regard being given to their capacity to pay and labour productivity. While West Bengal has a right to expect New Delhi to listen sympathetically to its suggestions and grievances, the state government has also a responsibility to ensure that the resources are used with the utmost efficiency and economy and that appropriate conditions are created to enable industries to produce and prosper.

Unfulfilled expectations

HOPES of the engineering industry about raising its exports to Rs 175 crores in 1971-72 have proved to be misplaced. Although the final tally is not yet available, these exports last year did not exceed Rs 130 crores. In the previous year, we exported engineering goods worth Rs 117 crores. The increase last year, thus, was only of the order of Rs 13 crores, as against the envisaged step-up of Rs 58 crores.

The year 1971-72 was not a very encouraging one for exports of engineering products. Apart from the stringent raw materials position, it witnessed a good deal of dislocation in the working of the industry, first because of labour unrest in east India and then owing to the Bangladesh liberation movement. But even if due allowance is made for these two factors, it would appear that the target of raising exports to Rs 175 crores was pitched substantially higher than what was warranted by the normal working of the industry.

The surveys of industrial production and export trends conducted by the Indian

as Rs 200 crores would seem to be out of reach, unless very concerted attempts are made to expeditiously break the bottlenecks wherever they are or likely to occur.

The April survey of trends in industrial production suggests that there are three major problems that need immediate attention. These are: (i) shortages of raw materials and components; (ii) inadequacy of credit; and (iii) capacity constraints. The first is the most serious problem. Of the 11 companies which responded to this survey, 42 per cent felt that shortages of materials and components would be the limiting factor to their output. This percentage was only 36 in the October survey.

The position in regard to credit was expected to improve slightly according to the April survey, as only 14 per cent of the 111 companies responding to this survey felt that credit was a serious limiting factor to their production. This percentage was 18 for the 109 respondents to the October survey. Similarly, capacity constraints were anticipated to ease a little, as only 10 per cent of the respondents to the April survey thought it to be a limiting factor, as against 12 per cent in the October survey.

The three major limiting factors to exports, which according to the survey of export trends are likely to become more serious this year, are (i) overseas competition, particularly in regard to prices; (ii) import licence restrictions, and (iii) political and economic conditions abroad. The number of respondents to this survey in April who thought that these limiting factors would operate in a more serious manner this year was much higher than in the October survey.

The need for concerted action in respect of engineering goods exports arises out of the fact that this line of exports is not only imperative to boost our foreign exchange earnings but also holds good promise of growth. There can be no denying the fact that our engineering goods are finding increasing acceptability abroad — both in the developing and the developed countries. Further, we are today exporting not merely industrial and agricultural machinery and consumer durables, but have as well established a market abroad, though a modest one, for research-intensive equipment, automobile parts and heavy transport equipment. A beginning has also been made in undertaking turn-key jobs in foreign countries. This has been on the pattern of the development of engineering goods exports in the highly advanced countries.

With labour unrest subsiding, the time

appears to be opportune for giving a push to production in the engineering industries. As suggested by the Indian Engineering Association's April survey on trends in industrial production, the foremost task to be tackled on the production front is the augmenting of the supplies of raw materials, particularly steel. The steel supply situation, of course, may not be as acute this year as it was last year, for even though the domestic supply cannot be envisaged to improve very materially, the increased imports authorised last year, which are coming in now, should stand in good stead. The union government has further taken some bold decisions recently. The most important of these is the decision to make available steel for export production either from indigenous sources or from imports at Joint Plant Committee (JPC) prices plus two per cent thereof. Some exporters, however, have complained about the lengthy procedure involved in making use of this scheme. They have suggested that those exporters who have stocks of materials to be used for domestic production, should be allowed to go ahead with the execution of export orders and get the materials replenished at JPC prices plus two per cent from Hindustan Steel when the required steel has been imported. This is a sensible suggestion as while the scrutiny of orders, categories and the sizes required may take its own time, exports can go on.

Another important aspect of the problem of raw material supplies that needs consideration by the government is the inclusion of high carbon wire rods, stainless steel and certain other categories of medium and high carbon steel in the JPC Engineering Goods Export Assistance Fund Scheme. This scheme at present does not allow reimbursement to exporters of the difference between the domestic and international prices of the above types of steel even though they might have been used in the exported products. Since the availability of these materials from indigenous sources is limited, the additional financial involvement should not be large.

The problem of capacity constraints in the engineering industries included in the priority list may not be there now as the government has allowed them to raise additional production up to 110 per cent their installed capacities through working more than one shift. In cases in which some balancing equipment is required, that may be allowed to be installed. The problem of inadequacy of funds can be resolved to a great extent by expediting the settlement of the claims of exporters for the reimbursement to them of the difference between the domestic and international prices of steel. Some improvement,

indeed, is reported to have been effected by the government in this reimbursement scheme, but still, it is understood, nearly 200 old claims would have remained pending with the authorities at the end of May. The industry's plea that not only these old cases may be settled without further loss of time but also the processing and settlement of the claims submitted during the current year taken up immediately deserves sympathetic consideration.

The anticipated increase in the competition abroad in respect of the prices of engineering products at a time when our production costs are going up calls for a fresh look at the export assistance policy. The policy, it may further be suggested, ought to be for a fairly long period, say five years, so that confidence is instilled among exporters, especially those whose export contracts take time to be fulfilled. If the exports of long delivery engineering products, such as industrial plants and machinery, heavy transport, power generation equipment, etc., are to be built up — and that is necessary if the global ex-

perience of pushing up engineering goods exports is any indication — some thought also needs to be bestowed on how to mitigate the problems of exporters arising out of political instability in the importing countries, fluctuations in exchange rates, etc.

Our entrepreneurs joining hands with local interests abroad for setting up joint ventures there can help in raising our engineering goods exports considerably. But sometimes they are required to participate in the equity capital of these ventures not only to the extent of the export value of their equipment but also to a larger extent so as to facilitate import of some machinery from a third country. They have as well to follow the international purchase policies. All this necessitates a modification of or policy towards participation in joint ventures abroad. Agreements with those countries where there is good scope for setting up joint ventures, for the avoidance of double taxation should be of considerable help in raising our exports of engineering products.

Govt could borrow more

THE STRATEGY for the first stage of the borrowing programme of the central government for the current financial year has been revealed by the Reserve Bank of India and the lists for three new loans calling for subscriptions for an aggregate amount of Rs 350 crores will be opened on July 15. It had been generally expected that there would be no major change in the terms of the new loans as it was only last year that the yield basis was raised in respect of all loans because of an increase in the bank rate by one per cent to six per cent in January, 1971. There was, however, scope for effecting changes in the terms in favour of the borrower as conditions in the money market had improved considerably since the loans were floated last year and banks and other institutions were seeking reserves for investing their surplus resources. The government too has been anxious to keep down interest charges as far as possible by effecting conversion operations in a manner which would secure for it an average interest rate which would be lower than that available on the long dated loan. This was the reason why on the last occasion conversion applications were spread between the three loans, short, medium and long dated.

On the present occasion, too, a similar policy may be pursued as there are again

maturing loans outstanding for fairly large amounts. However, a direct attempt has also been made to reduce the average cost of borrowing because a short-medium-dated loan is being issued in place of the medium-dated loan 1971. The terms of the short-dated loan are unchanged, the interest rate being 4½ per cent with maturity date in 1979 and the issue price at par. The long-dated loan will carry interest at 5½ per cent, mature in 2002 and have an issue price at par. Only the short-medium-dated loan will have a lower interest rate of 5 per cent against 5½ per cent for the medium-dated loan. The duration will be 11 years against 15 years while the issue price has been fixed at a discount of ¼ per cent against 100 per cent.

The maturing loans 4½ per cent 1972 and 4 per cent 1972, have been offered conversion terms at par. The former loan is outstanding to the extent of Rs 100.13 crores and falls due for repayment on July 15. The latter loan has to be repaid to the extent of Rs 154.71 crores on August 1. As these two loans will account for the major portion of the amount that will have to be paid out in respect of four loans, it has been considered desirable to offer conversion terms on an attractive basis. Though the 4 per cent 1972 loan will have to be redeemed only on August 1, the government is agreeable to the payment of a higher rate of interest on the converted portion of this loan for a fortnight. This procedure will greatly facilitate the funding operation for this year. There are two other maturing loans,

4½ per cent 1972 outstanding to the extent of Rs. 28.22 crores and falling due for repayment on October 27, 1972 and 4½ per cent National Defence Bonds for Rs 17.16 crores on November 10, 1972. The two small loans can be repaid even in cash on the respective maturity dates. Alternatively, the government may adopt the same method as now and offer conversion terms when it comes again on the market later in the year for raising additional amounts.

The pattern of new loans has been conceived correctly as also the funding operation. The Reserve Bank, however, could have decided to fix the notified amount at a higher figure than Rs 350 crores. It may of course be contended that net borrowing even in the first stage will be much more at Rs 130 crores against only Rs 73 crores in the first stage last year. The figure of net borrowing for the first tranche this year could have been easily Rs 200 crores as conditions in the money market are quite comfortable. The borrowings of the scheduled commercial banks are much less than those at this time last year, the actual amount outstanding during the week ended June 23 being only Rs 34 crores, Rs 173 crores less than in the corresponding week last year. Also, an analysis of the data relating to the scheduled banks for a 12-month period ended June 16 shows that only about 50 per cent of the additions to deposits could be used for increasing advances and the balance of over Rs 600 crores was available for reducing borrowings and increasing investments in government and approved securities. After repaying substantially borrowings to the Reserve Bank, investments in government securities and treasury bills alone have increased by over Rs 200 crores during the period under reference. The additions to holdings of bonds and debentures of approved categories should have been at the same time sizable.

Some time back it was anticipated that the scheduled commercial banks might have to borrow on a fairly large scale for financing heavy procurement operations. These anticipations have not, however, materialised, not because there was no sharp rise in advances but because the growth in deposits was more impressive than expected. It can be safely reckoned that by the time the lists for the new loans open on July 15 there would have been further additions to deposits with a contraction in advances. With loans from the central banking institutions virtually wiped out, the lists for all the three loans are bound to be heavily oversubscribed even on the opening day. There may be need for member banks to borrow to a certain extent for meeting a diversion of funds from the organised credit structure

to the Exchequer. But these borrowings may not exceed Rs 75 crores and with fresh additions to deposits in the subsequent weeks they could again be repaid without difficulty.

Even allowing for the fact that the state loans have to be floated in the first week of September and an attempt may be made to raise a larger net amount of Rs 125 crores, the banking system alone can hope to earmark out of the fresh additions to deposits of Rs 500 crores in a four-month period July-October, as much as Rs 400 crores for being invested in new loans. As the growth in deposits in July-August alone may be of the order of Rs 250 crores and there will also be a contraction in advances due to declining sugar and cotton stocks, even if the central government had sought to borrow a net amount of Rs 200 crores, the money market would not have been strained to any great extent. With the balance of new deposits and the funds released on account of a contraction in advances, the support needed for the state government loans could be easily extended in the first week of September.

The central government was not perhaps too keen on raising a large net amount through open market loans immediately as its ways and means position is now comfortable and a good part of the unauthorised state overdrafts taken over by it from the Reserve Bank would be wiped out by the profits of the Reserve Bank derived by the government as its share and other adjustments. Even if there was an unadjusted balance in respect of state overdrafts taken over by the centre, it would be advantageous from its point of view to cancel the identifiable ad hoc securities after some time as the rate of interest on them is lower than that on terminable loans. This explanation is perhaps responsible for the absence of any great anxiety on the part of the central government to borrow a large net amount even in the first stage.

While there may be agreement with this line of reasoning in knowledgeable cir-

cles, there is no doubt that the government can and should borrow on a larger scale than that assumed in the budget estimate for the current year. Net borrowing at Rs 215 crores is Rs 79 crores less than the amount mobilised in 1971-72 under less propitious circumstances. In 1972-73, the additions to deposits of the scheduled commercial banks alone can be easily Rs 1,400 crores, if not more.

On the basis of the experience of the past twelve months, not more than 50 per cent of the new additions to deposits can be utilised for expanding credit for different purposes. The balance of Rs 700 crores will have to be utilised for maintaining a higher level of cash balances and a larger investment portfolio. It can be easily expected that about Rs 650 crores will be available for investment purposes. Even allowing for net borrowing by the state governments for Rs 125 crores and the issues of bonds and debentures by the state electricity boards, the statutory financial corporations and public bodies of Rs 175 crores, the member banks alone will be in a position to invest in new central loans around Rs 350 crores.

Having regard to the more impressive growth in assets of the Life Insurance Corporation and the scope for subscriptions from other directions, net borrowing of the central government can exceed comfortably the performance of 1971-72. As about Rs 130 crores will be raised in the first stage, another Rs 120 crores can be mobilised in October, after the state loans are out of the way. Later there can be reissues of the new loans for being handed over to the Reserve Bank in order to effect tap sales or open market sales as the case may be. Whatever may be the approach adopted by the Reserve Bank, the central government is in a position to exceed comfortably the target for net borrowing in the current year even after the states and public bodies have raised larger amounts through their loans and bonds. It can be said that the scope for borrowing through open market loans was never so good as now in recent years.

Eastern Economist 25 Years Ago

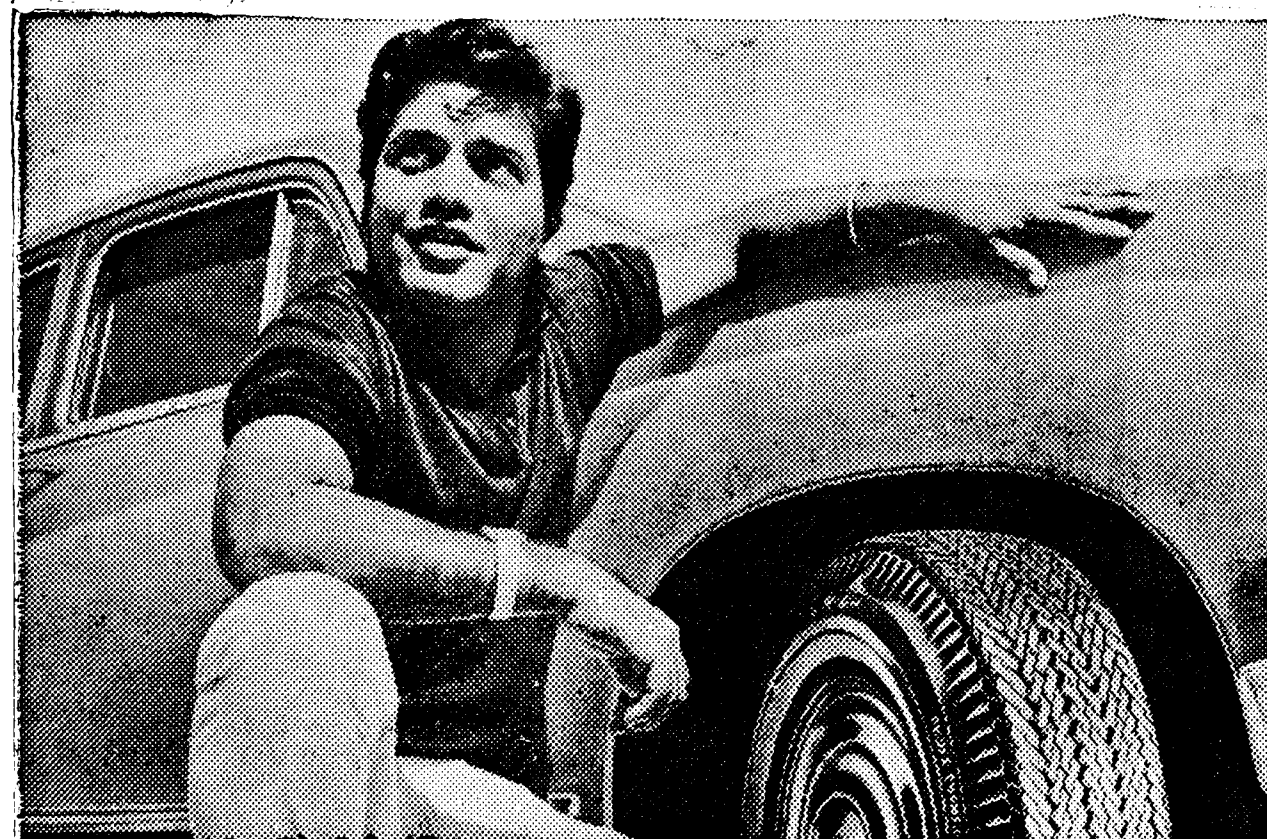
July 18, 1947

The Marshall Plan so-called is in fact no plan at all, but only an offer of American assistance to Europe in the latter's economic recovery on certain conditions. On the grave economic deterioration in Europe's condition and the collapse with which it is threatened, it is needless to dwell. Mr Marshall in his speech highlighted the main features—the dislocation of the entire fabric of European economy, the danger of the breakdown of the system of division of labour on which the exchange of products is based, the failure of European currencies, and the need for external, particularly, U.S., assistance. The dimensions of the dollar crisis confronting Europe are dealt with in another

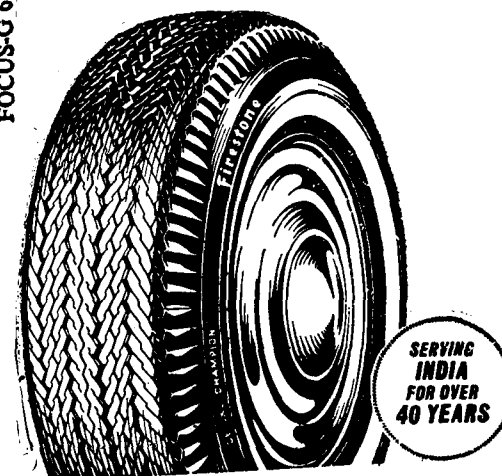
article in this issue. Mr Marshall's condition of 'United States' assistance was that such assistance could not be on a piecemeal basis as various cases developed, that the programme should be a joint one agreed to by a number of if not all European countries, and that the role of America should consist of friendly aid in the drafting of the programme so far as it may be practical for them to do so. Obviously, the United States wanted Europe to take the initiative in the matter of its own reconstruction and felt rightly that for the United States to draw up a plan unilaterally would be neither efficacious nor fitting.

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POINTS OF VIEW

Import & export control: legal aspects

N. N. Chaudhary

THE IMPORT and Export Control Law has been a Cinderella of jurisprudence. And yet it affects a vast body of the trading community. An attempt has been made in this article to wade through the maze of more important legal judgments to cull from them the guiding principles of law.

The object of the import and export control restrictions is conservation of scarce foreign exchange, natural resources and their planned deployment in the best interest of the country. It is an annual exercise to balance the supply and demand of foreign exchange; and licences are allowed only for import or export of items that are permissible in terms of the policy in force at the time of issue of such licences. In other words, if an item does not exist on the list of importable articles at a particular time when the application is made, normally the import licence for the item in question is not issued.¹

An applicant has no absolute right to an import licence in terms of the policy in force at the time of his application because from the very nature of the things at the time of granting the licence, the licensing authority concerned may often be in a better position to have a clearer over-all picture of the various factors having an important impact on the final decision on the allotment of import quota to the various applicants.²

registered exporters

The position in regard to the import policy for registered exporters is that for exports made under an export promotion scheme, a registered exporter becomes entitled to claim the export assistance benefits as promised by the government; and the government is not exempt from its liability to carry out the commitments.³

The power to frame import and export policy and procedures is vested in the central government by section 3 of the Imports & Exports (Control) Act, 1947, which authorises it to prohibit or control imports and exports by issue of orders in the official gazette. The orders so issued have the force of law or, at any rate,

are laws within the meaning of Article 13 of the Constitution of India; and for any refusal of licence to an applicant if otherwise admissible under the government's announced policy, he is entitled to a writ.

The licensing authorities have to discharge their functions of grant of import and export licences in such a manner as not to deny to any person equality before the law. This right to equality or rule of law is guaranteed to citizens under Article 14 of the Constitution of India. It is intended to prevent arbitrary discrimination between persons similarly circumstanced; and if it is found that in any given case there has been unfair discrimination against a particular applicant, that is justiciable in writ proceedings.⁴

right of equality

The vigilance branches of the import and export control organisation of the government ensure that this right of equality before law is not denied to applicants.

An import or export licence is merely a permission to import or export. This permission is non-transferable, conditional and limited for a policy period. It is neither saleable, nor transferable, nor attachable for satisfaction of a decretal amount, nor even assignable, though under certain conditions transfer of quota rights, with the approval of licensing authority is permissible. There is no vested right to the grant of import licences; they are not property. Therefore, non-grant of a licence does not attract the provisions of fundamental right to property, under Article 19 (1) (f) of the Constitution.⁵

The power of the government to prohibit or control imports and exports is held to be in the interest of general public and the state. As such that power cannot be questioned and no challenge to such an action can be entertained by the courts on the basis of the fundamental right to practise any profession or to

carry on any occupation, trade or business as laid down in Article 19(1)(g) of the Constitution.⁶

The government has the power to canalise imports or exports through a state agency, to the exclusion or partial exclusion of citizens or otherwise in import or export trade, under section 3 of the Imports & Exports (Control) Act.

public interest

Canalisation of imports *per se* is not unreasonable as it supplants policy of import in the interest of general public. As such, it cannot be challenged in a court of law.

The executive functions of the licensing authorities have been likened to those of special tribunals by the law courts; as they derive their power from Section 7 of the Imports & Exports (Control) Act, which reads as follows:

"No order made or deemed to have been made under this act shall be called in question in any court, and no suit, prosecution or other legal proceeding shall lie against any person for anything in good faith done or intended to be done under this act, or any order made or deemed to have been made thereunder".

In the face of the said section, orders or decisions of the import control authorities cannot be challenged in a court of law i.e. they are not justiciable.⁷

The courts, therefore, advise that in case of a factually or technically erroneous decision, if passed by a competent licensing authority within the framework of policy in force, the affected party should take recourse to appeals to the appropriate departmental authorities, to get the error rectified.⁸

While making those appeals, the appellant should see that he makes them in time; as dismissal of an appeal as time barred is correct and upheld in law. De-

lay in seeking relief by appropriate writ is also fatal to petitioner's case. Rejections of appeals/writs on grounds of delay are justified by the law courts on the ground that since the issue of a licence depends upon the import trade policy which is made from year to year, it is impossible to excuse delays.⁹

The doctrine of merger means that when a superior authority decides a case on appeal, that decision prevails; and the order of the lower authority becomes extinct by its merger in the order passed by the superior authority. As such a writ can be against the order passed by the superior or appellate authority, and not against the lower or subordinate authority.¹⁰

Section 5 of the Imports and Exports (Control) Act, provides for penalties for violation or contravention of the conditions imposed on licences, and it reads as follows:

"If any person contravenes or attempts to contravene, or abets a contravention of, any order made or deemed to have been made under this Act or any condition of a licence granted under any such order, he shall, without prejudice to any confiscation or penalty

to which he may be liable under the provisions of the Customs Act, 1962 (52 of 1962) be punishable with imprisonment for a term which may extend to two years and also with fine:

Provided that in the absence of special and adequate reasons to the contrary to be recorded in the judgment of the court, such imprisonment shall not be for less than six months".

Thus not only the actual contravention but attempts to contravene any conditions as well are intended to be punished; and circumstances leading to the violation of the conditions of licences may not help the licensees to escape imposition of a punishment under the Impex Act.¹¹

In fine, import and export licences are admissible in terms of the policy in force at the time of issue of licences; the control policy and procedures have the force of law and the applicants have the right of equality before law; non-grant of licences does not attract the fundamental rights to property or profession; licensing authorities function like special tribunals and their orders cannot be challenged in courts so long as there is no charge of discrimination; delays on the part of petitioners are fatal to their appeals/

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wr. petitions; the order passed by the subordinate authority merges in the order passed by the appellate authority; contravention of the conditions of licences are punishable under the Impex Act.

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New horizons of development banking

THE POST-world war II era witnessed the setting up of development banks, almost throughout the world, for the purpose of reconstructing the war-damaged economies or the development of backward economies. These banks are to be found at different levels — provincial, national, continental and inter-continental. At the international level, there are three important institutions in this sphere namely, the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), and the International Development Association (IDA). In fact, these international institutions took the initiative, in many cases, for the promotion of development banks in underdeveloped countries. At the continental level, there is also the Asian Development Bank

(ADB). In India there are a host of development banks functioning at different levels over different periods of time. An attempt is made here to study the operations of the Indian development banks in the context of the new industrial policy of the government of India which, *inter alia*, demands active participation of these institutions in the management of concerns assisted by them.

The banking function of a development bank usually takes the following forms: provision of long-term loans with or without security; guaranteeing loans; participation in shares and debentures; guaranteeing deferred payments; underwriting the issue of stocks, shares, bonds and debentures; and any other activity incidental to these functions. It must be noted that

in discharging these financial functions, the development banks are required to supplement and not supplant the role of the capital market.

The development function embraces the following activities: development of the capital market; promotion of industries management of industrial enterprises undertaking of techno-economic research including feasibility studies; industrial consultancy services; and training technical, managerial and entrepreneurial personnel. The stress on these two functions namely banking and development, varies from country to country and even within a country from time to time depending upon the needs and circumstances. It is the combination of these two functions that distinguishes a development bank

from that of a commercial bank, mortgage bank or a purely development corporation.

Details of the different all-India industrial finance and development corporations are given in an appendix. All of these institutions cannot be termed as development banks because they do not combine more or less equally the banking and the developmental functions. Some of them (the Life Insurance Corporation of India and the Unit Trust of India) are purely financial (or investment) institutions while the others (National Industrial Development Corporation and the National Small-scale Industries Corporation) are predominantly promotional agencies. The rest of the institutions (IFCI, ICICI, IDBI and IRCI) may be characterised as development banks even though some of them started functioning as purely term-lending institutions. At the state-level, there are the state financial corporations and the state industrial development corporations which fulfil the characteristics of a development bank. The emergence of these institutions at different levels with varying degrees of emphasis on their financial and non-financial functions has brought about the necessary institutional infrastructure for accelerating the pace of industrial growth in India.

IFC's function

The Industrial Finance Corporation of India (1948) provides financial assistance to large-scale industrial concerns particularly in circumstances where normal banking accommodation is inappropriate or recourse to capital issue method is impracticable. Its scope is limited to the public limited companies and co-operative societies. The state financial corporations provide financial assistance to the small-scale and medium-scale industries and their operations cover not only public-limited companies, but also private limited companies, partnership firms and proprietary concerns.

Since 1960, many of the states have taken steps to establish industrial development (or investment) corporations for the promotion, expansion and development of industries in the states. These corporations are authorised to give financial assistance to industrial concerns in the form of direct loans, extension of guarantee for loans and deferred payment, underwriting and subscriptions to shares, bonds and debentures.

The Industrial Credit and Investment Corporation (1955) was set up for the

specific purpose of assisting the industrial enterprises within the private sector. The Industrial Development Bank of India (IDBI) (1964) was set up to co-ordinate the activities of other financial institutions, including the commercial banks, providing term finance as well as to provide direct financial assistance to industrial units. The table below gives the details of the financial operations of the development banks of India.

The financial operations include direct loans, refinance to banks and rediscounts as well as refinance to SFCs by the national institutions in addition to underwriting and direct subscription to shares and debentures. The role of the development banks in financing investment in the private sector of Indian industry is slowly but steadily evolving.

The deceleration in investment activity during the years 1967-68 reflects the recession that characterised industry during this period. It is also seen from the table that recovery in financial operations in the last two years has been rapid and sharp.

All the development banks included here together accounted for more than 25 per cent of the total fixed investment in the private corporate sector of industry during 1970-71. The IDBI alone was responsible for financing a little more than 10 per cent of the total fixed investment in the private corporate sector of industry and about one-fifth of the exports of capital and engineering goods during the year.

The IRCI has been set up by the initiative of the IDBI in order to meet the

financial needs of the 'sick' industrial unit in the eastern region of India. Its charter enables it to undertake both financial and developmental functions. Doubts have also been expressed regarding the need for the creation of this corporation when there are SFCs and SIDCs in almost all the states. In several respects the IRC resembles the FCI and the ICFC of Britain. It is intended to fortify the institutional structure for development finance by specialising in reconstruction and rehabilitation work. In the context of the recent political developments, i.e. Indo Pak conflict, the growing co-operation and friendship between India and Bangladesh, this corporation has a significant role to play in rehabilitating the industrial economy of the eastern region in general and West Bengal in particular. The IRCI has started functioning from April 1971 and has sanctioned assistance amounting to Rs 1.05 crores within a period of three months.

The charters of the development bank of India (except IFC and SFCs) make specific reference to the promotional functions that they have to undertake. However, the role and functions of the bank in the sphere of development are slowly evolving. In pursuance of its objectives the ICICI has set up the Institute of Financial Management at Madras. The term-financing institutions have been criticised in the past for not paying sufficient attention to their promotional activities. However, as the latest annual report of the IDBI reveals some progress has already been made in this direction. Surveys of industrial possibilities in backward areas have been carried out in most of the state

Trends in the Financial Operations of Development Banks*
1964-65—1970-71 (April-March)

(Rupees in crores)				
Year	Rupee assistance disbursed	Foreign currency loans disbursed	Total assistance disbursed	Percentage change over previous year
(1)	(2)	(3)	(4)	(5)
1964-65	60.8	10.5	71.3	—
1965-66	82.9	22.9	105.8	+48.4
1966-67	104.0	21.5	125.5	+18.7
1967-68	90.8	14.2	105.0	-16.4
1968-69	74.8	11.1	85.9	-18.3
1969-70	102.6	13.7	116.3	+35.5
1970-71	124.3	24.1	148.4	+27.6

*The institutions included here are the IDBI, IFCI, ICICI, the SFCs and SIDCs.
Source- IDBI Annual Report 1970-71, p. 23.

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and union territories. The preparation of feasibility studies is also under progress. Technical consultancy service centres (TCSCs) are likely to be set up soon by these banks in all the states. Training programmes for entrepreneurs and managers are also envisaged. Projects in industrially backward districts/areas and sponsored by new entrepreneurs and technologists are given preferential treatment over the others.

This way, the development banks have been shouldering the promotional functions via their financial activities. For instance, of the total assistance of the order of Rs 365.67 crores sanctioned by the IFCI for 527 projects up to June 30, 1971, roughly 33.3 per cent of the assistance, i.e. Rs 121.80 crores, spread over 149 industrial units was accounted for by Andhra Pradesh, Assam, Bihar, Madhya Pradesh, Meghalaya, Orissa, Rajasthan, Uttar Pradesh, Andaman and Nicobar Islands and Goa which have been classified as less developed or backward states/areas.

licensing enquiry

The Industrial Licensing Policy Enquiry Committee was appointed in July 1967 to go into the functioning of the licensing system. One of the terms of reference of this committee (popularly known as the Dutt Committee) was to enquire whether the policies followed by public financial institutions had resulted in any undue preference being given to the larger industrial houses. The committee took the view that there was concentration of financial assistance in favour of larger industrial houses. It found that, of the total assistance of Rs 808 crores in different forms sanctioned by all the different term-financing agencies during 1956-66, an amount of Rs 341 crores went to 73 large industrial houses out of which an amount of Rs 183 crores went to the 20 larger houses. The committee also learnt that, in all, 971 applications were rejected by all the public financial institutions during the period 1956-66. These institutions did not have clear-cut guidelines as to the priorities in granting loans nor did they have any regular practices. It appears that the possession of an industrial licence was taken as the first criterion for granting financial assistance to a company. As regards the assessment of interest charges, the committee suggested that the directors of some of the financial institutions have played an important role guided by their own business interests rather than the interest of these banks.

The Dutt Committee made several re-

commendations regarding the reorientation of licensing policy in general and the investment policy of public financial institutions. Pursuant to these recommendations the government of India announced its new industrial policy in February, 1970. This policy envisages a 'core sector', a 'joint sector' and a 'middle sector' in addition to the reservation of certain industries to the small scale sector. The 'joint sector' concept is being applied in the case of projects taken up by private entrepreneurs in the 'core' and 'heavy investment' sectors in the light of their proved performance in relation to earlier licences. As has been stated in the fourth five-year Plan, it may be desirable to stipulate that in the case of the large industrial houses, their own contribution in a project should be proportionately higher than the medium-scale or new entrepreneurs and funds should not be made available to them for non-priority industries. The government has also decided that in future there would be a greater degree of participation in management, particularly at policy levels: in the case of major projects involving substantial assistance from public financial institutions it is proposed that where public financial establishments, including the LIC have substantial shareholding in a company, they may preferably exercise their full rights including the appointment of representatives to the board of Directors.

In order to achieve this end, namely,

greater degree of participation in management of assisted industrial units by the term-financing institutions, the government issued guidelines on May 1, 1971 to the all-India term financing institutions for the conversion of loans given by them into equity and for nomination of directors to the boards of directors of their assisted concerns. In terms of these guidelines the financial institutions, while sanctioning rupee loans of Rs 50 lakhs and more to one company, would normally provide in the loan covenant for the option of converting loan into equity consistent with the maintenance of a reasonable debt equity ratio. In respect of loans ranging between Rs 25 lakhs and Rs 50 lakhs, the financial institutions may use their discretion. In cases where the aggregate financial assistance does not exceed Rs 25 lakhs, the condition for conversion need not be written as a measure of policy, unless the financial institutions themselves so decide on commercial grounds. As for loans and debentures given in the past, the financial institutions should have discretion to negotiate conversion in cases of default. During the financial year of the IFCI ended June 30, 1971, the terms and conditions of the conversion have been finalised for 16 concerns. In terms of the guidelines the all-India financial institutions are required to nominate their representatives, officials or non-officials, to the boards of directors of all assisted concerns where substantial financial assistance has been sanctioned

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RECORDS AND STATISTICS

Editor: R. V. MURTHY

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and where the convertibility clause has been incorporated in the agreements for financial assistance. A panel of persons suitable for appointment as such directors is being prepared by the IDBI in consultation with other term financing institutions.

Industrial management is the new challenge that is facing the development banks of India. They have to undertake banking as well as promotional functions including management. Development banks, in many cases, do not undertake managerial functions. However, they have to shoulder managerial functions where they are required to undertake them either by the statute or by the directives of the state or the central bank which has sponsored them. They have to gain experience in the field of industrial management just as they are gaining experience in the field of promotion of enterprises. There is a feeling in some quarters that the active participation of development banks in industrial management will not serve their

own interests as they have to face additional risks and uncertainties. Also, it is argued that this is a new method of nationalisation of private enterprise. It cannot be denied that there is some truth in these arguments.

The new industrial policy of the government of India (1970) demands that industrial enterprises—public or private as well as development banks—should discharge their functions with a sense of social responsibility. The objectives of planned development cannot be achieved if these undertakings do not function in conformity with the policies of the plans. Hence the rationale of this new policy of associating development banks with the management of industrial units assisted by them. This is in fact, not a challenge but an opportunity both for the development banks and the industrial units to prove their efficiency and worth and thereby discharge their social responsibility to the community at large. Mutual suspicion should give way for co-operation between these banks

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and industrial units in the true spirit of 'joint sector' concept which must be given a fair trial for accelerating the industrial growth of the country without sacrificing the social objectives.

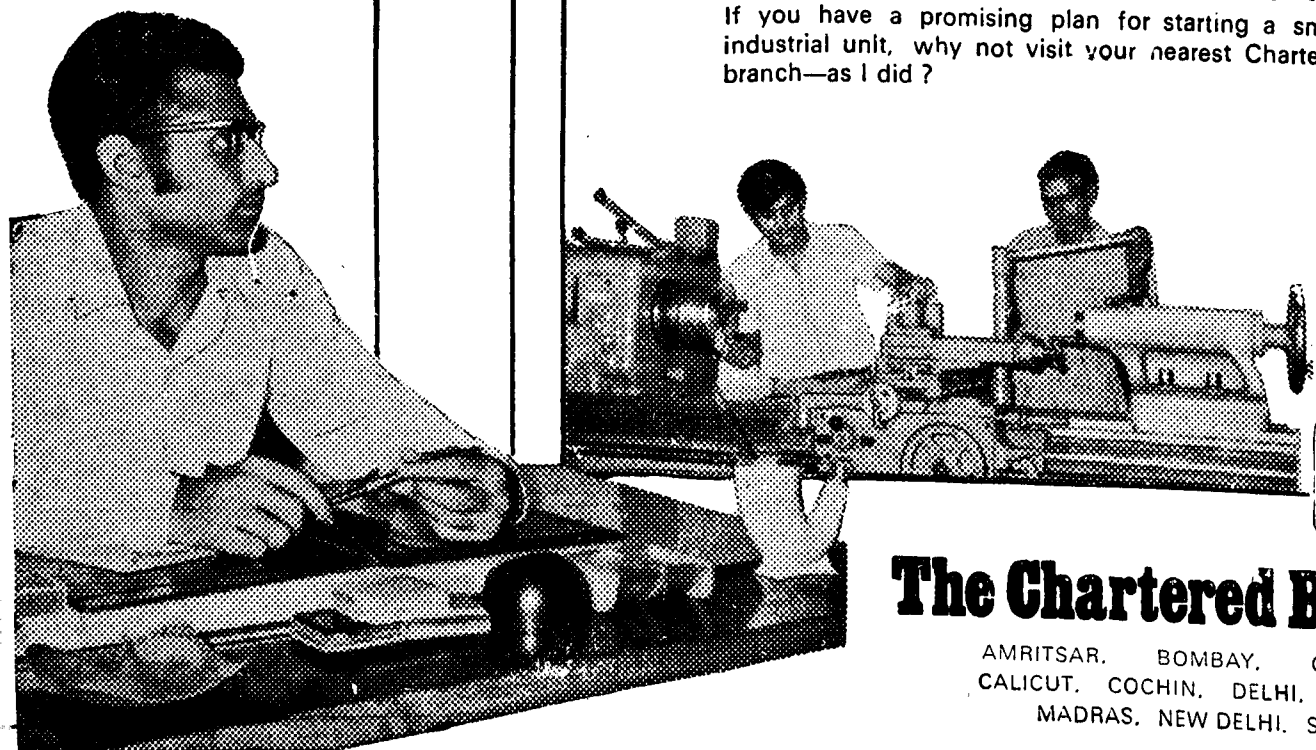
Appendix

All-India Industrial Finance and Development Corporations

Institution	Year of establishment
Industrial Finance Corporation of India (IFCI)	1948
National Industrial Development Corporation (NIDC)	1954
Industrial Credit and Investment Corporation of India (ICICI)	1955
National Small Industries Corporation (NSIC)	1955
Life Insurance Corporation of India (LIC)	1956
Unit Trust of India (UTI)	1964
Industrial Development Bank of India (IDBI)	1964
Industrial Reconstruction Corporation of India (IRCI)	1971

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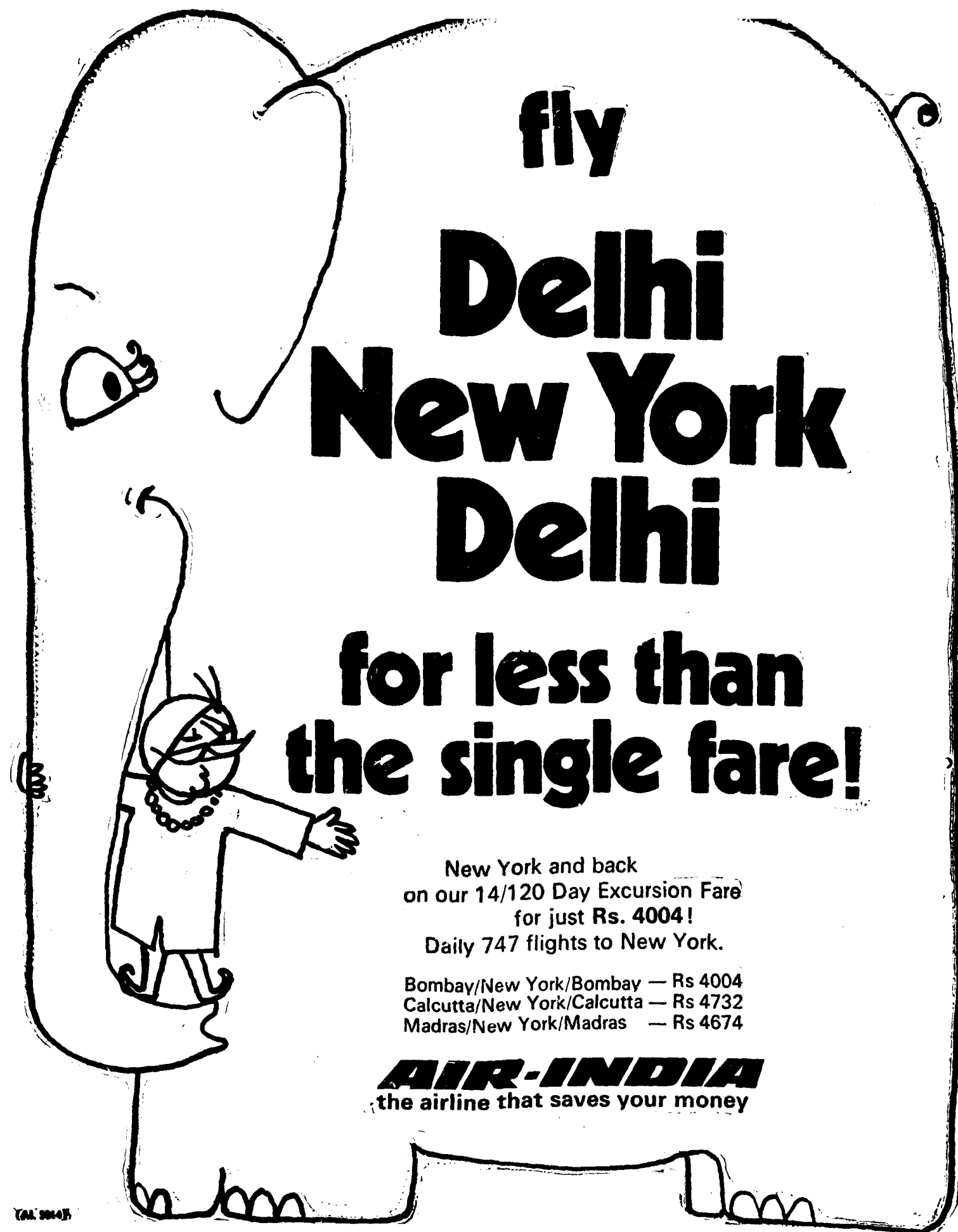
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Who is Spinelli?

Josselyn Hennessy

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His Background

MEMBERS OF the European Commission are of three kinds:

(1) those who are frankly not up to the job;

(2) those who have or acquire the necessary technical mastery in their allotted field of responsibility; and

(3) those who bring to their role a political vision. Altiero Spinelli, ex-communist and "Minister for Industry" in the present Commission, indisputably is of the third kind.

Spinelli may never have held elective office like some of his colleagues on the Commission, but none of them have ever suffered for their political beliefs. Spinelli

colleagues, of taking not just one but three or four. Those years have also left their mark on his character. Behind the outward charm and bonhomie and willingness to talk to all and sundry, he remains a solitary and self-reliant person who pursues his ideals without much concern for what those about him may be thinking.

Throughout most of his political life Spinelli seems to have been swimming against the tide. In his youth a communist, he left the party partly in protest against the Moscow trials of 1936, partly because he could no longer accept the Marxist analysis of fascism as a product of the capitalist system because he had come to see it as a pathological form of nationalism. His decision to leave the party nevertheless meant isolating himself politically from his fellow prisoners.

From his release in 1943 till the end of

even if this was not immediately apparent in 1948.

For the next 15 years Spinelli was to give his main attention to the European Federalist Movement. He was secretary general of the movement in Italy and also a member of the Executive Committee of the European Union of Federalists in Paris. Throughout most of this period the Federalists were fighting a losing battle for the calling of a European Constituent assembly to draw up a constitution for the United States of Europe and were bitterly opposed to any institutions set up by the states. But the process of European integration, which has been one of the great achievements of the post-war period, owed little or nothing to Federalist ideas. The European Communities were inspired by the different approach of Jean Monnet, based on functional integration through institutions set up by, and responsible to, national governments. The years 1955-57 which saw the birth of the European Economic Community and the revival of European integration after the collapse of the European Defence Community in 1954, came to Spinelli as a political defeat, not as a great leap forward.

hostile observer

For most of the 1960s Spinelli withdrew from active politics to concentrate on writing and teaching. From 1962 to 1966 he was visiting professor at the Bologna Centre of the John Hopkins University where he gave courses on European integration. In 1966 he founded the Institute of International Affairs in Rome, of which he became director, and launched *lo Spettatore Internazionale*. He became a member of the Italian radical review *Il Mulino*, a member of the Olivetti Foundation Study Centre and a member of the Council of the Institute for Strategic Studies in London. Throughout this period he remained a sceptical, even hostile, observer of the Community scene. He published books with titles such as "Europe does not fall like manna from Heaven" and "The Eurocrats", in which he analysed with gusto the shortcomings of the Community method of achieving the unification of Europe which, in his view, could only result in a Europe of bureaucrats.

Yet in July, 1970 Spinelli himself became a Eurocrat: he was appointed to the EEC Commission by the Italian government and took over responsibility for industrial

WINDOW ON THE WORLD

li has. He started his political career while still a student in Rome as a member of the illegal Communist Party during the Mussolini era. While still less than 20 he became deputy secretary of the party's youth movement, and engaged in clandestine anti-fascist activities. In 1927 he was arrested and convicted by a special tribunal of conspiring against the authority of the state. He spent the next sixteen years first in prison, then in exile with other political prisoners on the island of Ventotene in the Adriatic. It was there that he wrote his famous federalist manifesto in 1943.

The years of prison and exile have left their mark. This can be seen in little idiosyncracies, like the way he used to smoke his cigarettes to the very end so as not to waste any tobacco (nowadays he has gone over to filter-tips), or his habit, when offered a cigarette by friends or

the war Spinelli found himself for once in the centre of events. He was active in the Resistance in northern Italy, became a member of the political secretariat of the *partito d'azione*, and launched the European Federalist Movement — he organised the first international federalist conference at Geneva in July, 1944, and in Paris in February, 1945.

Yet within two or three years he found himself once more on the fringe.

The revolutionary social crisis which he and his friends had expected to engulf the discredited national states of the old continent failed to materialise. The national governments and the traditional ruling classes climbed back into the saddle, while a new status quo, based on the division of Europe into American and Soviet spheres of influence, ushered in a prolonged period of international stability,

policy and scientific research. Like many others before him who have started their careers as rebels, he has ended up by embracing the system and taking office in the governments which he had so long criticised. In Spindelli's case the contradiction is a double one. An ex-communist, he is now responsible for persuading the Community's industrialists to form large European groups through the merger of national firms in order to enable private industry to exploit the opportunities opened up by the creation of the Common Market. Still a convinced federalist, he has to try to make the Community's institutions work on the basis of the present system with a Commission that can only make proposals, a Council which is supposed to take all the decisions and a Parliament with purely consultative powers.

II

Vested Interests

The contradiction is, however, more apparent than real. It is a question of realism more than anything else. Spinelli is still convinced that the idea, dear to Monnet and the functionalists, that a European bureaucratic apparatus with a minimum of leadership at the top, independent of the governments (though to give him his due Monnet provided more than a minimum of leadership when he was head of the High Authority) could provide a driving force strong enough to carry the rest along, was and is an illusion. But the hard fact is that the Communities are all that exists in the way of a united Europe. At a certain moment this fact had to be recognised and the federalist strategy adapted accordingly.

In fact, Spinelli remains as critical as ever of the way in which the Community institutions work, though his analysis is now backed by practical experience of the weaknesses of the present system, where each minister arrives at Council meetings with (as Spinelli sees him) his hands tied by the national decision-making process that has already taken place, so that the Council is increasingly incapable of taking decisions or arbitrating between competing national vested interests. Yet he resists the temptation into which many commentators fall of attributing the present partial paralysis of the Community's decision-making process to accidental factors such as de Gaulle's offensive against the Hallstein Commission from 1965 onwards or the alleged lack of leadership provided by Jean Rey, the Belgian who succeeded Hallstein, and Malfatti, the current president.

The weakness of the present Commission, in Spinelli's view, is a direct result

of the policy adopted by the Hallstein Commission. Even in the early sixties the days of its greatest prestige, the Commission relied essentially on working with, and trying to influence, the national administrations. The Commission never tried, assuming it even knew how, to mobilise political support and ensure the involvement of the political parties and social forces in the member states. Instead it established contacts and sought support in business circles and in industry.

Yet Spinelli's criticism of the Community institutions is not just the back-biting of a disappointed man trying to salve his conscience. He has still not given up hope of achieving the kind of Europe that the federalists were dreaming of in the 1940s and 1950s. Spinelli's political philosophy is based on the conviction that the chances of a leap forward will depend on a critical situation developing. Most of the time the scope for changing existing institutions is extremely limited, but tensions and contradictions develop until they can no longer be contained, and then suddenly real changes become possible.

Spinelli is convinced that a critical situation of this kind will develop in Europe in the next couple of years; indeed one of the reasons why he came to Brussels in 1970 was in order to be present when it occurred. On the one hand, the governments are caught in a mass of hesitations and contradictions, caught between the system that makes them merely national governments, prisoners of their national traditions and vested interests, and a mass of problems like economic and monetary unification, the protection of the environment, and the development and location of European industry, which force them to go beyond the national framework. On the other hand, the Community lacks the institutions capable of establishing priorities and taking the necessary decisions.

crucial event

The crucial event on which Spinelli has pinned his hopes is the summit meetings of heads of governments of the ten member states of the enlarged Community to be held in Paris in October. If the governments content themselves with declarations of good intentions, leaving the implementation to the competent ministers and officials, then nothing essential will change.

The only chance lies in entrusting the next stage of integration to an elected European Parliament.

The battle for European unity would not be won but at least there would be an

arena in which to fight. It is in fact the old idea of a European Constituent Assembly, but adapted to the reality of the European Communities.

As for the Commission itself, Spinelli criticises the present system whereby the members are appointed by national governments without any prior discussion. The result is a Commission without political unity, made up of men with different backgrounds and ideas and no common view of what they should do together. Ideally, Spinelli would like the Council and Parliament to agree on the name of the person who would be charged with forming the Commission. The President would then present his Commission and an agreed programme to the Parliament for approval. The Commission would remain a coalition, but with an agreed set of objectives. Even so, it would only indicate certain major options: what actually happened would depend on the balance of social and political forces and how well organised they were within the Community.

III

More Balance

Behind his obsession with institutions, Spinelli's ideas on the sort of policies which the Commission should be advocating are hardly revolutionary. He favours the plans for economic and monetary union while insisting on the need for more balanced regional development, greater social justice and the subordination of economic development to the protection of the environment. As regards industrial policy and scientific research, which are his special responsibility within the Commission, he has left most of the thinking on what kind of industrial structures will be required and how they should be promoted to the staff of his directorate under the leadership of the French Director General, Robert Toulemon, and his Luxembourg deputy, Ferdinand Braun. He has never claimed to possess the same understanding of the problems of industrial policy as his colleague Raymond Barre shows in the monetary field, nor has he stamped his personality on the Community's industrial policy as Sicco Mansholt has on the common agricultural policy. Ironically, the Commission's programme for industry is currently held up by a procedural dispute with the French over a proposal made by Spinelli's directorate, which he was persuaded to accept, to set up a committee of senior national officials which would advise the Commission on matters of industrial policy. The French want the committee attached to the Council, thus cutting the Commission out altogether.

In other words, Spinelli has remained

practice a prisoner of the tradition of king the co-operation of national administrations.

It is uncertain whether Spinelli will be appointed to the Commission of the enlarged Community which will take office in January 1, 1973 — this will depend among other things on the result of the forthcoming elections in Italy.

About that supersonic bird

ONE leaves the London-Wales highway take the narrow road to Filton, the headquarters of Concorde in Britain, one soon aware of being in an area of elaborate technology. A large part of the road is lined on both sides with structures housing institutions connected with aeronautic engineering.

Among the first buildings to be seen is the Rolls Royce College of Aeronautic technology, followed by several buildings where Rolls Royce manufactures engines, and other aeronautic and space equipment. Rolls Royce is a 20 per cent shareholder of the British Aircraft Corporation (BAC).

A huge area adjoining the Bristol airport has been cordoned off by barbed wire, tangible proof of the security arrangements made by BAC in its Concorde operation. Within the cordoned area are a large number of workshops around a spacious hall in which four Concorde can be assembled simultaneously.

These workshops carry out a variety of operations such as the manufacture, testing and storage of components. Most of these workshops dealing with hydraulics, metal chemistry, fuel management power plants and air-conditioning have been fitted with electronic devices. Even the components received from other centres in Britain and France are electronically tested here before use.

expansive works

It is not easy to walk from one section to another, so one has to make use of a vehicle. Mr Millson Allen, Assistant Chief Executive at the Filton plant arranged a round of the various departments and I spent considerable time in the assembly plant where two Concorde were in the process of being assembled, one nearly complete.

The assembly plant looks more like

At 65, he could retire with honour to his former life of writing and teaching.

But a man like that never gives up.

He remains a symbol of the idea that European unification can only be achieved through popular involvement not through inter-governmental agreements. Whether or not the man stays, the message

Hardev Singh, Assistant Editor, *Eastern Economist*, now in the UK for a Thomson Foundation Course in Development Journalism, has sent this despatch.

a huge operation theatre in a hospital with its clean, dust-proof air-conditioned corridors, white overalled engineers, instruments lined neatly on tables and lights focussed skillfully for perfect visibility.

Filton, near Bristol has been selected as the site where Concorde is assembled in Britain. In France it is assembled in Toulouse. This is the arrangement arrived at between the two collaborators, British Aircraft Corporation and Aerospatiale of France. In fact assembly is the only duplication between France and Britain because both countries wanted to retain the right to give the final shape to the aircraft.

manufacturing process

Apart from overall assembly, the Filton plant also manufactures some components of Concorde such as radar and nacelles under BAC. The part of the engine manufactured in Britain is undertaken by Rolls Royce. The remaining sections of Concorde are manufactured partly in France at Toulouse, St Nazaire, Bougenais, Marignane Bourges and at Weybridge in Britain.

Broadly speaking the nozzle and the tail are manufactured in Britain and the middle of the plane in France. Various parts received at Filton from other centres are in the shape of vertical slices which are welded together electronically.

The collaboration between Britain and France is 50:50 and the manufacture of 25,000 parts is roughly equal in value between the two countries. The frame is

will go on.

Sources and acknowledgements: This profile is summarised from a special sample edition of *New Europe* (Chandos House, Buckingham Gate, London S.W.1.), a new review, editorially independent and politically unaffiliated, which, under the chairmanship of Lord George-Brown, will start publication in September.

Hardev Singh

Bristol

manufactured to the extent of 53 per cent in France and 47 per cent in Britain; the engine on the other hand to the extent of 60 per cent in Britain and 40 per cent in France.

It is now 12 years since Concorde was first conceived as a supersonic plane. The agreement between the British and French companies to launch Concorde will be ten years old next November. All these years the collaboration has worked successfully. In fact both countries form a network of collaboration with other European countries for the manufacture of highly specialised defence equipment.

international collaboration

This is quite understandable because the BAC could not have borne so much expenditure on the Concorde without having other profitable projects on hand. For instance BAC has collaborated with German and Italian firms to manufacture military planes, with Belgian companies to manufacture anti-tank guided weapons. It was able to earn a profit and declare a dividend of seven per cent last year. It has been able to spend part of its funds continuously on the Concorde project.

Before the first prototype of Concorde was produced, modified versions of Mirage in France and Vulcan in Britain provided patterns for research. By 1964 the first version of the engine for Concorde was ready at Bristol. In December 1967 the first prototype at Toulouse rolled out and after elaborate tests was able to make its maiden flight by March 1969. That year the company received authority for building nine Concorde (two prototype, two pre-production, two ground test and three production aircraft).

It was in September, 1970 that Concorde 002, the first prototype built in Britain, appeared at the Farnborough airshow and then made its maiden landing at the Lon-

Mon airport. By November 1970 the prototype achieved the designed speed of 1450 mph, twice the speed of sound. Early in 1972 Prince Philip piloted the Concorde 002 himself in a two hour supersonic mission and in April the plane made its appearance at the Hanover Air Show. Concorde 002 has recently gone round to Manila, Adelaide and Bombay.

In terms of acceptability, both the French and British governments have confirmed their commitments to buy it. Both President Pompidou and Prime Minister Heath have flown in it to lend it the required prestige. All option-holding airlines have renewed their desire to buy it, sixteen airlines that between them carry 70 per cent of the world scheduled air traffic have optioned 74 Concorde worth a potential 2.4 billion dollars without spares.

These potential buyers are: Air Canada (4), Air France (8), Air India (2), American Airlines (6), BOAC (8), Braniff International (3), Continental Airlines (3), Eastern Airlines (6), Japan Airlines (3), Lufthansa (3), Middle East Airlines (2), Pan American (8), Qantas (4), Sabena (2), TWA (6) and United Air Lines (6).

The production programme of Concorde at Toulouse and at Filton has been planned from early 1969. It involves eight planes to be completed by 1974, 30 by 1975, 62 by 1976, 95 by 1977, and 139 by 1978. Mr Allen confirmed that BOAC, Air France and a US air company (which is likely to announce its decision shortly) have already decided to place firm orders for two planes each, which will be delivered by 1974. One plane will start rolling out every month at Toulouse and another at Filton. And soon, according to demand, the capacity could be doubled.

progress in manufacture

At Filton the production of aircraft of was already nearing completion and various components were being tested and installed. At other workshops in Filton components for the fourth aircraft were in the final stage of join-up. The third aircraft I was told, was being completed at Toulouse and built to Air France specifications on seating etc. At various centres in Britain and France work was in progress for the manufacture of components for the first ten Concorde to be assembled, five each at Toulouse and Filton.

"The Concorde is meant to be a small plane for diplomats and businessmen who have more value for time than for money". This is how Mr Allen described Concorde in a nutshell, while pointing towards the elegant plane nearly complete on the assembly line.

Perched gently on tyres, this shapely,

thin, 204-ft plane looks like an elegant bird with an exquisite beak. In flight it looked majestic as shown on film.

It appears almost as large as a 707 jet and has a seating capacity of around 120. That way it is smaller than the Boeing 747. It can land at airports which can take in 747 and can be serviced by ground handling equipment at the same level. The distinctive feature of the Concorde is its speed, roughly 1350 mph. With this speed it can make it possible for a resident in London to visit New York, attend a meeting and return to London before nightfall. A senior executive need not disturb his previous appointments in London while he spends the day in New York.

I asked Mr Allen about the likely operational costs of the plane in relation to other planes. He agreed that operating costs will be higher than the existing planes. He argued that people tend to compare the operational costs of this new plane with that of planes which were bought some years ago. He spoke of the distinct advantages of the plane and said that these have to be exploited to make it profitable; the plane can run more flights in the same time and earn more money.

profitable operation

British Aircraft Corporation estimates that an air fare of the level of the present first class in scheduled flights can make the Concorde operations profitable if the plane is booked to the extent of 60 per cent of seats. The makers hope that with the unique service it will offer Concorde will not find it difficult to attract enough passengers on fares even ten per cent higher than the present first class. Besides, they do not anticipate a disturbance of the operations of subsonic planes owned by the world's airlines because these will be catering for increased traffic in economy class and charter flights.

"At what level would the Concorde manufacture be profitable to the company?"

According to the present production programme the sale of 200 aircraft will make the proposition profitable for the company. The Concorde project has cost roughly £1,000 million between France and Britain. This being a unique plane with practically no competition, the company already has hopes of selling around 220 to 400 aircraft.

I reminded Mr Allen about the recent spate of criticism against the Concorde.

He smiled and said: "I was wondering why this question had not been asked so far."

He added a little seriously: "Let me remind you, the aeronautical industry is today plagued with people who know nothing about it, but pass off as specialists."

The criticism, however, has been too widespread to be brushed aside as some kind of partisan campaign. For instance at the recent UN conference on human environment, Mr Jens Kampmann, Denmark's Minister of Environmental Protection, stated that the problem of 'sonic boom', the explosive sound which an aircraft generates as it attains, supersonic speed, required world solution.

areas of concern

Mr Allen first pinpointed three areas of public concern. He then offered counter arguments against world criticism. He referred to airport noise, sonic boom and high altitude atmospheric effect. From calculations based on actual readings from the prototype aircraft, it is clear that on entry into service, the airfield noise level of the Concorde will be comparable with, and in some cases lower than, those of many subsonic aircraft.

Concorde's developers have recognised that further reduction in noise is likely to be achieved in the new subsonic aircraft that are being made. Consequently a priority research programme is under way covering Concorde's engine and exhaust nozzle systems as well as approach and take off profiles. The new type of nozzle is being designed to reduce airport noise.

Sonic boom is the audible effect of the sudden rise and fall in atmospheric pressure at ground level caused by the passage of shock waves created by an aircraft in supersonic flight. Commercially the Concorde programme has always assumed a worldwide ban on supersonic flight over populated areas and such a ban is reflected in route analysis and economic studies carried out for potential customers.

Today some 73 per cent of intercontinental services fly over unpopulated areas such as oceans and deserts and with minor re-routing this can be increased to 80 per cent. Moreover, from takeoff the Concorde takes nearly 100 miles to reach supersonic speed at an altitude of 36,000 feet. Distance consumed in deceleration and descent for landing is even greater. So a Concorde operating from a major coastal airport such as Bombay

will be well away from land, yachts and motorboats when a boom is produced.

A sonic boom of moderate intensity produced by Concorde—two pounds per square foot—may not have any physical ill effect on fish and other sea life. Neither will it cause material damage to any building that will withstand the level of vibration encountered in everyday life by a truck passing on a nearby freeway. But the sonic boom is a sudden and startling noise, and the makers of Concorde have assumed in their market surveys that only subsonic operations would be permissible over the populated territories.

A number of alarming prophesies have been made about the possible effects that commercial supersonic operations might have on the atmospheric balance in the stratosphere. These forecasts include

suggestions that supersonic flights might affect world climate by setting up a permanent cloud barrier in the stratosphere or that water vapours from a supersonic engine might erode the ozone layer in the stratosphere and so let through harmful ultraviolet rays.

Concorde offers the argument that the circulation and cleansing mechanism of the atmosphere has demonstrated its ability to cope with the effect of such natural phenomena as major volcanic eruptions which suddenly inject into the stratosphere vast quantities of pollutants. In the Krakatoa explosion in Central America for instance, the destruction of an island containing 14 cubic miles of rock is considered to have placed on the stratosphere its greatest burden in recent times. The altitude attained by the debris was 150,000 feet. The residue circled the earth

for nearly one year. In this case the disturbance created by several cubic miles of water, chemicals and solids interacting with sunlight for more than a year, caused no noticeable effect on long term temperature cycles, world weather or life on earth.

Concorde estimates that 1,000 years of supersonic flights would be required to match the adverse effect in the stratosphere of the Krakatoa explosion, which in turn was not even noticed.

In respect of smoke, the final form of the Concorde is not expected to generate smoke, nor will it dump unwanted fuel from the drain tanks. Mr Allen asserted: "The company will offer the plane to the world airlines on the specific understanding that any possible environmental problem it might create would be our responsibility and we will resolve it."

The pound in W. Europe

E. B. Brook

Vienna.

WESTERN EUROPE is, at the moment, in almost as unsettled a frame of mind as it has experienced for a long time. Just when it should be settling down for its summer holidays till mid-September the British, threatened again, by a flight from their currency, allow the pound to float and the French, by their well-tryed technique of a political sulk, put the immediate future of fixing details for the Common Market's enlargement in doubt.

The most significant reaction has been the almost universal effort for self-reassurance; apart from the Danes who have also floated their kroner and the Italians who had to ask help to keep their lire within the agreed currency exchange limits, everyone has been saying the floating pound will not hurt them. Several nations, notably the French and the Spanish, took hurried opportunity to be nasty to the unfortunate British tourists in their midst; others, notably the Austrians whose economy is sizeably tourist, took pains to make the tourists' loss as small as possible. But, these national reactions apart, no one is really deceived — even by favourable OECD reports on their economies — that the marked and sustained weakness of two leading world currencies, the pound and the US dollar, cannot but effect their own well-being in the short or the long run. As behind the universal reassured smiles there is equally universal anxiety.

The extent of the British float has still to be seen in its full extent. Keeping their traditional stiff upper

lip, which must by this time be feeling somewhat strained, the British take their favourite effective devaluation number at 2.40 US dollars to the £, which was the value they should have insisted on in Washington last December, or approximately a 10 per cent devaluation. But this spartanly cheerful evaluation overlooks the fact that since the last British devaluation of 15 per cent in 1967 the dollar has been devalued against the rest of the world so that, allowing also for a small British revaluation of less than 2 per cent in December 1971, a further 10 per cent devaluation of the £ would mean a decrease in its value of at least 18 per cent compared with the pre-devaluation rate in 1967, only five years ago.

bleak outlook

When to this distressing fact is added the uncertain further strain on the pound when Britain joins the Common Market in six months' time the outlook for Britain is a good deal less than reassuring and a good deal less than certain also for all the other west Europeans.

The most encouraging development, apart from the spitefulnesses and meanesses that always show up on these occasions (and the British must remember that they were hated in France during the 1920s when the franc was having such serious and sustained trouble that their neighbours could actually take a short holiday with them and make a small profit on it) was that Europe did not

panic and was, at least officially, uncritical and cooperative.

This was the first time in west Europe when a major currency crisis did not lead to some very nasty wrangling. This time instead of falling apart, several European states — the Germans, Belgians and a few Frenchmen — rallied to support the pound by keeping to their contractual obligation to accept Britain's unwanted dollars as eventual payment for their support of sterling. This mandatory aid by central bank intervention has been used with intelligent flexibility and has set a very valuable precedent for a truer European integration. The avoidance of wrangling and recrimination at the Luxembourg meetings, also, was a big advance on last year's disagreements between that standard-bearer of Common Market financial policy Professor Schiller of Germany, and M. Giscard of France. Herr Schiller by accepting French insistence that the European central banks support the lira, keep the narrow margin allowed for official fluctuations in being and preserve European financial harmony has helped fend off what could have been a very threatening extension of the British float. Statesmen have, in fact, been very far ahead of many commentators in their understanding and helpfulness in an unsettled situation.

The biggest area for encouragement is that the British and the French have officially passed the first test of their policy friendship within the framework of the Common Market and have at least

prevented a step back from the prospect of a common monetary policy.

But each State is naturally and properly self-protective. West Germany's clear political objective must be to try to keep its own exchange rate undervalued and to maintain its balance of payments in considerable excess surplus. It is the more certain to take this line because in less than five months West Germany will have a general election with uncommonly sharp political contention and an almost vicious challenge to the present socialist government. The French interest will certainly concentrate on protecting French exports and a protective import policy — especially against the challenge of a cheaper pound — and on checking an inflow of investment from the United States. The Japanese have already clamped down with inward exchange controls and will try every means to maintain their almost miraculously large export surplus. The Italians, who will have a heavy bill to pay their colleagues for their support, have taken immediate steps to stop any more fugitive lira crossing the Alps into financially more secure Switzerland. The Swiss have stolidly refused to buy US dollars at their proper rate and have so diverted a still larger flood of them to Frankfurt.

ending uncertainty

With continuing uncertainty and an almost certain further floating downwards of the pound, with the added uncertainties implied by coming elections in the United States, in Federal Germany and, later, in France, many in west Europe fear that the early show of solidarity may not last, that the measures of mutual support may not be sufficient and that, in any case, it would have been healthier, if even more nerve racking, to allow the exchange market freely to indicate real values. Many German bankers are disturbed by the imposition of yet more exchange controls; they and many other bankers would have preferred to see a joint upward Common Market float against the US dollar.

The basic danger is in Europe, and elsewhere, that people after so many changes of exchange rates, bank rates, control measures and international monetary schemes, have lost confidence in the prevailing pattern of international exchange rates and see in floating the currencies the only way left to discover what they are really worth. A strong dose of reassurance is badly needed by the public, by investors and by banks themselves and, at the moment, it is by no means clear where it is to come from. The more reassuring talk, without reassuring action, there is from the British and others, the less will the public and the banks feel secure.

Save with grace

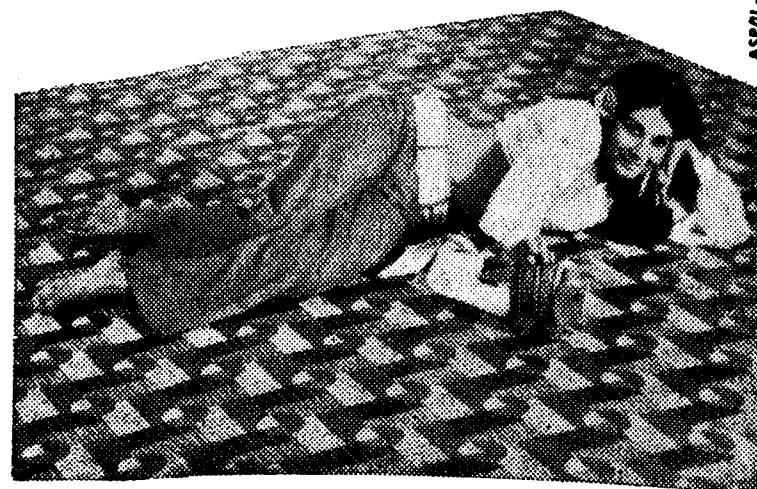
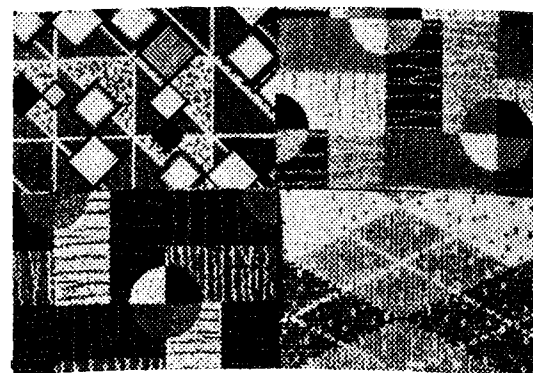
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ASPL-5

What is this man, Mr

Zulfikar Ali Bhutto? Is he a fantasist or a congenital liar? He told a crowd in Lahore that during his stay in Simla he chose to sleep on the floor and not on a cot because of his agonized awareness of the sufferings of the Pakistani prisoners of war in Indian camps. It appears, however, that Mr Bhutto did not in fact undergo any such self-imposed penance. On the contrary, his bed in his suite at Himachal Bhavan was duly slept in. This was as it should have been. So much care, after all, had been lavished by his hosts (and hostess) on the decor of his room.

The Jana Sangh has

taken a view which is critical of the Simla agreement. As a political party functioning in a democratic political set-up it has every right to express its point of view through all legitimate forms of protest or demonstration against this agreement. I do not see what justification there is for Congressmen in the capital to take it upon themselves to stage a violent confrontation with the Jana Sangh on this issue. The ruling party is free to support the government on the Simla agreement and mobilise public opinion in favour of the government's policy. This it could certainly have done without its local bosses and their followers going to the office of the Jana Sangh in New Delhi and demonstrating in front of it. The Simla agreement is not a sacred text. Nor is it self-evident that those who are in its favour can uphold its divinity only by making it impossible for unbelievers to have their say. The attitude of the Congress party in the capital becomes all the more objectionable when it is related to the fact that its ruling party status gives it unusual, extraordinary and unjustified advantages in terms of the liberties it may take with law and order.

Writing in this column

on June 23 I referred to Rajaji's demand that the central government should publish the report allegedly drawn up by the CBI about the Tamil Nadu chief minister if only to allay, as Rajaji put it, "the strong public suspicions that Sri Karunanidhi cannot defend himself against what

that report brings up". One of the popular Tamil weeklies, commenting on Rajaji's observations, was tactless enough to suggest that Rajaji would not have made such a statement without justification. As was only to be expected, the chief minister vehemently took issue with both Rajaji and the journal and he demanded reasonably enough that his detractors should not trade in insinuations but boldly come forward and spell out the charges against him so that he might proceed against them in a court of law for defamation. Unnerved obviously by the ferocious blasts of his fury, the journal concerned promptly published what some may consider a grovelling apology. Rajaji, however, has remained unrepentant and has cryptically written in *Swarajya* (of July 1) that "I repeat what I wrote some time ago that it would be in the public interest for the central government to publish the CBI report about Tamil Nadu affairs instead of leaving people to guess what it contains".

While speaking of 'Swa-

rajya' of July 1, I would like to share a delightful vignette, also from Rajaji's column in that issue, which relates to the election of Mr Piloo Mody as the President of the Swatantra Party on June 24. Writes Rajaji:

"When I tendered my blessings and good wishes not only on my behalf but also on behalf of his father, Sir Homy Mody, who was a great friend of mine, Shri Piloo Mody came up at once and bowed to me seeking my blessings. No camera took the picture but the charming scene will ever remain vivid in my memory".

It had not occurred to me before that Mr Piloo Mody's posterior was particularly photogenic, but then, handsome is as handsome does.

Among the advantages

of reminiscing is the opportunity it gives one of being selective and recounting only such anecdotes as are flattering to oneself. Mr P. L. Bhandari, formerly of the Indian Foreign Service, who writes entertaining pieces in the magazine section of *The Sunday Statesman* about the days he had spent abroad as a diplomat lying for his country, tells us in the issue of that newspaper dated July 2 of the fun and games

he had with a go-getting businessman of Indian origin in Lagos where Mr Bhandari was serving a term as Our Man in Nigeria. It appears that this businessman was caught by Nigerian customs in an attempt to smuggle an expensive diamond ring into Nigeria while returning from London where he had gone on a visit and that, having by then struck up a nice and useful acquaintance with Ambassador Bhandari, he more or less naturally made a bee-line to him and requested him to intercede on his behalf with the Nigerian authorities. Let Mr Bhandari tell the rest of the story in his own words:

"I told him I would see what I could do, and as I was calling on the Chief Justice that morning, I mentioned the matter, pointing out that Motilal was one of our community's leading lights, that he was a generous contributor to all charities and worthwhile causes, and that, so far as I was aware, he was a law-abiding citizen and a person deserving of the benefit of the doubt. The C.J. merely nodded his head but when I learned later that Motilal had been let off with a small fine, it was clear that my recommendation had had the desired effect."

This, of course, was not the end of the affair. Some time later Mr Motilal, not wanting to sleep too long on a favour received, went to Mr Bhandari with two return air tickets to Las Palmas where Mr Motilal happened to have a villa. The suggestion that the ambassador might take a holiday, all paid, was duly and sternly spurned and this, I presume, is the point of Mr Bhandari reminiscing about the misadventures of Mr Motilal. What intrigues me, however, is at what point exactly propriety begins. Is it, for instance, all right for an ambassador to plead for a suspected smuggler with the chief justice of the country to which he is accredited?

A cause becomes merely

a case when, it is argued out of selfishness. What repels me in the protests of rich newspapers against newsprint restrictions is the stench of greed that goes with it. Recently *The Hindu* notified its readers that it was not publishing some of the university examination results because of page restrictions. In the same issue, however, there appeared quite a few display advertisements. *The Hindu* is affluent enough to have forgone such advertisements for a few days in order to spare space for maintaining what is after all an essential service to the student community. I suppose that the public interest always comes first — i.e., in the sense, that it is invariably the first casualty.

VB

MOVING FINGER

EASTERN ECONOMIST

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JULY 14, 1972

African Economies

Surveys of African Economies (Vol. 4) : International Monetary Fund, Washington, D.C.; Pp 477; Price \$ 5 (Special price to university libraries, faculty members and students \$ 2.50).

Agricultural Planning and Co-operatives : R. N. Tewari; Sultan Chand & Sons, Delhi; 1972; Pp 100; Price Rs 15.

Performance of Public Enterprises : Papers read at the Indian Economic Conference, Gauhati, 1970; Popular Prakashan, Bombay; Pp 76; Price Rs 15.

Bangla Desh Economy—Problems and Prospects : Edited by V. K. R. V. Rao; Vikas Publications, Delhi; 1972; Pp 199; Price Rs 24.

Some Aspects of Long Term Co-operative Agricultural Finance : Agro-Economic Research Centre, Sardar Patel University, Vallabh Vidyanagar; Pp 176; Price Rs 15.

Price Trends in India : Suraj Bhan Agrawal; Sultan Chand & Sons, Delhi; 1972; Pp 234; Price Rs 25.

The fourth volume of *Surveys of African Economies* contains surveys of the economies of the Democratic Republic of Congo, the Malagasy Republic (Madagascar), Malawi, Mauritius and Zambia. They are all developing countries and are illustrative of the different types of economies found in Africa.

All these countries attained independence in the early 1960s, except Mauritius which became independent in 1968. These countries experienced varying rates of economic development during 1960s. The expansion of real income exceeded the growth of population in Zambia, Malawi and Madagascar, but not in Congo and Mauritius. Available data suggest that there are marked differences in per capita income in these countries, ranging from roughly \$ 50 a year in Malawi to over \$ 200 in Zambia.

structural similarity

The five countries surveyed have certain broad structural similarities. Agriculture, chiefly of the subsistence type, constitutes the principal means of livelihood. While the contribution of manufacturing industries to gross domestic product varies, it is nonetheless small and consists largely of primary processing of agricultural or mineral products and the production of simple consumer goods and import-substitute variety. Each country is an exporter largely of primary products which is mainly mineral in origin in

Congo and Zambia and agricultural in origin in Madagascar, Malawi and Mauritius. The export sector is the single most important factor determining the developments in the economy.

significant differences

These similarities however cloak significant differences in the kinds of problems faced by each country as well as its prospects for future growth. Thus, while each country's economy is heavily dependant upon the export of primary products, there are sharp differences in the extent of product diversification. Although Zambia and Congo are both primarily exporters of minerals, in 1969 copper accounted for 95 per cent of Zambia's exports compared with 60 per cent for Congo which also exported other minerals such as cobalt, industrial diamonds, tin and zinc as well as agricultural products such as coffee, palm oil and rubber. Therefore, while Zambia is basically a mining economy, its dependance on a single export commodity makes it closer in some respects to Mauritius, an agricultural economy where export of sugar accounts for about 95 per cent of total exports. But Zambia, unlike Mauritius has potential for diversifying the agricultural and mining sectors and possesses an abundant supply of land. Madagascar and Malawi also depend largely upon agricultural exports; unlike Mauritius however their exports are well diversified consisting of coffee, rice, clo-

ver and sugar in Madagascar and tobacco, tea, groundnuts and cotton in Malawi.

The problem of economic development encountered by these five countries differ considerably ranging from the need to strengthen the economic infrastructure in Congo to the need to broaden the production base in Mauritius. In addition, there are problems common to all these economies of expanding the size of the monetized sector, promoting the growth of manufacturing and related activities to help absorb increase in population, developing the agricultural sector and reducing the vulnerability of export earnings through diversification of production and exports. In fact these are the problems encountered by virtually every country on the African continent.

strengthening infrastructure

As regards economic policies pursued by these five countries, the principal thrust of the economic policies of each country has been toward the strengthening of infrastructure, diversification of the export sector, broadening of the production base by encouragement to manufacturing industry and promotion of agricultural diversification. The success attending these efforts so far has varied from country to country, the results reflecting not only differing resource endowments but also such factors as the inflow of foreign capital, fluctuations in export earnings resulting from natural causes or price behaviour on international markets and the difficulties faced in mobilising domestic savings. In implementing their economic policies, these countries have employed a variety of instruments including direct state intervention and joint ventures with private foreign and domestic interests. Reliance on foreign official loans and grants has been substantial in Malagasy Republic, Malawi and Mauritius, not so great in Zambia and relatively little in Congo.

Import and export taxes are the principal sources of government revenue in these five countries. However, the relative importance of the import and export sectors is not the same in all the five countries. Export taxes are of primary importance in the revenue structures of

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Congo and Zambia; in addition a significant contribution is made in these two countries by income and corporate taxes levied on the mining sector. Income taxes paid by sugar producers are a major source of revenue in Mauritius. By implication therefore the fiscal situation in these three countries is significantly affected by fluctuations in output and in earnings of the export sector. The revenue structures of the Malagasy Republic and Malawi however are characterised by a much greater dependence on import duties and hence on the level of imports. All the five countries have generally been in deficit as regards overall budgetary operations, though Malawi and Mauritius have made considerable progress in reducing the persistent deficits in their current budgets. The ratio of central government tax receipts to gross domestic product at current prices varies quite markedly, ranging from 10 per cent in Malawi to 34 per cent in Zambia.

With the exception of Congo, the monetary systems of these countries reflect their membership in larger currency areas—the French franc area in the case of the Malagasy Republic and the sterling area in the case of Malawi, Mauritius and Zambia. With the exception of Congo during the period 1960-66, monetary policy in these countries has been fairly successful in keeping the growth of domestic credit within acceptable limits as evidenced by the generally moderate price movements and by the continued maintenance of relatively liberal trade and payments systems.

Commercial banking in all these countries has been concentrated, as a rule, on the financing of trade and commerce and the short-term financing of crops, though there is some short-term lending to other sectors like manufacturing. Most of the commercial banks are foreign owned, but in Malawi and Zambia the government has a substantial participation in the banks.

colonial ties

The international trading pattern of each country continues to reflect its ties with the country that administered it before independence. The only countries of this group that have generally enjoyed a surplus in the balance of payments, both in goods and services account and overall, are Congo and Zambia. The other three have usually had a deficit on goods and services account. All the five countries are participants in the Special Drawing Rights (SDR) facility established by the IMF.

In general, the prospects for the continued economic development of these

countries appear to be promising. This is particularly so in the case of Congo which has vast and varied resources, both agricultural and mineral and low density of population which is only 18 to the square mile. Although Mauritius is burdened with severe population pressure (1100 to the square mile) and heavy dependence on production and export of sugar, there is potential for the development of other sectors, especially the tourist industry. The Malagasy Republic has varied agricultural and livestock resources and there is active prospecting for petroleum, bauxite and nickel. Zambia is well endowed with mineral resources and possesses an agricultural sector which has good potential. Malawi, though considerably smaller and with a greater density of population, has the advantage of varied agricultural resources. All in all, in all these countries except Congo, the small size of the domestic market has been acting as the main constraint on the expansion of manufacturing industries.

Like the other three volumes of *Surveys of African Economies* (which have all been already reviewed in these columns), this volume also contains excellent analysis and account of the five countries in Africa giving the readers a comprehensive picture of these developing economies. The reading of this volume will certainly broaden our understanding of the African continent which is now awake and has been experiencing the new winds of economic change.

CO-OPERATIVES IN AGRICULTURE

A satisfactory rate of expansion in agricultural output is essential to achieve the ideal of growth with stability aimed at in the fourth five-year Plan of India. With this end in view, High-Yielding Varieties Programme (HYVP) marks a turning point in the modernisation of Indian agriculture. But HYVP in cereals should be taken only as the forerunner of a more comprehensive green revolution for which the country has been preparing for so long. On the basis of present experience, it has become necessary to tone-up especially the organisational side of the programme and this is precisely what this small but excellent book deals with. Dr Tewari in his *Agricultural Planning And Co-operatives* has made an attempt to study the suitability of the process of planning and the mechanism for implementing a co-ordinated High-Yielding Varieties Programme in Rajasthan, to examine the validity of the co-operative structure in the state at the primary level, to assess the role of viable co-operatives in HYVP and to elaborate the deficiencies in the existing planning procedures of HYVP in Rajasthan. The

problem has been studied with reference to the three districts of Alwar, Bundi and Udaipur in Rajasthan, the author concentrating his attention on 30 co-operatives for intensive study.

Dr Tewari has arrived at some very significant conclusions. According to him, the study establishes that the whole process of HYVP planning is, by and large one-way traffic originating at the top and percolating to the bottom, even the target for additional agricultural production in the state being decided by the central government! The breakdown of the target to lower levels is a mechanical process being accepted by subordinate agencies as a matter of routine. In more than one ways, the HYVP is basically a seed-fertiliser revolution in which water management and multiple cropping has received low priority. This tendency is visible at all levels.

scarcity conditions

The author has emphasised that the agricultural policy in the state has hindered the growth of private trading in inputs like seed and fertilisers and in effect this public sector monopoly has created more often than not a scarcity condition within a plentiful supply position at certain locales. Creation of suitable sale depots for agricultural inputs in the rural areas has thus been neglected. The existing co-operative agencies have no motivation to go to the consumer. Very recently the state has permitted private trading in these inputs, the effects of which can be assessed only after some time.

As regards the implementation of HYVP, the multiplicity of departments which are zealous to maintain their separate identity have hindered co-operative efforts at the field level. The organisational set-up and the technical staff, particularly at the panchayat samiti and village levels, are thoroughly inadequate. The author is of the opinion that these officials should be put through a regular in-job training programme in agriculture with a strong practical bias. According to him the existing multi-purpose orientation and training deserve to be substituted by specialised work.

According to the author, in the implementation of HYVP, pressure points emerge really at the village level. Actual distribution of seed and fertilisers with supervision at the field level remains the most neglected part of the programme. Pinpointing specific responsibility for various failures has eluded the administration, the general tendency being to blame the bottom level worker, as if he

was the one person entirely responsible for the failure!

As regards credit operations it was found by the author that a major portion of the requirements of the HYVP was met by the farmers out of their own resources. Borrowing per acre from co-operatives under HYVP was too low compared to the scale of finances recommended as the minimum to obtain the 'package of inputs' for cash crops. The financing arrangements under HYVP was not popular with the borrowers. This underutilisation of the sanctioned credit limit indicates that the credit policy could not be geared to the level that HYVP required. This speaks poorly of the institutional financing arrangements. Since 1966 attempts are being made in Rajasthan to reorganise co-operatives and make them economically viable. It was estimated that the potential loss due to the non-fulfilment of credit business target in the three districts alone in 1968-69 amounted to Rs 5.21 crores. Keeping in view the scarcity of resources in the state and the demands of the growing agricultural sector, these losses and failures are truly staggering.

inefficient organisation

The author is of the opinion that for long the agricultural sector has lived with an inefficient form of economic organisation. Realism demands that the policy should be positive and dynamic. It should be realised that the problems of small farmers cannot be solved solely by resorting to co-operativisation. Attempts will have to be made to build-up an infrastructure more favourable to small farmers and open up economic alternatives beyond their farm operations.

On the basis of his analysis and findings Dr Tewari has put forward some very practical suggestions. He is of the opinion that at the district level there should be a district production board with a full-time senior officer at its head and the departmental identity of development department, district agricultural office, assistant registrar of co-operatives, minor and medium irrigation works department and district industrial office should be completely submerged in this board which alone should be held responsible for failure or success in agriculture and allied activities. HYVP planning and implementation should be one of its duties. State level officials and respective directorates should act only as supervisory establishments and for maintaining co-ordination of inter-district working. The board should have the expertise and autonomy to work out its programmes in conformity with the commitment of the state.

As regards the co-operative structure,

the author is of the opinion that after fixing the individual credit limit, the member should be given a negotiable voucher for kind inputs with the option to exchange these with any licensed dealer in the region. Regarding the actual utilisation of inputs, suitable checks and balances should be worked out with particular emphasis on inspection at the farm level. This arrangement will greatly facilitate input supply and encourage its use while at the same time develop free trade based on consumption. Also co-operatives should have an aggressive policy to weed out defaulting members. This step will induce farmers to be prompt and regular in repayment which also will promote productivity. The author has made a novel suggestion that a purpose-oriented interest rate policy charging a lower rate of interest on loans for productive purposes favouring farmers up to 15 acres of land and a higher rate for others should be thought of.

There is no doubt that HYVP has been functioning in most of the states in a haphazard manner and if the programme continues in its present form, it will soon exhaust itself away. And therefore to exploit its vast potentialities, a critical assessment of the programme was called for. Dr Tewari has done full justice to the problem and what he has suggested for Rajasthan is equally applicable to other states with local adaptation. Dr Tewari by this book has made significant contribution to our knowledge of agricultural problems and practices in India and therefore deserves compliments. Similar studies in other states are urgently called for to strengthen the foundations of the green revolution.

PUBLIC ENTERPRISES

As the title indicates, *Performance of Public Enterprises* contains the papers regarding the performance of public enterprises in India read at the Indian Economic Conference held at Gauhati in 1970. There are 23 papers in all dealing with various aspects of the problem. Here it is possible to draw attention to some of the more important papers only.

M. M. Khullar tries to answer the criticism about the poor performance by the public sector. He emphasises the social costs and benefits and not merely private costs and benefits and therefore would like to eliminate the profit criterion. S. N. Sinha on the other hand makes an attempt to calculate the total returns to the public exchequer by way of dividends, interest and taxes from investments made by government in these enterprises and concludes that the performance of the undertakings is very disappointing.

M. Balasubramaniam, using the data

for 1967-68, analyses the results by main categories such as engineering, chemicals and so on, but is unable to point out why different types of public enterprises show varying results. According to him, possible factors responsible for this are low utilisation capacity, inadequate attention to preventive maintenance and ineffective control over consumption materials.

limitations of profitability

S. C. Nandvani points out the limitations of profitability as a criterion of performance and yet emphasises the importance of profit-making in spite of these limitations. He takes a summary look at the performance of some of the public enterprises and emphasises the importance of shadow prices as an indispensable tool of analysis. R. K. Sinha gives data about the investment and financial results of various public enterprises and concludes that it will be difficult to generalise about public enterprises as many of them are functioning well and have made a tremendous impact in strengthening the foundations of our economy. R. L. Pitale thinks that it is necessary to lay down basic principles for the evaluation of the performance of the public sector enterprises. His main point seems to be that the products of public enterprises and other government activities affect the level of profitability in the private sector and therefore analysis of public sector enterprises by themselves may not be logical and correct.

According to P. K. Bhargava the reasons for low productivity in the case of public enterprises are the rigidity of rules, low salary, over-capitalisation, over-employment and functioning in fields many of which are characterised by relatively poor returns. S. C. Patnaik has analysed the working of six large government companies in Orissa and has discussed the problem of price policy and has suggested full cost pricing for public sector undertakings.

A. C. Minocha attempting a case study of Heavy Electricals from the point of capital formation has pointed out that material management has been poor and there has not been enough attention to economising the use of capital. B. Prasad assessing the performance of Hindustan Steel has emphasised that "If products of sophisticated capital intensive steel plants are to cost more than those of comparatively obsolete plants in the private sector, there appears to be no justification for imposing these white elephants on a poor country like India." The author maintains that HSL has failed to utilise the installed capacity, its output per worker has been showing a progressive decline and that there seems to be poor

discipline as indicated by the fact that in spite of over-staffing, overtime payments are the highest in HSL.

S. C. Patnaik examining the question of pricing of the irrigational projects in Orissa has suggested the idea of a two parts tariff—a basic rate imposed on landholders of the commanded area adequate to cover the overhead cost and a volumetric rate levied on the users of water adequate to cover the running expenses. He states that "it is necessary to proceed towards a volumetric rate based on marginal cost as a long-term objective to be realised by stages relating to the stages of agricultural development in the state." In his paper on the performance of state electricity boards, S. Chandrasekhar notes that in a number of states, the average price charged per unit of electricity has been lower than the average cost of production and yet the capacity has not been fully utilised. He emphasises the importance of running these undertakings on business lines. K. K. Sinha has pointed out that in his view the scope for capital formation through public enterprises is limited in a mixed economy.

As a rapporteur, H. K. Paranjpe has raised some very interesting questions which he wants the social scientists to consider. He has pointed out that the basic question in attempting to assess the performance of public undertakings is: what is the objective of the government in setting up the enterprise? What is that the government expects from it? Unless this is clearly defined, proper evaluation of the undertaking is obviously difficult.

major difficulty

The major difficulty in assessing the performance of public enterprises in India has been that "the objectives of public enterprises have been defined by different authorities and at different times in different terms." The result is that nobody is clear about the criteria by which their performance is to be judged. If the electricity board is expected to electrify as many villages as possible in a given period, should the performance be judged on the basis of profits or losses made by that board?

The same is true of the housing boards, the state transport, state trading corporation, commercial banks and other public undertakings. This is a just an appropriate approach and different criteria should be evolved by the government and social scientists to judge the performance of different types of public enterprises instead of just employing the criterion of profit to all of them. And yet even H. K. Paranjpe cannot deny, in view

of the vast unused capacity, over-staffing, heavy inventory and unsatisfactory labour-management relations, that the public enterprises in India could have produced things and services more cheaply than what they have been doing at present. In a poor developing economy, resources are necessarily scarce and must therefore be made the maximum use of. And therefore though a standard profit criterion may not be acceptable as a test of the performance of different public sector enterprises, the fact remains that there is enormous wastage of resources involved in most of the public enterprises in India.

This small book gives a fairly comprehensive picture of the different issues involved in judging the performance of public enterprise though the reader gets no definite answer to the problem of measuring their performance.

BANGLADESH

The emergence of Bangladesh has been an event of the greatest significance in the recent history of India. It has naturally stimulated a series of discussions and studies on various aspects of Bangladesh such as its economic viability, its economic prospects and future and its possible economic relations with the neighbouring countries, notably India.

Bangla Desh Economy—Problems and Prospects is the first book of its kind on the subject examining critically some of the basic issues such as reconstruction of Bangladesh economy, its industrialisation, food problem, trade and aid prospects, its economic co-operation with India and several other issues. The essays have been contributed by several eminent scholars in India and the book contains a masterly introduction by Dr V. K. R. V. Rao who has done well to bring out this volume at this opportune moment.

A. Sengupta and P. L. Verma have dealt with the economic history of Bangladesh when it was part of Pakistan and the manner in which its differential treatment brought about disparity and laid the foundation for economic despair which was partly the cause of the movement that finally brought about the separation and liberation of Bangladesh. According to the authors the initial position did not present any significant differences which at best were only marginal. The differences in treatment of the two wings began almost from the inception of Pakistan. With a system of import licensing and foreign exchange allocation, much depended upon government policy in determining both location and growth of industries in Pakistan.

Apart from the direct absorption of

East Pakistan's foreign exchange surplus for the development of West Pakistan, a part of this surplus was also drained off to West Pakistan by the sale of its manufactures to East Pakistan. In addition almost the whole of the foreign aid received by Pakistan in the earlier years and a major portion in subsequent years was used for the development of West Pakistan. Further, out of Rs 346.6 crores spent during ten years ending with 1959-60 on planned economic development of the country, the share of East Pakistan was only Rs 105.6 crores or less than 31 per cent and per capita expenditure about one-third of that in West Pakistan.

Another point of significance is the larger volume of private investment in West Pakistan which was due to discrimination in infrastructure facilities, commercial and industrial licenses, foreign exchange allocation and general government support including public expenditure. Thus private investment in West Pakistan during this period was Rs 537 crores as against Rs 237 crores in East Pakistan, in addition to 79 per cent of government expenditure in that wing.

The consequence of all this was that between 1949-50 and 1959-60 per capita income in East Pakistan rose only by 0.7 per cent a year as against two per cent in West Pakistan. In 1969-70, the per capita income in East Pakistan was Rs 339 as against Rs 500 in West Pakistan. The authors are of the opinion that East Pakistan was treated more or less like a colonial appendage of West Pakistan and thus in addition to cultural and other discrimination, suffered at the hands of the rulers of West Pakistan.

suggested measures

Other essays in the book deal with the problems which independent Bangladesh faces and the possible measures that could be adopted to deal with them.

Dr P. C. Joshi deals with the problem of agrarian relations and the need for giving priority to the implementation of suitable land reforms. Dr Ganguli emphasises the need to give immediate attention to agriculture, fisheries, poultry farming, animal husbandry and plantation agriculture in Bangladesh as also the importance of devising new agricultural varieties to suit climatic and other special features of the state and the possibilities of joint work by India and Bangladesh on the development of inland waterways.

Dr B. B. Bhattacharya has contributed a well documented paper on the external trade of Bangladesh. He has pointed out the difficult nature of the jute problem

that will now emerge with India and Bangladesh functioning in their new relationship of mutual regard and co-operation and suggests the possibility of the two countries setting up a jute community to handle their common problems of jute export. He has also discussed the possibility of India providing an alternative market and an alternative source of supply for the change that may take place in the exports and imports of Bangladesh in view of its strained relations with West Pakistan.

Dr A. M. Khusro has analysed the criteria that should be followed by India in developing its trade and investment relations with Bangladesh rather than the details of its trade and investment projects. He wants India to help promotion of exports from Bangladesh and has warned India against trying to replace its imports of manufactures from West Pakistan by Indian supplies, except to that extent that they cannot be produced in Bangladesh. While he is not against resuming the pre-partition trade with Bangladesh, he would put in a strong qualification that this should be done 'only if comparative advantages still lie in that direction'. Also taking in view our experience with foreign investments, he has suggested that lines of credit should be on government-to-government basis rather than through private sources. He has warned that whatever financial or technical aid is to be given to Bangladesh it should be only at the request of Bangladesh and in no case should India create the impression of extending Indian influence over that country.

suggested programme

Prof Sengupta begins by cautioning that India's own potential is limited and her ability to help Bangladesh reconstruction is small. He has therefore suggested a substantial programme of imports, a big programme of domestic procurement and immediate introduction of rationing throughout Bangladesh. He has also traced the problems that will arise with the attempts at reconstruction and points out the special need for preventing private trade from profiteering. He has also advocated nationalisation of banks. He deals with the immediate needs of agriculture in Bangladesh in term of fertilisers, pesticides and credit. Referring to manufacture, he points out that the immediate problem is one of getting production activities moving again and the need for immediate repairs to damaged plants, imports of destroyed items and giving credit and confidence to those in charge of production. He hopes that Bangladesh with its newly won independence would generate the sacrifice and dedicated efforts necessary to solve its

problems of economic reconstruction and regeneration.

Prof Chattopadhyay deals with the subject of not only the reconstruction of Bangladesh but also the related reconstruction of India. The author is in favour of mutual co-operation and integrated action for mutual benefit such as in the development of hydel power, development of inland waterways, flood control and setting up of jute community and possibly a tea community as well, if Ceylon is agreeable. He favours a perspective plan for the whole of the Lower Brahmaputra-Ganges basin that includes both Bangladesh and neighbouring parts of India.

Dr V. K. R. V. Rao has expressed his opinion that a bright future awaits both Bangladesh and India especially in the eastern region, if there is mutual understanding, mutual faith and mutually beneficial but co-operative and integrated action on the part of both the countries. Nature has given a certain identity of interests which political boundaries need not prevent full advantage being taken of for the lasting welfare and mutual benefit of the peoples of the two countries.

comprehensive idea

The book gives the general readers a fairly comprehensive idea of the nature of the economy and of the problems being faced by Bangladesh. Many essays however smack of superficiality as they are couched in very general terms. As regards policy prescriptions, most authors have tried to see things in Bangladesh in their own image which is a common human failing. Because certain policies failed in India, the authors assume that those policies will be inapplicable to Bangladesh. When an author speaks of establishing the economies of the eastern region of India and Bangladesh on the basis of comparative advantage, he clearly betrays immaturity.

Most of the authors while proclaiming that we must allow Bangladesh to shape its own policies and its destiny and that Indians must not impose their own views and will on them or even create that impression, have been presumptuous enough to advise Bangladesh on all matters including the policies which it should follow. Who are these people to tell Bangladesh to nationalise their banks, introduce land reforms and rationing and prohibit private trading? Giving gratuitous advice to the world at large seems to be in our blood and it is this trait that is likely to embitter our relations with Bangladesh in the long run. The authors seem to be even unaware of the

contradiction in which they have been indulging.

While welcoming events of 1971 in Bangladesh and hoping for bright future for the entire eastern region of the Indian subcontinent, our thoughts must be sobered by the events that took place in the latter part of 1940s in the same area.

FARM FINANCE

In view of the high hopes placed in the new strategy of agricultural development for achieving food self-sufficiency in India, there is the urgency to increase the area under irrigation and double cropping. Intensive efforts will have to be made to step up investment in private lift irrigation projects to achieve the above objectives and adequate and satisfactory arrangements will have to be made for the provision of finance to farmers with necessary long term capital to create facilities for irrigation. It is pointed out in *Some Aspects of Long Term Co-operative Agricultural Finance* that to this end, land development banks (formerly known as land mortgage banks in Gujarat and other states) can make a significant contribution.

The land development banks (LDB) in the country have been advancing long term loans to farmers for these and other developmental purposes for a considerable time. It is known that the effectiveness of these banks has not been uniform in different states. Also, little is known about the pattern of utilisation of loans taken by farmers from the LDBs. The present study is an attempt to throw light on these two aspects so far as they relate to Gujarat. The study was carried by Dr N. S. Jodha and Mr M. L. Bhat.

The present study focusses attention on the factors that have enabled the LDB in Gujarat to function effectively. For example, the study points out that the unitary structure of the LDB in Gujarat which is rather uncommon in the country has proved to be eminently suited for carrying out the programme of LDB in an effective manner. Other factors responsible for the successful working of the LDB in Gujarat are largeness of resources, uniformity of policy, appointment of competent and adequate staff and financial incentives that the staff were provided. The study however has revealed that the major factor has been the dynamic and forward looking leadership at the various levels of administration of the LDB in Gujarat.

The long term advances of the LDB in Gujarat have expanded considerably over the years. Between 1956-57 and 1967-68 the advances of the LDB increased about 14 times, the advances in

1967-68 standing at Rs 16.70 crores and the regular membership of the bank in the same year being 3.9 lakhs. It is to be specially noted that the benefits of these loans have been received by small as well as big farmers, though on account of the special criteria adopted for determining credit limits, the advances received by small farmers form relatively smaller proportion of the total loans granted.

It is to be noted that the LDB in Gujarat has been fairly successful in floating rural debentures. But as the study shows the success of LDB in this sphere appears striking only in contrast to the poor performance in this regard by LDBs in other states. The study has emphasised that the LDB needs to make more intensive and imaginative efforts to further popularise rural debentures.

As regards loaning procedures of the LDB, they are found to be cumbersome and in some respects superfluous. The study has emphasised that if these procedures are simplified and shortened, the benefits of long term loans will perhaps be taken by many more farmers.

Another important suggestion which the study makes is the setting up of a cell in the LDB for techno-economic surveys. This cell should conduct feasibility surveys in different areas of the state of Gujarat, as such technical studies would be helpful in properly assessing repaying capacity of borrowers which at present is determined rather unscientifically. The study has further shown that the extent of diversion of loans to other purposes than the one for which loans were taken is happily small.

Easily this is one of the finest studies the reviewer has come across on long term co-operative agricultural finance and should prove extremely useful not only to policy-makers but also to academic researchers who get here an excellent model for search on this subject in different states. Co-operation appears to be in doldrums and especially LDBs in most of the states are in a hopeless condition. It is a happy thought that LDB in Gujarat is an exception. This critical study of this bank should therefore provide answers to problems faced by LDBs in other states.

SPIRALLING PRICES

India's economic development during the last one and half decade has been characterised by rapidly rising prices. It is well-known that the erosion in the value of Indian rupee which commenced since 1955 has destroyed approximately three-fifth of its value. In spite of the completion of two decades of economic planning,

our monetary and fiscal policies have completely failed to tackle the problem of rising prices. The present book by Dr Suraj Bhan Agrawal in his *Price Trends in India* aims at highlighting the inflationary trends in the Indian economy and their impact on the structure and growth of Indian economy up to the first half of the fourth Plan period.

The analysis of price trends during the period of planning in India suggests two distinct trends: the one downward starting in April 1951 and continuing till May 1955 and the other upturn which commenced since June 1955 and continued throughout the second, third and fourth Plan period. Broadly speaking the prices tended to be downward during the first Plan period, but registered an average annual rise of 9.7 per cent between 1955-56 to 1970-71, the compound rate of price rise being 6.2 per cent annually.

It is to be noted that the contribution of 'food articles' and 'industrial raw materials group' to the total price change was more than the weight assigned to each one of them. According to the author, the two groups which together command a weight of only 65.9 per cent in the old series (base: 1952-53=100) and 53.4 per cent in the new series of wholesale price general index contributed to it more than nine-tenth of the decline during the first Plan period and were responsible for more than three-fourth of the rise between 1955-56 and 1970-71. This incidentally shows the importance of the agricultural sector in the Indian economy.

fluctuating trend

According to the author, the study of price trends during the planning period does not convincingly prove that there is any positive and definite correlation between commodity prices and growth in net national output. Economic growth in India during the first Plan period was not only unaccompanied by inflation but was actually associated with downward trend. On the other hand, the second and third Plan periods saw pronounced up-trend in the price level, but the domestic savings were much lower than anticipated. The rate of growth of national product (compound) of 4.0 per cent and 2.7 per cent per annum respectively during the second and third Plan were also lower than the targeted growth rates of five per cent and 5.4 per cent, respectively.

Surprisingly enough it has been found that there was no correspondence between the changes in foodgrain prices and changes in the area under foodgrain crops over the planning period. The sharp declining

trends in foodgrain prices were followed by substantial rise in the area under foodgrain production, while the up-trends were followed by little or negative changes in the area under foodgrains.

An analysis of index number of industrial production and prices also does not show any relationship between changes in prices and in the production of certain important groups of manufactured articles. Thus a negative inference may be drawn that the trends in industrial production and prices were independent and generally one did not motivate the other.

Also, though both prices and imports recorded sharp rises during the last decade, according to the author, no causal relationship between the two could be established.

effective policy

There is no doubt that an effective price policy is needed for successful implementation of planning and to ensure that further devaluations are not forced upon the country due to continuous up-trend in prices. The panacea for inflationary pressures is increase in internal production of all types of goods, agricultural and manufacturing. Merely trying to meet shortages through controls will not check inflation. To curb inflationary pressures efforts should be made to bring about proportionate rise in productivity with every wage increase in the industrial sector. Emphasis should be laid on small and medium projects to bring about quick and favourable results. At the same time, concerted efforts to keep down population growth are also essential.

The author has rightly insisted that there should be a reorientation in our planning techniques so that 'our planning becomes resource based instead of target based' as it has been so far. The inflationary pressures can be subdued if resort to deficit financing is avoided and the tax structure is reconstituted to include tax on agricultural incomes. What is more, there should also be economy in government expenditure. The author opines that the dismantling of all the non-essential controls may result in considerable savings in expenditure and may stimulate economic development.

On the basis of his analysis and findings, the author has concluded that to ensure satisfactory rate of growth of the economy and of national and per capita income, the use of appropriate monetary and fiscal policies along with efforts to increase production is necessary so that monetary stability is rendered possible and infla-

ionary trends which are in evidence since June 1955 may be effectively checked.

There is nothing original or new in this book dealing with the problem of prices

in India and yet it contains a neat and fairly comprehensive summary of the material spread over a number of books. The study should therefore be of great use to students of graduate classes.

Books Received

The Inter Governmental Group on Indonesia (I.G.G.I.): G. A. Posthumus; Rotterdam University Press; Distributors: Academic Book Services Holland, P.O. Box 66, Groningen, Netherlands; Pp 68.

A New Strategy in Agriculture (A Collection of the Speeches by C. Subramanian): Published by the Indian Council of Agricultural Research; Pp 294.

The Social Security System of India: N. Hasan; S. Chand & Co (Pvt) Ltd, Ram Nagar, New Delhi-55; Pp 252; Price Rs 35.

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Practical Politics in the United States: Cornelius P. Cotter; Affiliated East-West Press Pvt Ltd, 9, Nizamuddin East, New Delhi-13; Pp 351; Price Rs 5.

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The Mechanics of Management by Objectives—Preparing and Writing Objectives: Howard P. Mold (Bulletin Number 37); Can be purchased from Bookstore 1-51, California Institute of Technology, Pasadena, California 91109; Price \$ 2.00 plus mailing costs and sales tax in California.

Japan's Relations with South-east Asia: 1952-60: K. V. Kesavan; Somaiya Publications Pvt. Ltd; Pp 243; Price Rs 30.

Regional Development Banking: R. M. Saksena; Somaiya Publications Pvt Ltd; Pp 124; Price Rs 20.

Dynamic Management: Research and Development: M. Srinivasan; Somaiya Publications Pvt Ltd; Pp 324; Price Rs 45.

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Tax Burden on Agriculture in India: Dr K.N. Reddy; Good Companions Publishers, Raopura, Baroda; Pp 110; Price Rs 15.

Economics of Dry Farming in Tamil Nadu: R. K. Sampath and Jayalakshmi Ganesan; Sangam Publishers, 11, Sunkurama Chetty Street, Madras-1; Pp 128; Price Rs 12.

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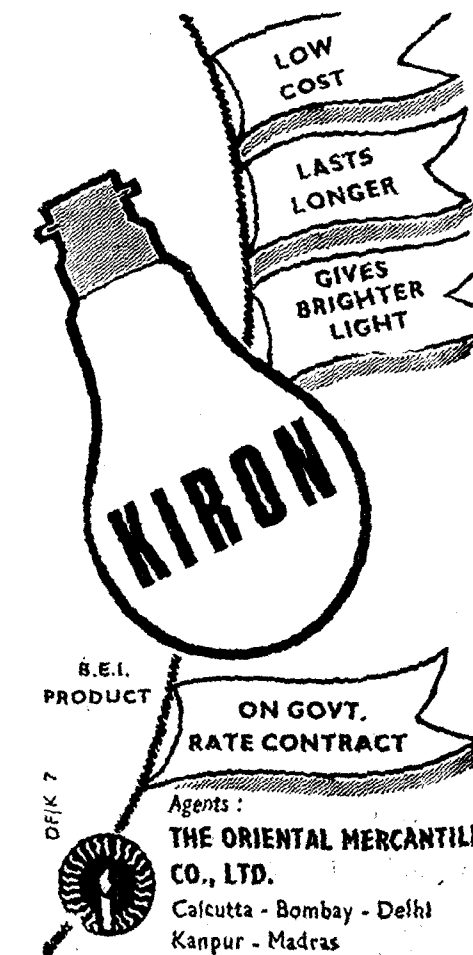
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TRADE WINDS

British Loan to India

BRITAIN is making available to India a loan of £5,042,000 for the purchase of a 25,000 ton tanker for the Great Eastern Shipping Company of India. The ship is scheduled for delivery in 1973. The loan will be entirely free of interest or any other service charge and will be repaid over a period of 25 years including a grace period of seven years. Last year Britain extended to India two loans of over £17 million for the purchase of two bulk carriers of 75,000 DWT each by the Shipping Corporation of India and one bulk carrier of the same size by the Scindia Steam Navigation Company. At the end of the fourth Plan, the Indian Merchant Fleet is expected to carry about 40 per cent of her overseas trade.

India and Poland

India and Poland agreed to abolish visa fees for travel between the two countries. This decision was taken on July 7 at Warsaw at the opening session of the formal talks between Mr Swaran Singh, our Minister for External Affairs and his counterpart Mr Stefan Olszowski. In order to strengthen its ties with India, Poland has agreed to advance the delivery date for a 55,000-ton bulk carrier ordered by this country. The ship will now be made available to India two years ahead of schedule in 1975 in response to this country's request.

Nepal's Budget

Nepal's budget for 1972-73 shows a deficit of Rs 37.55 crores. The budget proposals have raised the revenue by Rs 34 crores over last year's revised estimates. The emphasis,

according to Mr Kirtinidhi Bista, the Finance Minister, was on taxing the rich and checking their increasing consumption of luxury goods. The yield from direct taxes on urban property worth Rs 50,000 will be around Rs 25 lakhs. The new excise duty on some of the industrial products will fetch about Rs 25 lakhs while the revision and imposition of sales tax on items hitherto exempted will yield about Rs 30 lakhs. A new tax on cars, jeeps and minibuses will bring in Rs 25 lakhs. The budget proposals indicate Nepal's heavy dependence on foreign aid. Nepal is expecting to get Rs 29.10 crores by way of aid, India topping the list of donors with a little over Rs 11 crores.

Hindustan Steel

Aggregate production from the three mild steel plants was 279,900 tonnes of ingots and 202,600 tonnes of saleable steel in June as compared to 288,100 tonnes of ingots and 222,600 tonnes of saleable steel in May, 1972.

Despatches continued to suffer mainly due to inadequate availability of wagons. In Bhilai, especially heavy stocks of more than 76,000 tonnes of pig iron have resulted in restricted operation of blast furnaces during part of the month. Total movable stocks of saleable steel at the three plants increased during the month from 97,000 tonnes on June 1, 1972 to 117,000 tonnes on July 1, 1972. Similarly movable stocks of pig iron also went up from 69,200 tonnes to 91,000 tonnes during the month. (See table alongside)

Expansion of Bhilai

A protocol for the expansion of the Bhilai Steel Plant was

signed in Moscow on July 3, 1972, by Mr V.A. Sergeev, Deputy Chairman of the State Committee for Foreign Economic Relations of the Council of Ministers of the USSR and Mr Ambadi Demodaran, Minister-Counsellor in the Embassy of India. The agreement provides for the increase of the capacity of the plant to four million tonnes of steel per year.

Import of Dry Fruit

The government of India is planning to take over the entire dry fruit import trade, eliminating private traders who have over the years made huge profits by charging exorbitant rates. The decision to set up a Fruit Trading Corporation (FTC) was announced recently by Foreign Trade Minister, Mr L.N. Mishra, at the meeting of the Parliamentary Consultative Committee attached to his ministry.

Mr Mishra also announced the government's decision to canalise the entire coir export trade through the State Trading Corporation. This was being done, he said, to safeguard the interests of coir goods manufacturers and the workers employed in this vital and labour-intensive industry so as to put it on a sound footing.

Dakar International Fair

India will participate in the forthcoming International Fair scheduled to be held in Dakar (Senegal) from February 15 to March 4, 1973. The participation is aimed at projecting India's industrial and export

capabilities and technological advancement. India's trade with Senegal has been negligible at present. Considerable scope, however, exists for expanding trade between the two countries to their mutual benefit.

Laws on Boilers

A twelve-man committee has been setup for a comprehensive review of existing laws on boilers and unfired pressure vessels and to make recommendations for their improvement. Mr K.B. Rao, Director-General of Technical Development, Ministry of Industrial Development, will be the chairman of the committee.

The committee will enquire whether the existing machinery for inspection of boiler, under manufacture and under use, is adequate to ensure satisfactory inspection and, if not, to recommend steps to improve inspecting machinery including amendment of the existing law. The committee will also consider whether the existing legal provisions are adequate to resolve expeditiously interstate differences of opinion among the inspecting organisations and differences between the manufacturers and inspecting authorities and, if not, to recommend steps to be taken for the purpose including amendment of the existing laws.

Transmitter at Gorakhpur

A 100 KW medium-wave transmitter of All India Radio costing about Rs 42 lakhs is ready to be commissioned at

Hindustan Steel : Plantwise Performance (in '000 tonnes)

Plant	June 1972		May 1972	
	Ingots steel	Saleable steel	Ingots steel	Saleable steel
Production				
Bhilai	145.0	131.0	153.0	135.0
Durgapur	49.4	25.3	54.7	42.9
Rourkela	85.5	46.3	80.3	44.7
Total	279.9	202.6	288.0	222.6
ASP	3.156	1.308	4.662	2.319

Gorakhpur shortly. The transmitter is located in an area of about 20 acres on the Gorakhpur-Maharajganj Road, and has a 115 metre high tower as its antenna. With the commissioning of this transmitter, which will operate on a frequency of 910 KHz and a wave length of 329.7 metres, an area of 80 per cent and a population of 92 per cent, in the eastern districts of Uttar Pradesh, would be covered. At present, only 74 per cent of the area and 82 per cent of its population is covered. During late evenings, adjacent parts of Nepal are also expected to be served by this transmitter.

Irrigation and Power

The following are a few important resolutions passed by the Irrigation and Power Ministers Conference which concluded in Srinagar on July 1, 1972.

The conference notes with satisfaction that as a result of the various steps taken in the last decade, the national average of utilisation of potential from major and medium irrigation projects is as high as 88 per cent. There are, however, areas and regions where utilisation is much below the national average and offers scope for accelerating the utilisation of the potential. The conference recommends that the state governments should undertake a special study to identify such areas and to ascertain the reasons for the shortfall and take necessary action to improve the utilisation.

The Conference appointed a six-man committee with Mr Vasant Rao Patil, Minister of Irrigation, Maharashtra, to look into the reasons for this under-utilisation and suggest remedial measures.

The conference notes that preliminary studies made by the Ministry of Irrigation and Power envisage the creation of an additional irrigation potential of 6.5 million hectares with an outlay of Rs 2,230 crores during the fifth five-year Plan period. The conference recommends that the state governments should make detailed studies and for-

mulate specific schemes for implementation during the fifth Plan period.

Special note has to be taken of the recommendation made by the commission that projects should be constructed at an optimum pace determined by technical considerations and that adequate funds must be provided for the purpose. Further if a scheme is too large for timely financing from the state's own resources, the union government, at the request of state governments may make special financial arrangements. The conference recommends that the government of India should keep a part of the central assistance during the fifth Plan in reserve for assistance to complete selected irrigation projects which are in an advanced stage of completion and to reduce the imbalance in the level of irrigation.

The conference having noted the studies made and proposals framed by the Ministry of Irrigation and Power in regard to the power development programme resolves that targets of 41 million KW of installed generating capacity by the end of the fifth Plan and 52 million KW by the end of the decade (1971-81) and the corresponding expansion in the capacity of the transmission and distribution systems, including inter-state and inter-regional transmission lines may be set for the power sector in the country. Advance action for timely achievement of the targets may be initiated immediately.

Arbitration

The National Arbitration Promotion Board in its fifth meeting held in the Capital on July 3, 1972, endorsed the suggestion made by Mr R.K. Khadilkar, Minister for Labour and Rehabilitation that arbitration should normally be accepted as the next step for resolving industrial disputes, when efforts of negotiations and conciliation fail. The members however urged that the government should bear the arbitration costs to facilitate acceptance of voluntary arbitration as a speedier

method of settling industrial disputes.

The representatives of the state government on the board, however, found it difficult to support this proposal unless the matter had been thoroughly gone into by the state governments in all its aspects. The union Labour Minister promised to have the matter examined as quickly as possible.

Expressing his satisfaction with the progress already made by the National Arbitration Promotion Board, in propagating the idea of Voluntary Arbitration, the minister was happy to note that some state governments had already set up such boards at state levels and response from other state governments to his appeal for setting up such boards was also encouraging.

The board took a number of other important decisions to give an impetus to the institution of voluntary arbitration. It finalised an aide memoire of guidelines for arbitrators so that they could function in a manner which would inspire confidence in the institution of Voluntary Arbitration.

Handicrafts

The All India Handicrafts Board has fixed the export target for handicrafts in the fifth five-year Plan at Rs 200 crores. This was decided by the All India Handicrafts Board at its fourth meeting held in New Delhi on July 4, 1972. Speaking at the meeting, Mr Y.T. Shah, Additional Secretary in the Ministry of Foreign Trade emphasised that the export strategy for achieving the Rs 200 crore target should be evolved in relation to the resources of raw materials and production capacity in the country. Structural facilities such as expansion of design centres' activities, holding of design exhibitions, Mr Shah said, should be carefully examined so that the total production of handicrafts goes up.

Speaking on the strategy of internal marketing of handicrafts, the Development Commissioner for Handicrafts, Mr D.N. Saraf, brought out the need for setting up a National Handicrafts Marketing Cor-

poration which could co-ordinate the activities of the state handicrafts marketing corporations generally and also identify the raw material requirements of every craft and ensure proper distribution to the manufacturers. The central corporation would also arrange credit facilities for craftsmen and marketing organisations in co-operation with the banks and state financial corporations.

Banspani-Jhakapura Rail Line

Work on the engineering survey for the proposed Banspani-Jhakapura rail line in Orissa is likely to be taken up soon after the monsoons. An assurance to this effect was given recently by Mr K. Hanumanthaiya, Minister of Railways, to Mrs. Nandini Satpathy, Chief Minister of Orissa. The new link when ready will be used for transporting ore from Malangtoli deposits to Paradip. The construction of the new rail line is linked with the development of Malangtoli ore deposits. A working group is now examining the ore and mining potential there. The clearance for mining the area will, however, await the working group's report. The proposed link will have to synchronise with production from the Malangtoli deposits. The estimated cost of the new link, including line capacity works to connect existing East Coast line, will be about Rs 43.5 crores. The period of construction will be about four years.

Mass media

Stressing the need for a deliberate development orientation in the working of mass media and in the attitudes of information, publicity and journalistic people, Mr C. Subramaniam, Minister of Planning, Science

CORRECTION

In the article 'The Game of Numbers' on page 9 of *Eastern Economist* dated July 7, in the 16th line of second para in first column, please read 561 for 461. The error is regretted.

and Technology said in New Delhi on July 3, 1972, that "we do not wish to bring about any contraction or concentration of sources of news and of the varied ways of expressing opinion". Mr Subramaniam was speaking at the first meeting of the Steering Group on Information Activities and Plan Publicity Schemes, set up by the Planning Commission in connection with the preparation of the fifth five-year Plan.

The Steering Group has been set up to provide a publicity perspective and guidance to the central and state governments in the formulation of fifth Plan schemes with regard to information activities, publicity programmes and also schemes relating to public co-operation for planning activities.

Thompson Rural Market Index

Which is the top-ranking rural market in India? According to the rating by *Thompson Rural Market Index*, this distinction goes to the Midnapore district of West Bengal out of all the 355 districts in the country. Though not all these 355 districts are covered, the Index is fully representative, in that no less than 334 districts, for which all the relevant authentic indicators — 11 in all, including human, animal and physical factors — are available, have been surveyed. (why 21 districts have had to be excluded is also explained in the publication). Meticulous care has been taken in selecting the data and allotting due weightage to the different factors which have gone into the making up of the Index.

As in the case of their Urban Market Study, Hindustan Thompson Associates have also been pioneers in their Rural Market study. The Green Revolution which has put more money into the pockets of the villagers and the steadily increasing stress on rural development by government which has appreciably increased the outlays on projects in these areas, the market potential of these areas has acquired signi-

ficance. Some idea of the addition to farm incomes can be had from the sharp rise in the estimate of additional income generated in the rural sector from Rs 1500 crores in 1967-68 to Rs 4600 crores in 1974-75. Coupled with higher education and the growing degree of sophistication accompanying it, these areas have steadily gained prominence and no marketing agency can afford to ignore them any longer. *Thompson Rural Market Index* (Pp. 67; price Rs 100; Hindustan Thompson Associates Ltd., Express Towers, Nariman point Bombay-20) comes in handy, for the compilation has followed a careful analysis of all the factors relevant to the scientific exploration of the rural market potential.

Bharat Electronics

The state-owned Bharat Electronics Limited (BEL) has shown an increase of one crore of rupees in its pre-tax profit in 1971-72. BEL had recommended a dividend of 12 per cent same as last year to the government.

BEL increased its production from Rs 29.40 crores in 1970-71 to Rs 32.82 crores in 1971-72. The production target was Rs 31.88 crores. BEL has no intention to produce TV receivers. It will concentrate on the production of TV transmitters and picture tubes.

The factory at Ghaziabad was expected to commence production at the end of 1973. The gross profit was Rs 623 lakhs against Rs 520 lakhs in the previous year. At present, BEL has been working on a subcontract for International Computers Limited.

Production in 1971-72 reached an all-time high at Rs 33.33 crores. The company manufactured this year for the first time a 100 Kw transmitter. It also produced new items of equipment in the HF and VHF ranges. The important items introduced during the year included hybrid micro circuits, vacuum capacitors, barriers layer type of ceramic capacitors, ceramic and vapotron tubes. BEL has plans to manufacture antennas and

masts, the demand for which is of the order of Rs 75 lakhs per year.

Indo-British Air Charter

Air Charter services between India and the UK have been given a fresh lease of life for three months. The BOAC and Air-India, under a bilateral agreement, can continue to operate a weekly charter service between the two countries till September, 1972. The existing agreement, which expired on June 30 was itself a three month extension of the earlier agreement.

Literacy Rate

In the past decade, the literacy rate in the country has increased from 24.03 to 29.34 per cent. Kerala leads the rest of the country with a rate of 60.16 per cent followed by Tamilnadu. Among union territories, Chandigarh has the highest number of literates followed by Delhi, Goa, Daman and Diu. Literacy among females has increased from 12.95 per cent in 1961 to 18.44 per cent in 1971. The percentage of male literates has also increased from 34.45 in 1961 to 39.51 in 1971.

Joint Workshop on Employment

The Expert Committee on Unemployment set up by the government of India is organising in the capital a workshop on Employment Generation in collaboration with ILO from August 2 to August 7, 1972. The ILO will provide technical consultancy and experts for actively participating in the workshop. The workshop will be held under the chairmanship of Mr B. Bhagavati who is also the Chairman of the Expert Committee on Unemployment and it will be inaugurated by Mr R. K. Khadilkar, union Minister of Labour and Rehabilitation. About 50 experts are expected to participate in the workshop—35 from India and about 15 from the ILO.

This joint workshop will focus attention on some aspects

of the current unemployment problem and elicit views and practical suggestions from a knowledgeable body of persons including experts of the ILO and devise programmes, both long-term and short-term, of employment generation so that the current deterioration in unemployment position might be stemmed and the problem tackled in an effective way.

Companies Act

Mr K. V. Raghunatha Reddy, Minister of Company Affairs, recently told the Consultative Committee of Members of Parliament attached to the Department of Company Affairs that draft bill to amend the companies act had been approved by a cabinet committee and it would go now to the cabinet for approval. Mr. Reddy also stated that a proposal to give statutory recognition to small shareholders' organisations could be actively considered and certain obligations to be cast on them so that they could act as watchdogs on behalf of the public. Mr C. C. Desai, raised the need for reforms in company disclosures. He expressed the view that companies with different units, geographically separated and some times producing different kinds of products, did not disclose unit-wise profitability or performance. As a result, the shareholder is at a loss to understand the unit-wise performance. This should be rectified.

The plea for reform of company disclosures also covered the need for uniformity in the mode of evaluation of stocks, complete information relating to payments to auditors for not only audit service but also other services rendered such as advice on taxation, management, etc.

The appointment of auditors as it obtains now came in for severe criticism. Mr Ramakrishna Reddy who had raised this subject demanded the takeover of the audit functions by the government.

The erstwhile managing agencies which had converted themselves into various mana-

gerial, commercial or other services to be employed by companies which they were managing previously was discussed. The minister said that several such instances to continue the managing agents association and clandestine control of companies had come to the government's notice. A close watch is being maintained over these attempts to circumvent the law and legislative action is in progress.

ADB Survey

An Asian Development Bank (ADB) survey of seven countries has come to the conclusion that South-east Asia's long-term economic outlook has become generally favourable because of rising demand for its resources. The seven nations covered in the survey were Indonesia, Laos, Malaysia, the Philippines, Singapore, Vietnam and Thailand.

The South-east Asian picture over the next 18 years, as seen by the ADB, is determined by metals, petroleum and tourism coming to the fore. There will be dramatic gains, too, for vegetable oils, rubber and food-grains. But overall, agriculture will remain static and gradually decline from the mid-1980s. Annual population growth of well over 2.7 per cent will also eat into much of the economic gains.

"The favourable outlook for South-east Asia is based in large part on the fact that many of its resources are becoming increasingly scarce in the world," the ADB report said. "The entire structure of the region's economy can be expected to change."

Japan will be South-east Asia's main market for metallic minerals. By 1990, Japan's requirements for copper, aluminium, iron and nickel alone may exceed more than \$35,000 m. Thus there will be more Japanese offers of financial and technical aid in return for long-term supply contracts in the future.

The ADB predicts copper, nickel and tin will be the most important metallic minerals and metals for export from the region during the next two decades, with Indonesia and

the Philippines as major producers. Iron ore, alumina, columbium and tantalum are likely to remain small but Indonesia and Thailand will join Malaysia as significant tin exporters by 1990.

Vanaspatti Prices

The prices of vanaspatti have been increased by 20 paise per Kg. in all the four zones, with effect from June 23, 1972. A press note issued by the Ministry of Agriculture says that the price hike has been allowed in view of the increase in prices of groundnut oil during recent weeks. The maximum retail prices of vanaspatti in different pack-sizes, and when sold loose, exclusive of sales tax and other local taxes, will be as given in table alongside.

National Awards for Exports

The second set of National Awards for Exports for the period 1968-69 were presented in the capital at a special function held in Vigyan Bhavan recently. Mr A.C. George, union Deputy Minister for Foreign Trade, presided over the function and gave away the awards.

Following were the winners of awards with field of export (in brackets):

M/s The Bombay Dyeing & Manufacturing Co. Ltd., Neville House, Graham Road, Ballard Estate, Bombay-1. (Cotton textiles).

M/s The All India Handloom Fabrics Marketing Co-operative Society Ltd., 10, Sunkurama Chetty Road, Madras-1. (Handloom fabrics)

M/s Hindustan Steel Ltd., P.O. Hinoo, Ranchi. (Iron & Steel)

M/s T.I. Cycles of India, Ambattur, Madras-53. (Cycles)

M/s Hindustan Aluminium Corporation Ltd., 10-Camac Street, Calcutta-17. (Aluminium) (Primary metal, rolled products etc.)

M/s Bhor Industries Pvt. Ltd., 392-Veer Savarkar Marg, Bombay-25 DD. (PVC leather cloth, sheeting and allied products).

M/s Mahendra Brothers,

7-Dahanji Street, Naranidhan Bhuvan, Bombay-3: (Cut & polished diamonds).

The Engineering Export Promotion Council World Trade Centre, 14/1B, Ezra Street, (3rd floor), Calcutta-1: (Engineering goods.)

Zone	16.5 Kg (Rs)	4 Kg (Rs)	2Kg (Rs)	Loose per Kg (Rs)
North	84.26	22.44	11.74	5.11
South	81.55	21.78	11.41	4.94
East	84.65	22.54	11.78	5.13
West	83.08	22.15	11.59	5.04

M/s Tata Exports Ltd., Block, A, Shivsagar Estate, Dr. Annie Besant Road, Worli, Bombay-18: (Engineering textiles, chemical and other products.)

Twenty-seven other firms and Export Promotion Councils received Certificates of Merit.

Speaking on the occasion Mr A.C. George said that the country's ambition of self-sustained growth cannot be fulfilled without a progressive

increase in our exports. This situation, he said, has been even more acutely clarified by the uncertainty now enveloping the future receipt of foreign aid. Mr George called upon the exporting houses to introduce a greater degree of research and expertise in a sys-

tematic exploitation of overseas markets and to keep abreast of modern developments in a rapidly moving age, both in respect of changes taking place here in India and abroad. Greater sophistication and greater utilisation of the available tools and facilities must be introduced

Self-Reliance

Mr H. Lal, Secretary, Ministry of Foreign Trade, stated in the capital recently that the pace of economic progress in

our country would be determined by efficiency, sense of discipline and the capacity to mobilise domestic resources. Inaugurating the 67th annual general meeting of the Punjab, Haryana and Delhi Chamber of Commerce, Mr Lal said: "The deliberations at UNCTAD-III should convince us that development cannot be imported from abroad". Stressing the need for achievement of a self-reliant economy through exports, Mr Lal said that India's export earnings must at least be doubled in the present decade to enable it to dispense with foreign aid. Industry must learn to discipline itself for quality and cost consciousness and should regard export as a national duty. It should not succumb to the temptations of large and easy profits in the domestic market for its entire production. Mr Lal added that the capacity to export required, among other things, much greater attention to research and development in Indian industry than had been the case in the past. On its part, he said, the government was committed to do everything in its power to facilitate expansion of the export sector.

"We recognise that a stable policy framework is essential for enabling entrepreneurs to take a long view of export ventures", Mr Lal added. Welcoming the idea of a joint sector given by the chamber, Mr Lal said he was convinced that the concept of joint-sector could make valuable contribution in combining efficiency and fair distribution of income and wealth. "I fully agree that the ground rules for the operation of a joint sector must be unambiguous enough to enable managements to take business decisions," he added.

Mr Man Phool Chopra, chairman of Punjab, Haryana and Delhi Chamber of Commerce and Industry, in his speech said the main hurdle to rapid growth and creation of adequate employment opportunities was the failure to adopt a "systems approach" in the country's Plan and policies. The government had yet to give a management orientation to the decision-making units, as well as executive agen-

cies, with the result that a gap had developed between Plan and performances, he added. He wanted the state trading agencies to pattern their operations on accepted commercial principles. The present supply of canalised items of raw materials was inadequate and high priced, Mr Chopra said. There should be continuous consultation with the users and the import-export authorities, added Mr Chopra.

Faster Economic Growth

That the economy is poised for faster growth and the government, industry, managers, technocrats and workmen should join hands to achieve this task was the theme of the speeches of Mr Y.B. Chavan and Mr K.N. Modi, president of the All-India Manufacturers' Organization, in Bombay recently. Opening the organization's 32nd annual general meeting Mr Chavan said (the speech was read in his absence by Dr Rafiq Zakaria, Maharashtra's Health Minister); "The Indian economy is endowed enough for us to think in terms of faster growth and complete eradication of poverty and unemployment within the foreseeable future".

Mr Chavan said he was aware of the shortcomings of the fiscal system which needed to be streamlined and rationalised to ensure success of development plans. The government intended to introduce legislation to improve the system of taxation after examining the Wanchoo Committee's report, he added. The government had already appointed a committee headed by Dr K.N. Raj to suggest measures for taxation on incomes and wealth in the farm sector, Mr Chavan pointed out.

In his presidential speech, Mr K.N. Modi said that the assault on poverty needed immense resources which could be had only through faster growth of the economy. The aim should be to increase the overall GNP by 10 per cent and industrial production by 12 to 15 per cent per annum during the fifth five-year Plan period. Mr Modi added: "We have not had a better atmosphere than the present one

for faster development...the industrialists and businessmen in the country would willingly co-operate with the government in this effort."

Electric Typewriters

The Hindustan Teleprinters Ltd. has been registered for manufacture of 500 electric typewriters annually. According to present assessment the company, a public sector enterprise, will be able to manufacture the first batch of electric typewriters with indigenous design by the end of this year or yearly next year. The manufacturing capacity of 500 will be increased substantially in due course to meet, along with other manufacturers, the entire demand of electric typewriters in the country.

The Hindustan Teleprinters Ltd is at present manufacturing teleprinters and other ancillary equipment and proposes to manufacture electric typewriters, out of its own internal resources, entirely indigenously by utilising the machinery and technical skill developed for manufacture of printers.

The first prototype of electric typewriter developed by the Hindustan Teleprinters Ltd. has been successfully tried out and the factory is assembling the second prototype of this machine.

Names in the News

Mr N. Mahalingam of Sakthi Group has been elected chairman of the Tamilnadu branch of the South Indian Sugar Mills Association for the year 1972-73. Mr P. Maruthai Pillai of Aruna Sugars was the former chairman. Mr V. S. Tyagaraja Mudaliar of Thiru Arooran Sugars Ltd., is the vice-chairman.

Mr K. M. Mammen Mappiah, Managing Director, Madras Rubber Factory Ltd, Madras has been elected the President of Hindustan Chamber of Commerce, Madras in place of Mr K. D. Shah, who expired suddenly on 22nd June 1972.

Mr O. S. Murthi relinquished charge of the post of Chairman, Bharat Heavy Electricals Ltd, Heavy Electricals

(India) Ltd and Indian Consortium for Powers Projects on June 30, 1972. Mr Murthy was incharge of the Heavy Electricals complex for a period of three years, during which BHEL made substantial progress. The financial position of the company has improved from a loss of Rs 3.4 crores to a profit of Rs 3.2 crores.

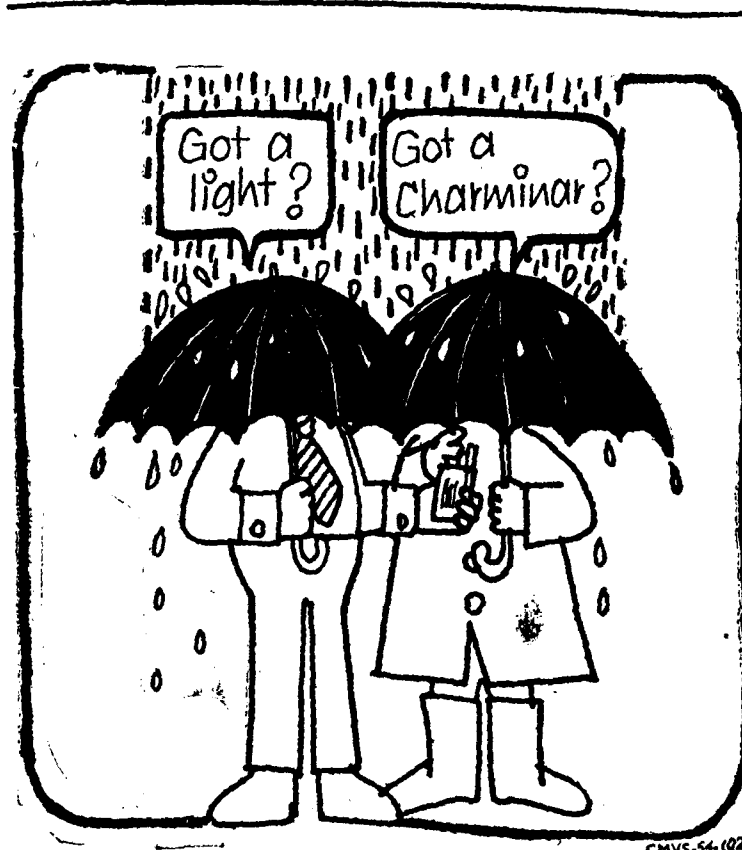
The General Manager, Eastern Railway, Calcutta, Mr G. P. Warrier, has been transferred to Bombay as General Manager, Central Railway. Mr Warrier succeeds Mr V. P. Sawhney, General Manager, Central Railway, who replaces Mr Warrier in the Eastern Railway. Mr Sawhney, who was appointed General Manager, Central Railway, a few months ago, was formerly Secretary, Railway Board.

Mr P. L. Tandon, Chairman, State Trading Corporation has been appointed Custodian of Punjab National Bank in succession to Mr E. C. Trikha. Mr Tandon is expected to take up the new assignment on August 1.

Mr P. N. Kapur took charge as Textile Commissioner, Bombay, in place of Mr K. Kishore who has been posted as Joint Secretary in the Ministry of Foreign Trade. Mr Kapur was till recently the Commissioner, Meerut division, in the UP government administrative cadre. He has besides held various other positions in the state government's departments.

Mr A. N. Haksar Chairman of India Tobacco Co Ltd, has been unanimously re-elected Chairman of the Indian Society of Advertisers. Besides being a director of several companies, he is the Chairman of the Associated Chambers of Commerce and a Member of the Direct Taxation Advisory Committee.

Mr G. S. Agrawal has been re-elected unanimously President of the Association of Small Tool Manufacturers for a second term. He is the President of the Indian Tool Manufacturers Ltd, Bombay and a member of the Development Council for Machine Tools.



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.

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.

water), Containers & Packaging (in both rigid & flexible forms), Building & Construction, Furniture, Paints, Surface Coatings, Explosives and Rocket Fuels, Industrial Castings, Steel Deoxidizing, Ordnance, Missiles, Rockets, Satellites, Sophisticated Consumer Durables (like air-conditioners, Refrigerators, electric fans), Business Machines, Typewriters, etc), Irrigation Piping. Grain is helping to build a new India...With its leadership is sure to play a crucial role in meeting India's challenge today and tomorrow...

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...



COMPANY AFFAIRS

THE UNIT Trust of India has raised the dividend for the fourth year in succession with a payment of 8.25 per cent for the year ended June 30, 1972 as against eight per cent declared for 1970-71, 7.2 per cent or 1969-70 and 7.1 per cent for 1968-69. The decision to enhance the dividend, though welcome, seems to have been influenced in no small measure by the Trustee's anxiety to maintain the attractiveness of units as a medium of investment. This is, in fact, a part of its three-pronged drive to boost sales of units and also to reverse the trend of falling unit sales which have come down by Rs three crores to, Rs 15 crores in 1971-72. The Trust has also decided to reduce the margin between the sale and repurchase prices of units from four per cent to three per cent with effect from August 1. This apart UTI is also offering units at a special price of Rs 10.45 during this month as against Rs 10.60 in July 1971. Besides it has been decided to move away from fixed income bearing securities and operate actively in the stock market. Over the next five years the Unit Trust proposes to enlarge its share of equities to 55-60 per cent from the present level of about 44 per cent.

The Trusts' aggregate income during 1971-72 was higher at Rs 9.62 crores as compared with Rs 8.41 crores in the preceding year. After the allocation of this income between the initial capital contributors and the unit holders and allowing for expenses chargeable to unit capital, the net income allocated to unit holders amounted to Rs 8.72 crores as against Rs

Aggregate sales of units by the Trust during 1971-72 amounted to Rs 15.00 crores under 58,558 applications as against Rs 18.00 crores under 61,500 applications for the previous year. There were 9,990 applications for the repurchase of units during the year for the aggregate value of Rs 2.59 crores as against Rs 3.19 crores under 12,700 applications last year. As on June 30, 1972, units sold and outstanding with the public amounted to Rs 104.65 crores, the number of units holders registered with the Trust being over 4.25,000.

The reinvestment plans of the Trust made further progress during the year. The total amount reinvested under the Plan was Rs 69.30 lakhs by 18,000 unit holders as against Rs 50.44 lakhs by 15,700 unit holders in 1970-71. Sales of units under the Children's Gift Plan stood at Rs 46.28 lakhs as against Rs 56.32 lakhs in 1970-71.

The directors of Standard Batteries Ltd have proposed to maintain the equity dividend at 10 per cent for the year ended June 30, 1971. Net sales during the year increased by about 13.5 per cent to Rs 6.14 crores from Rs 5.41 crores in 1969-70. Gross profit too recorded an almost matching improvement from Rs 25.63 lakhs to Rs 29.45 lakhs. Out of the gross profit, a sum of Rs 16.64 lakhs was appropriated to depreciation, Rs 2.14 lakhs to development rebate reserve and Rs 6.50 lakhs to taxation as against Rs 18.11 lakhs and Rs 4.08 lakhs and Rs 1.50 lakhs provided respectively in 1969-70. This leaves a

At the 17th annual general meeting of the shareholders of the Uttar Pradesh Financial Corporation convened recently at Kanpur, Mr Rajeshwar Prasad, the Chairman, stated that the performance of the corporation had recorded considerable improvement in 1971-72 in relation to the preceding year. The gross increase in its income was Rs 80.99 lakhs in 1971-72 as against Rs 57.39 lakhs in 1970-71. The total reserves rose from Rs 30.61 lakhs in 1970-71 to Rs 40.31 lakhs in the year under report. The profit before tax showed a smart rise from Rs 20.65 lakhs in 1970-71 to Rs 28.48 lakhs in 1971-72.

During the year under review, no less than 827 applications for the value of Rs 11.29 crores were sanctioned and as much as Rs 4.94 crores were disbursed in 348 new accounts. In the backward areas, 101 units for Rs 81.69 lakhs have been financed in the year under review. The corporation is paying adequate attention to the recovery of overdues.

Late deliveries of vital equipments due to astirke in the USA, disruption in supply of machinery and equipments due to Indo-Pakistan war and other difficulties which

There are still many hurdles to be crossed so that the plan can function on a sound, smooth and uninterrupted basis. The company is currently faced with a series of problems such as shortage of water supply and want of special facilities at the Marmugao port for handling the massive quantities of imported phosphoric acid. As a consequence of the delay in the dredging work at the port, the company will be compelled to receive the first few shipments starting from December in smaller lots, since present indications are that dredging to the required depth of 10 metres will be completed by late 1973. Water supply is yet another area which is causing serious concern to the company. Although the Goa government has agreed to make available five million gallons of water per day, based on the current progress it is feared that water cannot be expected before the end of October instead of July as originally scheduled. The company however hopes to overcome this shortfall by using water from its own reservoirs. At the same time the company is maintaining a tight check on project costs. Barring major upsets the company hopes to complete the project within the estimate of Rs 56.55 crores.

The company's marketing division completed yet another year of successful operations with turnover increasing from Rs 89 lakhs in 1970 to Rs 902 lakhs in 1971. Six regional offices have been established at Bangalore, Delhi, Hubli, Nag-

pur, Poona and Secunderabad and they now service a network of over 625 dealers.

Binny Ltd

Several measures were initiated by Binny Ltd during 1971 to pull the company out of the red and judging from the current performance it can be safely said that the company is on the road of recovery. With a view to reducing manufacturing costs the company sought the advice of South India Textile Research Association. Their recommendations were implemented as quickly as possible and the benefits derived have been substantial. This apart a determined drive was made by the company on cost reduction and it has started yielding fruitful results. Special attention was also given to improving mill working efficiencies and significant results have been achieved. Organisational changes were made to manage the company by what are known as profit centres — each profit centre coming under a single profit centre director or manager with responsibility to attain the target set for that centre. This structural change, which involved decentralisation of certain functions, such as selling and some purchasing, has proved to be beneficial. The impact of all these measures on the working of the company, in financial terms, was that the loss in the second half of 1971 was contained at Rs 63 lakhs as against a loss of Rs 144 lakhs for the first half. The company has maintained its progress during the current year and hence there is every reason to expect that the working results for 1972 will be far better than 1971. These observations are contained in the Chairman, Mr N.S. Bhat's statement circulated to the shareholders of the company.

Notwithstanding the strain on liquid resources improvements were made to the carding and spinning departments in the Madras Mills partly by overhauling and partly by re-equipping. Conversion of ring frames to the top arm drafting system, overhauling of blowroom machinery and

the re-clothing of cards are making satisfactory progress. Sixty-two BAZ 110 cm. looms were installed in Bangalore mills in 1971. An additional boiler was commissioned and this helped in meeting the increased demand for steam required for processing Angola shirting for defence supply.

The Giovanola-Binny Ltd., the subsidiary company, reported further progress during the year. As against a loss of Rs 22 lakhs in 1970, the loss in 1971 was reduced to Rs seven lakhs. For the first time the company secured two penstock contracts, one in Bihar and another in Himachal Pradesh. It has also two penstock export orders on hand one of which will be completed this year. Grant of an industrial licence for the manufacture of pressure vessels will provide further opportunities to the company for achieving highly satisfactory working results.

Southern Petrochemical

Apart from going ahead with the implementation of its chemical and fertilizer project at Tuticorin, Southern Petrochemical Industries Corporation Ltd of late has also started paying equal attention towards engineering and marketing training programmes. It has now established a Regional Agro Service and Extension Centre at Madurai and it was inaugurated early this month by Mr T. Fujimoto, Executive Vice-President of Messrs Toyo Engineering Corporation, Japan. This centre will offer advice and services to farmers regarding distribution of fertilizers in time and at reasonable price and as close to the farmer as possible; soil testing harvesting techniques and marketing of produce, farm management, soil and water conservation, crop rotation and live-stock raising; credit requirements and sources of availability; advice regarding proper and timely use of farm inputs; requirements and sources of inputs such as quality pesticides and machinery and servicing of implements

and their maintenance.

Warner Hindustan

The performance of Warner Hindustan Ltd during 1971 and the prospects for the current year were dealt with by the Chairman, Mr N. B. Vakil in the annual address to the shareholders of the company. Net sales during 1971, the chairman said, recorded an increase of 35 per cent over 1970. But the net profit after taxes increased only by five per cent on account of Drug Prices Control Order, increase in operating costs, rise in the cost of raw materials, particularly these substituted indigenously, increase in fares and transportation charges and higher tax burdens. As regards prospects for 1972 Mr Vakil said that in spite of constraints such as shortage of essential raw materials, sales during the first five months had been about 22 per cent more than in the corresponding period of last year. He, however, added that the profits of the company were under constant pressure on account of the increases in materials price, operating costs, import substitution programmes and the need to subsidise the company's exports of non-traditional goods.

Calico

The Ahmedabad Manufacturing and Calico Printing Co. Ltd, popularly known as Calico, has maintained the equity dividend at Rs 18 per share of Rs 125 each for the year ended March 31, 1972, but it is payable on an enlarged capital. The 4,44,664 ordinary shares of Rs 125 each will be entitled to a dividend of Rs 18 a share and the 19,033 'A' ordinary shares of Rs 25 each to a pro-rata dividend of Rs 3.60 per share as per the scheme of amalgamation of the Bank of India Ltd with the company. The proposed dividend will require an amount of Rs 80.72 lakhs for distribution—Rs 8.72 lakhs more than in 1970-71. The directors have also proposed a bonus issue on a one-for-four basis, the 'A' ordinary shares being entitled to bonus issue on a pro-rata basis.

The company has suffered a

slight setback in its working during the year under review. Although the turnover moved up from Rs 35.64 crores to Rs 39.25 crores the gross profit after providing for interest, bonus to employees and managerial remuneration has declined to Rs 2.92 crores from Rs 3.42 crores in 1970-71. The directors have enhanced the allocation to depreciation reserve from Rs 114.91 lakhs to Rs 150.24 lakhs while the appropriation to development rebate reserve was reduced by Rs 18 lakhs to Rs 31 lakhs. No provision has been made for taxation as against Rs 60 lakhs allotted in 1970-71. This leaves a lower net profit of Rs 110.81 lakhs as against 118.50 lakhs in 1970-71. After adjustment a sum of Rs 103.97 lakhs was transferred to general reserve as against Rs 90.04 lakhs in 1970-71 and the proposed dividends will be paid out of the general reserve.

The company's research centre at Bombay has developed several new products and processes which have been taken up for production.

News and Notes

Expansion and Diversification

Indian Metals and Ferro Alloy's expansion scheme to add a 24,000 KVA furnace to the existing 10,000 KVA unit is progressing satisfactorily. The new unit is expected to be commissioned by the end of 1972, about six months ahead of schedule. The new unit is designed to produce besides ferrosilicon, silicon metal to the extent of 3,000 tonnes per annum. With the commissioning of this unit, it would be possible for the company to enter the export market after completely meeting the demands at home. The third phase of the expansion scheme envisaging a capacity of 50,000 tonnes per annum — an export oriented project — is scheduled to be taken up after commissioning of the 24,000 KVA furnace.

Britelite Carbons Ltd is setting up a project at Halol near Baroda in Gujarat for the manufacture of cinema arc

carbons, photo process carbons and other types of carbon and carbon products. The capacity of the proposed plant for cinema arc carbons alone will be of the order of three million pairs. The new plant is expected to commence commercial production in the first quarter of 1973 and full production is expected to be achieved within two years. Meanwhile the company will be putting up its dry battery carbon plant and if all goes well the management hopes to install this plant sometime in the second half of 1973. To raise part of the resources required for the implementation of this project the company will soon be entering the capital market with a public issue of Rs 14 lakhs comprising 90,000 equity shares of Rs 10 each and 5,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each at par. The capital outlay on the project is estimated at Rs 50 lakhs which will be financed through the public issue of Rs 14 lakhs, subsidy from the government of Rs five lakhs, a loan from the Gujarat State Finance Corporation of Rs 20 lakhs and another loan of Rs 10.5 lakhs from the Gujarat Industrial Investment Corporation.

New Venture

Messrs Harbans Lal Malhotra and Sons (P) Ltd, proposes to start manufacturing 500 million stainless steel blades at its Bellur factory in West Bengal in collaboration with Wilkinson Sword Ltd of the UK. The new blades, it is claimed, will be comparable in quality to those of Wilkinson and it will be marketed under the brand name 'Bharat'. The foreign collaborator will provide technical expertise for a period of five years to the company to enable it to compete effectively in export markets. A notable feature of the collaboration agreement is that Wilkinson Sword Ltd will be paid four per cent royalty out of the foreign exchange earnings arising out of exports. Further it is interesting to note that no royalty will be paid on production excess of 500 million blades. Initially 25

per cent of the production will be exported. Barring the United Kingdom, West Germany, Poland and Morocco where Wilkinson Sword Ltd has its licensees, the company has the liberty to export its products to any part of the world.

New Issues

Bharat Commerce and Industries Ltd is issuing to the public for subscription for cash at par 25,000 third redeemable cumulative preference shares of Rs 100 each carrying a dividend of 9.5 per cent per annum. The full amount of Rs 100 per share is payable on application and applications for shares must be for a minimum of five shares or multiples thereof. The subscription list opens on July 17 and will close on July 22 or earlier at the discretion of the directors of the company but not before July 19. Messrs Harkisondass Lukhmidass of Bombay has underwritten the entire public issue.

The preference shares now offered for public subscription will be redeemed by the company at par at any time after December 31, 1982, but not later than June 30, 1984 by giving not less than three months notice to the holders of such shares. These shares shall rank for dividend and return on capital and arrears of dividend next after the redeemable cumulative preference shares and second redeemable cumulative preference shares of the company but in priority to the equity shares.

The company has programmes of modernisation, renovation, replacement and balancing of plants in some of its units and the proceeds of this issue will be utilised for financing these schemes.

Jotindra Steel and Tubes Ltd is entering the capital market on July 17 with a public issue of Rs 31 lakhs consisting of 230,000 equity shares of Rs 10 each and 80,000 redeemable cumulative preference shares of Rs 10 each carrying a dividend of 9.5 per cent per annum. The subscription list for this fully underwritten issue will close on July 31 or earlier but not be-

fore July 20.

The company holds an industrial licence for the manufacture of black steel and galvanised pipes and tubes with a capacity of 16,000 tonnes per annum. Its factory located at Faridabad has been completed and commercial production of the first line of manufacture for black pipes of diameters 2.5 inches to six inches has commenced since April 1971. The implementation of the second phase involving the manufacture of black pipes of diameters 0.5 inch to 2.5 inches, galvanising facilities, testing facilities and other facilities of work-shop threading and handling have been taken on hand and it is expected to be completed during the current year. The total cost of the project is estimated at Rs one crore and it will be met through the share capital already issued of Rs 14 lakhs, proposed issue of Rs 31 lakhs and long-term loan from IFC of Rs 55 lakhs. The company hopes to pay a maiden dividend of 10 per cent for the year ending March 31, 1973 and raise it progressively in the subsequent years.

Capital and Bonus Issues

Consent has been accorded to seven companies to raise capital of over Rs 7.22 crores. Two of them are to issue bonus shares totalling over Rs 51.66 lakhs. Following are the details:

Mahindra & Mahindra Ltd, Bombay, has been accorded consent to capitalise Rs 200 lakhs (Rs 125 lakhs in equity shares of Rs 10 each and Rs 75 lakhs in convertible bonds of Rs 6 each carrying interest @ eight per cent per annum) to the shareholders of the Union Bank of India credited as fully paid-up in terms of the scheme of amalgamation as approved by the High Court of Judicature at Bombay. The consent is valid for 12 months.

Larsen & Toubro Ltd, Bombay, has been given permission to capitalise Rs 1,32,490 in fully paid up equity shares of Rs 10 each to shareholders of Willcox Buckwell India Ltd,

in terms of the scheme of amalgamation.

Forbes, Forbes Campbell & Co. Ltd, Bombay, has been granted permission, valid for 3 months, to capitalise Rs 39,66,480 out of its general reserves and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of seven bonus shares for every 10 equity shares held.

Shriram Fibres Ltd, 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 320 lakhs (including Rs 700 already raised) divided into 28,00,000 equity shares of Rs 10 each and 40,000 — 9.5 per cent cumulative redeemable preference shares of Rs 100 each for cash at par out of which equity shares worth Rs 137.20 lakhs and the entire preference capital will be offered to the public through issue of a prospectus. This capital will be utilised for the establishment of the project for the manufacture of nylon tyre cord at Madras.

Dunlop India Ltd, Calcutta, has been accorded consent for issue of capital of Rs 100 lakhs (nominal) in 10,00,000 equity shares of Rs 10 each as rights shares at a premium of Rs 11 per share. The proceeds will be utilised for financing a portion of the company's expanding programme. The consent is valid for 12 months.

The Mysore Kirloskar Ltd, Harihar, has been accorded consent, valid for 12 months, to issue capital of Rs 50 lakhs in equity shares of Rs 100 each as right shares for cash at a premium of Rs 20 per share. The proceeds of the issue will be utilised to meet the increasing requirements of working capital.

Coffee Lands Ltd, Bangalore, has been accorded consent valid for 3 months to capitalise Rs 12 lakhs 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 three equity shares held.

THE TRADERS'

BALANCE SHEET AS AT

Previous Year		CAPITAL & LIABILITIES						Current Year	
Rs.	P.					Rs.	P.	Rs.	P.
		1. AUTHORISED CAPITAL :							
40,00,000.00		10,00,000 shares of Rs. 4/- each						40,00,000.00	
		Issued & Subscribed							
5,60,800.00		34,615 Shares of Rs. 4/- each						1,38,460.00	
		Called & Paid-up Capital							
5,53,840.00		34,615 Shares of Rs. 4/- each fully paid-up				1,38,460.00			
23,650.00		Add Forfeited Shares				Nil			
5,77,490.00								1,38,460.00	
		2. RESERVE FUND & OTHER RESERVES							
38,212.91		Statutory Reserve						38,212.91	
		3. DEPOSITS & OTHER ACCOUNTS :							
2,51,533.57		(i) Fixed Deposits				2,54,908.68			
3,21,117.07		(ii) Saving Bank Deposits				2,15,822.15			
4,14,793.52		(iii) Current Account Contingency Accounts				5,94,785.03			
								10,65,515.86	
		4. BORROWINGS FROM OTHER BANKING COMPANIES AGENTS ETC.							
Nil		(i) In India				18,562.00			
Nil		(ii) Outside India				Nil			
								18,562.00	
		Particulars :							
Nil		(i) Secured by pledge of Fixed Deposit as per contra				18,562.00			
		(ii) Unsecured				Nil			
								18,562.00	
Nil		5. BILLS PAYABLE						Nil	
		6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE AS PER CONTRA :							
5,06,056.21		(i) Payable in India				5,20,059.06			
Nil		(ii) Payable outside India				Nil			
5,06,056.21								5,20,059.06	
		7. OTHER LIABILITIES							
75,000.00		Liability for renovation of Office premises				75,000.00			
4,30,934.67		Creditors under scheme of arrangement				4,30,934.67			
5,05,934.67								5,05,934.67	
26,15,137.95		Carried over						22,86,744.50	

BANK LTD., NEW DELHI.

31ST DECEMBER, 1971.

Previous Year		PROPERTY & ASSETS				Current Year	
Rs.	P.					Rs.	P.
2,46,030.15		1. CASH :					
		In Hand and with Reserve Bank & State Bank of India (Including foreign currency notes)					
		(Including Rs. 2772.86 Cash in Hand in Pakistan)					3,84,337.49
25,007.22		2. BALANCES WITH OTHER BANKS :					
80,000.00		(i) In India on Current account				Nil	
1,036.58		(ii) In India on deposit account (Lodged as security with other Banking Company against borrowing as per contra)				30,000.00	
		(iii) Outside India on current account in Pakistan				1,036.58	
1,06,043.80							31,036.58
Nil		3. MONEY AT CALL & SHORT NOTICE				Nil	
		4. INVESTMENTS :					
95,487.70		(i) Securities of the Central & State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments (At Cost)				85,607.70	
2.00		(ii) Shares at below market value :				1,002.00	
Nil		(a) Ordinary fully paid				Nil	
2.00		(b) Ordinary Partly paid				2.00	
Nil		(iii) Debentures of Joint stock Companies (Market Value Nil)				Nil	
		(iv) Other Investments					
		(v) Gold					86,611.70
95,491.70		5. ADVANCES :					
		(other than bad and doubtful debts for which provisions has been made to the satisfaction of Auditors)					
6,59,574.63		(1) Loans, Cash Credits, Overdrafts etc.					
10,248.73		(i) In India				6,88,919.90	
		(ii) Outside India				10,248.73	
6,69,823.36						6,99,168.63	
		(2) Bills discounted and purchased (excluding treasury bills of the Central & State Govts.)					
		(i) Payable in India				Nil	
		(ii) Payable outside India				Nil	
							6,99,168.63
		Particulars of Advances :					
		As per schedule attached.					
5,06,056.21		6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE AS PER CONTRA :					
Nil		(i) Payable in India				5,20,059.06	
		(ii) Payable outside India				Nil	
							5,20,059.06
Nil		7. CONSTITUENTS LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS & OTHER OBLIGATIONS AS PER CONTRA					64,500.00
67,576.93		8. PREMISES LESS DEPRECIATION					Nil
35,771.11		9. FURNITURE & FIXTURE AT COST				1,03,348.04	
		Additions during the year				23,280.09	
1,03,348.04						1,26,628.13	
19,014.18		Less total depreciation written off				29,775.58	
84,333.86							96,852.55
2,560.00		10. CONVEYANCE AT COST LESS DEPRECIATION					2,048.00
		11. OTHER ASSETS :					
2,300.00		(a) Stationery in stock				2,900.00	
72.25		(b) Library				72.25	
10,558.75		(c) Suspense				6,976.75	
		This includes Income-Tax paid for 1961-62 amounting to Rs. 2277.50 as per demand made by the Income-Tax Deptt. The management is of the opinion that the assessment made by the Deptt. is not sustainable in appeal and as such the amount has been kept pending adjustment in suspense amount.					
		(d) Interest accrued :				Nil	
1,399.45		on Deposits				1,301.44	
1,450.33		on Govt. Securities				4,987.10	
3,853.10		(e) Income-Tax deducted at source				2,000.00	
2,500.00		(f) Telephone security deposit					18,237.54
22,103.88							
17,32,442.96		Carried Forward :					19,02,851.51

THE TRADERS'

BALANCE SHEET AS AT

Previous Year	CAPITAL & LIABILITIES		Current Year
26,15,137.95		Brought Forward ..	22,86,744.50
Nil	8. ACCEPTANCES, ENDORSEMENTS & OTHER OBLIGATIONS AS PER CONTRA	..	64,500.00
	9. LIABILITIES PERTAINING TO CLOSED FUND		
2,14,494.53	(under the scheme of arrangement in Pakistan)	.. .. .	2,14,494.53
	10. CONTINGENT LIABILITIES :		
	In respect of Guarantees given by the Bank Rs. 64,500/- on behalf of customers.		
	NOTES : (i) No provision has been made in the accounts for the present liability in respect of future payments of gratuity to staff. The exact liability has not been ascertained.		
	(ii) The Balance Sheet has been prepared in conformity with Form (A) of the Third Schedule to the Banking Regulation Act, 1949.		
28,29,632.48		TOTAL Rs. ..	25,65,739.03
AUDITOR'S REPORT		HAMAITI RAM	
As per report of even date attached.			
D. SINGH & Co.			
Chartered Accountants		Accountant	

PROFIT AND LOSS ACCOUNT FOR THE

Previous Year	EXPENDITURE		Current Year
Rs. P.	To		Rs. P.
24,373.15	Interest paid on deposits	..	26,778.88
47,250.35	Salaries & Allowances	..	40,668.16
Nil	Directors & Local Committee Fees and Allowances	..	Nil
5,402.16	Rent, Taxes Insurance, Lighting & Property tax etc.	..	5,271.47
2,258.75	Law Charges	..	4,032.55
4,122.75	Postage & Telegrams	..	5,847.45
400.00	Auditor's Fee	..	400.00
10,764.50	Depreciation on & repairs to the Banking Companies Property	..	11,273.40
10,094.38	Stationery, Printing & Advertisement etc.	..	10,219.12
19,805.24	Other Expenditure	..	17,910.25
Nil	Amount written off	..	Nil
1,24,471.28			1,22,401.28
NOTES :			
1. PARTICULARS OF CHAIRMAN'S REMUNERATION			
5,400.00	(i) Salaries	..	3,600.00
2,700.00	(ii) Allowances	..	2,400.00
—	(iii) Bonus	..	—
—	(iv) Contribution to Provident Fund	..	—
—	(v) Monetary Value of any other benefits perquisites	..	—
2. OTHER EXPENDITURE INCLUDES :			
(i) Travelling expenses of Rs. 2,000/- relating to the year 1968 paid to Shri S.S. Berry a former Director of the Bank.			
(ii) Travelling expenses of Rs. 826/- and 331/- paid to the Chairman and a Director of the Bank.			
(iii) The Profit & Loss account has been prepared in conformity with Form 'B' of the Third Schedule of the Banking Companies Act, 1949			

AUDITORS' REPORT.		HAMAITI RAM
As per report of even date attached		Accountant
D. SINGH & Co.		
Chartered Accountants		
NEW DELHI		
Dated : 28-6-72		

BANK LTD, NEW DELHI.

31ST DECEMBER, 1971.

Previous Year	PROPERTY & ASSETS		Current Year
Rs. P.			Rs. P.
17,32,442.06		Brought Forward :	19,02,851.55
Nil	12. NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS	..	Nil
8,66,818.19	13 PROFIT & LOSS ACCOUNT		
	As per last balance Sheet	..	8,82,694.99
	Less amounts transferred from forfeited shares accounts	..	23,650.00
		..	8,59,044.99
	Less amount transferred from Share Capital account being the reduction Share Capital from Rs. 16/- per share to Rs. 4/- per share as per orders of Hon'ble High Court, Delhi	..	4,15,380.00
		..	4,43,664.99
15,876.80	Add net Loss for the year	..	4,727.96
8,82,694.99			4,48,392.95
1,57,551.34	14. ASSETS PERTAINING TO CLOSED FUND IN PAKISTAN		
56,943.19	(Evaluated by the Directors)		
	Bank Premises	..	1,57,551.34
	Sundries	..	56,943.19
2,14,494.53			2,14,494.53
28,29,632.48			
		TOTAL Rs.	25,65,739.03
		AMARJIT SINGH	
		BAHADUR SINGH	Directors.
		HARVENDRA SINGH	
		RAWEL SINGH	Secretary

YEAR ENDED 31ST DECEMBER, 1971.

Previous Year	INCOME		Current Year
Rs. P.		(Less Provision made during the year for bad & doubtful debts & other usual or necessary provision)	Rs. P.
73,501.32	By Interest & Discount	..	70,544.24
14,784.83	Commission, Exchange & Brokerage	..	11,313.88
Nil	Rent	..	Nil
940.50	Net Profit on sale of investment, gold & Silver, land premises & other assets (Not credited to Reserve and or any particular fund or account).	..	400.00
Nil	Net Profit on revaluation of investments, gold, silver, land premises and other assets (not credited to Reserve or any particular fund or account).	..	Nil
Nil	Income from Non-Banking assets and Profit from sale of or dealing with such assets	..	Nil
19,367.83	Other Receipts	..	35,415.20
15,876.80	Loss carried to Balance Sheet	..	4,727.96
1,24,471.28			1,22,401.28
		RAWEL SINGH	
		Secretary	
		AMARJIT SINGH	Director.
		BAHADUR SINGH	
		HARVENDRA SINGH	
		TOTAL Rs.	1,22,401.28

The Traders' Bank Ltd., New Delhi.

Auditors' Report

We have audited the annexed Balance Sheet of the Traders' Bank Ltd., New Delhi, as at 31st December, 1971 and also the annexed Profit and Loss account for the year ended on that date, in which are incorporated the last available unaudited return from the Lahore (Pakistan) Branch dated 16th July, 1965 and also the unaudited return pertaining to the Closed Fund after revaluation by the Directors of all the assets and liabilities in 1968. Exemption has been granted by the Central Government under Rule IV of Companies (Branch audit exemption Rule 1961) from the provisions of sub-section (i) and (3) of section 228 of the Companies Act, 1956, in respect of the Lahore Branch in Pakistan.

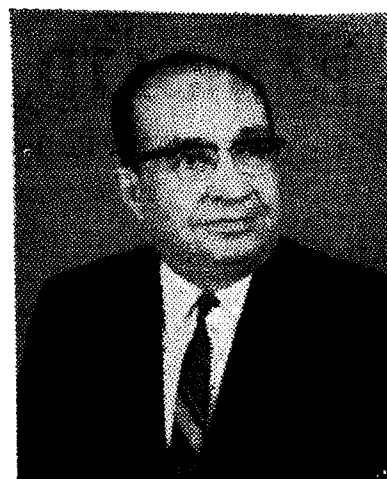
We report that :-

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
- The transactions of the Bank which have come to our notice have been within the powers of the Bank;
- In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books and proper return adequate for the purpose of our audit have not been received from the Lahore (Pakistan) Branch;
- The Bank's Balance Sheet and Profit and Loss account dealt with by this are in agreement with the books of account and return;
- In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required for Banking Companies, and on such basis, read along-with the notes appearing thereon the said Balance Sheet gives a true and fair view of the state of the affairs of the Bank as at 31st December, 1971 and the Profit and Loss account gives a true and fair view of the loss for the year ended on that date.

NEW DELHI
Dated : 28-6-72

SOUTH INDIA SHIPPING CORPORATION LIMITED

Speech delivered by Sri J. H. Tarapore, Chairman, at the Eighth Annual General Meeting held on the 28th June, 1972.



Sri J. H. Tarapore

Gentlemen,

I have great pleasure in welcoming you to the Eighth Annual General Meeting of your Company.

Financial results of 1971

The Audited Statement of Accounts for 1971, the Directors' Report and the Auditors' Report to the members were forwarded to you in the beginning of this month and, with your permission, I shall take them as read.

The year 1971 saw the international dry bulk tramping trade, particularly for vessels of the size and type your Company owns, in the throes of the worst depression in living memory. And yet, your Company has shown the disposable surplus at a little over Rs. 181 lakhs. This surplus is thanks to the foresight of the management of your Company, whilst the going was very good on the spot market, in securing a timely contract, in the second half of 1970, for carriage of about 350,000 tons of iron ore, from India to Rumania and, the very efficient and the judicious scheduling of your Company's vessels, right round the world, to position them, from time to time, in India, for lifting the said ore cargoes. Incidentally, in May, 1969, we loaded our first cargo of Iron Ore on m.v. "CHENNAI JAYAM" for Rumania, and since then, we have been doing business with the Romanian Charterer regularly, and I am glad to advise that, over these years,

a sound business relationship has been built up with this Charterer, to the mutual advantage of the Charterer and ourselves.

Capitalization of reserves and dividend

As of the 31st of December, 1971, your Company extinguished the entire uncalled liability of the shareholders, in respect of the issued and subscribed capital, to the extent of Rs. 1 crore, through part capitalization of the General Reserve. I wonder how many instances there are, of companies having conferred such a benefit on their shareholders, within a short span of 5 years' of full operation.

Turning to dividends, the members will recall that, at the time of the 7th Annual General Meeting, I had advised you, on behalf of the Management, that we were hopeful of also maintaining for 1971, the same percentage of dividend, as was proposed for the year 1970, namely, 15% on the expanded equity capital. You will be glad to note that, the final dividend, as recommended by the Directors, if declared, would amount to total distribution at the rate of Rs. 15/- per share or 15% on the expanded equity capital, i.e., a distribution of Rs. 30 lakhs, as compared to Rs. 15 lakhs, in the previous year.

Political and economic conditions—General

World-wide tramping being very susceptible to inter-

national events, as in the past, I would like to dwell briefly upon important political and economic events and consequent changes in the International and the Indian scenes.

With the state visit to the People's Republic of China, by the U.S. President, we have witnessed an extension to a third Super Power of a process, clearly evident since the crushing of the popular uprisings in Czechoslovakia and Hungary in 1956, with the intervention of one Super Power, while the other indulged in holy protests and condemnations. In fact, a process which has been going on ever since the end of World War II, of agreements between the two Super Powers, U.S.A., and the U.S.S.R., not to get directly entangled with one another and to divide out spheres of influence in the world, between themselves, totally ignoring the regional and national interests of all the other countries. Such accords between the Super Powers of the world, of diametrically opposite political philosophies, based on self-interest, does not spell out an era of world peace and progress. Complex political moves, followed by planned announcements, comprising vague and general platitudes or condemnations, normally reveal very little of the actual intent of the parties. All one can glean, after the last two summit meetings, between the three Super Powers, is that, there still appears to be some areas of conflicting interests, unresolved, but that, these

Super Powers, are not prepared to embroil themselves directly over the same.

However, this is not to imply that, a confrontation between the Super Powers is good for humanity, nay, it could be the total destruction of our civilization. My purport is to emphasise, the importance to small countries to settle their differences among themselves and not become pawns in the game of Super Power politics. Pakistan's ignominious total defeat in the then called East Pakistan, despite the incursion of a part of the U.S. Seventh Fleet, from the South China Seas, into the Bay of Bengal, the escalation of the war in Vietnam and the mining of North Vietnamese coast, by one Super Power, while now, the two other Super Powers are indulging in holy protests, and condemnations, are lessons, we can ignore only at our grave peril.

One hopes and prays, neighbour countries of contiguous areas, particularly Pakistan, will be alive to the inherent danger spelt out by the concept of the Super Powers' divide and rule policy and sink their mutual differences and come closer to each other, converting the whole region into a harmonious area politically and a viable unit economically as has been achieved in a substantial measure by the West European countries.

The issue of Britain's entry into the European Common Market, which was one of the

unsolved problems ever since E.C.M. was formed, reached the penultimate stage, with the signing of the agreement between the E.C.M. countries and the Prime Minister of Great Britain, in Brussels. Norway, Sweden and Ireland have also likewise signed an agreement with the E.C.M. countries. However, this is not the end of the story, for, the House of Commons, is yet to pass the European Communities Bill, though it has already passed a resolution in favour of legislation to bring Britain into the E.C.M. The Bill is presently in the House Committee stage and the narrow margin by which some of the clauses of the Bill have been adopted, indicates it is obviously having a rough passage. However, though one cannot state with certainty, it appears now that, Britain's entry into Common Market, is more or less assured. The close co-operation in the economic sphere as envisaged, would assure these affluent and prosperous European nations of an enviable position, even in comparison with the United States of America.

In Europe, the process of political thaw between the eastern and western countries started in 1970 and earlier, continues to date. The major political event, was the Four Power Accord over Berlin. The conclusion of the traffic agreement between the Federal Republic of Germany and the German Democratic Republic on the 26th of last month, paves the way to the acceptance of a present reality, existence of two Germanys, a very complicated issue indeed. Further, this agreement lays the foundation for improved contacts between the people and further opens the door for agreements between the two countries, on a wide range of subjects. The other meaningful and positive achievements of the Federal Republic of Germany, were the conclusion of treaties between that country and the U.S.S.R. and Poland, both of which, have recently been ratified by the German Parliament. Besides, purposeful dialogues have also been initiated with Czechoslovakia, Hungary and

Bulgaria. While the Federal Republic of Germany is fully conscious of her need for alignment on substantial matters, with the West European countries and the U.S.A., the above steps indicate that, this country is not unmindful of the importance of also normalising her relations with the countries in the communist orbit.

The process of Communist Nations, trying to establish closer trade relations with the West European countries, Japan and the United States, continues to date. Most significant of these moves is, the growth of Japanese exports to the Soviet Union and the discussions now being carried on between the U.S.S.R. and the Japanese Governments, for Japanese investments to develop Siberia, such as, an Oil Pipe Line, from Irkutsk to Nakhodka, which would facilitate shipment of low sulphur content West Siberian Crude Oil, to Japan.

After a delay of over 20 years, due to blocking the entry of the People's Republic of China, by a group of Nations led by the United States, this country was eventually seated in the United Nations, in 1971. It is to be hoped that, with her admission into the International Community of nations, this giant nation will voluntarily subject herself, to some of the norms and restrictions, which govern conduct of nations towards each other.

Let me turn now to the financial scene. The inevitability of parity realignments about which I had expressed my fears when I last addressed you, have since come about, as stated in the Directors Report.

While it is held by some that, the agreement reached between the Group of Ten countries at the Washington meeting on 20th December, 1971 constitutes the first serious attempt since the Bretton Woods Conference, to reform the international monetary system, I agree with others, in their view that, this agreement is a compromise to placate some and will not bring about a permanent and enduring solution to the problem. The principal beneficiary is obviously the United States. The Washington

meeting has once again ignored the interest of developing nations, which are nothing but helpless onlookers.

On the home front, 1971 is, in my view, the most momentous year since we achieved independence. The most important event was, of course, the 3rd short war waged on us by our neighbour Pakistan. Thanks to the inspired leadership of our great Prime Minister, the excellence and valour of our defence services and the complete identity of the nation with the objectives of our Government, in the hour of crisis, we emerged not only victorious, but the victory was also decisive, Pakistan having lost nearly half of its territories and over half of its population. The two major consequences of this victory were, of course, the birth of another secular nation in the Indian sub-continent, Bangla Desh, pledged to live in peace and harmony with her neighbours and the swift and orderly return to the new Nation, of almost 10 million refugees, whom our country had been feeding, clothing and sheltering for about a year.

Another major political event was the enormous majority secured by the ruling party in the Lok Sabha, paving the way for a swift series of legislation for implementing their manifesto. While one may look askance at some of the subjects proposed for legislation, the implementation of which, are fraught with immense complexities one silver lining would appear to be that, the leaders of the ruling party, seem to prefer the pragmatic approach to problems despite some legislation being based on ideological considerations. While no one can decry the call to equitable distribution of wealth, such distribution should not be sought at the cost of reducing the pace of our economic growth. In fact, an accelerated development, would substantially reduce the problems of ensuring equitable distribution of wealth. Only through huge useful new Central and State Governments' labour intensive projects, of which there is no dearth, could the problem of under employment, be suc-

cessfully solved and not by redistributing the existing wealth, of which there is an acute dearth.

On the economic front, it is a matter of gratification that, we have been blessed with successive good monsoons in recent years. 1971/72 grain harvest was of the order of about 112 million tons, registering an increase of nearly 5 million tons over the previous year. The increased agricultural production, however, has not led to stabilization of price levels. In view of the green revolution, the Government of India have decided to dispense with import of food grains and other agricultural products after June this year. In the current year, the heat wave over many parts of India and the delayed setting in of the monsoon, is a matter of concern, both for industry and agriculture, but it is too early yet to assess the adverse effects thereof.

One of the effects of the war with Pakistan, was the marked deterioration in our relations with the U.S.A. Economic aid has been suspended by the U.S. Government and it is heartening to note that, this has not unduly perturbed our Government. This is a mixed blessing, placing emphasis on self-reliance and elimination of foreign aid, in as short a time as possible. In my opinion, the blessings of self-reliance, can only be fully and fruitfully realised, if we were to place the accent less on import substitution and more on efforts to increase production and on exports.

Under-utilization of the installed capacity in the various spheres of the industrial sector and the poor out-put per man-hour, continue to be the major factors for the sluggishness of our economy. Such under utilization is due to inadequacies in regard to transport, power supply, shortage of component parts, raw materials and of course, the chronic labour trouble.

As regards investments in industry, the public sector investment was lower than planned and in the private sector, while investment in small enterprises and projects

howed improvement, investments in large scale industries were inhibited by Governmental policies and restrictions, particularly, the Monopolies and Restrictive Trade Practices Act.

One would have expected a judicious combination of tax incidence and incentives in the current Central Budget, so essential to enliven the ailing investment climate. On the contrary, there seems to be a tendency to step up the rates of taxation together with a whittling down of the incentives. In the current Budget, we have had the case of the surcharge on corporate tax being stepped up from 2½% to 5% and the abolition of the concession available to priority industries, under Sec. 80-I of the Income Tax Act.

Labour

Over 13.5 million man-days were lost in the past year, as a result of industrial disputes. The vanquished Germany and Japan, literally rose from the ashes of their destroyed cities and industries and have become today, after the United States, the two most economically advanced countries in the world, thanks mainly to their disciplined labour force and virtual absence of senseless strikes and lockouts. So meteoric has been their advance that, under pressure of the highly developed countries of the world, particularly the U.S.A., these countries have been forced to substantially revalue their currencies. The victors, the U.K., U.S.A., and France, thanks to labour indiscipline, and regular increases in labour costs, without corresponding rise in production, are in the economic doldrums, and even have been forced to devalue their currencies. Further devaluation of the Pound Sterling and a revaluation of the Japanese Yen, appear to be imminent. How can a poor country like India, afford such loss of man-days and regular increases in labour and material costs, without corresponding rise in production, other than, at the cost of dragging down the already shaky economy, inhibiting the badly needed growth and denying job opportunities to the fast growing unemployed work

force? A statistical study by two British Economists, shows that, each time the going rate of wage inflation is pushed up by 1%, without corresponding demand-reflationary measures, the employment potential drops by over 300,000.

The capacity of an industry should be taken into consideration in determining a fair and reasonable wage structure and since one cannot expect prosperity without productivity, incentives should be linked with productivity of labour. Lack of harmonious relations between the employer and the employees and demands for increased wages, without corresponding increase in productivity, spell ruination for our country. The entire nation now prays that the efforts of the working party of employers and workers set up by the Union Labour Ministry, to evolve an effective machinery for the settlement of industrial disputes speedily and to avert wasteful work stoppages in future, is crowned with success. Even our great leader, Prime Minister, Mrs. Indira Gandhi, and our revered President, Mr. V.V. Giri, champions of labour welfare over the decades, have appealed for a moratorium on strikes for three years, in order to strengthen our national security, to rout out poverty among the millions and to increase production and create more jobs. There is no escape from the Universal law, "first deserve and then desire." So, let us dedicate our lives to selfless efforts to produce more, to create more jobs, to strengthen the country in all respects and, God will take care of the rest.

A silver lining, in the otherwise bleak horizon, is the decision of the three leading Central Trade Union Organisations, namely, Indian National Trade Union Congress, All India Trade Union Congress and Hind Mazdoor Sabha, to form a National Trade Union Council to root out the evils of inter-Union rivalry, one of the main causes of senseless stoppage of work. In order to achieve harmonious employer-employee relationship, proper guidelines should be laid down for identifying the union's genuine membership. Similarly,

a code of conduct for settlement of disputes should be evolved and adhered to, so as to eliminate sporadic lightning strikes and go-slows.

Trading Prospects

Your Directors in their report, have dealt with the trading conditions obtaining during 1971 and till early May this year. We have not seen any appreciable change since then, except for slight recovery in the Far East Timecharter section, due to prolonged Japanese Seamen's strike, which again, is a temporary feature, restricted only to prompt tonnage. However, the Japanese steel industry, has not yet been significantly affected, it being well over stocked with its requirement for iron ore and coal. The running down of the Japanese iron ore and coal stocks, is welcome indeed.

With the decline in the rate of world trade expansion and with the unsettled international monetary situation and with nearly two-thirds of the dry cargo newbuilding tonnage entering the market without any long-term contracts, tonnage available for employment, continues to remain in excess of demand and the figures of laid-up tonnage, are increasing. However, the range and variety of enquiry is so diverse in the dry cargo market, that, despite some over-tonnaging, one can still have a somewhat better freight market, as compared to the tanker market, under similar circumstances.

The world seaborne trade was projected to increase at an annual rate of 8 to 10%, against which, 1971 registered an increase of only 4.5%, the lowest in the last decade. During the current year, it is expected to increase by only about 5% and during 1973, by about 6%. To aggravate matters, in the intervening period, some 36 million dwt. of newbuilding Combine Carriers and Bulk Carriers would be added to the existing fleets.

Historically, booms and slumps are as old as Shipping itself, and while forecasting freight rates one cannot rule out the possibilities of sudden changes in world demands or unforeseen happenings, which

may bring about an unpredictable rise in demand for tonnage, even as it happened in 1967 and 1970. What is regrettable is that in a profitable market, speculators place orders for new buildings, anticipating continuous rise in rates and laid-up tonnage comes into service, and the supply soon exceeds the demand and a downward trend sets in, orders for new-buildings get slackened off and when rates reach uneconomical levels owners begin selling and laying up tonnage. The irony of it all, however, is that, to predict the duration of any boom or slump is a guess and no past analysis can enlighten us as to the present slump. In order to restore equilibrium between supply and demand, the obvious answer lies in substantial increase in the world-trade and/or, massive withdrawals of tonnage from the market.

Fortunes of bulk carrier owners, are mainly linked with the Japanese economy. The Japanese steel production figures for 1972 have been revised from 125 million tons to 95 million tons, which means a reduction of nearly 48 million tons of Iron Ore and about 20 million tons of Coal, to be transported by sea on their account. While some encouraging signs have appeared that the Japanese Steel Industry is beginning to recover, it is not possible to forecast the steel output beyond 1972. Japan would, perhaps, step up its purchase of raw materials by end of 1972, but considering the widespread belief of another Yen revaluation, it is very unlikely that they would embark on any large scale purchase programme. The prospects of Japanese stepping up their exports to U.S.A. and E.E.C. appear rather dim, and the Chinese are not showing any interest in any large scale Japanese imports. However, Japan's efforts to enter the U.S.S.R. market, appear to be bearing fruit.

With no apparent sign of any reasonable increase in the volume of international seaborne trade, the lay-up and scrapping figures, are likely to mount at a faster rate. However, prudent

shipowners, who have competitive units in their fleets, bought at the right price and the right time, have nothing to fear in the long run. Likely increased exports to Soviet Union, East European countries, China and Japan, may contribute to some extent, in bringing about some recovery in the freight market.

As I said last year, since times immemorial, it is a field day for either the Charterer or the Shipowner, the Charterer has an edge on it and it is his day today, your day shall soon come next, and make you grow from strength to strength, ready for yet another battle.

Operating and Voyage costs

The never-ending spiralling of operating and voyage costs, continued throughout 1971 and into 1972. Under the latest agreement arrived at between the Maritime Union of India and the Indian National Shipowner's Association, the salaries and benefits of your floating staff officers, show an increase of about 50%. In the year under review, the bunker costs went up by about 52%. Each year, costs of ships stores and spares are steadily going up by about 15%, and repairs by about 20%. Negotiations are at present afoot, between the National Union of Seafarers of India and the Indian National Shipowners' Association, for determining the revised salaries and benefits of Petty Officers. The National Union of Seafarers of India has pitched its demand for an increase of over 100%.

Fleet Expansion

We have been thought rather conservative about our views on fleet expansion. We have considered it wise to diversify our fleet and hence, since over four years, had been concentrating on securing of contracts for the carriage of highly specialised cargoes, such as, ammonia and phosphoric acid, and crude oil, from Iran to India, on account of The Fertilizer Corporation of India Limited and the Indian Farmers Fertilizer Co-operative Limited and the Madras Refineries, respectively. We have considered it essential to have cargo contracts over adequately long periods, backing the

acquisition of super tankers or specialised carriers, hence, our expansion in these fields, is restricted to first obtaining adequate cargo coverage.

We had tendered, on behalf of an associate company, whose operational management is to be entrusted to us, for the transportation of ammonia and phosphoric acid and were the only Indian Company, whose offers were found acceptable. It is regretted that, the purchase contract of ammonia, has now been decided, to be made on a C & F basis. However, as the purchase contract has not yet been finalised between the Iranians and the Fertilizer Corporation of India Limited, your management is still working to secure this contract, though now the Charterer would be a foreign party. The Indian Farmers Fertilizer Co-operative Limited purchase contract, has also not yet been finalised.

We had also actively worked for the acquisition of tankers and had tendered for the transportation of 2.5 million tons of crude oil from Iran to India. Your Company's tender was the lowest. However, as the Shipping Corporation of India, was able to acquire the tanker on Rupee payment, they secured this business, though tenders had been called for, on a worldwide basis. This apart, the costs for conventional type of ships, over the last 2/3 years, have shot up to such an extent, it is our opinion, that, acquisition of ships, at present costs, would not be a remunerative proposition over the life of the ship. Looking back, we do not feel we have erred in not rushing into ship purchases at very high prices. With the unprecedented slump in the market and consequent fall in orders, prices for new buildings should come down. But the best bet, would be purchase of new buildings and second-hand tonnage, which some Owners would be compelled to sell at distress prices and which costs, are more likely to be such that, the acquisition of such ships, should be remunerative at reasonable average freight rates over an adequately long period. The cost of ships has not yet sufficiently dropped and your

management is very closely watching the market and feels, sometime end 1972-73, second-hand ships and new buildings for re-sale, may be available at reasonable prices.

Shipping and Shipbuilding

The world shipbuilding industry completed nearly 24 million GRT of newbuildings during 1971, out of which, Japan alone launched nearly 50%. By the end of 1971, the world Shipyards had about 83½ million GRT on order for delivery until about 1975. Since last quarter of 1971, however, with the decline in shipbuilding orders and quite a few cancellations of orders for new buildings, the Shipyards have begun to feel the effects of the slump in Shipping. As the order books shrink, the Yards may be short of work around 1974-75. It is estimated that, 90 berths are available, for building very large crude carriers, for delivery in 1975. Leading shipbuilding countries, especially Japan, have already expanded their facilities and even set up new-building yards at heavy expense. Governments in U.K., Italy, Holland, Spain and Sweden, have had to pump large amounts of money directly or indirectly, to support many ailing Yards. The Yards are now finding it rather difficult to sell ships and a price reduction for new buildings, is not ruled out in the near future.

During 1971, India acquired only 13 vessels, totalling 1.42 lakh GRT. Taking into account vessels scrapped/sold during this period, the net addition to Indian tonnage, amounted to only 1.02 lakh GRT. The number of ships increased from 250 to 255, with a total GRT of nearly 2.5 million. The Fourth Plan target of 3.5 million tons in operation, it appears, shall not be achieved, with the total tonnage unexceeding 3 million GRT mark. This shortfall is partly due to the fact that ship prices rose suddenly and sharply over the last 2/3 years and also, the Shipyards were unable to deliver new orders by March, 1974 — the end of Fourth Plan period.

Although the setting up of Cochin Shipyard and increasing the capacity of Hindustan

Shipyard, Visakhapatnam, are positive steps in the right direction. However, in view of the pace at which we are progressing, the type of ships proposed to be built and their dependence purely on the Indian market, I am afraid, we will, for quite some time to come, lag far behind the leading shipbuilding countries of the world, where technological developments, are fast taking place. The Government should also give due attention to the development of ancillary industries and designing and research cells. Undoubtedly, our men possess the necessary skill, evidencing which, the recent delivery of I.N.S. "NILGIRI", is a standing tribute to their ability.

Ports

While it is heartening to note our Government's keen desire to develop our major and minor ports, where ambitious plans are being put into shape, it is depressing to note that, the progress made, is not laudable. If greater effort is not applied with immediate effect, I do not think the Ore Handling Plants being put up at Mormugao, Madras and Vizagapatam Outer Harbour, would be operational by the end of Fourth Plan period.

Delays in implementation not only results in a steep rise in costs of development projects, but also result in heavy loss to the country, particularly the users of the port. The delay in completion of Madras Outer Harbour Oil Jetty, is a glaring example. Due to this delay, the freight bill alone, of Madras Refineries, shot up by nearly Rs. 6 crores in 1970-71.

Considering even a modest saving/earning of Rs. 10 per ton on Iron Ore to be exported out of Mormugao, Madras and Vizagapatam, after the Iron Ore Loading Plants commence operations, every year of delay, would deprive the country of about Rs. 15 crores in foreign exchange.

At the time of formulating our port development programmes, I feel, we should look a little further into the future. Our Ore Handling Plants at Madras and Mormugao are being designed for berthing

ships of 60,000 dwt. with provisions for developing to berth vessels of a size of 100,000 dwt. eventually. Australia, India's main competitor in the Iron Ore export trade, is already completing developments for berthing Ore Carriers of 150,000 dwt. size, as this size has already entered the market. In order, therefore, to ensure our place as one of the leading Iron Ore exporters in the world, I would recommend taking a second look at our port projects and making necessary changes where possible.

Government Policies

At the last Annual General Meeting, when I addressed the members, you would also recall, I had stated that, we have yet to learn, Indian Merchant Shipping can never hold its own, unassisted, against the heavily assisted fleets of the leading maritime nations of the world, such as, those of the U.S.A., Japan, the Scandinavian and European countries, the U.K. and Greece.

To encourage development of Indian Shipping, I again reiterate and appeal to the authorities for continuance of Development Rebate, proposed to be withdrawn from May 1974, and restoration of the terms, conditions and rate of interest for Shipping Development Fund Committee loans, as were existing prior to 1st February, 1971. Ships, unlike many other industries, are highly capital intensive, with irregular and uneven inflows and ever increasing outflows of cash. Further, the sharp increase in the acquisition and operational costs, in the face of current uneconomical freight market conditions, has dampened the enthusiasm of Shipowners. The authorities are well aware of attractive incentive being given to Shipowners in highly developed countries. By withdrawing or reducing incentives, Indian Shipowners, especially those engaged in international tramp trading alone, will lose their competitiveness. As it is, one finds it extremely difficult to compete with tonnage belonging to the aforementioned countries, or those plying under flags of convenience.

Moreover, I do not think that

we have reached such a state of self-sufficiency, as to warrant cessation or reduction of the existing incentives. On the contrary, I feel that, further relaxations and incentives should be offered in order to help attain a quicker rate of expansion. Our last conflict with Pakistan, is a pointer, as to value of a national fleet in time of crisis, where Indian mer-

chant ships available on the scene, played a vital strategic role.

It is my privilege and pleasure, before I conclude my address to you, on behalf of the Board and on your behalf, to extend our grateful thanks and deep appreciation to the Company's Management and the staff, ashore and afloat, owing to whose ceaseless, sin-

cere, loyal and efficient efforts, your Company, despite a very depressed market prevailing throughout the year under review, has achieved such an outstanding result, as is evidenced by the disposable surplus of over Rs. 181 lakhs.

N.B. This does not purport to be a record of the proceedings of the Annual General Meeting.

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RECORDS AND STATISTICS

Report of the Committee on Land Reforms

THE REPORT of the nine-member committee on land reforms was discussed by the Congress Working Committee in the capital on July 6. Some of the members felt that further scrutiny of the proposals of the committee needed to be made because it had gone beyond its scope on certain matters. Also, it was felt that was necessary to seek the views of all the chief ministers who ultimately would be required to implement these proposals. It was therefore decided that the Congress Working Committee should meet again on July 22 and 23 for a thorough discussion of the various aspects of the scheme.

The Committee had recommended an additional 15 per cent of land within the 10 to 18 acre range of ceiling for land irrigated by private sources. It means that if for the land irrigated from government sources the ceiling is 10 acres, the corresponding ceiling for the land irrigated by a private source will be 11.5 acres. The report of the committee follows:—

The need for comprehensive land reforms with a view to redistributing available land more equitably among different sections of the rural community as an essential step in the creation of an egalitarian society, within the overall objective of improving and modernising our agriculture has for long been part of our

party's socio-economic thinking and was recognised as such from the beginning of our planning process. The changed political climate and the awakening of the masses in recent years make it imperative that the government put through the required reforms—legal, organisational and administrative—with speed and determination.

There is wide acceptance of the concept of imposing a ceiling on individual land holdings and distributing the surplus among the vulnerable sections. The main consideration here is this: for millions in the rural areas for a fairly long time to come there may be no alternative to dependence on land, in one form or another, for earning their livelihood. The pressure of a growing population makes the situation more acute. While we have added to the cropped area by something like 20 per cent over two decades, this has come about mostly through extension of irrigation and conversion of single-crop into double-crop lands. There still is potential for such expansion in future. But quantitatively the area that we might be able to add is likely to be limited. In short, the pressure on land will grow and land will continue to be in absolute shortage for a long time to come.

Improvement of yield

The introduction of the new technology in agriculture has served to increase our cereal output, particularly that of wheat, significantly in the past five years. The improvement in yields in areas where the new technology has made good progress has tended to enhance land values. This has given rise to certain socially undesir-

able trends, such as eviction on some pretexts of tenants of long-standing by the landowners and the appropriation of lands of small holders by the bigger ones by offering very attractive prices or by other means. It is not surprising that recent studies of the state of our rural polity indicate that tensions between the big landlords and the smaller ones, between land-owners and tenants and between land owners and landless labourers have tended to become sharper and widespread. This has been particularly noticed in areas where the yield breakthrough has been significant. Public policy has to take note of these emerging trends. Corrective action has to follow without delay so that the fabric of rural society may not be violently torn as under by economic pulls and political compulsions.

Personal attention

Fortunately, the new technology is, by and large insensitive to farm-size. It has, without doubt lowered the threshold of viability for the cultivator in terms of size of the holding. In fact it can be argued that intensive agriculture based on the best that science and technology have to offer is facilitated under conditions where the farmer is able to devote personal attention to every facet of cultivation and has the incentive to invest in the land for its long-term regeneration and improvement. It is within this overall technoeconomic framework that we have to work out measures which will encourage farmers to maximise their output, aided by appropriate technology, extension and supply of inputs on the one hand, and also advance our social objective of removing disparities in income and property.

We hold, therefore, that as a first step in the institutional reform of land-ownership and cultivation, ceilings should be imposed and enforced on holdings in such a manner as leads to a meaningful redistribution of land in favour of the weaker and vulnerable sections of the rural community. Such a policy should be accompanied

by measures for the new owners of land to take full advantage of modern technology by creation, for their special benefit, of agencies for supply of the required inputs, technical, advice and marketing and processing facilities.

Irradiation of poverty

In this connection, the committee would like to quote from the Planning Commission paper circulated at the meeting of the National Development Council on May 30 and 31. In this paper, land reform has been emphasised as one of the essential programmes for eradication of poverty among the rural masses and for tackling the problem of unemployment and under-employment.

“As indicated earlier, unemployment, under-employment and low resources has of a multitude of producers, particularly in agriculture, are the principal causes of poverty. An expanded programme of employment generation will, therefore, have to be supplemented by redistributing the means of production in favour of the poor, in part by providing the self-employed with the wherewithal to achieve greater productivity from land and also through a programme of land redistribution and other transfers. Profiting from past experience, land policy decisions on the nature of the legislation and the process of implementation will be necessary. The problem of an appropriate balance in the redistribution of available surpluses as between farmers with small holdings and landless labour is also an issue which will have to be faced. An assessment will have to be made during the current year of the impact of the envisaged land reform measures on the problem of rural poverty. The employment programme for the rural areas will have to be so designed that it can meet the requirements of the small and marginal farmers and the landless labour after allowing for the effect of the land reform measures as finally decided upon.”

Many states already have ceiling legislation of varying

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scope and effectiveness on their statute books. In analysing the impact of such legislation on the pattern of land ownership and cultivation one is struck by the loopholes and escape-clauses that were built into the laws on one consideration or the other. All this has considerably diluted the effectiveness of ceiling laws. These lacunae have provided to the more influential and the rich the means and the opportunity to evade the law. In such an appraisal one is also equally struck by the tardiness of implementation of the provisions, such as they were, by the administrative machinery in the states. It is unnecessary to catalogue in this report the whole series of exemptions, benami transfers and partitioning of holdings or the substitution of crops that have proved so effective as camouflage weapons at the disposal of the more privileged minority to frustrate the rightful needs and hopes of the deprived majority.

Two Aspects

On the provisions of law as they stand presently on the statute books, we would like to draw attention to two aspects in particular. One relates to the level of the ceilings and the second to the unit of application. The ceilings laid down in some states are high by any standard. Their application in terms of the individual meant that a family of five could retain in some states as much as 1620 acres of land within the four corners of the ceiling law. Surely, the path towards a radical redistribution of land in favour of the poor and the deprived does not lie through such apology for reform, making a mockery of the entire concept of land redistribution. Exemptions from ceilings allowed in the legislation are numerous and far-reaching. They included plantations, sugar-cane farms, cattle breeding farms, orchards and groves, grazing lands, 'efficient' farms, mechanised farms, lands owned by religious and charitable institutions and trusts and some other lands. These provide an infinite source of evasion for the rich and the powerful. A substantial part of whatever

emerged as surplus was often found to be uncultivable. Progress in the distribution of such surplus land has also been, by and large, poor, thanks again to administrative apathy.

There is no escaping the conclusion that we are nowhere near achieving the objective for which we initially conceived the ceiling laws, namely, a meaningful redistribution of land and a more diffused and equitable pattern of ownership by the farming community as such, of this scarce natural asset. The time has come for recasting the legislation in terms of our original objective and for an effective and time-bound effort to enforce this legislation.

Social Compulsions

Ineffectiveness of the land ceilings legislation so far as well as the social and political compulsions in the current situation has been recognised by the Central Land Reforms Committee which is the highest advisory body in government on this subject. Its recommendations made in 1971 run as follows:

"The ceiling for a family of five members may be fixed within the range of 10 to 18 acres of perennially irrigated land or irrigated land capable of growing two crops. As soil conditions, productivity of land, nature of crop grown etc. vary from state to state and within the same state from region to region, the Committee considered it desirable simply to indicate a range within which the ceiling should be fixed instead of suggesting any rigid ceiling for the whole country. For various other categories of land conversions, ratios should be fixed taking into account availability of water, productivity soil classification, crops grown, etc. The absolute ceiling for a family of five, even in the case of dry lands, should be put at 54 acres. This limit would be relaxable if there is special justification for doing so on account of the nature of soil, rainfall, chronic drought conditions, etc."

We would like to draw attention to three aspects which

distinguish this recommendation from our earlier thinking:

In the first place, a lowering of the ceilings as such has been felt necessary. Secondly, the family rather than the individual is deemed to be a better unit for application of the ceilings in the light of the experience gained in enforcing earlier legislation. Finally, it is proposed to do away with many of the far-reaching exemptions from ceiling laws allowed in the past. We fully endorse the basic thinking of the Central Land Reforms Committee on these three issues.

We are in agreement with the recommendation of the Central Land Reforms Committee that the range of ceilings should be between 10 acres of the best land and 54 acres of the worst land. The relative worth of land in different holdings and areas will have to be assessed with reference to the fertility of soil, availability of water, facilities for drainage, access to road and such relevant factors. The scheme of ceiling that we adopt will have to lay down the principles on which an equivalence for various types and categories of lands is to be worked out.

"Perennially Irrigated"

We feel that the phrase "perennially irrigated land" capable of growing two crops adopted by the Central Land Reforms Committee is liable to varying interpretations. We are not sure whether there is, in fact, such "perennial". The question, in our view, is not whether water is available for irrigation to a given plot of land all through the year, but whether there is assured irrigation for growing two crops or for one crop. We have also taken note of the controversy that has developed on a question whether a distinction should be made while fixing ceiling between lands irrigated from public sources and those irrigated from private sources.

Taking into account all relevant factors and keeping in mind the views expressed at the Leaders' Conference, we wish to make the following recommendations on arriving at appropriate ceilings:

(i) The best category of land in a State with assured irrigation and capable of yielding at least two crops a year should have a ceiling of 10 acres. This ceiling may increase upto 18 acres taking into account the fertility of the soil and other conditions.

(ii) In the case of land having assured irrigation for only one crop in a year, the ceiling shall not exceed 27 acres.

(iii) For all other types of land, the ceiling shall not exceed 54 acres.

NOTE: In view of desert conditions existing on a wide scale in Rajasthan, the state has got some special problem regarding the fixation of ceilings under this head. The state government will discuss this with the Ministry of Agriculture and take appropriate decisions.

(iv) In the case of owners with holdings consisting of different types of land, the total holding, after converting the irrigated or better category of land into the lowest category shall not exceed 54 acres.

(v) The above ceiling shall be fixed in terms of physical acres and not in terms of so-called "standard acres."

Allowance for Initiative

We have carefully considered the arguments for and against a differential ceiling as between lands irrigated from public and from private sources. We are of the view that to the extent private irrigation has been provided by the private investment and initiative, allowance should be made by giving an advantage of 1 : 1.15, i.e. if for land irrigated from government sources the ceiling is 10 acres, the corresponding ceiling for land irrigated by a private source will be 11.5 acres. We wish to make it amply clear, however, that under no circumstance any land falling within this category of irrigated land shall have a ceiling of more than 18 acres.

It is necessary to spell out

the manner in which different categories of land will be evaluated for purposes of comparability and equivalence. Comparability on the basis of old classifications done at the time of land settlements or on the basis of existing land revenue is not likely to prove satisfactory. Settlement operations have not covered the entire country or on any kind of uniform basis. The present rates of land revenue are the resultant of a wide variety of factors and considerations, not always related to the productivity of the land. Nor can the cropping pattern or the market value provide an acceptable index as they are subject to constant changes and are affected by speculative considerations.

Rational Method

We are, therefore, of the view that the suggestion made by the Working Group set up by the National Commission on Agriculture to classify lands according to distinct agro-climatic factors is more rational. Within each identified tract of given agro climatic conditions, the number of further gradations should be kept to the minimum. We agree with the Working Group that within a homogeneous tract it might suffice to distinguish between two tracts of wet land, viz., single-crop and double-crop, and two tracts of dry lands. On theoretical grounds, there will be scope for making a more detailed and finer classification. But taking into account the corresponding administrative difficulties and the scope for varying interpretations by different authorities, we have come to the conclusion that the balance of advantage lies in keeping these gradations to the very minimum.

We fully recognise the conditions with regard to agro-climatic factors, productivity, accessibility, etc. for holdings of land very considerably as between states and even within States. There is, however, no escapes from a broad classification and formula for mutual equivalence. This is essential in the interest of equity as between persons owing widely

different types of land and of removing scope for regional grievances.

In the case of irrigated lands what should matter as we have stated already, is the assuredness of irrigation, and not whether the source of irrigation is publicly or privately owned. A distinction might however, be made between lands irrigated with tubewells on the one hand, and dug wells on the other with reference to regularity in the availability of water.

The adoption of the family rather than the individual as a unit for fixing ceilings will itself mark a distinct improvement over what has been attempted in the past. It will plug a major loop-hole by which provisions relating to ceilings have been evaded. The Central Land Reforms Committee favoured the ceiling being applied to a family of five—husband, wife and minor children.

Family as Unit

We have devoted careful thought to the manner in which "family" should be defined for purposes of land ceiling. We have taken note of the legal and practical difficulties in adopting the definition suggested by the Central Land Reforms Committee and the discrimination that it will carry between majors and minors. We are of the view that ceiling is best applied to the family of five as a unit, consisting of husband, wife and three children, whether major or minor. In making this suggestion we also agree with the suggestion of the working group of the National Commission on Agriculture that to the extent that the actual number of members in a family is less than five the ceiling should be reduced by a fifth per person. A minimum of two thirds of the family ceiling can also be allowed irrespective of the size of the family. Similarly, where the family consists of more than five members one fifth of the ceiling may be added for each additional member, subject to an overall maximum of double the ceiling. We further recommend that where both husband and

wife own lands and the ceiling is applied in respect of the combined properties, the two will have rights in the ceilings property in proportion to the original ownership of land by each before the application of the ceiling. We also hold the view that for purposes of ceiling no distinction should be made on the basis of personal laws applicable to the family, whether it be Mitakshara, Dayabhaga, Muslim or Christian.

Purpose Nullified

We have already noted that the exemptions incorporated in the ceiling laws have operated in such a way as virtually to nullify the basic purposes of the Acts. We feel it necessary that a clear cut all-India policy should be laid-down in this regard without delay. The Central Land Reforms Committee has recommended that exemptions provided in favour of so-called well-managed and mechanised farms should be withdrawn. In respect of the other exemptions, the committee has merely suggested that Chief Ministers could be consulted for evolving a national policy. We feel that it would be better for the government of India to lay down specific guidelines straight-away to provide a framework of action by state governments.

As such we recommend:

(i) Exemptions already granted for plantations in relation to the actual area planted with a margin for replacement plantings may continue. We would, however, urge that the definition of 'plantation' should be such that in the name of plantations, lands used for other crops but interspersed with some plantation crops or merely kept fallow do not enjoy this exemption. It might also be advisable to undertake a scientific study of the management of plantations as also of farms for government to evolve a suitable policy in treating lands utilised for these purposes under the ceiling programme.

(ii) The case of lands held by trusts, institutions, etc., requires detailed and careful consideration. Any blanket exemption is uncalled for and

is likely to be misused. There is strong reason to suspect that many of the so-called trusts have been created deliberately to evade ceiling or other laws. As a rule, therefore, no distinction need be made between lands held by individuals, or families on the one hand and institutions including trusts on the other. In the case of properties of institutions which serve a genuine public purpose, suitable financial arrangements may be worked out by state governments concerned while determining the compensation, so that the service may continue to be performed even after the surplus lands have been taken over.

(iii) Lands owned and operated in the name of cooperative farming societies will need to be exempted from ceiling laws. This should not, however, enable an individual member of the society to possess more than the ceiling area. The principles governing the ceiling for a family should be applied for members of the same family in the cooperative farming societies concerned.

(iv) Lands held by cooperative banks and banking companies on mortgage will also require exemption from ceiling.

Withdraw Exemptions

We are firmly of the view that all other exemptions provided for in the earlier Acts should be totally withdrawn and no new exemptions contemplated. This will mean that there will be no exemption in the case of 'well-managed' farms or 'mechanised' farms; land given as gallantry awards and sugarcane farms operated by sugar factories, lands held by ex-rulers, orchards and the like.

In determining the date with effect from which ceiling laws, as now formulated, should apply we have to take note of the fact that taking advantage of the considerable period over which this matter has been debated and anticipating many of their likely provisions large-scale partitions, transfers gifts and sales have been affected by many owners of large

holdings. The aim has been to defeat the purposes behind the laws and to create records by which it will be impossible for government to undertake any worthwhile scheme of re-distribution. There is an overwhelming case for giving retrospective effect to the proposed legislation in order to nullify such ruses by vested interests.

Ceiling Law recommended

We have noted that some states propose to give effect to the new legislation with effect from January 1, 1972. We are, however, convinced that this will largely dilute the effectiveness of the proposed legislation since evasive action had been taken by big landlords much earlier than this date. In the light of the relevant developments, we would strongly recommend that the ceiling law should be applied retrospectively from September 26, 1970 on which date the Chief Ministers' Conference referred the entire issue of land ceilings to the Central Land Reforms Committee and opinion began to take shape in favour of the kind of provisions discussed here.

As a first step in checking such fraudulent transactions and distinguishing them from bona fide ones; special tribunals with quasi-judicial powers will have to be set up. It will be desirable to bar the jurisdiction of civil courts in these matters.

There are diverse views on the basis for determining the compensation amount for the surplus land taken over under the ceiling laws and the manner of its payment. These range from payment of full market value in cash in one lump sum to the other extreme of denying all compensation. The policy we adopt should not put too great a strain on the exchequer or on the allottees and permit a reasonable compensation to be paid over a period of time to the persons who are deprived of their property. We agree with the view of the Working Group set up by the National Commission on Agriculture that the very purpose of breaking concentration of economic power by a programme of land re-

distribution will be defeated if rich land owners who lose their power by the application of ceiling laws, are provided with the financial resources to gain it in other sectors. In the interest of equality there should be different slabs of compensation, the rate going down with an increase in the size of the holding. The amount itself can be related to land revenue payable per acre and a graded slab system worked out on this basis. Questions relating to payment in bond or in cash, the number of instalments etc., should be solved with reference to the circumstances in each state, the needs of the persons concerned and other relevant factors.

We also feel that because of their far-reaching consequences land reforms laws should be included in the Ninth Schedule of the Constitution to give them protection against vexations or unnecessary litigation.

Programme of redistribution

It has not been possible for us to make an assessment of the likely extent of land that will be rendered surplus under the scheme of legislation proposed by us. That this will be appreciably larger than what has been available within the framework of previous legislation goes without saying. Nor should it be thought that a ceiling on the size of holding is the only means of acquiring land for re-distribution in favour of the vulnerable section. Later in this report, we draw attention to the possibilities of limiting ownership of land only to those who reside in the village to cultivate their land. Progressively, a combination of such measures should enable government to secure control over sizeable areas of land that alone can form the basis of a meaningful programme of redistribution.

In redistributing available lands, however, it is necessary to consider the relative priorities as between the landless labour and the small peasants owning land less than the economic size. There are valid economic arguments for giving preference to those who al-

ready have some farming experience with holdings below the viable level. But this is not merely a problem of farm management and productivity in the short run. We have to face the grim realities of the evergrowing mass of restive landless labourers, non-availability of alternative employment opportunities and the abject poverty of a majority of the landless. We therefore feel that first priority should be given in the matter of distribution, of surplus land to the landless agricultural population particularly Harijans, the tribals and backward communities. As a rule 50 per cent of the surplus land available in the state should be set apart for members of the Scheduled Castes and Scheduled Tribes and other notified tribes. Within a given class of people priority can be given to those landless persons who in some capacity or the other are already cultivating given portions of land that is declared surplus. Similarly, the interests of existing tenants should not be disturbed in the process of implementing the ceiling legislation.

Where surplus land is available in large blocks, the formation of cooperative societies should be encouraged.

Compensation to beneficiaries

We attach great importance to the manner in which government sets out to help the allottees to make the best use of their new possession. Both positive and negative measures are called for in order that our programme may achieve the designed results. Negatively, we should prohibit lease, sale or mortgage of the allotted land except to public or cooperative institutions. By such prohibition, it should be possible to prevent the tendency that has been noted in the past for the bigger landlords to regain possession of the land, after paying some nominal compensation to the beneficiaries. More positively, we should confer hereditary rights in the lands concerned to the allottees as long as they cultivate that lands themselves. It will also be necessary to set up special institutions through

which adequate and timely credit, inputs in kind, and other facilities are made available to the cultivators for developing and properly utilising the lands assigned to them.

In planning the activities of such institutions the age-old handicaps under which these beneficiaries have suffered and their relative inexperience in taking independent management decisions should be specially kept in view. A special orientation will have to be injected to these agencies so that they help the allottees to blossom into efficient managers of their farms within as short a time as possible. The fullest advantage should be taken of the new psychological climate created in the countryside by a government led but mass-based operation to provide to the landless and small holders a more secure source of employment and livelihood.

Rule of Law

A crucial element in determining the outcome of our entire effort will be the type of implementation machinery we evolve for this programme. As the Working Group set up by the National Commission on Agriculture has pointed out, our effort is unique in so far as it attempts to initiate fundamental reform without peasant revolution as in China or under the edict of a occupying power as in Japan or Taiwan. The implementation machinery that we contemplate will have to function within the framework of our parliamentary democracy and the rule of law. We agree with the view of the working group that under our conditions a programme of effective implementation should include the following elements

(i) Watchdog committee: may be formed at the central state and district levels, and consist of representatives of the main political parties committed to the idea of land ceilings. These committees should provide the main political impetus and direction to the process of reform by creating awareness about what it stands for and why it is being undertaken. We attach spe-

cial importance to the education of the poorer classes and their involvement in order to create a proper climate for reform. Political rallies and conventions may provide the platform and the instrument by which the redistribution programme is given the character of a mass movement. We would like to emphasise in this connection the need for disciplined and devoted work by party cadres at various levels.

(ii) The administrative structure will also require a fresh review and reorganisation, so that those entrusted with the enforcement of the ceiling legislation have both the administrative skill and then necessary faith in and commitment to this programme. A process of careful selection of officers and staff of this purpose and a specially designed programme of field-training will have to precede any purposeful implementation of the kind of reform that we contemplate.

Special Mobile Court

We also agree with the recommendation of the working Group that in adjudicating on judicial or quasi-judicial issues that will arise from the implementation of the ceiling legislation, it will be better to set up special mobile court to hear cases in villages and give quick decisions after on-the-spot investigations than to consign such cases to the regular district civil or revenue courts which already have more than their due share of work. The procedures to be adopted for the filling of claims, their examination and disposal should take special note of the disabilities from which the landless and backward communities suffer. Government, in particular, should examine methods by which expert technical and legal assistance could be provided either free of cost or on subsidy to the weaker sections in order that they are not denied their legitimate rights. This committee concurs with the assessment of the Working Group of the National Commission on Agriculture that administrative and judicial agencies have in the

past been designed more to preserve the status quo than to promote fundamental socio-economic change. A restructuring of the administrative and judicial apparatus and a simplification of the procedures are therefore a necessary condition for the effective implementation of the land ceiling legislation.

We also endorse the other recommendations of the Working Group to form representative committees of beneficiaries at the village level to be actively associated with the preparation of land records and the work of redistribution.

We wish to emphasise once again that ceiling legislation should be regarded as part of a more comprehensive programme of reform, which will cover questions relating to tenancy and rents and deal with institutions responsible for credit, supply of inputs, marketing and processing of the agricultural produce. Our rural community cannot be transformed into an economically prosperous and socially equitable reality in our national life unless we mount such a comprehensive programme

of change and improvement.

Given the acute and growing pressure of population, it is necessary to consider whether it will not be justifiable to bar persons with assured non-farm income above a certain level from competing with others, less fortunately placed for ownership of land that is in such short supply. One way of doing this will be to prohibit directly land ownership by persons with assured incomes above a minimum level from other sources. In such a scheme of action, Rs 12000 and above a year from occupations that are of a permanent nature might be considered a reasonable disqualification to possess land simply as a piece of property. There may, however, be problems in defining "permanent occupations."

Another approach will be to prohibit private leasing of land for cultivation purposes and to lay down that personal cultivation will be a prior condition for land ownership. By such a stipulation we can ensure that persons with permanent non-farm occupation do not appropriate land simply

as rentiers. The approach suggested there is indeed in conformity with the principle of "land to the tiller" which we have accepted all along. Much will, however depend on how 'personal cultivation' is defined, interpreted and enforced. The Law Minister has been requested to have the definitions aoped in various statutes scrutinised and to suggest a suitable formulation.

We would, however, recommend that it should be laid down that the process of legislation in regard to ceilings is completed in all states by December 31, 1972. We would also suggest that the existing cell in the Ministry of Agriculture to monitor progress in land reform be strengthened suitably and meetings of the Central Land Reforms Committee convened at regular intervals.

The following were the members of the committee: Fakhruddin Ali Ahmed, C Subramaniam, Mohan Kumarangalam, H.R. Gokhale-V.P. Naik, Barkatullah Khan, Dr Rajendra Kumar Bajpai, Dev Raj Urs and K. Karunakaran.

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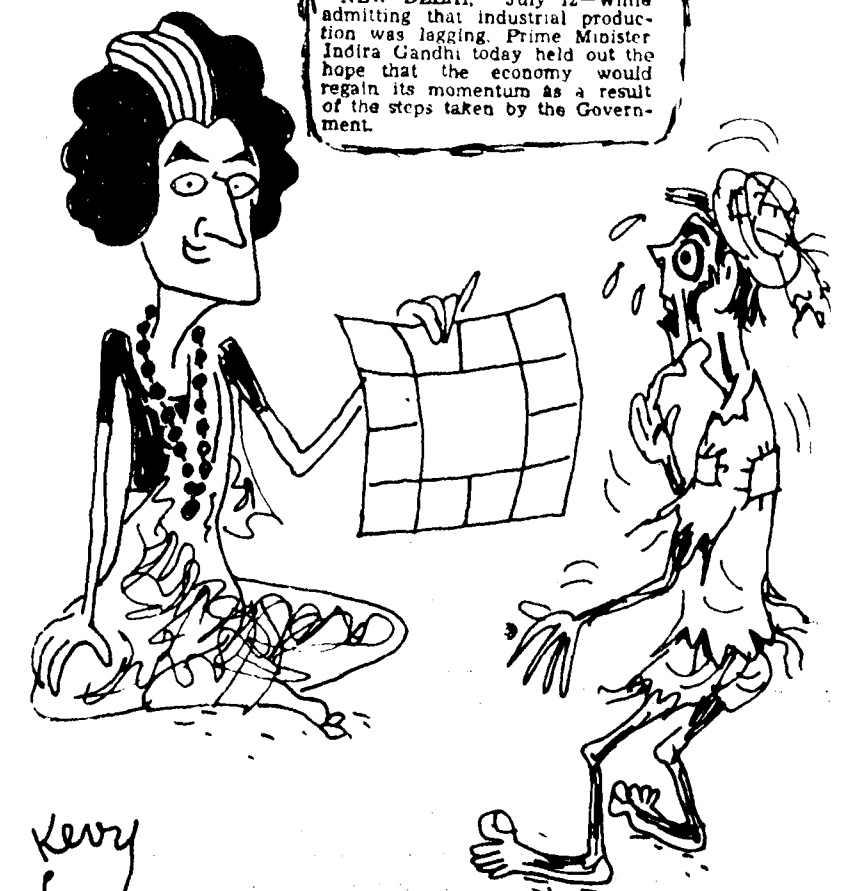
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of the steps taken by the Govern-
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Kerry

also in Burundi and how the people in Rwanda have learnt to love it and the people in Burundi to lump it. The important thing, as the Rwandans are telling the Burundis, is to have development in which case you may also have this inflation just to add spice to the whole thing.

But are we having development? Is not the economy sliding back?

Again I must ask you and other journalists to get out of your offices and go about the country and see things for yourself, or, better still, keep to your offices but read the World Bank or IMF reports about what we have achieved; Japan is not the only country in Asia to have worked economic miracles.

In which case, Prime Minister, why should we have any anxiety about the rupee? Surely, with so many economic miracles to buoy it up, it should manage to keep floating nicely for as long as it finds it is fun. Can't you tell poor I.G. that he need not do any more waiting so that he may go home and attend to the packing. Chavan, too, could be freed to concentrate on Jagjivan Ram now that inflation also is not a problem.

[The Prime Minister does not reply; she raises an eye-brow, throws a quizzical look and smiles that smile—Ed.]

Eastern Economist

25 Years Ago

July 25, 1947

Events in India during the past one week have been vastly more cheering in comparison. It is clear that the sense of frustration is already disappearing. The national flag has been adopted by the Indian Constituent Assembly with unprecedented enthusiasm—a hopeful sign because this means that the bitterness and/or resignation with which the political settlement was accepted by several people will disappear much sooner than was at one time expected. Chaudhry Khaliq-uz-Zaman's speech pledging the loyalty of Indian Muslims to the flag was itself evidence of this change. The League has apparently not welcomed joint electorates with the same enthusiasm, but the principle is likely to be accepted all the same. At least the other minorities are now unanimous in desiring a change. A major reform is thus being carried out without any fuss, and even without advertisement since more important and sensational news are crowding it off the headlines. If the ease with which this change is being accomplished does not prove the old thesis that a settlement becomes very easy when the third party is no longer in control, no other proof is possible.

In an editorial in its

issue of July 13, *The Hindustan Times* has described the Prime Minister's latest press conference as "a wasted occasion". The complaint or protest is altogether just. This newspaper, however, has come down on Mrs Gandhi rather too gently for her share of the discredit. It has let her off with a mild admonition that "the Prime Minister is not always forthcoming". This may well prove to be the prize understatement of the year.

The truth is that Mrs Gandhi seems to regard her press conferences merely as possible opportunities for an ego trip for herself. Her father, of course, was different. Jawaharlal Nehru really enjoyed a press conference just as he enjoyed other occasions for communicating with people. It is not merely that his daughter lacks this warmth. She positively freezes. The temperature goes down when she enters the place and it falls further when she puts on that smile. The

ficial and not infrequently they are downright childish. The editorial in *The Hindustan Times* is, therefore, justified in blaming as it does, the capital's newsmen as well for the barrenness of the Prime Minister's press conferences. It could be assumed that Mrs Gandhi will have no difficulty in endorsing this assessment. It has been said that President Nixon does not think much of the White House correspondents' corps as such and that this is the reason why he is also sparing of press conferences. Could there be a similar reason for Mrs Gandhi practising a like austerity?

It may be some consolation for the journalists of New Delhi that President Nixon does not rate particularly highly the performances of Washington's newsmen at his press conferences. But I am sure that my colleagues will agree that *The Hindustan Times* has a valid point when it suggests that, leaving aside Mrs Gandhi's own approach or attitude, there is need for the journalists themselves taking her press conferences

WITHOUT CHARITY

way she conducts her press conferences suggests that she regards them essentially as a means of testing her capacity for refusing to be drawn out or resisting being drawn into saying anything but insignificant nothings. To put it bluntly she just does not want to communicate. Whether this is some sort of defence mechanism or it reflects a proprietary attitude on her part towards the government of the country or its functioning is a matter which will no doubt reward scholarly investigation. Meanwhile it must be said in her favour, however, that she holds fewer press conferences at longer intervals than could be the case. This at least helps to save some of her time, also the time of the press and above all the time of the nation.

The Prime Minister's lack of responsiveness or genuine interest in the proceedings of her press conferences naturally tells on the quality of the journalists' performance. The questions put to her are generally wanting in both substance and style. Quite often they are super-

much more seriously than they tend to do. This newspaper, in its editorial, has helpfully listed some of the steps that could be taken to rationalize the conduct of the P.M.'s press conferences and thereby making them more informative and productive. It has pleaded for self-regulation on the part of the press and recommended that questions could be grouped together around a few topics or even submitted in advance with liberty to correspondents to pursue the answers with relevant supplementaries. It has also favoured press conferences of short duration, limited to 30 or 45 minutes and it has expressed the view that these conferences could be "chaired by someone with the authority, discretion and tact to sift the grain from the chaff—if the Prime Minister would rather not do it herself".

The last part of the prescription does not seem very practicable or even reasonable, but there is certainly a great deal to be said in favour of there being a little more forethought in

the framing of questions by press correspondents. Pending the scheme of the press conference itself being reorganized by the PIB in consultation with the Prime Minister's secretariat, it should be surely possible for editors of newspapers to do a bit of organizing on their own. Since they receive advance information about the holding of these press conferences they could certainly discuss with their special correspondents what information could be usefully sought and decide what questions consequently were to be asked on behalf of their respective newspapers.

There is also another detail which could reward attention. The bigger newspapers naturally have generous contingents of special correspondents. Even if it is considered necessary that all of them should go to the P.M.'s press conferences for their education, it does not follow that as many of them as possible should also weigh in with questions. There will surely be an obvious advantage in a newspaper nominating a special correspondent or, at the most, two from among its staff who could frame a question properly and present it effectively.

Part of the explanation for the unbusinesslike manner in which the P.M.'s press conferences are coming to be conducted is that this affair is partaking more and more of the features of a *mela* with far more men (including women) collecting on the scene than there are places for them to be seated. An unlovely corollary is that the journalists start pouring in a full hour before conference time as if they or their newspapers could easily afford to make a day of it. The whole business becomes needlessly disorganized further by the misplaced enthusiasm shown by almost the entire staff of the Press Information Bureau which takes it upon itself to grace the P.M.'s press conferences with its profligate presence. The Prime Minister has so many legitimate opportunities for holding mass meetings that it is hardly necessary that her press conferences should also be made to assume the appearance or character of one of those meetings. This brings me to my final reflection on the subject which is that, whereas planning or regulation would have robbed a spontaneous performance like that of Jawaharlal Nehru of its charm, only planning and regulation might save his daughter's press conferences from being 'wasted' occasions.

TOUCHSTONE

Vicious geometry of steel

THE TAKING over of the management of the Indian Iron & Steel Company by the government for a period of two years is less arbitrary than some of the other decisions of New Delhi which have lately affected the place and role of the private sector in our economy. This company has unfortunately been victimised by certain predatory speculative activities in its shares which have resulted in paralysing its management and higher direction. It is because the interests involved in this conflict over its control have not had the wisdom or the integrity to settle their differences in the larger interests of the institution that IISCO has fallen a prey to the carnivores of our political jungle. Whether Mr Mohan Kumaramangalam has effected an entry into the central cabinet to capture the government of the country for a communist party of his choice or not, he certainly seems to have got into the Ministry of Steel in order to preside over the liquidation of the mixed economy in the steel industry. It is part of the irony of the current national situation that Mr Ramnath Goenka and Mr Biren Mukherjee have so obligingly provided Mr Kumaramangalam with the provocation as well as the temptation for the seige and seizure of Burnpur.

The Minister for Steel is generally regarded as a very clever man. He himself seems to regard people generally as fools. The ordinance taking over the management of IISCO gives as the main reason for his action the steady decline in production at the steel works. Mr Mohan Kumaramangalam seems to be extraordinarily confident that the public will be taken in by this tongue-in-the-cheek argument. As the Federation of Indian Chambers of Commerce and Industry and others have pointed out, the performance of the state-owned steel plant at Durgapur, which is an appropriate object of comparison with the IISCO plant since both are in West Bengal, has been much worse, whether in terms of utilisation of capacity or maintenance of plant and equipment. Even otherwise, public sector steel has certainly not shown much evidence over the years of being blessed with the qualities of managerial or technical efficiency. It is indeed outrageous that an extension of the public sector in steel, whatever the form this extension may take, can at all be justified on the ground that the know-how of the state's steel industry could thereby be better deployed or employed.

As a matter of fact, if operational inefficiency is the justification, there is at least as much firm ground for the management or ownership of the public sector steel plants being taken out of the jurisdiction of the government of India as for effecting any change in the control or management of IISCO. Quite seriously the suggestion could be made that India's state steel plants should be placed under, say, the mandate of the United Nations and managed by some international agency created for the purpose.

Ministers are assumed to be honourable men. Mr Kumaramangalam appears to be a honest man of sorts as well. He has gleefully indicated that, even after the expiry of the two years mentioned in the ordinance, the control of IISCO may not be returned to its present management. In the circumstances the action now taken by the government with regard to IISCO would seem to amount to effective nationalization of the undertaking. Only the i's remain to be dotted and t's crossed. The present Minister for Steel, aided and abetted ably by the present Minister of Law may be depended upon to ensure that the public sector in steel gets the Burnpur and Kulti works at a knocked-down price. For putting through the slick operations that may be called for in this connection Mr Kumaramangalam ought to need much less time than two years.

The efficient running of the steel works itself is a different proposition altogether. Whether Mr Kumaramangalam could do very much in this matter in 20 years, let alone two, remains to be seen. The men who have allowed Durgapur to decay are hardly likely to become the saviours of Burnpur. Hindustan Steel has a particularly bad record in industrial relations. Its miserable history is even more unfortunate in terms of production performance or plant maintenance. Mr Kumaramangalam has had ample time to do something to improve the situation. But the man whose chairmanship of Indian Airlines was distinguished by continuous industrial strife and operational losses is hardly the minister to succeed in cleaning the Augean stables of Hindustan Steel. Since, however, Mr Kumaramangalam is a clever man he has reasonably been successful in diverting attention from his failure.

For some months now he has been talking of a holding company for steel and allied fields in the public sector. Mr Kumaramangalam has not been the first Steel Minister to reorganize the public sector steel industry, nor will he be the last. Every minister who has held this portfolio for any length of time has muddled or monkeyed with the organizational problem—every minister that is except the easy-going Mr Swaran Singh or Mr Sanjeeva Reddi who, fortunately, was

more interested in Andhra politics than in steel politics. An interesting common feature of all these reorganization schemes has been that, while everyone of them was announced or inaugurated with a fanfare, nothing very much was heard of any of them subsequently. It remains to be seen whether the holding company is going to fare differently. Meanwhile it would be premature and even pointless to discuss the scheme in detail or even seriously at all. It is obvious that Mr Kumaramangalam is following the step-by-step approach made famous at the Simla summit. He will no doubt let the public have a look at the full picture in due course. Meanwhile the mere fact that he has inducted a successful executive from the private sector to head the holding company is not enough in itself to sell the scheme to the country. This is not the first time after all when reputations made in the private sector have been dragged like sacrificial lambs to the altar of the public sector generally or the public sector in steel in particular. Mr Wadud Khan is entitled to our sympathy in generous measure.

BHEL does better

COMPARED TO the Bhopal complex of Heavy Electricals India Limited (HEIL), Bharat Heavy Electricals Limited (BHEL), which has three units at Hardwar, Hyderabad and Tiruchy, has been putting up a much better performance. Whereas the former complex had accumulated since 1956, the year of its incorporation, losses to the tune of Rs 58.97 crores till the end of 1970-71 — Rs 8.97 crores more than its paid-up capital of Rs 50 crores — the aggregate losses of BHEL, which was incorporated in 1964, were Rs 17.69 crores against paid-up capital on March 31, 1971, of Rs 65 crores. The cumulative loss of BHEL now stands reduced to Rs 14.50 crores, as this undertaking has made a profit of Rs 3.19 crores in 1971-72. The Bhopal complex, on the other hand, is not anticipated to make any profit in 1971-72 also. Its cumulative loss, thus, should go up further.

If the retiring chairman of BHEL, Mr O.S. Murthy, therefore, feels satisfied with his tenure with this undertaking, it is not unjustified. During the three and a half years he has been at the helm of affairs of BHEL, it has shown profit — though modest — in two years. The 1971-72 profit was nearly five times the nominal profit of Rs 65 lakhs in the previous year. Two

So also is the business house of Tata from whose employ Mr Khan has been drafted to the greater glory of Mr Kumaramangalam's holding company. This is for the reason that, with the taking over of the management of IISCO by the government, the Tata Iron and Steel Co. has gained the dubious distinction of being the last sentinel of free enterprise in the steel industry. The ordinance on IISCO states that part of the reason for the government take-over of the company is that its present management has allowed plant modernization or expansion to fall into arrears. It would be interesting to know how the management of TISCO rates the prospects of further large investments in its own works particularly in the light of Mr Kumaramangalam's plans for the steel industry in this country. In the years immediately after independence Mr J.R.D. Tata was questioning the very need for the state setting up steel plants to expand steel capacity. The wheel has turned full circle. How vicious the resulting geometry can be would depend on Mr Kumaramangalam's skills in scheming for the steel industry.

years earlier, it had shown a loss of Rs 3.4 crores.

To appreciate correctly the financial performance of the two public sector heavy electricals projects, it has to be noted, however, that the profit of BHEL in 1971-72 received a boost of Rs 1.05 crores by the decision of the government to convert loans to it worth Rs 15 crores into its equity capital with effect from April 1, 1971, so that the equity loan ratio, which went out of line with the customary standard of 1:1 three years earlier, could be restored to the standard norm. If this relief had been granted soon after the equity loan ratio was disturbed, BHEL would not have been required to provide for interest on excess loans. To that extent, the balance sheet of the undertaking would have shown improvement. The Bhopal complex, similarly, has been incurring unduly heavy interest charges. Its equity loan ratio at the end of 1970-71 was 1:1.5. It is however understood that in the case of this complex too interest on excess loans is being waived for 1971-72.

The above, of course, does not imply that all is well with BHEL. Even last year, as the table alongside shows, only two of its units — Tiruchy and Hyderabad — showed profit, after providing for interest and depreciation charges and Rs 7 lakhs development rebate in the case of the Tiruchy unit. The third unit at Hardwar continued to incur a sizeable loss.

Even though the total output of the three units of BHEL this year is expected

to go up to Rs 82 crores from Rs 59.33 crores in 1971-72 and Rs 48.26 crores in 1970-71 — this should help in improving further the profitability of the undertaking as a whole — the Hardwar unit is not likely to enter the profit stage as, according to Mr Murthy, the thin pipeline of orders till mid-1970 will continue to adversely affect the working of this unit in 1972-73 also, as it did in 1971-72. The sizeable orders received by the Hardwar unit in the second half of 1970, of course, should result in better utilisation of its installed capacity from next year onwards.

The performance of the Hyderabad unit, it is stated, would have been much better in 1971-72 than what it has been had the supplies of critical steel castings and forgings from both the indigenous and foreign sources been according to the stipulated schedules of delivery. The major indigenous supplier of these castings and forgings being the Heavy Engineering Corporation, Ranchi, the domestic supply may not show any marked improvement this year too. The proposal of BHEL to have a captive foundry for complicated alloy steel castings and medium size forgings at Hardwar has been revived and is said to be under the consideration of the government. This when set up would ensure regular supplies of castings and forgings to BHEL, but it raises the pertinent question: how far is it justified to multiply production facilities through further investment when the existing facilities in the country are not being fully utilized? Our resources for development admittedly are very scarce. They obviously have to be judiciously utilised and not frittered away in just duplicating the existing facilities. Efforts need to be made to utilise the existing facilities fully.

It is encouraging to note that BHEL is not afflicted with that much labour unrest as the Bhopal complex is. Further, its product pattern is not as diversified as that of the Bhopal project. The availability of trained personnel in the country at the time of its incorporation gave BHEL an additional advantage, compared to the Bhopal unit. With the production techniques now more or less mastered, BHEL's performance ought to improve markedly, provided, of course, the critical shortages of castings and forgings are overcome ex-

Unit-wise Profitability of BHEL

Unit	(Rs crores)			
	1970-71		1971-72	
	Profit	Loss	Profit	Loss
Tiruchy	5.46	..	5.05	..
Hyderabad	..	0.55	1.93	..
Hardwar	..	4.26	..	2.86

peditionously and the flow of orders is adequate and regular.

Timely placement of adequate orders on heavy electrical manufacturers, as a matter of fact, is imperative if their capacities are to be fully utilised. It is, indeed, uncharitable to assail the working of a heavy electrical project if the flow of orders to it is inadequate and irregular. The case of BHEL is no different. With our power requirements expected to go up to over 40 million kws by the end of the fifth Plan, there should not be any dearth of orders for the two heavy electricals plants in the country. But care has to be taken that at least about 50 per cent of the new power generation schemes are finalised soon so that orders can be placed on the manufacturers well in time. The two main reasons for the irregular and inadequate flow of orders to manufacturers are the protracted delays in firming up power generation programmes and the weak financial position of most of the state electricity boards which are the main customers of this equipment.

If power shortages are to be obviated by the end of the fifth Plan period, it is necessary that a realistic estimate is prepared of the likely availability of indigenous supplies vis-a-vis the needs. Mr Murthy has claimed that BHEL and the Bhopal complex between them can cater for the full requirements of power generation during the fifth Plan period, provided the placement of orders is well in time and properly phased out. This view, however, is not shared by the state electricity boards whose chairmen met here in early May. The preparation of a realistic estimate of the likely supply of power generation equipment from domestic sources should help in finalising the import programme of this equipment. Any undue delay in the completion of this task will have a very adverse effect on the implementation of the development programmes, both in industry and agriculture.

In the interest of better utilisation of their capacities, the two manufacturers of heavy electrical equipment themselves ought to do some advance planning on their own instead of waiting for firm orders being placed on them. The broad dimensions of the power development programme of the fifth Plan are already available to them. Nearly 50 per cent of the work on the manufacture of equipment for a power station is said to be such which can be completed in advance, especially when standardisation of generation capacity is being attempted. The remaining 50 per cent work is said to depend on the knowledge of the exact location of a power plant and the characteristics of the source of power generation. This can await the placement of firm orders. It should, of course, be possible to reduce

the time taken for this work also if impetuous orders are placed on the manufacturers, as suggested by Mr Murthy.

Better utilisation of capacity should go a long way in reducing the costs of production of the two heavy electricals projects. The present levels of prices quoted by HEIL/BHEL are said to be far higher than the landed costs of comparable equipments, which according to government's policy, should generally be the ceiling for the pricing of products of public sector undertakings operating under monopolistic or semi-monopolistic conditions. In cases in which pricing on the basis of landed cost

Costly lapses

THE MISCALCULATIONS on the steel and fertiliser fronts are proving to be very costly for the country's economy. While the bungling in regard to the creation of capacity for steel making and the inefficient running of the public sector plants compelled imports of over Rs 200 crores of different categories of steel in 1971-72 and it may be necessary to import again steel for the same value if not more in the current year, it had been hoped that a breakthrough would be established at least in respect of fertiliser production. These hopes however are now being belied and with the emergence of new trends in consumption of nitrogenous and phosphatic fertilisers, a similar compulsion is arising in respect of fertiliser imports as well.

For a time, there was needless delay in finalising arrangements for the promotion of new giant fertiliser units in the public and private sectors. But after a particular stage many projects were cleared and it was expected that there would be a big rise in the output of fertilisers in 1971-74 and it would not be difficult to reduce imports of different types of fertilisers substantially. The actual developments however have come about in a different way. If the data released by the union Ministry of Petroleum and Chemicals recently are any guide, an alarming situation may arise in 1973-75. Apart from the costly delays in creating new capacity the inefficient functioning of the public sector units particularly has been responsible for the latest decision of the government to double imports of fertilisers in the current year. As these had a value of around Rs 120 crores, in 1971-72 it may become necessary to increase these imports to Rs 240 crores in 1972-73.

It is indeed a sad commentary on the per-

formance of the union Ministry of Petroleum and Chemicals that indigenous production in 1971-72 amounted to only 12.43 lakh tonnes of nitrogen and phosphoric acid against a total consumption of 27.52 lakh tonnes. As imports were only nine lakh tonnes, available stocks had to be utilised to the extent of 6.09 lakh tonnes. This process of eating into stock in order to conserve foreign exchange and the efforts to correct the impression that earlier imports were excessive, have resulted in base stocks being reduced to dangerous levels. Because it is necessary to maintain sizable stocks in different parts of the country in order to meet the need of farmers without delay, it would be inadvisable to reduce these stocks to below the existing level. Already there are loud complaints about a serious shortage of urea, ammonium sulphate and other fertilisers in some states and it is even apprehended that agricultural operations may be adversely affected due to the inadequacy of fertilisers.

On the basis of the trends in consumption in the past two years, availability in 1972-73 will have to be of the order of 3.3 million tonnes. On the other hand even with the full functioning of the giant Madras Fertiliser unit and the commissioning of the Cochin and Goa units, output may not increase to more than 1.6 million tonnes, requiring imports of 1.7 million tonnes. This tallies with the suggestion that imports would have to be doubled to 1.8 million tonnes. Looking further ahead there may be a further rise in consumption to 4 million tonnes in 1973-74 while internal production even with the efficient functioning of the Cochin and Goa unit and the commissioning of the Durgapur unit may not increase to more than 1.1 million tonnes. Under the best conditions this figure may be raised to two million tonnes. In any case, 50 per cent of current consumption will have to be met by imports and it will be possible to prevent a net increase in the quantum of imports.

only if additional capacity can be created on a phased basis, for taking care of further increase in consumption. On the basis of the schemes already under implementation and consideration an aggregate capacity of only 4.38 million tonnes will be created by 1975-76 in respect of nitrogenous fertilisers and 1.48 million tonnes relating to phosphoric acid or an aggregate capacity of 5.86 million tonnes of nitrogen and phosphoric acid. Assuming that the industry would be able to function at least at 75 per cent of its rated capacity the availability from indigenous sources can be estimated at 4.41 million tonnes. The calculations in this regard may be upset if there is a delay in the construction of the coal-based units at Talcher, Ramagundem and Korba, as it is likely, with an aggregate capacity of 6.87 lakh tonnes. Some projects like those of Tata Chemicals and Coromandel Fertilisers are yet to take shape.

Even assuming that an output of around 4.5 million tonnes will be available in 1975-76, consumption would have risen to nearly six million tonnes assuming that there would be an annual growth in off-take of at least 20 per cent. It will be clear therefore that the dependence on imports cannot be eliminated and at best these will come down to 1.2 million tonnes after rising to two million tonnes. What is however distressing is the fact that nearly seven million tonnes of fertilisers will have to be imported in four years and the value might be easily Rs 850 crores if not more. Serious efforts have therefore to be made to improve the operating efficiency of the existing and new units. With-increasing capacity, even an improvement of 10 per cent in the operating ratio may be helpful in saving foreign exchange expenditure of Rs 50 crores annually. The saving can be very much more if all the plants can function at least at 80 per cent of capacity and unnecessary delays also in implementing new schemes are avoided.

The schedule of construction of the Cochin and Durgapur plants has been seriously prolonged because of the difficulties in obtaining indigenous equipment and other factors. Also on present indications the coal-based units may not come into being before 1976-77. Only in respect of

the Tuticorin and Mangalore projects a tight schedule of construction has been drawn up and it is quite likely that these two units may go on stream in 1974. The same cannot be said however of many other schemes which are still in their very early stages. In view of the continuing drain of foreign exchange on fertiliser imports, it will be worthwhile to examine whether critical items of equipment can be imported and new projects started on a standardised basis. There has been too much proliferation of manufacturing techniques and dependence on know-how from many directions. This has made it difficult for Indian technicians to plan ahead boldly and fabricate equipment in a big way.

There has of course been a revolutionary change in the design and operation of giant units but it is now possible to take decisions which will hold good at least for a decade and create additional capacity on a well planned basis. Since it is likely that there will be an increase in consumption by one million tonnes annually, in the fifth Plan and by 1978-79 the total requirements

will be over 10 million tonnes, there will have to be continuous planning for creating capacity of this order progressively. Unless there is advance planning for erecting new units and implementing expansion schemes in the public and private sectors, the situation will become unmanageable.

It may be asked whether it will be correct to proceed on the assumption of an average growth of 20 per cent in consumption in the current decade. The actual growth rate may even be higher as it is only now that there is fertiliser consciousness in several parts of the country though it is pointed out by experts that the consumption levels are very low in some states like Bihar and Orissa. With the efforts to increase the area under irrigation and use also underground water resources wherever possible the above estimates of consumption may prove to be conservative. In any case there is no justification for the avoidable heavy expenditure now being incurred on imports when the existing units can be made to produce more and the new schemes also completed expeditiously.

UTI tries hard

A HIGHER dividend, a reduction of the margin between the sale and the repurchase prices and a lower special offer price were the three outstanding achievements of the Unit Trust of India (UTI), according to the latest results of working (for the year ended June 30, 1972) which Mr James S. Raj, the new UTI chairman, announced to newsmen in Bombay a few days ago. It remains to be seen how this triple benefit would add to the popularity of units in the country.

Meanwhile, for the second year in succession, there was a decline in both the total number of applications and the aggregate sales. Thus, the number of fresh applications in 1971-72 was only 58,558 accounting for Rs 15 crores worth of units, as against 59,000 applications accounting for Rs 17.99 crores in 1970-71 and 61,000 applications accounting for Rs 22.45 crores in 1969-70. But the number of applications for repurchase of units dec-

lined from 12,691 to 9,900, the respective aggregate values being Rs 2.59 crores and Rs 3.19 crores. Total units sold and outstanding at the end of June last with the public crossed the Rs 100-crore mark (Rs 104.65 crores to be exact) as had been anticipated by us in these columns last year, while the total number of unit holders touched the 4.25 lakh level.

The financial results of the UTI in 1971-72 were fairly satisfactory. The UTI's aggregate income for the year at Rs 9.62 crores was higher than that for the previous year of Rs 8.41 crores. So also the net income allocated to unit holders as per the formula under the Unit Trust of India Act, 1963 for allocations as between the initial capital contributors and the unit holders. At Rs 8.72 crores, this figure was Rs 1.14 crores higher than that for 1970-71.

As a result of the higher net income available thus, the UTI has declared a higher dividend of 82.5 per cent as against eight per cent for 1970-71. For the second

year in succession, the dividend has been stepped up. Together with the tax exemption (though not exclusive as was the case two years ago) the gross yield would be actually even higher than 8.25 per cent., which is certainly attractive enough.

Unit holders have the satisfaction of having got two other benefits besides. These are, as stated earlier, a reduction in the margin between the sale and the repurchase prices, (which this journal has been urging repeatedly) and also a reduction in the special offer period price. It may be recalled that the margin between the sale and the repurchase prices of units used to be as high as five per cent in the early years of the UTI. The first reduction was effected in the sixth year of the UTI (1969) when it was made four per cent. This year, again, that is in the ninth year, a further reduction to three per cent has been effected, evidently to make the units more attractive. They should come down, together with the reduction in the special offer period price from the last year's level of Rs 10.60 to Rs 10.45.

One index of the UTI's popularity is the

progress made in its Reinvestment Plan. It is heartening to note that there has been a steady rise in the number of unit holders opting for this plan. The total amount of Rs 69.30 lakhs was reinvested by 18,000 unit holders in 1971-72 compared with Rs 50.44 lakhs reinvested by 15,700 unit holders in 1970-71. (Last year, this latter figure appeared as more than 20,000; presumably, the amended figure is accurate, being the latest one). Unfortunately, the same cannot be said of the Children's Gift Plan. Sales in this case during 1971-72 were lower at Rs 46.28 lakhs compared to sales in 1970-71 of Rs 56.32 lakhs. How the new Unit-linked Insurance Plan will fare still remains to be seen, but there is no gainsaying the fact that it has its own attraction, in that contributions to this plan rank for income-tax rebate in the same manner as premia paid on life insurance policies.

Units as a form of investment have begun to make a modest appeal to investors in this country. Progress in this direction is decisively dependent on the bearing the government's economic policies have or

will have on the growth of the corporate sector. Presently, the composition of the UTI's investments is 44 per cent in equities, 43 per cent in debentures and 13 per cent in preference shares. The UTI management is believed to be recasting this composition so as to increase the percentage share of equities from the present 44 to anywhere up to 55-60, over the next five years. This is as it should be, because it is only then that the earnings of the UTI would be buoyant. It is, however, doubtful whether this condition would be allowed if ideological considerations were to be imported even into the market purchases policy of the UTI. As it is, out of the 325 companies in the equities of which the UTI has invested, about half the number at least would be companies fully under the MRTP Act. So, then, the future prospects of the UTI it seems must be judged by the pace of nationalisation of industries in the country and the possibility of a ban on the UTI's purchase of equities in companies attracting the provisions of the MRTP Act—not so much by the pragmatic policy of the UTI management.

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.

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POINTS OF VIEW

Nationalised banks in 1971 : some aspects

R. V. Murthy

CONSIDERING that the economy of the country was severely strained towards the close of the year 1971, thanks to Bangladesh, and the fact that there was not any worthwhile expansion in the rate of industrial growth in that year as a whole, the results of working of the fourteen nationalised banks for that period cannot be regarded as unsatisfactory, certainly not in quantitative terms. There was an increase in total deposits, total advances, investments in government securities and in cash and balances. Qualitatively, however, it is debatable whether the trends can be considered equally satisfactory, although the blame must lie mainly with factors beyond the control of banks. For instance, on the basis of the experience of the latest busy season, it has been evident that the expected rise in demand for bank credit did not materialise, despite one more comfortable harvest. Surely this would not have happened, had the rate of industrial growth come up to the expectations of our planners, but indications presently would appear to be that the worst is yet to come. The effects of the faulty industrial licensing policy initiated over two years ago are now beginning to be felt in dead earnest.

brief assessment

Meanwhile, on the basis of the published figures of the results of working of the 14 nationalised banks, (summarised in the table on p. 119) a brief assessment of their performance during the year 1971 may be attempted.

In terms of deposit mobilisation by the 14 nationalised banks, the year 1971 was truly notable. Total deposits of these banks rose from 13.7 per cent, the lowest, to 21.3 per cent, the highest. The record of nearly all the big five was particularly satisfactory, the range of increase in deposits in their case being from Rs 41 crores in respect of United Commercial Bank to Rs 120 crores in the case of the Central Bank of India. Among the medium-sized banks, Canara Bank registered an impressive increase

in deposits of Rs 54 crores in 1971, taking the fifth place among the 14 units. The sixth and the seventh places also went to medium-sized banks—Syndicate Bank (+Rs 52 crores) and United Bank of India (+Rs 44 crores).

percentage declines

Although, in absolute terms, advances by the 14 nationalised banks in 1971 showed an improvement over 1970, as a percentage to total deposits, those of 11 banks showed slight declines. (Bank of Baroda, United Commercial Bank, Canara Bank, United Bank of India, Syndicate Bank, Dena Bank, Allahabad Bank, Indian Overseas Bank, Bank of Maharashtra, all showed declines ranging from three per cent to six per cent). Only in respect of Bank of India, Union Bank of India and Indian Bank were these percentages higher. At 69.84 per cent of total deposits, advances of Central Bank registered the highest percentage among the 14 nationalised banks. Central Bank also showed the biggest percentage rise in deposits. Of all the 14 banks, only one, viz., Union Bank of India, showed a rise in advances higher than that in deposits, the respective figures being + Rs 23 crores and + Rs 21 crores. Actually, the increases in advances in respect of Punjab National Bank, Bank of Baroda, United Commercial Bank, Canara Bank, United Bank of India, Dena Bank, Allahabad Bank and Indian Overseas Bank, were less than 50 per cent of the respective increases in their total deposits. How else then were the increases in total deposits employed? The investments portfolios of all the banks provide the obvious explanation; in the case of every bank, there was an increase in investments in government securities, the range extending from Rs 9.24 crores to nearly Rs 25 crores.

The slow pace of increase in advances, a reflection of the slack in the economy, coupled with the increase in advances being mostly, if not solely, to the priority sectors, on the one hand, and the sizeable

rise in investments in government securities, on the other, perhaps explains the small rise in both net profits and returns to government. (The total amount of profits transferred to the central government by the 14 units in 1971 was only Rs 4.44 crores, that is a rise of a mere Rs 27 lakhs over 1970 and of only Rs eight lakhs more than what the shareholders received during 1968). Three banks (Central, Indian Overseas and Indian) yielded to government a lower return than what shareholders got as dividend in 1968. If the other banks managed to maintain or increase their share of returns to government, this must be attributed largely to the increase in the bank rate which enabled these banks to step up their rates of interest on their advances to customers (offset, of course, to some extent, by the increase in deposit rates also).

mixed progress

Of the 14 units, compared to the previous year, ten units gave a better percentage yield on their respective compensation amounts to government, three the same yield, and one a lower yield. It may be noted that the Indian Bank, despite the percentage of its advances to total deposits having been higher, gave a much lower return to government in 1971 than in 1970.

The published net profits of the 14 nationalised banks for 1971 aggregated Rs 17.26 crores, compared to Rs 13.34 crores for 1970. In the pre-nationalisation year, the total published net profit of these 14 banks was Rs 8.47 crores. Of these 14 banks, only one bank gave a return (on the compensation money) to the government of India of more than seven per cent; two gave a return of more than six per cent; six more than five per cent; two more than four per cent; one more than three per cent and two less than three per cent. Whereas Canara Bank gave the highest return (7.7 per cent), Central Bank of India accounted for the lowest return of (1.8 per cent).

Working of 14 Nationalised Banks : 1969 to 1971

Name of Bank	Capital and Reserves (in crores)	Deposit mobilisation (in crores)			Advances (in crores)			Investment in Government Securities (in crores)		Total Earnings (in crores)		
	1	2			3			4		5		
		1969	1970	1971	1969	1970	1971	1970	1971	1969	1970	1971
Central Bank	13.63	500.75	563.35	683	357.74 (71.44)	400.86 (71.16)	477 (69.84)	151.21	176.66	35.84 (6.98)	43.78 (7.60)	53.66
Bank of India	11.79	435.88	513.01	588	295.68 (67.84)	353.02 (69.01)	407 (69.23)	126.06	145.26	29.12 (6.52)	33.71 (6.43)	42.43
Punjab National Bank	8.25	391.09	549.73	537	226.53 (57.92)	308.17 (65.95)	342 (63.69)	134.69	155.35	26.86 (6.74)	32.19 (6.89)	39.06
Bank of Baroda	6.24	354.91	421.06	489	233.81 (65.88)	310.25 (73.68)	337 (68.92)	98.69	120.17	25.44 (7.05)	31.72 (7.42)	39.62
United Commercial Bank	7.59	257.53	295.81	337	162.82 (63.22)	217.15 (73.41)	229 (67.95)	80.69	96.15	17.74 (6.70)	21.67 (7.14)	26.66
Canara Bank	4.14	185.24	239.92	294	125.47 (67.73)	168.98 (70.43)	185 (62.92)	59.10	78.37	12.58 (6.66)	17.17 (7.05)	22.61
United Bank of India	4.38	168.34	203.65	248	115.00 (70.10)	141.86 (69.66)	159 (64.11)	43.39	58.84	11.34 (6.57)	13.77 (6.62)	17.42
Union Bank of India	2.77	133.10	175.74	197	86.50 (64.99)	111.54 (63.47)	135 (68.53)	38.58	55.32	9.57 (7.06)	12.47 (6.99)	15.79
Syndicate Bank	3.36	144.72	167.75	220	104.92 (72.50)	122.82 (73.22)	150 (68.18)	45.51	58.80	10.47 (7.09)	13.52 (7.91)	16.89
Dena Bank	3.28	135.61	154.99	185	86.15 (68.53)	110.74 (71.45)	122 (65.95)	48.93	57.99	9.58 (6.91)	11.90 (7.53)	14.31
Allahabad Bank	2.86	124.91	140.70	160	85.54 (68.56)	95.95 (68.10)	101 (63.13)	37.18	46.17	9.67 (7.58)	11.18 (7.79)	13.29
Indian Overseas Bank	2.34	89.68	108.23	132	56.23 (62.70)	65.03 (60.09)	75 (56.82)	25.80	37.29	6.75 (7.35)	7.97 (7.21)	9.93
Bank of Maharashtra	2.24	87.19	108.68	123	64.58 (74.07)	71.97 (69.42)	82 (66.66)	25.54	34.37	5.88 (6.59)	7.39 (6.98)	9.16
Indian Bank	2.17	90.00	101.78	126	64.94 (72.16)	65.96 (64.81)	82 (65.10)	24.00	33.24	6.91 (7.51)	8.27 (7.96)	9.72

Working of 14 Nationalised Banks : 1969 to 1971—(Continued)

Name of Bank	Interest Earnings (in crores)			Net Profits (in crores)			Returns to Government (in crores)			% of balance of profits to compensation paid by Govt.		
	1	6			7	8			9			
		1969	1970	1971	1968	1969	1970	1971	1968*	1969†	1970	1971
Central Bank	29.84 (5.81)	37.29 (4.67)	46.44	1.19	1.09	2.08	2.89	0.95	0.38	0.32	0.34	1.8
Bank of India	25.22 (5.65)	29.20 (5.57)	38.08	1.50	1.61	1.99	2.35	0.73	0.38	0.81	0.84	5.5
Punjab National Bank	22.54 (5.66)	27.64 (5.91)	33.99	1.46	1.59	2.44	2.45	0.44	0.30	0.61	0.61	5.9
Bank of Baroda	21.84 (6.05)	28.15 (6.59)	34.63	0.93	0.56	1.43	2.19	0.45	0.27	0.47	0.54	5.6
United Commercial Bank	14.45 (5.46)	18.32 (6.04)	23.08	0.83	0.89	1.42	1.80	0.39	0.25	0.47	0.53	5.7
Canara Bank	10.81 (5.73)	14.73 (6.04)	19.48	0.44	0.71	1.03	1.39	0.19	0.12	0.28	0.31	7.7
United Bank of India	10.03 (5.81)	12.42 (5.97)	15.91	0.26	0.26	0.72	0.93**	0.20	0.12	0.23	0.26	5.5
Union Bank of India	7.51 (5.54)	10.12 (5.67)	13.08	0.34	0.32	0.49	0.74	0.15	0.08	0.17	0.19	5.5
Syndicate Bank	9.08 (6.15)	11.89 (6.96)	14.98	0.31	0.29	0.65	0.90	0.21	0.10	0.22	0.23	6.1
Dena Bank	8.42 (6.07)	10.95 (6.67)	12.82	0.31	0.31	0.51	0.65	0.15	0.8	0.16	0.20	4.4
Allahabad Bank	8.28 (6.49)	9.68 (6.75)	11.63	0.38	0.40	0.43	0.54	0.13	0.08	0.21	0.13	4.2
Indian Overseas Bank	5.10 (5.55)	6.34 (5.74)	8.24	0.15	0.09	0.37	0.39	0.11	0.03	0.08	0.08	3.2
Bank of Maharashtra	5.22 (5.85)	6.61 (6.25)	8.32	0.24	0.47	0.28	0.31	0.14	0.07	0.15	0.16	6.5
Indian Bank	5.69 (6.18)	6.98 (6.72)	8.35	0.13	0.09	0.23	0.24	0.10	0.06	0.05	0.02	2.2

*Dividend to shareholders.

**Subject to provision for bonus.

†Balance of profit after nationalisation (period from 19-7-69 to 31-12-69).

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Tax on state lotteries

L. G. Bapat

WHILE MOVING the Finance Bill 1972 on May 15, the union Finance Minister refused to reconsider the tax of 34.5 per cent levied on the winnings from state lotteries. It was argued that the tax would reduce the attraction of the lotteries and affect their revenue-earning capacity adversely. It is the purpose of this article to examine this complaint in the light of the performance of the state lotteries during the period from 1969-70 to 1971-72. Consolidated state budget figures for 1972-73 would be available some time in September, 1972. Hence, data up to 1971-72 only are analysed here.

The net receipts from state lotteries were Rs 13.28 crores in 1969-70. The state budgets for 1970-71 placed these net receipts at Rs 15.40 crores. However, the revised estimates show that the net receipts are likely to be only marginally higher at Rs 14.08 crores in that year. These receipts were expected to be Rs 14.12 crores in 1971-72. If the past experience is any guide, then the net receipts in 1971-72 may turn out to be actually lower when accounts figures for that year would be prepared after about a year. Even if the 1971-72 budget figures are taken as depicting a fairly accurate picture about the net receipts, it gives us a paltry increase of six per cent in net receipts in 1971-72 over 1969-70, i.e. three per cent per annum *prima facie*. A closer look, however, reveals a different picture.

factors of increase

Table I gives full details of the net receipts of each state lottery during 1969-70 to 1971-72. It will be seen that the increase of six per cent in net receipts in 1971-72 over 1969-70 was not the result of the states, which had started lotteries in 1969-70, experiencing as a whole an increase in their receipts. The improvement in the net receipts was the result of two factors. Firstly, Haryana and Himachal Pradesh started their lotteries after 1969-70. These two new lotteries were expected to earn Rs 1.22 crores in 1971-72. For a strict comparison of 1969-70 net receipts with those in 1971-72, we should neglect the receipts from these two new lotteries.

Secondly, the 1969-70 accounts figures of Punjab state lottery are shown as "not available" in the Reserve Bank publica-

tion. Hence, the net receipts of that lottery in 1971-72 (Rs 0.76 crore) also need to be overlooked. If this is done, then the net receipts in 1971-72 would be found to be actually lower than those in 1969-70 by Rs 1.14 crores or by nine per cent. Also public's initial enthusiasm appears to be slowly receding.

At present, there are four states — Andhra Pradesh, Gujarat, Meghalaya and Nagaland, — which have not started their own lotteries. Out of the remaining 15 states as many as seven states—Kerala, Madhya Pradesh, Maharashtra, Orissa, Tamil Nadu, Uttar Pradesh and West Bengal — expect a fall in their net receipts in 1971-72 as compared to those in 1969-70.

These seven states estimate a fall of Rs 4.04 crores in their net receipts during this period. Their net receipts in 1969-70 were Rs 11.91 crores, whereas they feel that these receipts would be only Rs 7.87 crores in 1971-72. So the last three years' experience of these seven states about the possibilities of mobilising larger and larger revenues through the lotteries cannot be said to be encouraging.

The other five states — Assam, Bihar, Jammu and Kashmir, Mysore and Rajasthan — hope to obtain a larger net revenue through the lotteries in 1971-72 than what they did in 1969-70. Their combined net revenue was Rs 1.43 crores in 1969-70 and is expected to be Rs 4.27

TABLE I

Net Receipts from State Lotteries

(Rs in crores)

States	1969-70 Accounts	1970-71 Budget estimates	1970-71 Revised estimates	1971-72 Budget estimates
Assam	0.7	0.23	0.14	0.48
Bihar	-0.02 (loss)	0.80	1.03	1.03
Haryana	—	1.77	1.11	1.10
Himachal Pradesh	—	-0.04 (loss)	—	0.12
Jammu and Kashmir	-0.03 (loss)	0.38	0.25	0.37
Kerala	1.63	1.31	0.93	0.95
Madhya Pradesh	0.32	0.65	0.34	0.27
Maharashtra	4.32	4.05	2.70	3.29
Mysore	1.12	1.45	2.22	1.61
Orissa	0.05	—	-0.05 (loss)	0.02
Punjab	NA	1.20	0.89	0.76
Rajasthan	0.29	0.38	0.50	0.78
Tamil Nadu	3.71	2.88	3.84	2.96
Uttar Pradesh	1.30	0.08	0.08	0.32
West Bengal	0.52	0.26	0.10	0.06
Total	13.28	15.40	14.08	14.12

NOTES:

- Four states — Andhra Pradesh, Gujarat, Meghalaya, and Nagaland — have not started their lotteries as yet.
- Receipts of Orissa state lottery exclude Rs 15 lakhs earmarked by the state as additional resource mobilisation for the fourth five-year Plan.
- NA—not available.
- States of Haryana and Himachal Pradesh started their lotteries only in 1970-71.

Source: Reserve Bank of India Bulletin: August, 1971: Page 1161, Table 6.

crores in 1971-72. In the case of Assam lottery, the estimated net revenue for 1971-72 appears to be quite on the high side. In 1969-70, this state lottery obtained a net revenue of Rs seven lakhs. In 1970-71 budget, its estimated net receipts were Rs 23 lakhs. However, this estimate was later on revised downwards to Rs 14 lakhs. Still, in 1971-72 budget, a 350 per cent higher net revenue of Rs 48 lakhs is again estimated. Such a large increase in net receipts in only one year looks quite impossible. The same argument applies to the estimates of net receipts from Rajasthan state lottery. Thus, these states' expectations about higher net revenues in future appear doubtful.

We may now discuss the trends in expenditure on the state lotteries. In 1969-70, Jammu and Kashmir, and Bihar were two "very high spending states". In that year, their total expenditure on lotteries was higher than their gross receipts. As a result of this, they incurred losses in 1969-70, as stated already. These two states have managed to bring down their expenditure by 1971-72, if their estimates are relied upon. Anyway, their expenditure on lotteries is still on the high side, being more than 50 per cent of the gross receipts (Table II).

high-cost servicing

In 1969-70, there were two other "high spending states" spending more than 50 per cent of their gross receipts, viz., Assam and Rajasthan. They too hope to bring down their expenditure to 40 per cent and 48 per cent of the gross receipts respectively, by 1971-72. In the case of other states, the proportion of total expenditure on lotteries to the gross receipts was less than 50 per cent, in 1969-70. In the case of Madhya Pradesh, it was as low as 11 per cent in 1969-70, which was commendable. But in 1971-72, it was expected to go up steeply to 78 per cent. In the case of all states except Madhya Pradesh, the costs were not less than 33 per cent in 1969-70, the average costs for all states being 46 per cent.

If the cost conditions were bad in 1969-70, they were expected to be worse in 1971-72. The number of "high spending states", i.e. spending more than 50 per cent of gross receipts was expected to increase from two to 12. Only three states would be spending less than 50 per cent of their gross receipts, though all three would be spending more than 40 per cent. Though "very high-spending states" (spending more than their gross receipts) were expected to disappear by 1971-72,

six states expect to spend more than 70 per cent of their gross receipts on their lotteries. The average cost of obtaining revenue for all states through lotteries was expected to go up steeply from 46 per cent in 1969-70 to 61 per cent in 1971-72. This is certainly a very large increase in costs, in only three years.

As is well-known, the state lotteries were started in order to obtain more funds for economic development. As such, it must be said that the society is paying too high

a price for obtaining these funds. Out of every Rs 100 paid by the society only Rs 39 were expected to be available for economic development, whereas as much as Rs 61 would be utilised for financing non-developmental expenditure such as the cost of administration, advertising, prizes etc. It is necessary to bring down the total expenditure on lotteries to render them as a meaningful means of obtaining funds.

A word about the prize money. Com-

TABLE II

State Lotteries : Proportion of Expenditure to Gross Receipts

(Rs in crores)

States	1969-70 Accounts			1971-72 Budgets		
	Gross receipts	Total expenditure	Proportion of expenditure to receipts	Gross receipts	Total expenditure	Proportion of expenditure to receipts
Assam	0.19	0.12	63	0.80	0.32	40
Bihar	0.08	0.10	125	2.25	1.22	54
Haryana	—	—	—	2.00	0.90	45
Himachal Pradesh	—	—	—	0.42	0.30	71
Jammu and Kashmir	0.15	0.18	120	0.75	0.38	51
Kerala	2.57	0.94	37	2.60	1.65	63
Madhya Pradesh	0.36	0.04	11	1.20	0.93	78
Maharashtra	8.60	4.28	49	7.00	3.71	53
Mysore	2.07	0.95	46	5.65	4.04	71
Orissa	0.08	0.03	38	0.15	0.13	87
Punjab	NA	NA	—	2.00	1.24	62
Rajasthan	0.80	0.51	64	1.50	0.72	48
Tamil Nadu	7.05	3.34	47	7.01	4.05	58
Uttar Pradesh	1.93	0.63	33	2.40	2.08	87
West Bengal	0.78	0.26	33	0.45	0.39	87
Total	24.66	11.38	46	36.18	22.06	61

Notes and source: Same as Table I

TABLE III

State Lotteries : Proportion of Prize Money to Gross Receipts

(Rs in crores)

	1969-70 Accounts			1971-72 Budgets		
	Gross receipts	Prize money	Proportion of prize money to gross receipts	Gross receipts	Prize money	Proportion of prize money to gross receipts
Kerala	2.57	0.75	29	2.60	0.90	35
Maharashtra	8.60	2.57	30	7.00	2.35	33
Mysore	2.07	0.95	46	5.65	2.25	40
West Bengal	0.78	0.23	30	0.45	0.25	56

A. Ramaiya

Reserve Bank : too reserved ?

parative data are available in respect of only four states. Other states have supplied this information in their annual budgets for 1971-72 but not in their 1969-70 accounts figures. Hence, comparison is not possible for these states. The available information is given in Table III (p. 121). It is seen that Kerala government intends to spend a larger proportion of its gross receipts on the prize money in 1971-72 as compared to 1969-70. Still, it does not hope to get a much larger gross revenue. In the case of Maharashtra, it actually hopes to get a smaller gross revenue in 1971-72 than that in 1969-70 by spending more on the prize money in terms of percentage. West Bengal's expectations are still more revealing. It seems that

West Bengal government intends to increase the prize money from 30 per cent of the gross receipts to 56 per cent and still expects to get a much smaller revenue from its lottery in 1971-72. Mysore government's expectations are just the opposite. It intends to reduce the percentage of prize money to the gross receipts from 46 per cent in 1969-70 to 40 per cent in 1971-72. Still, it expects to get as much as 172 per cent more revenue in 1971-72 as compared with that in 1969-70. Thus, on the whole the gross receipts from lotteries are not expected to be prize-elastic.

To conclude, the receipts from the lotteries were already showing a downward

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trend even when there was no tax. Further, a deduction of Rs 5,000 plus 50 per cent of the balance is allowed in respect of state lottery prizes only. In the case of crossword puzzles and other lotteries, such deductions are not permissible. Hence, there should be no diversion of funds from state lotteries to other competing substitutes. If anything, the funds are likely to be diverted towards the state lotteries. No doubt, the new tax would reduce the net value of lottery prizes. But as shown above, the states do not expect the lottery revenue to be prize-elastic. The state lotteries are already in poor shape. Their incomes are low and expenses high. They are not likely to be any worse as a result of the new impost.

Review of the Bonus Act

Pawan Chaudhary

AN EIGHT-MEMBER Bonus Review Committee has been set up by the union government to review the working of the Payment of Bonus Act, 1965 and in particular to recommend suitable modifications in respect of such issues as: (i) Whether establishments (other than factories) employing less than 20 workers may be covered by the Act and if so, up to what limit of employment? Should there be a separate formula for payment of bonus in these small establishments? (ii) Is there a case for raising the minimum bonus of four per cent and, if so, to what level? (iii) whether the present upper limit on payment of bonus and system of 'set-on' and 'set-off' require any alteration and if so, on what lines? (iv) Whether the entire bonus payment should be related in some way to production/productivity in the undertaking? (v) Whether the present minimum bonus of four per cent may continue but a provision be made for its being supplemented through suitable schemes of production/productivity? The committee is also expected to make a careful assessment of the likely impact of its recommendations on the national economy before finalising them. The committee consists of, besides a chairman, Dr B.K. Madan, former Deputy Governor of the Reserve Bank and till recently Executive Director of the International Monetary Fund, Mr N.S. Bhatt, Mr Harish Mahindra, Mr R.P. Bilimoria, Mr G. Ramanujam, Mr Satish Loomba, Mr Mahesh Desai and Dr S.D. Punekar, and a Member-Secretary to be appointed by the government.

About three years ago in 1969, the Na-

tional Commission on Labour had recommended in its report that, in all fairness, the Bonus Act should be given a "longer period" of trial. That the government should have convinced itself of the necessity of reviewing the functioning of the Act after such a short interval is, on the face of it, not very commendable. It appears that the government has failed to resist the pressure of trade union leaders any longer for making the statutory provisions more favourable to them than hitherto. Public opposition by the workers' organisations and their leadership to the functioning of the Act as it emerged after the Supreme Court judgment is already recorded in the National Commission on Labour's Report. Also, on record, are their objections to the coverage and quantum of available surplus.

suspect intentions

In these circumstances, opinions might differ on the possible intentions of the government and few would readily accept its decision setting up the committee as a genuine effort on its part to effect necessary improvements in the Act. In any case, the labours of the committee may not be productive of impressive results if only because not enough data has been collected on the actual working of the Act. There is, moreover, not much case law on it. In these circumstances, the committee is not very favourably situated to arrive at worthwhile conclusions on such issues as the extension of the statutory bonus-benefit to shops and establishments engaging less than 20 persons, raising the minimum rate of bonus to almost double

the present four per cent, removing the limit on the maximum bonus payable to employees as presently prescribed under the Act, or the concepts of "available surplus" and "allocable surplus" or the problems of "set-on" and "set-off".

Meanwhile, it is worth asking whether the committee realises that where it could be more useful is in giving the right lead on the issue of delinking the concept of "bonus" from the concept of "wages" and linking it, instead, with production and productivity. As the scheme of the Act stands, the term 'bonus' is held to be synonymous with wages. Bonus has to be calculated under the Act on the basis of the amount of wages received, rather than the quantum of work a workman puts in or his efficiency.

Although the Bonus Act contains in detail provisions regarding compulsory payment of bonus, it affords freedom to workers to resort to strike after raising an industrial dispute over the quantum of bonus. Since the passage of the bonus legislation in 1965, bonus has come to occupy the third position in the percentage distribution of disputes by causes, next to wages and allowances and personnel and retrenchment, the percentage of disputes arising on bonus being 13.2 in 1966, 10.9 in 1967, 9.4 in 1968 and 10.1 in 1969 as against 6.9 in 1961. How to avoid this loss of production is another serious issue which deserves consideration by the committee.

IN HIS memorandum of evidence submitted to the Radcliffe Committee on the Working of the Monetary System of the United Kingdom, the Governor of the Reserve Bank of India stated that the Reserve Bank "has organised the largest economic research unit in the country and gives the fullest information about its banking system".

While it is undoubtedly true that the Reserve Bank's Economic Research Department is conducting and publishing the results of a systematic study of the country's economy in its various aspects, it is a remarkable feature about the Bank that it reveals nothing about its own Issue Department — what its functions are, how it works, what its portfolio of assets consist of and so on, except issuing a bald weekly statement showing on the liabilities side the notes held in the Banking Department and the notes in circulation, both together making up the total notes issued, and on the assets side, the value of assets held in the form of gold, foreign securities, rupee coin and government of India rupee securities, the total figures on both sides balancing each other as given in table below.

It may be noted that, while gold coin and bullion and foreign securities and

rupee coin all together constitute but 10 per cent of the assets, the entire balance of assets consists of government of India rupee securities, as backing for the note issue. No information is given to the public as to the nature and value of these securities, their classes or groupings according to maturities or otherwise, whether any and what portion consists of Treasury Bills, how deficiencies in their market value are made good and accretions adjusted or credited, how the Issue Department has been handling the deficit financing of the central government, what role it is playing in the management of the public debt and so on. There is not a word about the Issue Department's functions or performances either in the Bank's annual report or the other special publication entitled 'Report on Currency and Finance' which is claimed to contain "a comprehensive review of the Indian economy with particular reference to monetary and financial trends and contain a wealth of statistical information".

When the Reserve Bank of India Act was passed in 1934, entrusting the Bank with the power of note issue, certain conditions were imposed on the exercise of such power in order to prevent its abuse by the Bank whether on its own initiative or under the directions of the government of India, namely, that the

total notes issued should be covered by assets of equal value, that at least 40 per cent of the cover should consist of gold and foreign securities and that the amount of assets held in government of India rupee securities should at no time exceed one-fourth of the total assets. These safeguards which had to be suspended during emergency conditions created by the second world war, were subsequently completely removed, so that the Bank was enabled to issue notes without limit as against rupee securities of the government of India from time to time. The result of this was that, unlike in the UK, where the Currency & Bank Notes Act of 1954 has provided a statutory limit to the fiduciary note issue, thereby giving Parliament a right of intervention whenever the limit has to be expanded, in India after nationalisation of the Reserve Bank, there has been no statutory control over the note issue; and this has enabled the government whenever it needs money, to resort to the simple device of creating securities (including within that term Treasury bills also), sending them to the Reserve Bank and getting notes in return. The way in which the Issue Department of the Bank is supplying the needs of the central government, the strategy and technique of the operations of the Bank in this connection are shrouded in mystery and have never been disclosed to the public.

During the past 22 years, after the Bank came under the control of a national government, the total of the bank notes issued by the Bank has increased from Rs 1217.62 crores in 1950-51 to Rs 4839.98 crores as on May 5, 1972, a fourfold expansion a good portion of which was certainly not necessitated by the monetary needs of the community as the gross national product had not commensurately increased, but because of the governments deficit financing. It was easy for the government to create securities, and obtain legal tender bank notes in exchange for them by simply directing the Bank under Section 7 of the Reserve Bank Act to take the securities in the portfolio of the Issue Department's assets and issue notes in return. If, as in the UK there was some sort of

Reserve Bank of India Issue Department

May 5, 1972

(in crores of rupees)

Liabilities		Assets	
		in crores of rupees	
Notes held in the Banking Department	14.09	Gold coin & bullion	182.53
Notes in circulation	4825.88	Foreign securities	221.65
Total Notes issued	4839.98	Rupee coin	31.51
		Govt. of India rupee Securities	4404.29
Total liabilities	4839.98	Total Assets	4839.98

POINTS OF VIEW

provision fixing an upper limit for the Bank's note issue and requiring approval by parliamentary debate or resolution of Parliament for any further expansion, that would have afforded periodical opportunities of knowing what the government and the Bank were doing and probably acted as a check on inflationary policies and perhaps also unravelled to some extent the 'mystique' of the Issue Department's operational tactics.

Under present conditions as regards the Issue Department's working, there is no knowing whether the statutory requirements of the Act are being complied with at all. Section 23 of the Act enjoins that the Issue Department "shall be separated and kept wholly distinct from the Banking Department", and Section 33 (4) requires that the securities of the Issue Department "shall be valued at rates not exceeding the market rates for the time being", that is to say, they should not be valued at their face value but should be constantly revalued every week with reference to the market prices then ruling. Again Section 34 insists that the liabilities of the Issue Department shall always be an amount equal to the total of the amounts of the notes for the time being in circulation.

The public has no means of knowing whether these requirements of the Act are being complied with. In fact it is very doubtful that they are complied with. The annual balance sheet of the Bank shows that the mandate that the Issue Department "shall be kept wholly distinct from the Banking Department" is not carried out at all, as there is only a consolidated statement of the Bank's financial position as a whole unit.

distinction obliterated

That the Reserve Bank authorities are not inclined to maintain the distinction between the two departments is also evident from certain statements in a recent publication on the history of the Bank issued under its authority, where in it is said that "the distinction between the Issue Department and the Banking Department which was modelled on the Bank of England pattern is quite artificial" and that informed opinion in the UK supports this view. This, however, is not quite correct, and would seem to be only wishful thinking, as Governor Cobbold of the Bank of England himself categorically stated before the Radcliffe Committee that "the assets of the two Departments are managed on different principles; their

profits, although all within the public sphere, are ascertained and disposed of in different ways" (Evidence Vol. IV page 44 Q. 748).

Further any obsession that the distinction between the departments is artificial cannot be a valid excuse for not complying with the requirements of the provision of the Act that the Issue Department should be separated and kept wholly distinct from the Banking Department. If really the distinction is not material, why, when there have been several amendments of the Act during the past 23 years after the Bank's nationalisation, should Parliament have thought fit to retain the provision?

Again, having regard to day-to-day variations in the market prices of government securities of different maturities carrying different rates of interest, there are no means of knowing whether the several kinds of securities in the Issue Department are valued as required by the Act "at rates not exceeding the market rates for the time being", and if they are so valued, how and from what Fund or source any deficiencies due to fall in prices and surpluses due to rise in prices are made good or credited as the circumstances may require. Neither the report of the central board of directors nor the report of the auditors throws any light on this subject.

UK's example

In the UK, as per Section 3 (2) of the Currency and Bank Notes Act, 1939, the profits of the Issue Department are separately ascertained by a system of cost accounts and they are paid in to fund called the Exchange Equalisation Account whose function, among other functions is to serve as a reserve to be drawn on week by week to cover any depreciation in the value of the securities of the Issue Department and into which all receipts from appreciation in their value are also paid, so that the value of the securities is always maintained and the department is not from the balance sheet point of view insolvent.

On the other hand, in India, after nationalisation of the Reserve Bank, while the profits of the Issue Department are not separately ascertained, the entire profits of the Bank after making the usual deductions for depreciation, bad debts etc, are as per Section 47 of the Act paid to the central government. Having regard to the fact that the assets of the Issue Department are mostly interest-yielding

securities, the net profits of the department during the past more than 20 years, on a modest estimate, must have been not less than Rs 1000 crores; and if, instead of the profits having been paid to the central government, they had been kept as a separate fund on the lines of UK Exchange Equalisation Account, there would probably have been no necessity to devalue the Rupee, at any rate to the extent it has been done.

The Reserve Bank Act says in its preamble that one of the objects for which the Bank was constituted was to secure monetary stability in India. If the profits of the Issue Department had been kept in a separate fund for achieving the objectives for which it was constituted, instead of being utilised by the government as part of its general revenues the monetary system of the country could possibly have been more efficiently handled and the inflationary rise in prices kept in check to some extent.

created a mystery

By keeping the functions and working of Issue Department completely out of knowledge of the people, the Bank has made its operations relating to that department a mystery. Of course the Bank would say that in this it is simply following the policy of the Bank of England on whose pattern the dichotomy of the Bank into the two departments — the Issue Department and Banking Department — has been modelled. But there is no reason why the Reserve Bank of India, now that it is functioning in a democratic republic, should continue to follow the conservative practices of the Old Lady of Threadneedle Street as regards the withholding of information from the public rather than pursue the better course adopted by the Federal Reserve System of the USA of giving all reasonable information about its policies and operations.

The question of publishing adequate information about the Issue Department was raised in several memoranda of evidence tendered before the Radcliffe Committee on the Working of the Monetary System in the UK, and when the Committee itself took up the matter with the Governor of the Bank of England in the course of his oral evidence before them, Governor Cobbold expressed his views as follows:—

I have always felt that the Bank should not be obscurantist. It should educate public opinion and facilitate informed comment, seek public support

and approval for monetary action and remove from the public mind the idea that high finance is a sinister mystery. As regards the portfolio of assets of the Issue Department, we have been thinking of putting something in the Annual Report on the lines of Paper No. 9 which, though not giving details of actual holdings, would give a good deal of information about movements over a period some way back. We should be very reluctant to issue a list of actual securities held, on operational grounds, but I should be very ready to disclose the spread between maturities, say, under five, between five and ten and over ten years and so on, so long as the figures, could on operational grounds, relate to periods some way back (Evidence Vol. IV QQ 1773 and 1777 et seq.)

As regards the extent to which information could be given to the public the following forthright statement given to the Radcliffe Committee by Mr Winfield Riefler, Adviser to the Federal Reserve Board of USA clinches the issue:—

As regards monetary operations, confidence in the motives of those managing the system is most important.

necessary actions

Though central banking is a mystery, it is necessary to do two things:—

(1) To let everybody know that the System is anxious to explain what it is about, its motivations and principles of action, so that whether people have time to study it or not, they have the assurance that it is prepared to explain; (2) To make sure that those people who do take the trouble to become expert on these matters (as some of the dealers and some of the banks do) find the explanations adequate and complete, find in them a complete rationalisation for past action and therefore a fair basis of comprehension of future action.

While as regards future operations about which it is not possible to give advance information, for reasons of operational efficiency we do have a detailed discussion of past operations in the Annual Report which comes out some time after the end of the year. The interval is long enough so that people cannot interpret from the explanation of an action taken, say, in December, the logical succeeding action that would have to be taken, say, in February next. If the reasons for an action were published immediately, a very clever business operator might have a basis to forecast future action. We think we

escape that hazard by publishing only once a year.

We do make policy statements during the year also, but that is at our discretion.

The weekly statements published on Wednesdays contain a classification of the securities in the portfolio of assets, as bills, certificates, bonds and then there is also a further classification of maturities within 15 days, within 90 days, within a year, within five years etc, so that observers can inform themselves as to the maturities if they want to. (Evidence Vol. IV QQ 9551, 9554 and 9559).

As regards disclosure of information, the Radcliffe Committee Report itself observes as follows:—

"The public is entitled as a matter of principle to fuller information about the operations of the Issue Department. Where information is not available, people are not content to remain in a condition of ignorance. They will always guess and more often than not, guess incorrectly, sometimes to the prejudice of the policy objectives of the monetary authorities. The risks of disclosure are on balance far less than the risks arising from wrong guesses...."

An important item will be the market valuation of the securities in the assets side. This will improve public confidence in the monetary system."

POINTS OF VIEW

It is clear from the foregoing that there is no justification for the Reserve Bank of India not disclosing at least in its Annual Report particulars about the securities in the portfolio of the assets of the Issue Department and a general account of the policies followed by the department in the year that has passed. What is wanted is a more revealing account of the department's activities so that the air of mystery that surrounds its operations may be removed. There is no reason why the annual report should not contain an analytical statement of the several classes of securities with their maturities, which formed part of the assets of the Issue Department, comments on the variations in the market value of the securities and a general survey of the operations of the department during the year under report.

One other matter for consideration is whether, having regard to the objects contained in the preamble to the Reserve Bank Act, viz. the 'securing of monetary stability' in India and 'operating the monetary system to the country to its advantage', it is not desirable that the profits of the Issue Department of the Bank, instead of being paid to the central government should not be set apart as a Monetary Stabilisation Fund, for protecting the value of the rupee both internally and externally.

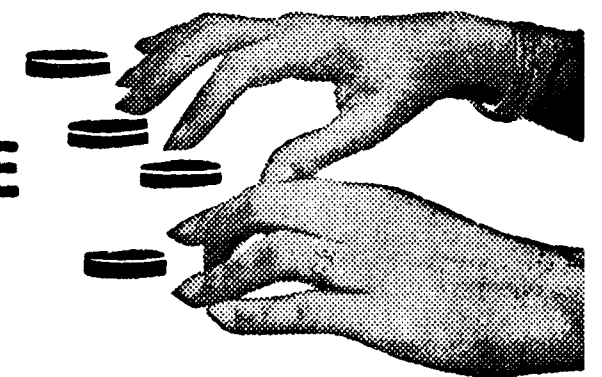
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New ideas on economic growth

Josselyn Hennessy

London.

Britain's Postwar Record

THERE is a widely held view that British economic growth since the war has been slow relative to past rates of expansion, slow relative to those enjoyed by competitors, and considerably slower than should have been possible. This article seeks, first, to investigate the evidence for this dissatisfaction: secondly, to determine whether it is realistic to assume that a substantially higher rate of growth than that currently enjoyed is within reach, or is even desirable; and, lastly, to outline possible future policies towards economic growth that may be adopted in the light of the environmental considerations on which

one of fluctuating growth in total national product that reached a peak in the last quarter of the nineteenth century. Subsequently the rate of growth declined, but remained positive even during troubled interwar period, and since the war it can be seen to have recovered to levels at least comparable with those obtained during all but the three decades in the previous century.

If, on this evidence, one is prepared to accept that, viewed in historical perspective, the growth of the economy in aggregate terms since 1950 has been relatively satisfactory, then in per head terms its performance must be considered unequivocally good; the figures indicate that in only one decade previously (1881-90) has the rate of increase substantially ex-

ceeded that since the war, a result following from the slower rate of population growth seen in the last two decades. Moreover, if the recent rate of increase in the nation's output can give cause for satisfaction, so also must the stability of that growth. Not only do the figures in the table show that in no two previous decades has there been such a consistent gain in terms of income per head, but also that the range of fluctuations in the level of activity, as measured by the rise and fall in unemployment, has never been smaller. Merely casual inspection of the unemployment figures shows clearly how effective has been the application of Keynesian demand management techniques in converting a devastating series of booms and slumps into a

International Comparison

Britain's more recent growth record presents a different picture when looked at alongside the performance of other industrialised countries, as shown in Table II (p. 128). In the early postwar years it was widely suggested that Britain's low relative position would be improved when the economies of war-torn western Europe had completed their initial rebuilding and recovery. However in more recent years, while the West German rate of growth has indeed slowed, the divergence between Britain and her principal competitors has in fact widened.

The long-term effect of such a differential is illustrated by comparisons of GNP per head. In these terms, Britain was in 1900 the richest country in the world; in contrast, in 1970 she was, except for Italy, 'least rich' country in industrial Europe. The uncertainties involved in projecting past trends hardly need stressing, but the figures (based on OECD estimates) given for 1980 show the extent of Britain's lag and the effectiveness of compound rates of expansion in widening existing differentials.

Before going on to look at the reasons for the differences in individual countries' growth performances, we must consider a qualification to the judgments already made, i.e. that Britain's recent growth record is good in historical terms but bad in terms of international comparison. These have been based on direct comparison of actual performance, between (a) different time periods and (b) different countries, no allowance being made either for changes in an economy's growth potential over time or for differences in growth potential between different economies.

The assessment of a country's potential for growth offers scope for endless controversy. Leaving aside the more academic debate concerning past and present potential, on a contemporary international level

it can be argued plausibly that for various reasons Britain is not endowed with the same growth potential as its competitors and that, when the performance of each is related to its potential, Britain may in fact be doing just as well as some of those nominally in front on the charts. In our present state of knowledge, it is impossible to reach any firm quantitative judgment on the relationship between actual and potential growth; there is, however, considerable evidence, discussed below, to suggest that crude comparisons of actual growth rates may overstate the divergence between Britain's performance and that of other industrial countries and, by implication, may also overstate the scope that exists for raising its current rate of growth.

monocausal answers

Over the years many have sought the reasons for Britain's lacklustre showing since the war. The search for monocausal answers — among which insufficient investment, 'stop-go' economic management and lack of incentive stemming from high taxation have been frequent — has been largely discredited by the path-breaking research of Edward F. Denison who, in his book *Why Growth Rates Differ: Post-war Experience in Nine Western Countries*, published in 1967, shifted the tenor of the analysis of comparative performance by attempting to quantify individual sources of growth in each of the nine countries (those shown in Table II except Japan). The survey covers 1950 to 1962; while the analysis is, therefore, somewhat dated the interpretation that the study of Britain's performance relative to the other countries, while altered in some respects, would probably be little changed in substance by subsequent years' figures.

The results of Denison's research support the view that no single factor, but rather a combination of factors, has caused Britain's relatively slow rate of growth. It is apparent that it was not the case that other countries secured greater advantage from every potential source of growth; on the contrary, the benefit derived by individual countries from particular sources was in several instances less than that derived by the United Kingdom.

The real difference is that the UK found no outstanding source of growth in the same way as did the other countries. The United States, for example, gained particular advantage from a greater increase in labour inputs, West Germany from both labour and capital inputs, France from the application of more modern technology, and all member countries from the foundation of the Common Market. The most important single source of growth however, from which Britain derived significantly less benefit than its competitors, was

the improvement effected in the allocation of resources, particularly by contracting the relatively inefficient agricultural sector. Each country gained over Britain in this respect, Italy, West Germany and France especially. Opportunity for such allocative changes was much smaller in Britain; indeed, the major part of the benefit to growth obtainable through moving people from low productivity employment in agriculture to higher productivity employment in manufacturing had been largely exhausted before 1939. The analysis supports the impression that Britain may have a lower potential for growth than its competitors. "To a considerable extent", says Denison, "conditions beyond the control of the United Kingdom were responsible for higher growth rates in other countries. The most general cause concerns gains from reducing waste in the use of resources in agriculture and self-employment. The smallness of the contribution to British growth had little or nothing to do with British policy, but rather was associated with the amount of waste to be eliminated". He adds, however, that "the low growth rate of the United Kingdom cannot be ascribed entirely to built-in handicaps; other countries were also more successful in securing growth from sources where the United Kingdom had no apparent advantage".

(E.F. Denison in *Britain's Economic Prospects*, ed R.E. Cave).

III

Policy Measures and Conflicts

The increasing sophistication of the analysis applied to Britain's growth problem led during the 1960s to the development of a range of measures designed to raise the contribution of these several sources to the rate of economic growth.

The theme running throughout these years, a decade of "consensus politics", was that of government intervention and planning. Thus successive governments, as well as broadening long-standing investment and regional policies, established a range of institutions designed to promote faster growth through better resource utilisation, through the development and employment of improved technology, through mergers and greater economies of scale and through better economic management.

These new bodies included the National Economic Development Council (NEDC), the Industrial Reorganisation Corporation (IRC), the Ministry of Technology (Mintech) and the Department of Econo-

TABLE I
Economic Indicators : 1800-1970

	National product increase per decade (per cent)		Unemployment rate per decade (per cent)		Population increase per decade (per cent)	
	Total	Per head	Average*	Range*		
1801-1810	21.7	2.3				13.7
1811-1820	29.8	15.9				16.9
1821-1830	43.1	24.8				15.2
1831-1840	26.3	11.5				13.4
1841-1850	25.4	17.3				12.5
1851-1860	14.4	3.0				11.1
1861-1870	38.5	27.8	5.4	2.1- 8.4		8.9
1871-1880	20.4	10.6	4.0	0.9-11.4		10.7
1881-1890	51.9	38.6	5.2	2.1-10.2		8.2
1891-1900	23.6	10.9	4.4	2.0- 7.5		9.9
1901-1910	11.6	5.4	5.1	3.3- 7.8		9.2
1911-1920	7.1	-1.0	1.9	0.4- 3.3		3.5
1921-1930	11.1	4.6	12.0	9.7-16.0		5.8
1931-1940	23.4†	22.1†	15.4	9.7-22.1		0.2
1941-1950	15.1**	0.6**	2.2	0.7- 6.6		9.1
1951-1960	27.1	21.8	1.7	1.2- 2.3		4.4
1961-1970	28.7	21.0	2.1	1.5- 2.7		6.4

†1931-1939 **1939-1950 *Of annual rates
Pre-1860 estimates refer to Great Britain, subsequent figures to the United Kingdom.

WINDOW ON THE WORLD

so much emphasis is rightly laid today.

The process of sustained economic growth began in Britain, fifty years before any other country, in the second half of the eighteenth century. Some idea of the pace of that development is given by the left-hand columns of Table I (p. 127), which show the percentage increase per decade in real national product, in both total and per head terms, recorded since the beginning of the nineteenth century. While the estimates for the earlier years must be treated with caution and while measurement over single decades may give a distorted picture owing to the uneven incidence of boom and slump, the final impression is

ceeded that since the war, a result following from the slower rate of population growth seen in the last two decades. Moreover, if the recent rate of increase in the nation's output can give cause for satisfaction, so also must the stability of that growth. Not only do the figures in the table show that in no two previous decades has there been such a consistent gain in terms of income per head, but also that the range of fluctuations in the level of activity, as measured by the rise and fall in unemployment, has never been smaller. Merely casual inspection of the unemployment figures shows clearly how effective has been the application of Keynesian demand management techniques in converting a devastating series of booms and slumps into a

mic Affairs (DEA), out of the latter coming the ill-fated National Plan of 1965. Mainly as a result of recurrent balance of payments troubles and a deteriorating global economic situation these measures failed to achieve the desired result, and when the present Conservative government took office in 1970 there was a radical change of policy. Gone was the idea of a close-knit partnership between government and industry in the quest for growth; instead the Tories renewed emphasis on the bracing effects of competition, reflected both in policies designed to expose companies to more competitive pressures, and in measures intended to restore incentives to greater personal effort.

It remains to be seen, however, whether reliance on market forces, together with membership of the EEC, can be any more successful than a more directly interventionist approach.

social cost

The difficulties experience in recent years in raising the level of economic growth have undoubtedly helped to create greater awareness of the many conflicts that arise from the pursuit of such an objective. In the future the benefits of higher growth are going to be weighed much more closely against the parallel costs involved. To take an example from the supply side, it is apparent that a sure way of raising growth is to increase labour inputs. This could be achieved for instance by allowing greater immigration (as West Germany has relied heavily on south European labour), by increasing the geographical mobility of labour, by raising female activity rates or by working longer hours. Each, however, may have a social cost such that the welfare of the country is reduced rather than increased by raising the marketable output of the nation.

Similarly, demand policies favourable to stronger growth have to be considered in the light of their costs; a prolonged period of high demand may raise business optimism and hence investment but it is also likely to be accompanied by greater inflationary pressures and balance of payments problems, while a spell of weak demand, on the other hand, favourable to long-term growth through its effects on labour utilisation, will be reflected in increased unemployment.

It is not only the policy objective of increasing the material output of the economy that has come under critical review over the last few years but also the process of economic growth itself.

There are several fields in which it is apparent that welfare, in the broad sense of "the quality of life", has suffered be-

cause of, rather than despite, the pace of economic development. The problems, by no means confined to Britain, are basically those of imbalances caused and aggravated by economic change, and are found from whatever view point one looks at economic activity.

At a structural level, for instance, it has long been apparent that economic development is inseparable from the rise of new industries and the eclipse of others; while in a situation of perfect mobility of capital and labour such processes could take place easily, in our imperfect world they cause disruption and waste. The rise and fall of individual industries is related to the problems of regional imbalance, where whole areas become economically and socially deprived through changing industrial patterns.

Britain is not alone in facing the twin problems of over-population and congestion in economically "favoured" regions and of the population and dereliction in those with an ageing industrial structure. Again, it is easily appreciated that the forces of economic growth, while opening many new areas of opportunity, have also produced serious social strains in bringing about the revolution of rising expectations.

The most important challenge to the growth philosophy has, however, undoubtedly come from the environmental lobby, a group whose members range from those merely expressing concern at loss of personal amenity to those who preach impending doom that the world's resources are being used up.

Since the protest is, for the most part, both serious and justified, it has won support from governments throughout

the industrialised world. While it may prove premature to be talking of the exhaustion of the world's finest resources of raw materials, it is painfully apparent that the world is becoming increasingly despoiled by uncontrolled economic development: the land has become disfigured by the motor car and its attendant roads, the rivers and seas polluted by industrial and nuclear effluents and the air filled with fumes and, perhaps worse, with noise.

Left to market forces alone, it is clear that economic growth is not synonymous with increasing welfare.

It is unlikely that the strictures of the environmentalists will succeed in stopping the growth process. For one thing, the whole structure of western industrial civilisation, built as it is on free enterprise, competition and the profit motive, is in its present state of development irretrievably wedded to technological and organisational progress.

Not only that but official policies are for a long time — at least while population continues to increase — likely to remain pro-growth, first as a means of preventing excessive unemployment and secondly because the extra wealth created by growth can, if properly handled, provide the means to meet the legitimate aspirations both of the individual and of society, and thus to raise the nation's quality of life.

We began with the suggestion that Britain's growth record in historical terms is in reality good and that while the results are poor on an international level there are grounds for thinking that this may reflect policy failures only to a limited extent.

TABLE II
International Comparisons : 1950-1970

	National product average annual percentage growth			G.N.P. per head £'s (1970 prices)	
	1950-60	1960-65	1965-70	1970	1980
Japan	8.9*	10.1	12.4	795	1,835
Germany	7.6	5.0	4.4	1,265	1,925
Italy	5.9	5.2	6.3	710	1,165
Netherlands	4.9	5.0	4.7	1,000	1,370
France	4.4	5.3	5.4	1,215	1,995
Norway	3.5	5.4	4.4	1,225	1,705
Denmark	3.3	5.1	4.1	1,315	1,750
United States	3.2	4.5	3.1	2,020	2,770
Belgium	2.9	5.1	4.2	1,115	1,695
United Kingdom	2.6	3.4	2.4	895	1,175

*1952-1960

Recognition of these facts, by freeing Britain of its inferiority complex on this score, may, together with the wider aspects of the growth argument mentioned above, already be bringing a more rational approach to growth policy. Only in an underdeveloped country where the majority of the population lives in poverty is growth properly an overwhelming objective; despite its relative decline, Britain is still an immensely rich country and can afford to give proper consideration to wider issues.

During the remainder of this century a

more thoughtful approach to economic growth is likely to evolve both in Britain and in the rest of the industrial world, expansion being sought only to the extent that it conforms to more widely defined welfare criteria. If the much stricter controls that will come to be introduced at both national and international levels, to counter the unwanted side-effects of growth, are successful in containing the threat to the environment, the rate of desirable growth will be that much higher. Regardless of that rate, however, governments' industrial, regional, manpower and

social policies must be developed strongly, representing but part of a complex of measures helping to solve the dilemmas involved in growth, amenity and welfare.

Sources and acknowledgements: The foregoing summarises a report in the latest issue of Barclays Bank Review (54 Lombard St., London EC3p: 3AH); but the Bank is responsible neither for the emphasis of my summary nor for my intersperse comments, based on a variety of sources.

Hardev Singh

Cardiff.

Tibetans in Wales

THE VAST undulating landscape of hills and valleys in the country of Breconshire in Wales is green and beautiful in spring. Narrow roads wind their way among large enclosed farmlands where sheep and cows graze placidly and farm houses spread out at intervals to make the entire scene look like a picture postcard.

In this setting of unpredictable summers and cold chilly winters, in the village of Coity Mawr in Talyont-on-Usk is sited the Tibetan farm school managed by Major S.B.I. Sweeny, a retired army officer who counts twenty years of service. The farm looks like any other farm found all over Wales. But Major Sweeny calls it the Tibetan Farm School.

The school is run by the Tibetan Farm School (Strive) Ltd, a company without any share capital but limited by guarantee. It has a board of five directors and its present Chairman is E.F. Schumacher. Major Sweeny is project manager and his wife is on the board of directors.

close co-operation

Among its contributors are commercial concerns, a charity organisation and voluntary associations. It is in fact listed in the handbook as a project of the Society for Training in Rural Industries and Villages Enterprises (Overseas) and operates in close co-operation with the Soil Association, the McLaren Foundation (a charity organisation) and Intermediate Technology Group Ltd.

Six years ago Major Sweeny and his wife sold their farm, which they were running, joined the Save the Children Fund and went to India. There they met the Dalai Lama and some of the Tibetans in exile. Towards them the Sweeny couple

developed an attitude which may be characterised as a combination of sentimental affection and genuine respect.

In the Tibetans they saw a capacity for hard work, toughness, perseverance, a desire to learn, optimism and stoicism in the face of great suffering. This was what, Major Sweeny told me, led to his desire to help them and 'preserve these great qualities'. The Tibetan Farm School was the direct result of this endeavour.

aim of the school

The stated aim of the school is best described in the manner in which it is set out in the brochure: "The aim of the school is to provide training in the principles of good subsistence husbandry for young people from developing countries, based on family small holdings and village crafts. For the first four years the school will train young Tibetan refugees, after which it is planned to start further schools in India, Africa and elsewhere, while the school in Wales will become a training centre for instructors."

Explaining this idea further Major Sweeny said that the project was based on the principle of helping these young farmers to organise their small holdings on a family or co-operative basis and on a subsistence level with small surpluses. The students would be taught the elements of what was considered simple, tough farming with the definite aim of self-sufficiency. They would be taught, he said, the use of equipment intermediate between the highly developed agricultural technology and the very primitive equipment used in some parts of India or Africa.

Major Sweeny visualised these young men as farmers, millers, blacksmiths

and weavers who would be village leaders. He expected them to help organise small holdings in their villages into viable economic units, though at a subsistence level. He summed up the rationale behind his enterprise, rather romantically I thought, as an attempt to protect and insulate the small farmer against the onslaught of a highly monetised cash economy.

With this patently laudable purpose in mind the school has taken in seven Tibetan students — five boys and two girls. It has employed two British instructors and three Tibetans, one of whom is a priest and the other two a middle-age couple who act as parents to the students and provide them with some kind of community life in a home away from home.

Major Sweeny told me that he had originally bought the farm himself. It is 200 acres in extent, and has 'another thousand acre as grazing land along the hillside'. He then sold the land to the McLaren Foundation which in turn has leased it out to the Tibetan Farm School.

real estate and livestock

The school purchased cottages and livestock during 1971 and 1972 to the extent of £12,000, spent £1500 on additions and alterations and £1500 on farm and household equipment. The project has been able to raise £8000 for each of the two years 1971 and 1972. This includes £2000 for travel for the boys, £2500 as maintenance of students and £3500 as wages of the teaching staff. The school is at present running an appeal to finance the students. The two-year course would cost every sponsor £650 in maintenance and £250 on return travel.

The Tibetan boys, all school-leavers,

looked very cheerful. They were excited to see an Indian among a group of foreign journalists. As a race the Tibetans smile easily, and sometimes this could be misleading. From the conversations I had with three of the students I gathered a reluctant admission of frustration and an openly stated confession of homesickness.

What have they learnt here? "About everything," there is to learn in three months. They have taken in the daily routine of milking cows and feeding cattle, handling sheep, making butter and cheese growing vegetables, and poultry keeping. The girls learn weaving, baking, domestic economy and other farm tasks generally performed by women.

Phuntsok Sonam, Lobsang Ngodob, Tsering Chopkel and the two other boys have had an expensive education at Mussoori. They speak Hindi and English fluently. They come from families that have been given land for settlement at Orissa and Maharashtra. This incidentally is one of the requirements of the course — that the boys should belong to families who own or have access to land. They work in a roughly built workshop which is part carpentry shed, part blacksmithery and the rest is a kind of museum for agricultural equipment gathered mainly from all parts of Wales. Major Sweeny said that he got most of it from Welsh farmers who had no use for them any more.

old fashioned tools

Among the implements were old fashioned ploughs of several types, some of them rather heavy. There were ridgers, potato lifters, cultivators and a slightly sophisticated haymaker. Ranged against the wall on one side were an array of mammoth rakes, diggers etc reminiscent of the most primitive type of farming. A number of Welsh carts served as no more than models while the centre of the shed contained a crudely built slipcart, without wheels. This Major Sweeny explained was built by the boys and was the prototype for an easily manoeuvrable vehicle for transporting hay in difficult terrain.

Major Sweeny explained that these implements were being used as models from which ideas could be adapted to suit particular geographical conditions. I found that most of these implements were not new to India or the Tibetans. The ideas

they could extract from this collection seemed to me rather limited. For centuries similar implements have been made in India.

However, one corner contained a collection of agricultural equipment supplied by Project Equipment Ltd. These were simple and unsophisticated, easy to copy because they do not require highly complicated knowhow and are easy to reproduce. Technically they are simple and any blacksmith could reproduce them. The collection which included a plough and other agricultural implements was quoted as costing only £100. As against these Major Sweeny quoted the high cost of tractors which a small farmer would not be able to afford.

carpentry workshop

The Tibetan boys were working in a carpentry workshop making large gates for enclosures to herd sheep and cattle. One of them was at an old fashioned forge learning to repair or fashion farm equipment.

The boys had been selected by Mr Wangdu Dorjee, a senior associate of the Dalai Lama. Mr Dorjee lives in Dharmasala. The next group is being selected by Jigme Taring another associate of the Dalai Lama.

The school is a recently acquired hillside and even by Welsh standards it is inferior land. Very marginal, it is good enough for grazing. Besides, it faces north and suffers from the cruelties of the weather. It does not get enough sunshine and the snows do not melt fast enough.

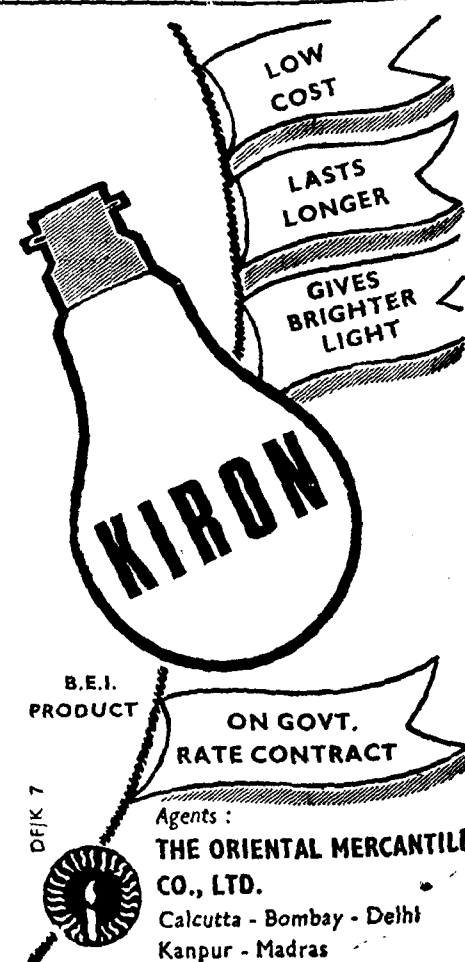
The farm has about 300 sheep and cattle and the boys look after them. They get free board and lodging but they are not paid a stipend for the work they do. Out of the vegetables they grow they do make some pocket money.

What the boys can learn from a project such as this seems to me somewhat limited. They come from areas where they will be required to grow crops on flat land where the climate is temperate to hot. The pattern of cropping is different, and there is hardly any sheep farming in these regions.

The equipment which Major Sweeny calls intermediate technology is similar to the equipment we see on any medium-farm in India. One could stop to question

the benefit of a course which does not seem to offer anything so very new to the students. For this kind of instruction which any Indian extension officer would readily give them, was it necessary to bring educated Tibetan boys, from families in which educated boys are few? The agricultural universities of India or the state agricultural farms could teach these boys farming methods suited to the conditions in their country and in keeping with the needs of their holdings. They could then learn wheat and maize farming, cattle rearing, poultry farming and they could be paid a stipend for the work they do.

Despite these criticisms one could still have an open mind on the ultimate outcome of a project of this nature. This is the first course of its kind in a series. Its development has to be watched and it has to be assessed whether the boys actually benefit from their stay here, gather enough useful knowledge and practical experience. And whether it is of any use in India when they return. Or whether the school is only a camouflaged device to bring in English-speaking labour from India nearly free. Only time will tell.



The Prime Minister held

a press conference in New Delhi on July 12. The newspapers announced this event a day or two in advance of the happening. This is a relatively new practice. As a matter of fact, the Press Information Bureau, while informing newspapers or journalists, of a press conference due to be held, used to stipulate that the information was not for publication. Nowadays this condition is not made. This, however, does not quite explain why the press should be so keen on publishing in advance the mere fact that the Prime Minister will hold a press conference. What she says at the conference may be news, but why should her going to meet the press itself be considered to be of news value? Could there be a method in all this madness? The late de Gaulle utilized his press conferences deliberately and most successfully to build up his image. In his case too the fact that he was going to hold the press conference on some future date would be duly advertised in the international as well as the national press. Our Prime Minister has always shown that she is quick to learn the tricks of the trade. It is possible therefore that all this advance trumpeting about her press conferences has more than an element of thoughtful arrangement.

The Prime Minister is

becoming unduly sensitive about the 'gharibi hatao' slogan of her party. Nothing is more calculated to make her hackles rise than even the most innocent question seeking information about the present stage of her government's anti-poverty plans. Mrs Gandhi has sternly told the country that 'gharibi hatao' is not a stage play on which the curtain goes up formally at a stated moment. According to her the anti-poverty measures of her government are already in full swing. She also believes and would like the nation too to believe that these efforts are making good progress and have started achieving results. We must now wait for the Planning Commission and the Finance Ministry to give us the relevant statistics. They would be well advised not to do their sums separately, for, then there is every risk of their

respective sets of figures conflicting or contradicting each other. It is good to be warned by the embarrassing experience of the Ministry of Foreign Trade and the Reserve Bank in the matter of export trade statistics.

The Prime Minister made

an interesting admission about the nature of the current industrial unrest. She attributed it—in the main, rightly—to inter-union rivalries. I wonder whether Mrs Gandhi realizes the implications of this statement of hers. What she said really amounted to a confession that much of the industrial unrest in our country today is political in its origin and motivation. The bad, old capitalist is not so much to blame after all. If this is so, what has Mrs Gandhi to say about the role of her own political party which, as she is never tired of asserting, is the most potent and pervasive political force in the country, at present? Has she done anything at all to ensure that her party does not foment or participate in inter-union rivalries? If she has had any serious discussion on this subject with her colleagues in the government or the party hierarchy the public knows nothing about it. If, again, she has conferred with the leaders of the INTUC or, other labour leaders who owe allegiance to her party, on the need for reducing the intrusion of the political element into trade unionism, her establishment has successfully kept this an official secret. I am not suggesting that the Prime Minister knows enough or has sufficient time to attend to all the aspects of the government's management of the economy of the country. But she is certainly under an obligation to lend actively her political influence and official authority to an effort by her government to deal with the chaos on the industrial front at a time when rising prices, growing shortages of essential commodities and inflation generally are threatening economic stability and aggravating particularly the distress of the poorer sections of the community.

The Sharavathy Project

in Mysore state was born and bred in scandals. Recent revelations of the serious

structural damage or deterioration suffered by strategic parts of the works have lit up ancient grudges and allegations and fanned them into a raging controversy in state politics. A demand has been made by Mr Veerendra Patil, a former chief minister of the state, for a high-level technical investigation of the present state of the works to be followed, if necessary, by an inquiry by a judicial tribunal into the conduct of the politicians and the officials who were concerned with the execution of the project. An intriguing feature of the ruckus is that the present Minister for Public Works was also the Minister in charge of this portfolio during certain stages of the execution of the Sharavathy works. The question is how far he or the present ministry of which he is a member is keen on holding a judicial inquiry.

As the debate rages in Bangalore, the government of India has kept its own counsel. It is however clear that the central government has a definite responsibility to intervene. The Sharavathy project is inter-state in its scope and significance. In addition it has been built with aid from the US government and where there is this kind of foreign collaboration, New Delhi is clearly involved. It is possible that a probe into the past of Sharavathy may result in more than mere embarrassment to some of Mrs Gandhi's political foes in Mysore state, although the most prominent among them, viz., Mr Nijalingappa is reported to be keen on a judicial inquiry. On the other hand, the present ministry which belongs to Mrs Gandhi's party may not also be entirely happy about raking up matters; skeletons have a way of being discovered in all kinds of inconvenient cupboards. The Prime Minister may therefore have to make her own political calculations. Whatever Mr Bhutto may think of the quality of the schooling which Mrs Gandhi has received, she seldom gets her sums wrong on such occasions.

Sex might have arrived

at Wimbledon years ago with Gorgeous Gussie's lace panties, but sex on the tennis court seems to have truly come of age only now. Here, for instance, is a description of an encounter on the centre court at Wimbledon as published in *The Indian Express* of July 6 (by arrangement with the *Daily Express*, London): "Miss Cassals, 23, in her eye-catching purple and white dress, hummed with activity and energy and her legs worked like pistons as she tried to run down a super-charged attack which Mrs King projected at her".

Harold Robbins, I am afraid, must look to his laurels.



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TRADE WINDS

IISCO Take-Over

THROUGH A presidential ordinance issued on July 14, the union government has taken over the management of Indian Iron and steel Company (IISCO)—one of the two private sector mild steel manufacturers in the country—for a period of two years. According to a press release issued soon after the decision was taken at a cabinet meeting, the management of IISCO has been taken over by the government owing to the neglect of maintenance by Martin Burn—the concern which managed the company—and the persistent fall in its production. IISCO's output had been going down progressively since 1965 with the result that early this year, it was just about 60 per cent of its rated capacity of one million tonnes per annum. Since March this year, its production has registered a further sharp setback—about 30 per cent according to some sources.

Talking to newsmen soon after the announcement of the above decision, the union Minister for Steel and Mines, Mr Mohan Kumaramanglam, indicated that although the presidential ordinance stipulated that the government would relinquish the control over the management of IISCO in two years, if it was satisfied that the purpose of the take-over had been achieved, but the possibility of the management being returned to Martin Burn was remote, as 49.35 per cent of the share of the undertaking were held by such public sector enterprises as the Life Insurance Corporation, the Unit Trust of India and general insurance companies (which have been recently nationalised). Another about 4.5 per cent of

the shares were pledged with the nationalised banks.

Contrary to the practice adopted in the case of the take-over of the managements of the Indian Copper Corporation, coking coal mines and general insurance companies in the past 1½ years, the presidential order in respect of IISCO does not provide for the payment of any management compensation to the hitherto managing concern. The other agreements with Martin Burn, however, would be fully honoured by the new management. Requested to explain the position why a different criterion had been adopted in the case of IISCO, the Minister for Steel and Mines observed that "Under the Constitution, there was no need to do this". This presumably is owing to the fact that the management of IISCO has been taken over for a specified period.

Mr M.P. Wadhwan, Financial Director of Hindustan Steel, has been appointed the custodian of IISCO. Mr N.R. Dutt, one of the Directors of IISCO, has been asked to perform the functions of the Chief General Manager of the steelworks as also of the Chasnara colliery and the iron ore mines owned by the company. Mr Mohan Kumaramanglam indicated that the government eventually intended to expand the capacity of IISCO.

Socialisation of Urban Land

The conference of state housing ministers held recently in the capital, has unanimously recommended socialisation of urban land which implies that private owners will continue to hold land but tenures will be leasehold and permission

to develop land will be given by the government against payment of fee. A working group of experts is proposed to be set up at the centre to work out various schemes for socialisation of urban land.

The socialisation of urban land will form a part of a new land policy which would require action at the levels of the centre, the states and the local bodies. At the centre, it is proposed to enact a Housing and Development Act defining a national policy for urbanisation. The states will be assisted in implementing the national policy in specific priority areas. The states will also be asked to prepare comprehensive district, city and town plans to achieve optimum social use. The local development authorities will be urged to implement the development plans chalked out by the states. They will be urged to mobilise resources through property tax, betterment levies and commercial tax. In all this, the centre's role will be that of promotion and setting up of standards.

Public Enterprises

The two-day conference of the chief executives of the 18 public enterprises under the union Ministry of Industrial Development, which was held here recently, identified six major causes for the unsatisfactory performance of these undertakings. Most participants in the conference were of the view that raw material difficulties, particularly of iron and steel, were affecting the working of their enterprises adversely. There was also not sufficient delegation of power to the managements of these undertakings even though they had been granted some autonomy in their operations. The personnel policy too left much to be desired. Many a time, the public sector undertakings were put in the hands of deputationists who did not have any previous experience of running business and industrial concerns. By the time they gained experience, their tenure of deputation was over. The system of recruitment of senior personnel through the Bureau of Public

Enterprises could not meet the requirements of individual plants. The industrial relations in most of the public undertakings were not healthy. It was pointed out by the government spokesmen in this conference that the plant managements also ought to look into the bottlenecks in their own spheres. It was complained that usually the plant managements did not quickly bring to the notice of the union government their problems so that remedial measures could be initiated by the concerned ministry.

Addressing newsmen at the conclusion of the conference, the union Minister for Industrial Development, Mr Moinul Haque Choudhury disclosed that the personnel policy for public sector enterprises might undergo a radical change in the near future. The question was being looked into by a committee of ministers. Mr Choudhury expressed himself in favour of linking incentives to labour with productivity and also felt that the problem of multiplicity of unions would have to be tackled in a concerted manner. As a result of the measures already thought of—for instance, change in the personnel policy—or which would be devised in the light of the discussions at the conference, Mr Choudhury hoped that the 18 public enterprises under his ministry would start showing an overall surplus in about 18 to 24 months.

Earlier, inaugurating the conference, Mr Choudhury revealed that trouble-shooting squads, consisting of officials from the Industrial Development and other ministries, as well as the public sector undertakings concerned would be constituted soon. They would go into the specific problems of individual undertakings and suggest appropriate steps to overcome their difficulties. He called upon the managements of public sector undertakings to fix realistic targets for their operations.

Committee of Twenty

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draft resolution providing for establishment of a committee of the Board of Governors on Reform of the International Monetary System and Related Issues. The vote will be completed by the end of this month, with a simple majority of the voting power in the Fund sufficient for adoption. The first meeting of the new committee is expected to be held at the time of the September annual meeting of the Fund's Governors.

The Executive Directors of the Fund approved the text of the resolution on June 26 for submission to the Governors. It was a day on which many exchange markets were closed, following announcement by the United Kingdom authorities that, for a temporary period, the exchange rate for the pound sterling would not be confined to limits previously maintained with respect to the United States dollar and the Common Market currencies. The Fund on June 30 noted the circumstances which had led to the action by the United Kingdom, and welcomed its expressed intention to resume as soon as conditions permit the observance of the margins around parity.

By June 28, a number of major industrial countries, including the members of the European Economic Community, had decided to take action to maintain the structure of exchange rates established under the Smithsonian Agreement at the end of 1971. This decision was welcomed in a statement by the Managing Director of the Fund. He emphasised that the Fund calls on all member countries to pursue policies that will preserve a stable structure of exchange rates adjustable by orderly processes. The Fund would collaborate with members for this purpose, especially in seeking progress toward reform of the international monetary system. He said the committee proposed to the Board of Governors would be an important element in this.

The new "Committee of Twenty" will consist of representatives of both developed and developing countries.

members of the committee will be appointed by each of the countries or groups of countries that appoints or elects an Executive Director of the Fund. Since the members will be Governors of the Fund, cabinet ministers or others of comparable rank, the committee will provide a forum in which momentum can be maintained at a high policy-making level for all aspects of reform of the international monetary system.

Income-Tax Act

The President has promulgated an ordinance amending the Income-tax Act, 1961, retrospectively from April 1, 1962, to provide that wealth tax payable by the taxpayer will not be allowed as a deduction in computing the taxable income.

The ordinance also makes an independent provision to secure that wealth tax is not allowed as a deduction in computing the taxable income under the Indian Income-tax Act, 1922 (since repealed) for the assessment years 1957-58 to 1961-62. For the purposes of these provisions, the term "wealth tax" means wealth tax chargeable under the Wealth-tax Act, 1957, or any tax of a similar character chargeable under any law in force in any foreign country or any tax chargeable under such law with reference to the value of the assets of, or the capital employed in, a business or profession carried on by the taxpayer.

The ordinance specifically provides that the above provisions will not apply to any case where the Supreme Court has, on an appeal preferred by the taxpayer in respect of the assessment for any assessment year, held before the date of promulgation of the ordinance that wealth tax paid in respect of that assessment year should be allowed as deduction in computing the taxable income.

Holding Company for Steel

The government of India has announced its decision to set up a Holding Company for steel

and associated input industries such as coking coal, iron ore and manganese ore.

This company will own all the shares in public sector corporations dealing with these industries, own all government shares in the relevant joint sector companies and will act as the nominee of public sector financial institutions which possess shares in private sector units in the sphere of iron and steel and associated inputs, refractory units and small steel producing organisations. The following public sector organisations under the Ministry of Steel & Mines will be brought within the ambit of the Holding Company:

(a) Department of Steel

(i) Hindustan Steel Limited; (ii) Bokaro Steel Limited; (iii) Central Engineering and Design Bureau; (iv) The companies to be formed for the new steel plants from the time they are set up.

(b) Department of Mines

(i) Bharat Coking Coal Limited; (ii) National Mineral Development Corporation; (iii) Manganese Ores (India) Ltd; (iv) Bolani Ores (India) Ltd.

The Holding Company will also be responsible for the working of the steel plants in the private sector, in which the public financial institutions have a substantial share.

The Holding Company will formulate long-term programmes of development, arrange for effective channelling of surpluses into further expansion of the industries, finance, necessary technological changes and innovations and co-ordinate and supervise the operations of the various companies under it. It would thus achieve economies of vertical integration and ensure co-ordinated growth at least cost.

The details relating to the formation of the company are presently being worked out. It is intended to ensure that the Holding Company is not just, another link in the chain of decision making and is able to carry out its duties and func-

tions in the most efficient manner with only the minimum amount of regulation and guidance from the government. This is sought to be achieved by making the chairman of the Holding Company also the Secretary to government in so far as items of work dealt with by the Holding Company are concerned.

Mr M.A. Wadud Khan, at present Managing Director, Tata Oil Mills Company, has been selected for appointment as chairman of the Holding Company when it is constituted. For the present he will be Secretary to the government and chairman-designate of the Holding Company. He will work out the plan for the formation of the Holding Company. In doing so, he will assess the problems it is likely to face, the exact nature of the powers it will exercise and its relationship with the government on the one hand and its subsidiary companies on the other.

Australian Pavilion in Asian Fair

The Australian pavilion being built for the third Asian International Fair will be a mixture of Australian and Indian motifs. The pavilion's central feature will be a 12-ft. diameter lotus-shaped fountain. Explaining the important features of the pavilion to the Press on July 13, Mr Ilbert Walker, architect, said that he had made a close study of Indian people and their cultural background which he had translated into physical terms symbolising development, both Australian and Asian. A section has been reserved for showing how Australia was transformed from an agricultural country to a modern, manufacturing nation.

Reservation In Railways

The Ministry of Railways has appointed a four-member committee to look into all aspects of the problem concerning malpractices of unauthorised agencies and other anti-social elements in obtaining rail reservations of seats and berths. The committee has been asked to suggest appropriate mea-

asures to deal with the problem. Mr Krishan Kant, MP, will be the Chairman of the committee. Other members are Mrs Sumitra Gandhi Kulkarni, MP; Mr Narsingh Narain Pandey, MP and Mr Salebhoy Abdul Kadar, MP.

A railway officer will function as Secretary of the committee.

The terms of reference of the committee will be:

(i) To examine the rules and procedures in vogue on Railways in respect of sale of tickets and reservation of seats/berths and suggest proposals;

(a) To minimise inconvenience to passengers in the matter of obtaining tickets and reservations;

(b) To remove the lacunae in the procedures which permit commission of irregularities;

(ii) To identify the nature of malpractices and irregularities committed by outsiders including unrecognised travel agencies in securing unauthorised reservations and to suggest measures to stop the same;

(iii) To study the adequacy of the existing provisions of law to deal effectively with the offenders and to make recommendations in this regard.

Indian Tax Delegation

An Indian Tax Delegation has left for Malaysia in the course of a tour which will cover two other countries, Japan and Singapore.

In Malaysia and Singapore, the delegation will negotiate agreements for the avoidance of double taxation of income, while in Japan the discussions will be for the review of some of the articles in the existing Indo-Japanese agreement.

The delegation is led by Mr R.D. Shah, Chairman of the Central Board of Direct Taxes, Ministry of Finance

Lanka Devalues Rupee

The Sri Lanka rupee was devalued in July 10 against the pound by a government decision to fix sterling-rupee parity at 15.60 rupees to one pound. A central bank spokesman said recently that the rupee, which

was allowed to float with the dollar from last November, was now being allowed to float with the pound.

Rights of Shareholders

The National Forum of Shareholders (4, Synagogue Street, Calcutta-1) has recently submitted a memorandum to Mr. K. V. Raghunatha Reddy, Central Minister for Company Affairs, for amending the Companies Act to protect the interests of shareholders. Regarding compensation payable to shareholders after the nationalisation of an industry, the memorandum states that the compensation received by the company should be refunded proportionately to those shareholders who would like to have it. It further states that the management should not have any right to detain the compensation allocable to shareholders.

Regarding remuneration payable to directors and the managing director, it states that the perquisites should be considerably curtailed. Broadly it has been suggested that the remuneration to a director or any officer of the company should not exceed the maximum permissible under the Income-tax Act as deductible expenditure. It has also been recommended that the system of appointment of directors should be made on proportional representation basis in the case of public companies and their subsidiaries. There must at least be 10 persons on the board so that any minority shareholder group holding 10 per cent or more shares in the company could be entitled to nominate one of its representatives on the Board of Directors. Regarding rights of shareholders, the memorandum has suggested that a proxy appointed by a shareholder should be given a right to speak at any general meeting of the company. A special resolution, it has been suggested, should require the consent of 90 per cent shareholders in the general meeting in place of 75 per cent as at present.

The memorandum has made a number of suggestions for eliciting the maximum possible information regarding the ope-

ration of a company. It has suggested that a company should be required to publish unit-wise balance sheet and profit and loss account in the case of all its units where it has more than one self-contained unit. The practice of lumping together different types of expenditure under one head—miscellaneous expenditure—should be stopped. The expenditure exceeding one per cent of net sale or turnover or Rs 10,000, whichever is higher, should be separately disclosed in the profit and loss account. Various other suggestions relating to installed capacity, actual production etc. have been made in order to elicit increased information about the operations of the company.

Regarding the auditing of accounts, the memorandum has suggested that it should be made more purposeful and helpful to shareholders. In particular it has been suggested that auditors should not hold any other office of profit in the same company in which they are holding the office of an auditor. In order to minimise the mis-application of funds of a company, it has been suggested that no company should be permitted to make any loan or make any investment if it has borrowed funds from public or from any financial or banking institution. Also no company should be permitted by the government to invest in loans or shares of other companies beyond the prescribed limits unless the loan is properly secured and the return on loan or investment is guaranteed at least equal to eight per cent per annum.

Railways Act

A committee will be appointed to go into the issue of amendment of the Indian Railways Act wherever necessary. This was stated by the Minister for Railways, Mr K. Hanumanthaiya, at the Consultative Committee of Members of Parliament for the Ministry of Railways which met recently.

The availability of wagons and their allotment engaged the attention of the members. The minister, while admitting the shortage of wagons, stated that the Railways have taken seve-

ral steps to cope with the present situation. In addition to the normal orders placed with the wagon manufacturers, he had ordered for the manufacture of 8,000 extra wagons. The departmental workshops had also been asked to step up their wagon production as much as possible. However, paucity of the required raw material and other causes had affected wagon production, he said.

On the members' complaints of alleged corruption in the allotment of wagons, the Minister gave details of some of the steps he had initiated to combat it. He said that the punishment procedure in the government needed simplification so that those who were corrupt could be dealt with expeditiously and effectively.

Railway Wagons

The Railways plan to order an additional 8,000 wagons with various manufacturers, the bulk of which are located in West Bengal and are complaining of unutilised capacity.

The slow lifting of goods is attributed by the Railways to the bad law and order situation in the eastern region, the need to provide Bangladesh with wagons and locomotives and the slow loading and unloading of goods by traders. The current shortage of wagons, it is claimed, is the result of the unusual conditions in the last 12 months. Indo-Pakistan hostilities upset normal railway movement because of such special arrangements as movement of troops, refugees, prisoners of war and foodgrains on a large scale for the millions in Bangladesh and in camps.

In addition, the Railways claim that wagons were not released at important terminals in the eastern sector owing to slow loading and unloading. Though the matter was taken up with the concerned chambers of commerce and trade associations, an average of 500 to 600 wagons were not available daily as compared with previous years.

Railway Wagon Industry

The Wagon Building Industry however is deeply concerned over the recent pronoun-

ments of the Railway Minister, holding the industry responsible for the poor output of wagons in the country. According to the industry, it has been desperately drawing the attention of the Railway Ministry to its pathetic condition—a condition brought about by lack of adequate orders and for lack of adequate steel to execute even the paltry orders meted out. All its appeals have unfortunately gone unheeded and the industry has been allowed to languish till several firms have been obliged to close down and others are on the verge of liquidation.

A Wagon Builders' Delegation called on the West Bengal Chief Minister, Mr Siddhartha Shankar Ray, on July 11, and Industries Minister, Mr Tarun Kanti Ghosh, to apprise them of their problems, particularly in the context of the acute scarcity of matching steel which was a severe constraint in the production of whatever small orders were placed on them by the Railway Board. Also, they discussed the question of uneconomic prices awarded by the Railway Board which in itself was a major disincentive to wagon production. The Industry reiterated its earlier pleas for the appointment of a Tariff Commission to determine a fair price.

Joint Ventures

Addressing a Press Conference in Calcutta on July 10, after the return of the Engineering Association of India's Delegation from a two week tour of S-E Asia and Japan, Mr M. K. Jhavar, the association's president, who led the team, expressed his optimism about the vast potentialities for joint ventures in a number of engineering fields in Malaysia, Singapore, Thailand and Hong Kong. In Malaysia a number of Indo-Malay joint ventures are already operating to the great satisfaction of the Malaysians and their government. The emphasis then is on labour-intensive industries as great employment opportunities are sought to be created

for the population of the country. So is the case with Thailand. However, in Singapore and Hong Kong the emphasis is on high technology oriented industries as land area is limited and the population is small. Mr Jhavar said that the government of India should draw up a programme of training of personnel from developing countries of South-east Asia in Indian technical institutes and engineering workshops to make up for the shortage of technical personnel in these countries. This would go a long way in projecting a correct image of our skill in manufacturing engineering products. Mr Jhavar referred to two important developments in the region: Firstly, Thailand, Malaysia, Singapore, Indonesia and the Philippines are seriously considering to form a common market on the lines of the European Economic Community. As and when this proposal was implemented it would have far reaching consequences on the export trade of India. Secondly a South-east Asia Iron and Steel Institute with headquarters at Singapore of six countries—Singapore, Malaysia, Indonesia, the Philippines, Thailand and Taiwan,—has been established under the aegis of the ECAFE by Japan and Australia. The aim of the institute is to consider ways and means of promoting the steel industry in the region. Mr Jhavar observed that these developments must be carefully watched by India.

Transistorised TV Sets

The Electronics Systems Division of the Indian Space Research Organisation has developed transistorised television sets. The Electronics Corporation of India under the Department of Atomic Energy has also developed transistorised TV sets and has put on trial a few sets from its first pilot production. The Central Electronics Engineering Research Institute, Pilani and other manufacturers of TV sets are also engaged in developing transistorised TV sets. It is expected that transistorised TV sets completely developed in the country will be avail-

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able to consumers by the end of 1972.

Vikram Sarabhai Space Centre

In recognition of Late Dr Vikram Sarabhai's outstanding contributions to the Indian Space Programme, the Space Commission decided at its first meeting held in the capital recently that the complex of activities relating to space in the Thumba-Veli area near Trivandrum be constituted as one single complex and that the complex be named as the Vikram Sarabhai Space Centre. Dr Brahm Prakash, Director Space Science & Technology Centre and member Space Commission will be Director of the Vikram Sarabhai Space Centre.

Low Interest Loans for Housing

Provision of long-term loans repayable after 25 years with low interest rates for implementing social housing schemes for the economically weaker sections of the society has been recommended by the conference of the chairmen of the state housing boards, municipal corporations and improvement trusts, which met in the capital recently. The conference, which was convened by the Housing and Urban Development Corporation also recommended that wherever the schemes of developing commercial centres with higher return of capital were feasible, they should be accepted by the corporation. Excess profits from these schemes should be utilised for housing projects for the low-income groups.

Another resolution recommended guarantees by the state governments by way of security in respect of loans made at an effective rate of interest of up to 7½ per cent per annum. Inaugurating the Conference Mr I. K. Gujral, union Minister of State for Works and Housing suggested that the HUDCO should expand its activities to cover not only housing schemes but also comprehensive urban development programmes on a scientific basis. He also

announced that in future the HUDCO would not sanction any loans for any urban housing schemes unless the city had prepared a scientific Master Plan.

Exporting from India

The Bank of America has brought out a booklet which anticipates and answers some of the questions a small-scale manufacturer might have about becoming established in the export field. While exports by large manufacturing units play a substantial role in our country's overall export programme, there are hundreds of small and medium size manufacturers whose products would be readily accepted overseas if the efforts were made. It is for these small-scale manufacturers that the Bank of America's new booklet on exporting would be particularly useful.

The booklet details the Bank of America's international services that are available at its branches throughout the world. These services include commercial letters of credit, direct remittances, foreign drafts, foreign credit information, foreign trade service and financing for import-export and overseas operations. In particular, Bank of America's branches in India can assist in developing export contacts at home and abroad, develop credit information on foreign firms and data on business climate abroad, develop data regarding arrangements for licensing and provide technical assistance and guidance regarding documents and procedures. The booklet also includes useful reference material such as uniform customs and practices for documentary credits, uniform rules for the collection of commercial paper and checklist for export letters of credit. The booklet is available free to interested customers who wish to explore export markets.

Machine Tool Corporation

The Machine Tool Corporation, a public sector undertaking under the Ministry of Industrial Development, has

achieved more than four times increase in output in 1971-72. This was its second year of production.

The company produced grinders and other equipment valued at nearly Rs 1.20 crores last year as against Rs 28.71 lakhs in 1970-71. The company at present produces tool and cutter grinders, vertical surface grinders, internal grinders and crankshaft grinders. Production of internal grinders was started last year. The plant was set up in collaboration with Czechoslovakia and went into production in 1970-71. It is designed to produce ultimately 680 grinding machines of various types in a year. The estimated total output in terms of money would be Rs 4.4 crores per year.

Self-Sufficiency in Steel

Mr S. Mohan Kumaramangalam, Minister for Steel and Mines, said in the capital on July 10 that the first blast furnace of the Bokaro steel plant was expected to be commissioned by next month. The minister who was presiding over the meeting of the Consultative Committee of Members of Parliament attached to the Ministry, said that the construction work was going on at a fast pace and despite many difficulties energetic measures were being taken to clear the backlog.

About the Salem, Vishakhapatnam and Vijayanagar steel plants, Mr Kumaramangalam said that according to the consultants these projects would be commissioned by 1978-79. He said that all efforts were being made to shorten the time of completion of these projects.

Enumerating the causes for short fall in production in the steel plants in the period April-June 1972, the minister said the main reasons were power restrictions and unusually large absenteeism due to exceptionally hot May and June this year. In the case of Durgapur, industrial relations had continued to be unsatisfactory. However, thanks to the efforts of the

State administration, there was noticeable improvement recently and there is every hope that production in Durgapur will now pick up.

Stressing the need for ensuring total self-sufficiency in steel production in the country, Mr Kumaramangalam said that the main measures comprised efforts directed towards stepping up of production in the five main steel plants and speeding up of the construction of the Bokaro steel plant.

Mr Kumaramangalam hoped that near self-sufficiency in steel production could be reached in about two years.

Names in the News

Mr M.A. Wadud Khan, Managing Director of the Tata Oil Mills, will shortly take over as the chairman of the giant public sector Holding Company for iron and steel complex. His appointment has been approved by the union cabinet. He is expected to take charge of his new post by the middle of next month.

At the 10th Annual General Meeting of the Institute of Internal Auditors, Bombay Chapter, held recently Mr S.T.B. Daruwala, Finance Director of Cadbury-Fry (India) Private Ltd, was elected President for 1972-73. Mr A.K. Bahl of Boehringer-Knoll Ltd., was elected Vice-President and Mr R.S.M. Kurve of Glaxo Laboratories (India) Ltd, was elected Secretary.

Mr S.T. Raja, who headed a string of public sector undertakings before he became managing director of Premier Automobile last year, died in Bombay on July 8 after a stroke of cerebral haemorrhage. He was 58. Mr Raja was with the union Ministry of Food after which he took charge of Hindustan Antibiotics at Pimpri from 1957 to 1961. He was General Manager of the Rourkela steel plant from 1961 to 1964 and was later Chairman of the National Coal Development Corporation at Ranchi.

COMPANY AFFAIRS

Century

THE UNION government has cleared the proposal of Century Spinning and Manufacturing Company Ltd for setting up a paper and chemical pulp plant at Nainital in Uttar Pradesh. The project is estimated to cost Rs 20.95 crores and it will be manufacturing 30,000 tonnes of chemical pulp, 20,000 tonnes of dissolving grade pulp, 10,000 tonnes of speciality pulp and 30,000 tonnes of writing and printing paper per annum on the basis of maximum utilisation of plant and machinery. It has been decided that the project will be in the joint sector. For this purpose a separate public limited company will be formed in which the equity participation by Century together with interconnected undertakings and those of the relations of the company will not exceed 40 per cent. The public sector and public financial institutions will hold 40 per cent out of which 26 per cent will be taken by Hindustan Paper Corporation and/or the union government and 14 per cent will be offered to the LIC or other public financial institutions. The remaining 20 per cent will be offered to the general public.

The project has been approved subject to certain conditions. The government has laid down that public financial institutions would have the right of insertion of convertibility clause in agreements relating to loans taken from them by Century. Moreover it has stipulated that the company should ensure simultaneous progress in the manufacture of the three projects, namely paper, rayon grade pulp and speciality pulp and not relegate the less profitable items to the background. Further it has imposed that at least 60 per

cent of the paper produced should be the writing paper of the range of 50 to 60 gsm. Above all it has placed the stiff condition that no foreign collaboration will be allowed for the setting up of this project.

Jay Shree Tea

The directors of Jay Shree Tea and Industries Ltd have recommended payment of an equity dividend of 14 per cent, including three per cent by way of bonus for the 15 months ended March 31, 1972 as against 11 per cent paid for the period of 12 months ended December 31, 1970. Despite a smart rise in gross sales from Rs 10.35 crores to Rs 13.64 crores, gross profit during the year has declined to Rs 121.14 lakhs from Rs 165.02 lakhs in 1970. Out of the gross profit, the directors have allocated a sum of Rs 51.70 lakhs to depreciation reserve, Rs 4.52 lakhs to development rebate reserve, Rs 4.10 lakhs to development allowance reserve and Rs 20.00 lakhs towards tax liability as against Rs 41.04 lakhs, Rs 4.68 lakhs, Rs 2.75 lakhs and Rs 58.50 lakhs provided respectively in the preceding year. Besides an amount of Rs 32.50 lakhs was earmarked for gratuity as against no allotment in the earlier year. This leaves a lower net profit of Rs 8.32 lakhs as against Rs 58.05 lakhs in 1970. The proposed equity dividend will absorb Rs 22.96 lakhs, Rs 4.92 lakhs more than in 1970, while preference dividend will claim Rs 6.30 lakhs as against Rs 5.04 lakhs in the previous year.

South India Shipping

The highly imaginative and pragmatic policies pursued by the management has enabled South India Shipping Corpora-

tion Ltd to earn a disposable surplus of over Rs 181 lakhs during 1971. This is a remarkable feat indeed for a shipping company especially when the year 1971 witnessed the international dry bulk tramping trade, particularly for vessels of the size and type such as South India Shipping Corporation, in the throes of worst depression in living memory. Despite much depressed state of conditions the timely steps taken by the management such as entering into a contract, in the second half of 1970, to move about 350,000 tons of Indian iron ore to Rumania has helped the company to push up its earnings to record levels during the year. The steady progress maintained by the company has enabled it to extinguish, as on December 31, 1971, the entire uncalled liability of the shareholders in respect of the issued and subscribed capital to the extent of Rs one crore through part capitalization of the general reserve. What is more that the forecast made by the chairman last year regarding maintenance of dividend for 1971 — the same percentage of dividend as was proposed for the year 1970 — namely 15 per cent on the expanded equity paid-up capital of Rs two crores has been realised. Thus the quantum of dividend that will be distributed would amount to Rs 30 lakhs as compared to Rs 15 lakhs in the preceding year. This was revealed by the chairman, Mr J. H. Tarapore while addressing the annual general meeting of the company.

Apart from making efficient and judicious use of its fleet, opportunities for buying new and second hand ships are being actively explored by the company. At the same time the company is making vigo-

rous efforts to conclude long-term contracts for carrying crude oil, ammonia, phosphoric acid, iron ore and other items and this is expected to yield rich dividends to the company in the coming years.

The chairman expressed dissatisfaction with the government's progress in the implementation of its policy for the development of major and minor ports. Moreover delays in execution, the chairman said, would result not only in a steep rise in costs of development projects but also result in heavy loss of foreign exchange to the country. The chairman therefore appealed to the government to make greater efforts so as to complete the development schemes within the targetted schedule.

Referring to other aspects of port development programmes the chairman said that the ore handling plants at Madras and Mormugao are being designed for berthing ships of 60,000 dwt, with provision for berthing vessels of 100,000 dwt eventually whereas Australia, our country's main competitor, is already completing arrangements for berthing carriers of 150,000 dwt. The chairman therefore suggested to the government to have a second look at its port development schemes and make the necessary changes wherever possible.

To encourage development of shipping the chairman also made a strong plea to the government for the continuance of the development rebate and restoration of the terms, conditions and rate of interest for Shipping Development Fund Committee loans, as were existing prior to February 1, 1971.

Larsen and Toubro

Larsen and Toubro Ltd has reported excellent working results during the year ended March 31, 1972, with sales, profits and margins recording significant improvements over the previous year's impressive performance. Equity dividend which had been stepped up from 10 per cent for 1969-70

to 12.5 per cent for 1970-71 is being enhanced further to 14 per cent for 1971-72. About half of the proposed dividend is expected to be tax-free in the hands of the shareholders. What is more the higher dividend is being paid on the enlarged share capital.

Sales during the year soared to Rs 30.87 crores from Rs 28.78 crores while gross profit jumped to Rs 330.83 lakhs from Rs 252.38 lakhs in 1970-71. The directors have enhanced the allocations to all the reserves. The appropriation to depreciation reserve raised from Rs 56.70 lakhs in 1970-71 to Rs 58.06 lakhs during year while the allotment to development rebate reserve was increased by Rs one lakh to Rs 11.50 lakhs. A larger provision of Rs 102.00 lakhs was made for taxation as compared to Rs 69.00 lakhs in the preceding year. This leaves a higher net profit of Rs 159.27 lakhs as compared to Rs 116.18 lakhs in 1970-71. The company's net profit in 1969-70 amounted to Rs 69.48 lakhs. Thus the company's net profit has more than doubled in two years. The proposed equity dividend will absorb Rs 59.66 lakhs, Rs 9.75 lakhs more than in 1970-71 while preference dividends will claim Rs 5.53 lakhs as compared to Rs 0.98 lakh in 1970-71.

India Tobacco

Following handsome improvements in its working results the directors of India Tobacco Company Ltd have enhanced the equity dividend to 14.5 per cent for the year ended March 31, 1972 as against 14.0 per cent declared for the preceding year. Sales climbed to a new peak of Rs 199.91 crores from Rs 167.63 crores in 1970-71 while gross profit recorded a smart rise to Rs 8.55 from Rs 8.35 crores in the previous year. Out of the gross profit the directors have allocated a sum of Rs 95.64 lakhs to depreciation reserve Rs 3.56 crores towards tax liability and Rs 23.41 lakhs to development rebate reserve as against Rs 93.27 lakhs, Rs 3.84 crores,

and Rs 10.67 lakhs provided respectively in 1970-71. This leaves a substantially higher net profit Rs 3.80 crores as compared to Rs 3.47 crores in the preceding year. The proposed dividend will absorb Rs 2.75 crores as against Rs 2.65 crores in 1970-71.

Finding difficulty in a competitive market the company intensified its scheme for exports of non-traditional items which increased significantly to Rs 2.30 crores during the year under review as compared to a mere Rs 17 lakhs in the earlier year.

Apart from fulfilling a large order from the USSR for supply of cigarettes, the company has also secured a sizeable order for supply of cigarettes to Hungary. A breakthrough has also been made in Sudan by entering into a contract for the supply of Rs 50 lakhs worth of manufactured cut rag and printed packaging hitherto imported into that country from the UK. The company has also amended the Memorandum of Association to enable it to enter into new lines of business. The main aim has been to diversify into areas showing a potential for large foreign exchange earnings.

Kothari Sugars

Kothari Sugars and Chemicals has received an industrial licence for setting up a sugar factory at Siruguppa in Mysore state. The factory will have a daily crushing capacity of 1500 to 2000 tonnes and is expected to go into production around October-November 1973. The company has been successful in raising an equity capital of Rs 80 lakhs and in finalising a long-term loan of Rs 205 lakhs for the project. In connection with the raising of capital the directors have adopted a new method by going to villages and contacting agriculturists and others interested in subscribing to the share capital of the company. This has resulted in the share capital being on a very widespread basis and enabled the local population and others interested in a sugar

factory in general to participate in the venture.

Traders' Bank

The Traders' Bank Ltd has maintained its record of progress during 1971, with deposits, advances, and cash in hand registering handsome improvements over 1970. Deposits under current accounts, claiming a major share of the aggregate deposits, shot up to Rs 5.95 lakhs from Rs 4.15 lakhs while fixed deposits rose to Rs 2.55 lakhs from Rs 2.51 lakhs in 1970. Deposits under savings account amounted to Rs 2.16 lakhs as compared to Rs 3.21 lakhs in the preceding year. Deposits on the whole climbed to a new peak and stood at the high level of Rs 10.66 lakhs as compared to Rs 9.87 lakhs in 1970. Cash in hand with the bank, including those with the Reserve Bank and State Bank of India, was strengthened during the year by Rs 1.38 lakhs to Rs 3.84 lakhs. To meet the increasing demand for credit the bank expanded its advances portfolio by Rs 0.29 lakh to Rs 6.99 lakhs. The bank's investments in government securities, equities, debentures and others amounted Rs 86,612 as compared to Rs 95,492 a year ago.

The outgo by way of interest paid on deposits was higher at Rs 26,779, an increase of Rs 2,406 over the preceding year while salaries and allowances absorbed Rs 40,668 as against Rs 47,250 in the earlier year. The income earned from interest and discount amounted to Rs 70,544 as compared to Rs 73,501 in 1970, while the revenue from commission, exchange and brokerage suffered a slight setback by Rs 3,471 to Rs 11,314. There was a marked expansion in income from miscellaneous sources and the revenue under this head nearly doubled to Rs 35,415, recording an increase of as much as Rs 16,048 over the previous year. The satisfactory working results have enabled the bank to effect a sizable reduction in the loss carried forward to Rs 4.728 as

compared to Rs 15,877 in 1970.

News and Notes

Expansion and Diversification

Tata Engineering and Locomotive Company Ltd has received a letter of intent to expand its capacity for manufacturing commercial vehicles from 24,000 to 36,000 units. The expansion scheme is to be completed before the end of March 1978 and is estimated cost Rs 58.70 crores. The company will not be raising any funds from external sources except for a loan in foreign currencies for Rs 10.50 crores for financing the import of plant and machinery. The merger of Central Bank of India Ltd with Telco will, of course, be making available to the latter a handsome amount of Rs 15 crores. The balance of Rs 33.20 crores is expected to be secured from internal sources. There is, therefore, no compulsion for Telco to borrow on a large-scale from statutory financial corporations and subject itself to the terms that might be stipulated by them for converting part of the loan into equity shares.

The centre has, however, imposed stiff profit, pricing, quality and export conditions in sanctioning the expansion scheme. The order stipulates that the ratio of gross profit to net sales during the period of expansion and a year afterwards should not exceed the 11.85 per cent level attained in the years 1968-69 and 1970-71. This condition is imposed so that the company adjusts the pricing policy of its products in such a way that the economies of scale achieved through expansion are passed on to the consumers. There is also a condition that over and above the exports now being effected, 20 per cent of the additional production after the expansion scheme has been completed should be exported for earning foreign exchange for an aggregate amount of Rs 20 crores.

Premier Tyres Ltd has received an industrial licence to expand its capacity to six lakh automo-

bile tyres and tubes per annum. This is in addition to the licence received in 1970 for the manufacture of two million bicycle tyres and tubes annually. The cost of these two projects is estimated at Rs 5.5 crores including a foreign exchange component of Rs 3.25 crores. Import licence has already been received by the company for the bicycle tyre project but certain applications for this project are still pending with the government. If all goes well this project is expected to be commissioned in the next two years. These project will be financed from foreign exchange loans to be obtained from the ICICI, borrowings from banks and other financial institutions and internal sources. At present the management does not contemplate issuing of rights shares.

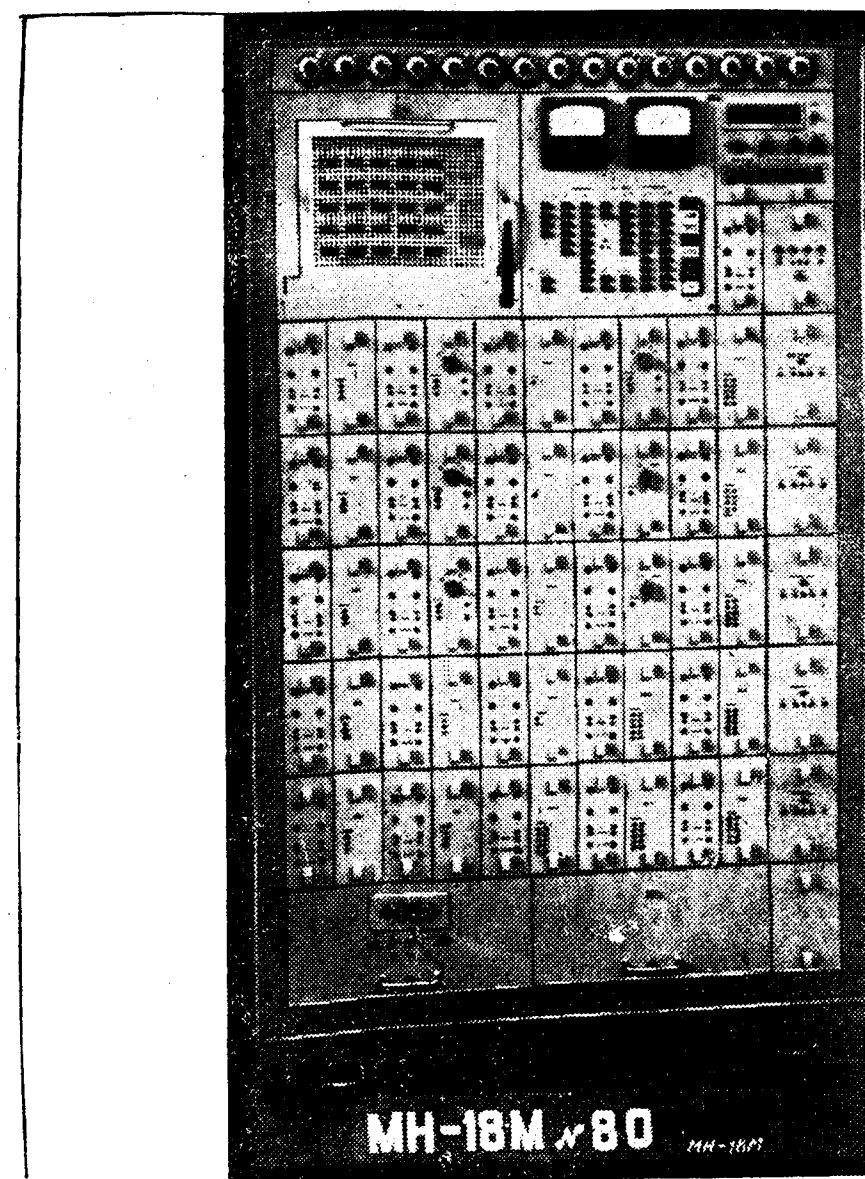
New Issue

Indo-Lowenbrau Breweries Ltd is setting up a new plant at Faridabad with a capacity of 50,000 hectolitres per annum. Four internationally well-known giants in the brewery field namely, Anton Steinecker and Pressure Fermentation Institute of West Germany, international consulting engineers for breweries ICEB, Switzerland and Lowenbrau NU, W. Germany, have joined together to give their best technical know-how for setting up this brewery. Apart from lager and pilsner beers, the company has plans to produce a wide range of special varieties such as non-alcoholic beer for teetotalers; lager and pilsner beer from roasted malt; sweet beer for ladies; high protein beer for radiant health fortified with L. lycine; dietetic beer for keeping the waist-line trim; special beer for diabetic patients; curative beer for jaundice patients; clear flowing beer for kidney troubles and a host of other types of beers. The capital outlay on the project is estimated at Rs 129.55 lakhs and it will be financed through the share capital of Rs 66 lakhs, (Rs 56 lakhs in equity and Rs 10 lakhs in preference shares), loans from banks to the tune of Rs 60 lakhs, and deferred payment for foreign technical do-

cumentation of Rs 3.55 lakhs. The promoters will subscribe to equity shares worth Rs 25 lakhs. The balance of the capital of Rs 31 lakhs in equity

and Rs 10 lakhs in preference shares will be offered to the public for subscription shortly. Land has been acquired and the brew house and machinery will

be ready early next year. The brewery is planned in such a way that with a minimum additional cost the production capacity can be easily tripled.



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TATA ENGINEERING AND LOCOMOTIVE COMPANY LIMITED

Chairman's Statement

Following is the statement for 1971-72 of Mr. J.R.D. Tata, Chairman, Tata Engineering and Locomotive Company Limited :

The past year was one of the most eventful years in the country's history, in which a great human crisis was successfully overcome, thanks to the outstanding leadership of our Prime Minister and the efficiency of our armed forces.

Production

2. The Company continued to make good progress during the past year. Production, which had already exceeded rated capacity last year, was marginally higher at 25,075 vehicles while the production and sale of spare parts rose by 30% over the previous year. As a result of the latter, as well as of the introduction of the new direct injection engine, which, although higher priced, has been well received by operators because of its greater operating economy, the turnover at Rs. 158.49 crores was Rs. 22.25 crores or 16.3% higher than in the previous year. However, the continuing inflation in costs from which we, along with all industry suffered, prevented the ratio of profit to turnover from improving.

3. Production in excess of rated capacity and the highest turnover on record was achieved in spite of many difficulties, including irregular supplies, sporadic though minor labour troubles and repeated failures in power supply. The latter are, incidentally, becoming more and more frequent in Bihar, as elsewhere in the country, and are making the smooth operation of industries increasingly difficult.

4. Quite apart from such

specific handicaps, the operation of large and complex industries involving the mass production of sophisticated products such as ours, containing about seven thousand separate parts, entails problems and strain on management personnel which are almost totally absent in other countries. In Germany and the U.S.A. for instance, the task of the truck manufacturer is made immeasurably simpler than our own by the easy, prompt and regular availability of raw materials, brought-out equipment, electric power, rail and road transport, foreign exchange, and by the freedom of decision enjoyed by management, all of which are a source of perpetual worry in our country, aggravated by the need for licences, permits or Government approval in some form or other in respect of every need of industry. In the circumstances, the fact that production at Jamshedpur was maintained in excess of rated capacity for the second year in succession, reflects great credit on our management and staff at Jamshedpur.

Inflation

5. Apart from operational difficulties, we have to function under unrelenting inflationary pressures which increase the cost to us of raw materials, bought-out items and wages. Thus, since 1965, the price of our principal steel raw materials has increased by an average of 16% per year, materials and items bought from ancillary industries including tyres, have risen by over 10% per year, and so has the level

of our wages. We have always attached special importance to the interests of the users of our vehicles and the fact that our price for them has increased over the same period by an average of less than 6% per year, despite the constant introduction of improvements or new features incorporated in our trucks, often at considerable cost, indicates the extent to which we have been able to absorb cost increases beyond our control. This has been achieved mainly through an increase in production year after year. Now that our production has reached, and even exceeded, our rated capacity, little or no savings can be made from increased production, except in respect of spare parts.

6. It is true that the customer pays today a higher price for our vehicle than he did a few years back, but it still gives the transport operator the best value for his money, as evidenced by the overwhelming preference for it, and the improvements incorporated in it year after year compensate him for the increase in purchase price because of the longer life and the lower operating costs which they make possible.

7. Our sustained efforts to satisfy our customers and compensate them for higher costs do not end with the delivery to them of better vehicles. We realise that the large investment they have made and the crushing initial and recurring burden of tax they have to bear as road transport operators, require that their trucks

or buses be kept operating and earning continuously if they are to be operated at a profit. We have therefore set up the finest service organisation in the country which we are constantly extending and improving. We go out of our way to train our dealers' representatives in the repair and maintenance of our vehicles and assist them in other ways. We have extended the warranty period from 10,000 to 32,000 kilometers, and we are increasing as rapidly as we can the production of critical spare parts at our Works in order to reduce the down-time of our vehicles. Had Government not taken two years to sanction the urgent expansion of our spare parts capacity, our customers would have been saved the delays and loss to which they are still subjected.

Expansion Programme

8. As stated in the Directors' Report, the Government of India have approved of the Company's project, mentioned in the Directors' Report and my statement to the shareholders last year, and issued to us on the 29th of June a Letter of Intent the main terms and conditions of which have been mentioned in the Report. If all goes well, the industrial licence for the project may be expected within, say, the next six or eight months, i.e. some two years after the application was made. In a free economy, or even under the conditions in which industry was allowed to operate in India only a few years ago, we would by now have

been half way through completing the programme. While we are grateful to Government for having approved our project in what may be considered under our licensing system, a reasonably short period of time, I cannot say that we are entirely happy with all the conditions that Government have chosen to impose on the issue of a licence, the most important of which is the requirement that 20% of the added production should be exported over and above our present level of exports so that our total exports reach a minimum of Rs. 20 crores per annum. While we appreciate Government's desire to specify a certain minimum volume of exports to be achieved many years hence, I wonder if they are fully aware of the uncertainties and difficulties involved in exporting sophisticated engineering products in competition with the largest and most efficient producers in the world, who can, whenever it suits them, cut prices without seriously affecting their overall financial health, and who have substantial inherent advantages over us, arising from their much larger volume of production, and freedom from onerous conditions and handicaps under which industry has to operate in India.

9. Apart from international, political, economic and monetary factors over which neither we nor the Government of India can have any control but which can drastically affect exports from India, there are also, nearer home, major hindrances to exports. For instance, we do not have, as exporters from more advanced countries do, the assured and reliable port facilities which are essential to meeting tight export schedules and ensuring low costs. This requires not only well equipped ports, but also a high degree of efficiency and reliability in their operation, qualities notoriously lacking at Indian ports, and particularly at Calcutta. The delays occurring at India's major ports are often so serious and unpredictable as to make shipping a nightmare for Indian exporters. Furthermore, the delays and extra

costs caused by the longer turn-round time of ships at our ports, and other factors, have resulted in freight rates from India to other countries being much higher than they are from foreign ports to the same destination. Shareholders may be interested to know, for instance, that shipping freight rates from India to Australia are higher than the rates from England to Australia!

10. We shall point out that the export target can only be achieved provided conditions prevailing in India and abroad at the time will be such that our efforts, however strong and sustained, are not frustrated by causes beyond our control.

11. Another important condition imposed by Government and mentioned in the Report is that the full production of 12,000 additional vehicles at Jamshedpur and Poona must be reached not later than the 31st March, 1978. Assuming that the necessary industrial licence will be issued to us by December this year, this will give us about five years in which to achieve the rated output. Assuming again that it will take a couple of years from the beginning of manufacturing operations to overcome initial difficulties and build up regular production, we shall have a tight schedule time of three years for the construction and installation of the plant and the recruitment and training of personnel. Based on our past experience, and on the highly competent and enthusiastic organisation we have built up over the years, we are confident of our ability to adhere to it barring unforeseen circumstances, and are, therefore, accepting this condition.

12. We shall, however, point out to Government that the completion, in time, of our own programme alone cannot by itself ensure production of the necessary number of trucks by the stipulated date. About 45% of the vehicles will consist of items bought out from ancillary sources which, incidentally, we

ourselves have been largely responsible in developing over the years. These ancillary manufacturers will, naturally, have to undertake a substantial expansion of their own capacities in order to meet our own expanded requirements. At the moment they are able to deliver the requisite products of the quality specified by us for our present levels of production. Whether they will be able to expand their capacities and production in time to ensure the specified output of additional vehicles by March, 1978 is a matter that will be largely outside our control. They have their own licensing difficulties and their own financial, labour, import and other problems which could prevent them from meeting our requirements in time and therefore affect our own ability to meet the dead line. We are drawing Government's attention to this important factor and urging them to minimise uncertainties and delays by expeditiously granting to ancillary manufacturers the licences they might require for their own expansion and also by encouraging the development of such new sources of supply.

13. The third important condition imposed by Government in their Letter of Intent is that the economies of scale achieved by this expansion programme should be passed on to the consumer. Actually, the main economies of scale which can arise from the programme will be in the modest increase of production at Jamshedpur of 3,000 vehicles of the type that are being currently made there. The manufacture of 9,000 vehicles of a heavier and altogether new type at Poona cannot be considered a large scale operation. Economies of scale in their production will only be achieved if and when the output is increased under some later expansion project.

14. In their interpretation of this clause, Government have specified that the pricing of the products made under the programme should be such that the rate of gross profit, after allowing interest but be-

fore depreciation, development rebate and taxation, should not exceed the base rate of 11.85% of gross profit to net sales achieved in the years 1968-69 and 1970-71.

15. Subject to clarification on some points, the conditions as proposed by Government are acceptable to us, and we expect that an industrial licence will be issued to us in due course. On that assumption, we are taking all preliminary steps required to launch the project thereafter as quickly and efficiently as possible.

Jamshedpur and Poona

16. On the completion of this programme, the Company will have powerful centres of production at both Jamshedpur and Poona, in two factories equipped with the most modern plant and machinery available for the type of products made in them. While Jamshedpur will remain the larger producer of the two, Poona will also play a powerful role in the total production programme of the Company. It will not only make 9,000 new heavy vehicles but will continue, as it has already begun, to make equipments for Jamshedpur including the production of special purpose machine and press tools and spare parts for our vehicles, the total number of which on the road today is over 250,000.

17. The fact that manufacturing, research and training facilities are spread over two such production centres has added great strength to the Company as a whole. It will not only diminish its vulnerability to any unforeseen events or incidents which might interrupt production at one centre, but will ensure that production at each place is on a scale and of the nature best suited to it.

18. There is a practical limit beyond which an increase in size of a plant in the Auto industry not only fails to provide real economies of scale but makes operations and managements more difficult and burdensome. We believe that, with the present limited programme of expansion at Jam-

shedpur, we shall have reached such a situation there. Thereafter, Poona will provide the necessary scope for being built up ultimately to more or less the same size as Jamshedpur.

State Government Policies

19. Conditions for creating and operating a modern industry in Maharashtra are particularly favourable because of that State Government's wisdom and understanding of industry's requirements and problems. I am glad that the Government of Bihar have realised that the industrial climate in their State has in recent years offered less inducement to private enterprise to establish new industries or expand old ones, than that of other States into which, as a result, industries have flocked, and have shown willingness to extend special facilities and inducements to new industries established in Bihar. In contrast with this new spirit, however, the Bihar Land Reforms (Amendment) Bill, 1972, which has chosen to treat as if they were agricultural lands the area covered by the Works and Township of Tisco and Telco, and other Companies at Jamshedpur, is a most unfortunate and disturbing legislative enactment. As a result, we shall, once the Bill has received the President's assent, become tenants of the Government of Bihar instead of being tenants of the Tata Iron and Steel Company as at present, and control over the area of the works and township we have created there will be subject to such conditions as Government may choose to impose. We shall do our very best to cooperate in every way with the authorities and hope that they will themselves want to see that the beautiful city of Jamshedpur to the development and maintenance of which we have ourselves contributed much, will remain unspoilt and not be allowed to turn into the kind of slums which Government have allowed to develop all around the city.

20. Bihar is blessed with magnificent mineral and other resources and ample labour. It could, and should, become one of the great industrial cen-

tres of the world bringing widespread employment and prosperity to its people. This, however, will require, over the years, massive investments by both the public and private sectors.

21. With the great majority, in value, of Tata and associated enterprises centred in Bihar, I have a special feeling of loyalty towards the State, and am distressed at the fact that its 56 million under-privileged people have been denied the benefits which much larger scale industrial development could have brought them. I can only hope that the Government of Bihar will realise that their State is today a far less attractive part of the country in which to establish new industries or expand old ones than many other States which have seen the light and into which, as a result, industries have flocked in recent years.

22. So far as we are concerned, we certainly have no intention of forsaking Bihar and, over the next six years, during which we shall implement our expansion programme, we shall spend at Jamshedpur some Rs. 25 crores on expansion, improvements and replacements.

The future

23. On the completion of our expansion programme the country will have at its service an engineering complex unparalleled in the country in its layout, equipment, organisation, skills and managerial talents.

24. During the many years of hard work and effort it took us to reach such a stage of development those in charge of the venture steadfastly adhered to the basic principle of Modern Industry so often ignored in our country. They knew that success in establishing a complex Industrial enterprise is not achieved merely by providing money, land, buildings and machinery and recruiting labour, but rather by the human skills and expertise invested in it. This requires, amongst many other factors, a vigorous and continuous programme of training at all levels, the use of the most modern planning and management techniques, a relentless pursuit of excellence, the highest standards of supervision and maintenance, the nurturing of the design and other creative talents required for fruitful research and development, the maintenance of

high morale and good human relations.

25. If your Company has achieved so much in its relatively short history, it is because your Vice-Chairman and Managing Director, who has been the chief architect and builder of this great enterprise during the past twenty years, has ensured from the start that these all-important human inputs were adequately and constantly provided and has devoted so much care and effort in building up a young, able and dedicated management team imbued with his own ideas and traditions. In them lies the great strength of the Company today and in the years to come.

26. In closing, may I on your behalf and mine, express to our Management, staff and workers at Jamshedpur, Poona and elsewhere, our thanks for the hard work they put in during the past year and the excellent results they have achieved. We are also grateful to our dealers, suppliers and customers whose support and loyalty is a source of continuing strength to the Company.

J.R.D.TATA
Chairman

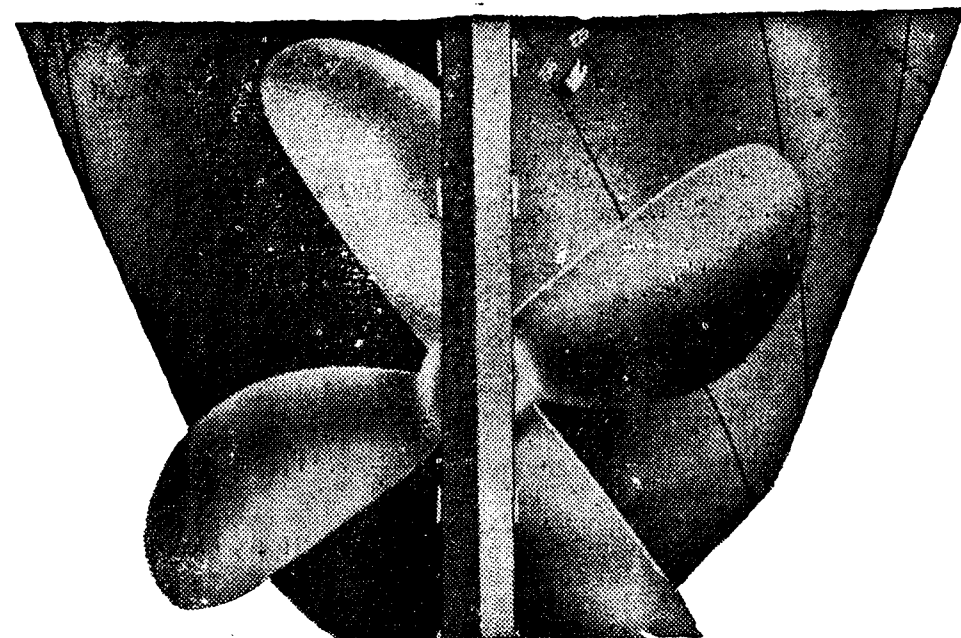
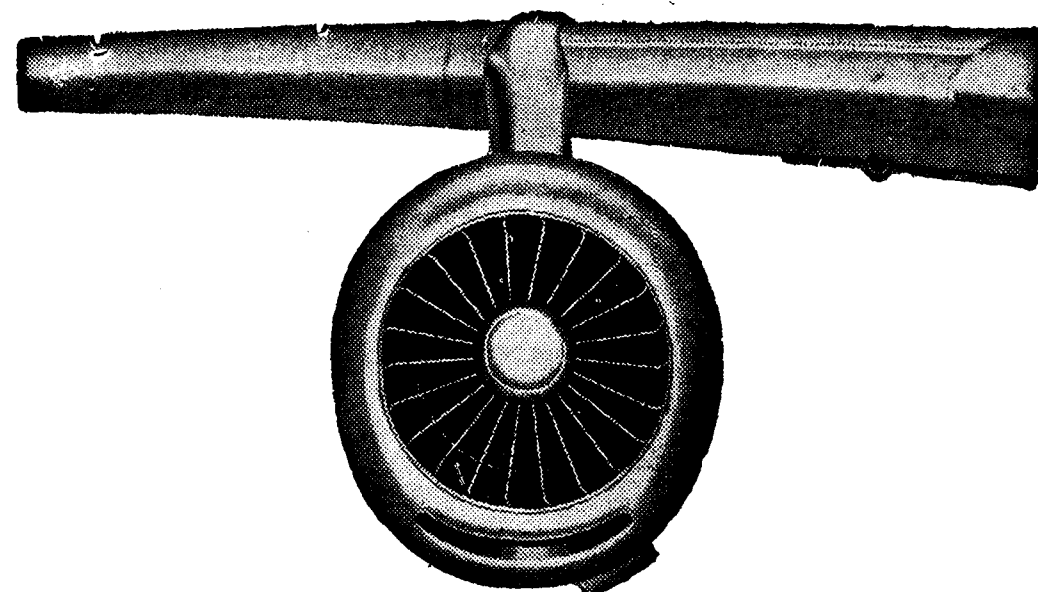
Bombay, 7th July, 1972.



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RECORDS AND STATISTICS

Public Sector Undertakings : Performance in 1971-72

THE MINISTRY of Industrial Development has under its administrative control 17 public sector undertakings. One of these, namely, National Instruments and Ophthalmic Glass Ltd., has recently been split into two companies and from April 1, 1972, the number has gone to 18. A statement giving some basic information regarding each of these 17 undertakings is given in Table II.

In November, 1971, the Minister of Industrial Development had convened a meeting of the chairmen and chief executives of all Public Sector Undertakings under the control of this ministry in order to review their performance and to suggest measures to overcome their shortcomings with a view to achieve better operational results. This get together produced certain positive results and the performance of many of the undertakings has shown a substantial improvement both in relation to production and profitability during the year 1971-72. The position of each of the 17 undertakings under the control of this ministry, is briefly explained below :—

The Public Sector Undertakings under this ministry fall broadly under three categories—(a) manufacturing concerns

which have been in production for some time (b) manufacturing concerns which are still in the construction stage or have recently gone into production, and (c) units which are primarily for consultancy trading or are promotional in nature.

Of the ten public sector manufacturing concerns of this ministry which have been in production for some time the following six units have shown profits during 1971-72 :—

1. Bharat Heavy Electricals Ltd.
2. Instrumentation Ltd.
3. Hindustan Machine Tools.
4. Hindustan Salts Ltd.
5. NEPA Mills Ltd.
6. Cement Corporation of India.

There has been substantial improvement in the performance of Bharat Heavy Electricals Ltd during 1971-72. Its production has gone up from Rs 49.47 crores in 1970-71 to Rs 59.33 crores in 1971-72. It has also considerably improved its profitability and the net profit in 1971-72 amounted to Rs 3.19 crores against Rs 65 lakhs in 1970-71. The performance of the Hyderabad unit of the company was particularly satisfactory during the year and for the first time it showed a profit of Rs 1.93 crores after showing losses over the previous years. While the Hardwar unit of the company continues to incur losses, its production has also increased considerably during the year and it is hoped that this unit would also turn the corner shortly.

The performance of Instrumentation Ltd has also shown

an improvement in 1971-72 over the previous year. Its sales have gone up from Rs 532.50 lakhs in 1970-71 to Rs 726 lakhs in 1971-72 and its profits have gone up from Rs 155 lakhs to Rs 200 lakhs. After having been in the red for several years, Hindustan Machine Tools had made a net profit of Rs 30.78 lakhs in 1970-71. During 1971-72, the company has increased its production to Rs 25.19 crores and sales to Rs 26.67 crores as against a production of Rs

20.37 crores and sales of Rs 20.43 crores in 1970-71. Its net profit has also increased to Rs 100 lakhs. During the year ending September, 1971 Hindustan Salts also turned the corner and showed a small profit of Rs 3,700. During 1971-72, the production and sales of the National Newsprint and Paper Mills Ltd, have shown a substantial improvement over the previous year. The production of newsprint increased from 37,270 tonnes to 40,040 tonnes and the sales

TABLE I
Public Sector Undertakings : Production and Sales
(1969-70, 1970-71 and 1971-72)

(Rupees in lakhs)				
S. No.	Name of the Undertaking	Year	Sales	Production
1.	Hindustan Machine Tools	1969-70	1667.00	1642.00
		1970-71	2043.00	2037.00
		1971-72	2667.00	2519.00
2.	Machine Tools Corpn. of India	1969-70	—	—
		1970-71	7.63	16.35
		1971-72	24.33	72.23
3.	Instrumentation Ltd., Kota	1969-70	257.99	203.57
		1970-71	532.50	357.12
		1971-72	726.00	438.61
4.	National Instruments	1969-70	50.56	41.41
		1970-71	68.52	65.22
		1971-72	106.00	107.77
5.	National Newsprint and Paper Mills Ltd.	1969-70	434.37	433.58
		1970-71	419.65	419.92
		1971-72	511.80	509.65
6.	Heavy Electricals (India) Ltd.	1969-70	2156.60	2550.00
		1970-71	2668.90	2890.00
		1971-72	3235.00	3235.00
7.	Bharat Heavy Electricals Ltd.	1969-70	3722.00	4514.00
		1970-71	3900.00	4947.00
		1971-72	4258.00	5933.00
8.	Hindustan Cables Ltd	1969-70	709.89	711.18
		1970-71	746.30	735.70
		1971-72	653.15	659.63
9.	Hindustan Photo Films	1969-70	362.44	374.72
		1970-71	365.71	414.56
		1971-72	436.36	524.35
10.	Cement Corpn. of India Ltd.	1969-70	—	—
		1970-71	239.50	169.71
		1971-72	227.44	239.59
11.	Tannery & Footwear Corpn. of India Ltd.	1969-70	45.82	79.75
		1970-71	156.54	193.45
		1971-72	200.00	182.85
12.	(a) Hindustan Salts Ltd.	1968-69	27.47	21.09
		1969-70	28.29	25.64
		1970-71	41.67	17.66
	(b) Sambhar Salts Ltd.	1968-69	27.75	41.25
		1969-70	33.79	28.72
		1970-71	34.14	60.55

went up from Rs 419.65 lakhs to Rs 511.80 lakhs. The performance of the company has improved considerably and as against a loss of Rs 52.25 lakhs in 1970-71, it has earned a profit of Rs 4.83 lakhs during 1971-72 for the first time after several years.

Although the Cement Corporation of India has been able to complete only one of its projects so far and the other projects are still in the implementation stage, it has been able to show a small profit of Rs 1.00 lakh (Provisional) during 1971-72 against a loss of Rs 34.19 lakhs during the previous year. During 1971-72 work on the second project was completed and trial

runs have started. It is hoped that with the commissioning of this project in the current year the profitability of the company would improve considerably.

The following manufacturing units continued to incur losses during 1971-72 :

1. Heavy Electricals (India) Ltd.
2. Hindustan Photo Films.
3. National Instruments & Ophthalmic Glass Ltd.
4. Tannery & Footwear Corpn. of India Ltd.

The losses suffered by Heavy Electricals during the past years

have been particularly heavy owing to variety of reasons, including unsatisfactory labour management relations. However, during 1971-72, the company has made substantial progress towards reaching a break-even level. Its sales have increased from Rs 26.69 crores to Rs 32.35 crores and the losses during 1971-72 were reduced to Rs 4.5 crores as against the Rs 6.11 crores in the previous year. If this improvement is maintained in the current year, it is hoped that the company would reach the break-even by 1974-75.

Similarly the Hindustan Photo Films has also been suffering substantial losses in the previous years mainly due

to the poor quality of the indigenous raw material. The percentage of its rejections was particularly high resulting in substantial losses. Vigorous efforts were made during 1971-72 to improve the performance of this company and this have borne substantial results. The rejection percentage of its various products has been considerably reduced and its sales have increased from Rs 365.71 lakhs in 1970-71 to Rs 436.36 lakhs in 1971-72 and consequently it has been able to reduce its loss to Rs 248 lakhs as compared to Rs 284 lakhs during the previous year. With the breakthrough which has been achieved by reducing the rejections in this company, there is every reason to hope that it

TABLE II
Total Central Government Investment as on March 31, 1972 and Profit/Loss during the years 1969-70, 1970-71 and 1971-72 in respect of each of the Public Sector Undertakings.

(Rs in lakhs)						
Sl. No.	Name of the Project	Total investment		Financial Results		
		Share Capital	Loans	1969-70	1970-71	1971-72
1	2	3	4	5	6	7
1.	Heavy Electricals	5000	7607.00	(—)999.9	(—)611.10	(—)450.00
2.	Bharat Heavy Electricals	8000	9196.00	(—)150.00	(+)65.00	(+)319.00
3.	Hindustan Machine Tools	1692	1501.00	(—)81.93	(—)30.78	(+)100.00
4.	Machine Tool Corpn.	400	181.00	—	(—)35.11	(—)24.85
5.	National Instruments & Ophthalmic Glass Ltd.	353.96	576.23	(—)47.12	(—)55.24	(—)44.08
6.	Instrumentation Ltd.	389.58	135.54	(+)22.96	(+)155.00	(+)200.00
7.	Hindustan Cables	701.17	153.30	(+)15.80	(+)4.47	(—)28.00
8.	Hindustan Photo Films Mfg. Co.	582.00	1328.00	(—)187.32	(—)283.81	(—)248.10
9.	Hindustan Salts	178.81	Nil	(—)0.25	(+)0.037	—
10.	Tannery & Footwear Corporation	36.45	198.01	(—)48.18	(—)57.83	(—)57.50
11.	National Newsprint and Paper Mills	494.52	571.92	(—)92.45	(—)52.25	(+)4.83
12.	Cement Corporation of India	744.00	496.00	—	(—)34.19	(+)1.00
13.	Bharat Pumps & Compressors	108.00	Nil	The Company was formed on 1-1-1970 and has not yet gone into production.		
14.	Hindustan Paper Corporation	35.00	Nil	The Company was formed on 25-5-1970 and has not yet gone into production.		
15.	National Industrial Development Corpn.	10.00	650.00	(+)18.08	(+)16.28	(+)15.10
16.	National Small Industries Corpn.	350.00	1360.20	(—)10.45	(—)46.76	(—)32.40
17.	Indian Consortium for Power Projects	*	*	—	(—)6.41	(—)4.17

*There is no investment by the Central Government in this Company. It has an authorised Share Capital of Rs. 30 lakhs. The Issued Capital as on March 31, 1971 was Rs. 15 lakhs which is held by the five Public Sector member companies, viz BHEL, HEIL, Instrumentation Ltd, Mining & Allied Machinery Corporation Ltd and Triveni Structurals Ltd.

would reach the break even level shortly. The Jadavpur unit of the National Instruments and Ophthalmic Glass Ltd continued to maintain steady progress during 1971-72 and its turnover has increased to Rs 106 lakhs as compared to Rs 68 lakhs in the previous year. The unit was therefore able to reduce loss from Rs 55 lakhs in 1970-71 to Rs 44 lakhs in 1971-72.

The Ophthalmic Glass Project at Durgapur has now been separated from this company and has been constituted into asepa rate company from April 1, 1972. The performance of this unit in 1971-72 continued to remain unsatisfactory mainly because of labour difficulty. The Tannery and Footwear Corporation has increased its sales from Rs 157 lakhs in 1970-71 to Rs 200 lakhs in 1971-72. However, due to an increase in operating costs there was only a marginal improvement in the profitability of the company during 1971-72. The company is however increasing its sales level and hopes to come very near to the break even level in the near future.

Hindustan Cables, which has consistently been showing profits over the past years received a setback during 1971-72 largely due to labour trouble. The sales of the company received a setback and it ended the year with a loss of Rs 28 lakhs against a profit of Rs 4.47 lakhs in the previous year. The unit has now been able to push up its production and it is hoped that it would show better results during the current year.

The projects which continue to be at the construction stage or which have not reached the full rated capacity are the Machine Tool Corporation of India, the Bharat Pumps and Compressors and the Hindustan Paper Corporation. The Machine Tool Corporation went into production only in 1970-71 and it is hoped that it would take another two to three years before it reaches its full rated capacity. However during 1971-72 it was able to

increase its production to Rs 72 lakhs against only Rs 16 lakhs in the previous year. Bharat Pumps and Compressors have commenced construction of factory building at Naini and have completed some other preliminaries including finalisation of some of their foreign collaboration agreements. The Paper Corporation is still in its early stages but a decision has been taken regarding implementation of the paper mill projects at Nagaland, Nowgong (Assam) and Cachar as well as a newsprint plant in Kerala.

The public sector units, which are either promotional, trading or consultancy, are National Industrial Development Corporation, National Small Industries Corporation and the Indian Consortium of Power Projects. Of these, (NIDC) has continued to maintain profitability during 1971-72 as in the past. It has also obtained a considerable foothold in consultancy in Middle-east countries. The National Small Industries Corporation is a promotional unit which is catering to the needs of small scale industries. The Indian Consortium for Power Projects is a consortium of several Public Sector Undertakings and was formed sometime back for the purpose of taking up turn-key jobs for power generation and transmission both in the country and abroad. It is mainly concentrating its attention on export orders of heavy electrical equipment.

To sum up, the over-all performance of Public Sector Undertakings under the administrative control of this ministry has been steadily improving during the last two years or so. While in 1969-70, only three undertakings had shown profits, in 1971-72 as many as seven undertakings have shown profits. Out of these, three undertakings have turned the corner only in 1971-72. Even the undertakings which continue to show losses have also considerably improved their performance in 1971-72 and are well on way to reach the break-even level in the near future.

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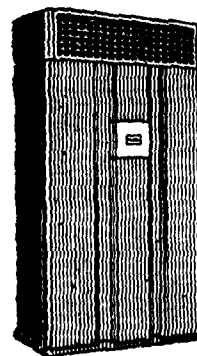
Understandable. A working woman would know better but the housewife seems to take it for granted that a day in the office ought to make a wreck of any man. Obviously, nobody's told her about highly productive modern offices and Blue Star Packaged Climate Systems!

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Foreign Collaborations

THE GOVERNMENT of India approved 44 technical/financial collaborations in the first quarter of this year. There were 11 cases of collaboration with the USA, 10 with the UK, eight with West Germany, five with Switzerland, four with Japan, two with Italy and one each with France, Sweden, Belgium and East Germany. Five cases involved financial participation also.

Indian Company	Foreign Collaborator	Items of Manufacture
INDIA—USA		
M/s Westwork Engineers Pvt. Ltd. Bombay.	M/s Clayton Manufacturing Co, California.	Clayton Packaged Boilers.
M/s Flowmore Pvt. Ltd, New Delhi. (Farm aids corporation to be established).	M/s American Drying Systems, Inc., Miami, Florida.	Non-grain Driers.
Mr Vinod Kumar Gupta, New Delhi	M/s C-E Cast Milwaukee, Brequetting Equipment Division, Cleveland, Ohio.	Metal Boring Briquetting Machines, Accessories and Allied Machinery.
M/s Larsen Toubro Ltd, Bombay	M/s Whiting International, Illinois.	Chemical Recovery Plant.
M/s J.K. Industries Pvt Ltd, New Delhi(F)	M/s Elco Corporation of USA and M/s C.S.F. of France.	Connectors Relays.
M/s Amar Dye-Chemicals Ltd, Bombay	M/s Uniroyal Inc, New York.	Rubber Chemicals & Intermediates.
M/s Greaves Cotton & Co Ltd, Bombay	M/s Smith Tool Co, California.	Rolling Cutter Rock Drill Bits.
M/s Rajasthan Spinning & Weaving Mills Ltd., Calcutta.	M/s A.S. International Corporation, New York.	Graphite Electrodes.
M/s Alembic Chemicals Works Baroda.	M/s Stauffer Chemicals Co., New York.	Phosgene.
Mr N.K. VEDI, New Delhi.	M/s Prestolite International Company.	Storage Batteries.
M/s Tractor Engineers Ltd, Bombay.	M/s Caterpillar Tractor Co.	Parts of Agriculture and Earth-moving Machinery.
INDIA—UK		
M/s Swastic Engineering Co, Madurai.	M/s New Welbeck Ltd, Sussex.	Industrial Suction Cleaners.
M/s Harbans Lal Malhotra & Sons Pvt. Ltd, Bombay.	M/s Wilkinson Sword Ltd.	Stainless Steel Safety Razor Blades.
M/s Bipico Industries, Bombay. (F)	M/s James Neill Holdings Ltd, Sheffield.	Hand Tools, Small Tools & Cutting Tools, etc.
M/s Heinemann Educational Books (India), New Delhi. (F)	M/s Heinemann Books Ltd, London.	Publishing of Reprints of Foreign Books.
M/s Engineers India Ltd., New Delhi.	M/s Edward Arnold, London.	Designing & Manufacturing of Valve Trays.
Mr V.N. Nevatia, Bombay	M/s Hydronyl	Precision Measuring Tools.
M/s Gangadhar Banerjee & Co, Pvt Ltd, Calcutta.	M/s Moore & Wright (Sheffield) Ltd, Sheffield.	Proofing Plant.
M/s Praga Industries Pvt Ltd, Coimbatore.	M/s Dux Willesden Proofing Co Ltd, London.	GRP Work Boats.
M/s Nathani Steel Yard, Bombay.	M/s David Cheverton (Design) Ltd.	Fragmentisers Crushers and Swarf Breakers.
M/s Automac (Madras) Pvt Ltd, Madras.	M/s British Jeffrey Diamond Ltd.	Industrial Solenoids.
	M/s Expert Industrial Controls Ltd.	
INDIA—WEST GERMANY		
M/s Vulcan Engineers Pvt. Ltd, Bombay.	M/s Industrieofenbau Fulmina Friedrich Pfeil OHG.	M/s Automatic Modulating Oil/Gas Burners.
M/s Ferrous Castings & Engineering Pvt Ltd, Delhi.	M/s Drahtzich Werkzeug fabrik, Orenien.	Diamond Wire Drawing Dies.

(F)—Cases involving financial participation also.

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FOREIGN COLLABORATIONS—(Continued).

Indian Company	Foreign Collaboration	Items of Manufacture
Mr Shrawan Kumar Todi, Calcutta.	Mr Hurbert, Gunther, Keveloshtre. Be.	Repair of Ingot Mould and Base Plates thereof used in Steel Plants.
M/s Polydor of India Ltd, Bombay-1.(F)	M/s Dentsche Grammophone Gesellschaft, Gmbit, Hamburg.	Gramophone Records.
M/s National Machinery Mfrs Ltd, Thana.	M/s Gehr Boehringer Gmbh, Goeppingen.	Hydraulic Infinitely Variable Gear Boxes.
M/s British Physical Laboratories (India) Pvt Ltd, Bangalore.	M/s Siemens AG.	Multi-channel Cardiograph and Intensive Care Units.
M/s Choksi Brothers Pvt Ltd, Bombay.(F)	M/s Heinrich Hermann Stuttgart, Wanger.	Pressure Sensitive Laminated Papers and Articles thereof.
M/s Travancore-Cochin Chemicals Ltd, Udyogmandal.	M/s Freidrich Udine, GmbH.	Caustic Soda/Chlorine.
INDIA—FRANCE		
M/s Bharat Pumps & Compressors Ltd, New Delhi.	M/s Establishment Pompe, Guinard.	Centrifugal Pumps
INDIA—SWITZERLAND		
M/s Hedge & Golay Pvt Ltd, Bangalore.	M/s Bernard Golay.	Wrist Watches, Electronic Wrist Watchse & Electronic Master Clocks, etc.
M/s Rotex Manufactures Engineers Pvt Ltd, Bombay.	M/s E. Seitz, Wetzicon.	Solenoid Valves.
M/s Jassop & Co Ltd, Calcutta.	M/s Beloit Walmsley International C.A., Zurich.	Paper Making Plants.
M/s W.S. Insulators of India Ltd, Madras.	M/s Emile Haefely & Co Ltd.	Coupling Capacitors and Line Traps.
M/s Bengal Potteries Ltd, Calcutta.	M/s Aktiengesellschaft fur Keramische Zusammenarbeit (AKZ), Baden.	Vitreous Chinaware.
INDIA—SWEDEN		
M/s Rayala Corpn. Pvt Ltd, Madras.	M/s Facit A.B.	Components of Typewriters.
INDIA—ITALY		
Mr Manmohan Singh Bhasin, Bombay.	M/s Industries Freni E. Frizioni, Torino	Clutch Plates.
M/s Tiger Products Pvt Ltd, Aligarh.	M/s Rubinetterie Rapetti s.a.s. Castilione delle Stiviere, Montova.	Sink Mixers, Showers, Tapes, Valves, etc.
INDIA—BELGIUM		
M/s Todi Industries Pvt Ltd, Bombay.	M/s Brusselle Marine Industries	Hydraulic Steering Gears for Marine use.
INDIA—EAST GERMANY		
M/s Manubhai Sons & Co Bombay.	M/s VEB Polygraph Leipzig Kombinat fur Polygraphische Maschinen Und, Leipzig.	Printing Machinery and Allied Equipment.
INDIA—JAPAN		
M/s Travancore Electro-Chemical Industries Ltd, Bombay.	M/s Denki Kagaku Kogyo Kabushiki, Kaisha.	Acetylene Black.
M/s Dhruva Woollen Mills Pvt Ltd, Bombay.	M/s Sharp Corporation.	Electronic Desk Calculators (100% Export Oriented).
M/s Asha Brothers Ltd, Bombay.	M/s Ace Electronics Co Ltd.	P.V. Gang Condensers.
M/s Anant Engineering Works, Bombay.	M/s Hukuyo Automatic Co Ltd.	Automatic Door Actuating Mechanism.

F—Cases involving financial participation also.

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Mrs Gandhi 'at play

A PRIME Minister makes changes in the cabinet or council of ministers primarily for one or more of the following reasons: (a) to strengthen the authority of the Prime Minister in the ruling party of the government; (b) to improve the efficiency of the political leadership of her administration; and (c) to promote a feeling of hope or confidence among the people that public life and the public services may become cleaner. So far as Mrs Gandhi is concerned, she is already so well-entrenched in both party and government that she does not have to drop a minister or ministers or induct one or more new men into the cabinet merely to strengthen her political position. There has, however, been always much scope for improvement in the competence as well as the character and integrity of her council of ministers. It is therefore logical to examine whether and to what extent the changes that she has now made in the cabinet are designed to serve either or both of these two purposes.

To take competence first, as replacements for Mr Hanumanthaiya and Mr Moinul Haque Choudhury, Mr D.P. Dhar and Mr T.A. Pai would certainly be added assets to the ministerial team. When Mr Hanumanthaiya was taken into the central cabinet by Mrs Gandhi as Railway Minister it was only because he happened to be in a position to serve certain temporary political purposes of the Prime Minister. This meant that, in the nature of things, he would outlive his utility to her sooner or later. The Prime Minister would have been more honest to herself and the country had she quietly dropped him when she reconstituted her government after the last general election. One of the minimum qualifications for a minister is that he should be capable of being taken seriously at least by the officials who have to work closely with him. Poor Mr Hanumanthaiya could never meet this condition.

At the same time it is possible to be too harsh to him now. It could perhaps be even said of him that nothing became his ministership so well as his leaving of it. He has been blamed for having been too obviously reluctant to leave the flesh-pots of New Delhi. But then it has to be taken into account that there are other ministers who have not only been equally reluctant but have also been more successful than Mr Hanumanthaiya in resisting the Prime Minister's attempts to dislodge them. With Mr Fakhrudin Ali Ahmed, for instance, so much in the picture in this connection, what right has anybody to accuse Mr Hanumanthaiya of being overkeen on being a minister unto death? It could at least be said to the credit of the ex-Railway Minister that he has declined to be consoled with a governorship. For all his faults he has a certain pride and it is good to see that he made Mrs Gandhi see this.

In contrast Mr Moinul Haque Choudhury has cut a very sorry figure indeed. It is true that he has the disadvantage of being a younger man than Mr Hanumanthaiya and therefore more to lose in terms of the future. Even so the way he has been bargaining for compensation for the loss of ministerial office has exposed the Prime Minister as well as Mr Choudhury to public ridicule. Already our ambassadors, as a body, command very little prestige or respect abroad, because it is only too well known that so many of them are selected on grounds other than those of even mere eligibility. It is surprising that Mrs Gandhi, who seems to have such a high opinion of her international personality, should be so ready to debase it by allowing such wide publicity to the fact that, so far as she is concerned, lamp posts could be sent to represent her government in foreign countries.

From the point of view of the efficiency of the government, the exit of Mr Hanumanthaiya and Mr Moinul Haque Choudhury, both of whom have been poor and clumsy performers at their respective portfolios, is no doubt a gain to the government of the country. But their disappearance merely emphasises the fact that there are still so many other ministers, equally or even more inefficient at their respective charges, who have managed to avoid the axe. We have already referred to Mr Fakhruddin Ali Ahmed. Is there any good reason why Mr Gokhale should be permitted to continue to drift and dither at the important Ministry of Petroleum and Chemicals? For months now this minister has shown himself to be quite incapable of taking the initiatives and decisions which have to be taken urgently for the defence of the strategic interests of the economy.

Hardly less culpable have been the lapses and defaults of Mr Uma Shankar Dixit in the Ministry of Health and Family Planning. Not only has the administration of public hospitals been deteriorating without any sufficient effort being made by the minister to check the rot, but the important programme of national family planning is being allowed to lose itself in the wastes of misused public funds and the wilds of bad planning and worse administration. We are prepared to concede that Mr Dixit's political usefulness to the Prime Minister being what it is, she is entitled to have him in the convenient position of a cabinet minister. But is there any compelling reason why this conservative and backward-looking elder in his early seventies should be foisted on the national family planning programme as its ministerial leader or

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director? Has not Mrs Gandhi heard of an arrangement called minister without portfolio? To the extent that the Prime Minister has failed to deal with the other misfits in the council of ministers, the two men whom she has picked upon for their unsuitability or incompetence have every reason to nurse a grievance that they have been unfairly treated.

If the Prime Minister has not dealt adequately with the problem of incompetence in the council of ministers, she has failed even more signally to sort out the issue of integrity or clean government. There is no gainsaying the fact that there are now in the cabinet or the council of ministers politicians whose names are mud. We have just had the example of Mr Reginald Maudling resigning from his post of Home Secretary in Britain because certain business associations of his have been questioned or considered suspect. In New Delhi, however, a different set of values has come to prevail. The authority or the prestige of a minister has come to be in direct proportion to his ability or unscrupulousness in using his political or official position to extract money of all colours or complexions from all kinds of sources for all kinds of purposes. Because private citizens are not in a position to denounce the guilty men by their names or spell out their objectionable transactions in a court of law, those among them who are concerned with morality in government or public life have to be content with generalized condemnation of corruption in politics. But this does not mean that the identity of the guilty people is unknown to the public or even vague. The basic truth is that there are corrupt men in the government and this is one reason why there are other corrupt men, naturally many more in number, at all levels of the administration or the public services. It is clear from the Prime Minister's latest performance that she has absolutely no interest whatsoever in recasting the council of ministers so that the people may be able to repose more confidence in the integrity of her government or the administration.

As we have noted earlier, the induction of Mr Dhar and Mr Pai should raise the average quality of the council of ministers. At the same time it would be easy to exaggerate the significance of the new entrants. Mr Dhar is undoubtedly a man of parts and he has lately won acclaim as a diplomat of nimble wit and a persuasive tongue. All this, however, does not automatically constitute sufficient credentials for a minister of planning. As at present he is therefore entitled only to be hopefully and sympathetically regarded as he goes about learning his new business. The critical issue in planning today is the achievement of the effective coordination of the government's economic policies and relating them intelligently and dyna-

mically to the real needs of faster economic growth.

As for Mr T.A. Pai, those who have been talking him up and up are really doing no service to him. It has to be placed on record that he comes to the Railway Ministry with a somewhat less impressive background than he had when he switched over from banking to state trading in foodgrains and subsequently nationalised insurance. Mr Pai has been billed as a great organizer but it is only fair to say that his performance at the LIC has been of the order of the curate's egg. It certainly cannot be denied that he has not been over-successful in controlling either the cost of life insurance administration or lowering the price of life insurance policies. The policyholders, as a body, have no particular reason to be grateful to him. This is particularly so because he has been able to do very little in terms of arresting the progressive deterioration in the quality of the services rendered by nationalized life insurance to its policyholders.

To suggest that Mr Pai had started a number of new schemes in the LIC is not to refute this complaint. On the contrary every new scheme has only meant a further worsening of the administration of all schemes, whether old or new. Mr Pai's record particularly in dealing with staff discipline and staff demands has been about the poorest even in terms of the indifferent history of nationalized life insurance. His crowning folly was the appeasement of the officers' union, on the eve of his leaving the LIC to enter politics, by concluding an agreement which bore all the marks of being drafted in a hurry and hustled to suit the deadline of the departing chairman. One consequence of this arrangement of convenience is that Mr Pai's successor in the chairmanship of the LIC is being called upon to cope with a thankless job of an avoidable complexity.

It is to be hoped that this judgment of Mr Pai's custodianship of LIC will not be considered to be too harsh. We are aware that a certain general impression highly favourable to him has been built up. This only makes it all the more necessary that a more objective appraisal should be attempted. The relevance of this evaluation of Mr Pai's career at the LIC to his inclusion in the cabinet is to impress on him more than others that he should not take his new responsibilities for granted. The Railways face a crisis of management. If this crisis is not properly assessed and got over, the next most serious bottleneck to economic development might be inability of the Railways to move goods on a sufficient scale sufficiently faster. *Eastern Economist* believes that it is doing a service both to Mr Pai personally and to the country when it refuses to join the drum-beating about his

entry into the government. The new Railway Minister must be content to be judged by results. What could now be reasonably said in his favour is that he is certainly of a quality superior to that of many of the entrenched members of Mrs Gandhi's ministerial team.

As for Mr C. Subramaniam, the question whether he has been demoted in status or not is not of any importance. It is true that as Minister for Planning he enjoyed at least on paper certain degree of coordinating authority which does not automatically attach itself to the portfolio of industrial development. There is, however, no reason why the Minister for Industrial Development cannot develop some coordinating influence, even if not authority, in the course of discharging his legitimate responsibilities. The ministry to which he has been transferred is or ought to be essentially a policy-formulating rather than an administrative ministry. If Mr Subramaniam needs to boost his morale, he may usefully tell himself that he is now being sent to the Ministry of Industrial Development when industrial development has become a high national priority just as he was given the agriculture portfolio when agricultural expansion was of such great importance to the elementary wellbeing of the people. For some time now there has been a feeling that Mr Subramaniam has been losing his *elan* as an organizer of economic strategies or administrator of economic programmes. He has now an opportunity to test whether this is so. Since it is in the country's interest that there should be a recovery in industrial progress, its good wishes will certainly be with him.

Finally we must ask the question what Mrs Gandhi was really up to? It is clear that the present cabinet changes do not amount to very much by way of dispelling the general impression that the country can do with a lot more impressive ministerial team than the Prime Minister has been able or willing to give it. It has been said, however, that she is planning to do great things in this respect later in the year. It is not easy to comprehend why she could not have done in July what she could or might in October or November. Could it be that some of her colleagues, for whom she has a soft place in her heart, had astrologers set for them auspicious dates for giving up their ministerships? There has been a suspicion that one reason why Mr Hanumanthaiya wanted to delay his resignation by a couple of days was that he desired to start the next phase in his public life under a particular conjunction of planets. As is only befitting a secular state, our council of ministers is composed of persons professing various faiths. It appears, however, that astrology cuts across religious frontiers. This is a pity since some of the deserving ministers of state have the cruel stars to thank for being kept painfully waiting.

International oil scene

ANY DEVELOPMENT on the oil front in West Asia vitally concerns us. This is because for nearly two-thirds of our present requirements of crude oil we are dependent on west Asian sources. The indigenous supply of crude is not expected to improve very materially in the next decade by the end of which our consumption of petroleum products is likely to go up to more than 40 million tonnes per annum — approximately double the quantity we consume today. So our dependence on West Asian crude, instead of diminishing, should increase.

Events of great significance are taking place in West Asia. The international oil companies and the governments of the major oil producing states in this area have been engaged in negotiations over the future development of the oil industry there for quite some time. They have been joined in these negotiations by two more countries of north Africa — Libya and Nigeria. Among them, the oil producing countries of West Asia and North Africa account for an overwhelming percentage of exportable oil.

Apparently conscious of the vital role oil plays in our life today and its strategic importance in the defence of a country as well as for running a modern economy, the oil producing nations have been demanding two things: (i) a better yield for their exchequers from this natural endowment to them, and (ii) participation in the existing as well as future concessions to the oil companies. Increased revenue from oil resources, they feel — and legitimately so — will help them in diversifying their development programmes. The national urge in these countries to get out of the stranglehold of the powerful international oil giants is another factor which has prompted them to take their present posture. The persistent doses of taxation on petroleum products in the consuming countries and the global inflationary trends too are no less responsible for the stiffening of their attitude.

As a sequel to these major crude oil exporting countries coming together, which led to the reversal of the downward trend in crude oil prices following an agreement by them with the international oil companies in February, 1971, the industrially advanced nations of western Europe and Japan, which are the most important consumers of west Asian and north African crude oil have joined hands to resist increases in crude prices. They have also stepped up their efforts at having access to alternative sources of crude oil. The spectacular discoveries of crude in Australia in the recent past and the concerted at-

tempts currently being made to find oil in the North Sea and Alaska — where some moderate successes are reported to have been achieved — have their genesis in this desire of the major consuming countries. Japan and a couple of west European nations have even shown interest in oil exploration in Siberia.

Sandwiched between the contending pressures of the oil exporting nations and those which account for the bulk consumption of this oil, the international oil companies have started feeling the squeeze. They are no longer in a position to dictate terms; their profits are, therefore, dwindling. Some of them are said to have even started pondering over their very future. The forward looking among them are understood to be thinking of diversifying their growth pattern, besides, of course, progressively going into the more difficult areas of oil exploration. A few are reported to have already initiated diversification programmes in the allied mining and manufacturing fields.

In the developing countries such as India, where the demand for petroleum products continues to grow at a fairly rapid rate, notwithstanding the progressive step-up in the taxes on these products in an effort to curb the growth in demand, one discerns a slightly different trend. To the extent they consider it feasible, they are trying to raise their domestic production of crude oil, ensuring their own ownership over it. Like the developed countries, they are also showing interest in exploration of oil abroad. The difference in their approach and the approach of the developed countries is that in anticipation of the direct participation of the governments of the major oil exporting countries in the exploitation of their resources, the former are endeavouring to have direct dealings with the producing nations.

The participation move of the major oil exporting countries, which implies that their governments will share with the licensee companies the cost of exploration and production of crude oil, with some arrangement with the companies for the sale of crude which would accrue to their share but which might not be disposed of by them directly, appears to have come under shadow by two recent developments in Iraq and Iran. In Iraq, the government has nationalised the Iraq Petroleum Company (IPC). In the case of Iran, the Shah has decided to have an independent arrangement with the international giants under which not only the output of crude oil there is to be raised to 400 million tonnes in course of time double the present output in Iran — but the National Iranian Oil Company will also have access to part of the crude extracted from the leased out concession areas, which it would use in downstream operations in the country itself as well as abroad.

Since Iran nationalised its oil industry and paid out compensation to the oil companies as far back as 1951, it is now having partnership arrangements with oil companies. The oil companies, under the latest proposal now being negotiated with Iran, will make all investment in exploration and production of oil in that country, leaving the Iranian government free to use its own resources and revenue from oil for the development of the economy in other ways. Under this arrangement, the Shah is even thinking of partnership with oil companies in the marketing of oil abroad, including through retail outlets, so that it can derive the maximum benefit. Exploration by British Petroleum in the North Sea too is being partnered by Iran on an equal footing. This arrangement may appeal to some other oil producing countries, for if the proposal of participation is pursued, they will have to share the cost of exploration as well as production, which of course, may be less than the total benefit accruing to them. The confusion that prevailed at the recent Vienna conference of the oil producing nations can be attributed to this. There appears to be a rethinking on the part of some oil producing countries to the effect that if they are left free to utilise their resources for the development of their countries otherwise — the oil companies making the total investment in oil exploration and production with a guarantee for better yield to the exchequers of the oil producing countries — it might be a better proposition for them.

The nationalisation of its oil resources by Iraq has no doubt created some problems for it in the marketing of oil; Iraq is now reported to be seeking government-to-government deals. But this position may not last long once the issue of compensation to the IPC is resolved. It will, however, take some time for the picture about the arrangements which Iraq would then have with the oil companies as well as with the consuming countries, to clear up.

Against the above backdrop, particularly the negotiations between Iran and the international oil companies, the expectations in some circles that the role of international oil companies, as a buffer or intermediary between the oil producing and consuming countries will be drastically curtailed in the very near future appears to be presumptuous. The very fact that the more difficult areas of oil exploration even in west Asia and north Africa will require assistance in one form or the other from the international oil companies should suggest that these companies cannot be completely squeezed out of the oil exporting countries. The political overtones of direct dealings between the oil producing and consuming countries may also inhibit many a bulk

oil consuming nation from interfering into indiscriminate direct bargains with the producing nations.

What should then be the correct policy for countries such as ours to follow? Oil today admittedly is a highly strategic commodity. We, therefore, have to safeguard ourselves against stoppage of supplies of this essential material in all eventualities. This calls for the maximisation of efforts at finding crude oil indigenously. Since self-sufficiency in this field is not likely to be achieved by us in the near future, we will have to continue to import sizeable quantities of crude oil. The anticipated sharp increase in the foreign exchange expenditure on account of crude oil imports can, of course, be obviated to a considerable extent if we venture into oil exploration abroad. It is a pity that we have let some good offers in this regard slip by.

Jute is not for juggling

THE GOVERNMENT OF India has been showing a great deal of concern in recent months for improving the lot of the jute growers but it is not clear to what extent its efforts will actually help them to increase their income and stimulate them to produce more. The statutory minimum support price of Rs 115 per quintal for the current season is only a little higher than the prevailing prices. The Minister of Foreign Trade, has stated that the price will be reviewed after two months and will be increased if necessary to make it remunerative to the grower. He has also announced that the Jute Corporation will buy at least a minimum of 900,000 bales this year and that the private trade in raw jute would end in about two years.

Jute circles in Calcutta, however, have expressed doubts as to whether the government's policy will really and substantially benefit the growers. For example, Mr S.N. Kanodia, in his presidential address at the annual general meeting of the East India Jute and Hessian Exchange Limited on June 28 this year, said that if the Jute Corporation's activity was to be limited to secondary markets only and if it worked just as another link in the chain of middlemen without recourse to direct purchase from growers in "adequate quantity and at adequate prices", the very purpose for which the corporation had been established would be defeated. He also pointed out that inadequate and irregular supply of railway wagons during the jute season hit the growers most on the price front. As a result, the growers are compelled to resort to distressed sales.

Direct deals with the oil producing countries also cannot be ruled out in view of the development on the oil front in west Asia and north Africa. But this need not shut out completely supply arrangements with international oil companies. In the near future, when the current uptrend in the prices of crude oil can be expected to persist, it should be to our advantage to keep the international companies in the picture. Anxious to exploit the situation to their own advantage, the oil producing countries may even try to accelerate the uptrend in crude prices. Competition in that event can come only from the oil companies. Even today, the oil companies are being paid for the crude supplies they bring to their refineries in our country much less than what we are obliged to pay for the supplies from the National Iranian Oil Company in the case of Madras refinery.

The inability of the railways to arrange for the prompt and efficient movement of raw jute has been highlighted year after year but the problem continues to occur during the jute season.

Meanwhile, the Jute Brokers' Association has expressed the view that the complete take-over of the raw jute trade will prove "disastrous" since the Jute Corporation lacks expertise and experience. The association has said that in the absence of free trade there is likelihood of favouritism and other malpractices on the part of the official machinery. The association has complained that recently while granting export licences for three lakh bales of raw jute, two lakh bales were allotted to the Jute Corporation and the State Trading Corporation and one lakh bales to a private firm which was "hardly conversant with the trade" while excluding well-established firms who had been in this business for decades. Mr Mishra may be inclined to dismiss such allegations as emanating from the vested interests. But unless the government of India handles the problem with considerable caution, both the jute trade and industry are likely to suffer. The government of India therefore should formulate its jute policy realistically which, while providing the growers with the incentives to produce more and improve the quality, will also enable the industry to secure its raw material at prices that will enable it to compete effectively in the foreign markets.

Mr Mishra has expressed the view that the real threat to India's jute goods exports comes not from Bangladesh but from the synthetic packing material. He has therefore suggested that it is necessary to evolve a new range of jute goods. But meanwhile what is the government of India doing to help the industry to maintain its export markets? The govern-

ment seems to have no intention to withdraw the export duty on the jute manufactures nor is it in a position to improve the productivity of labour in the jute mills. The wages of the jute workers were recently increased by 30 per cent. But this has not resulted in any improvement in labour productivity; on the other hand, it is said to have deteriorated.

The West Bengal government, again, has been doing little to improve the competitive strength of the jute industry. It has been unable to ensure power supply to the mills without interruption. Since June 5 this year, there has been a daily loss of production of jute goods of the order of 252 tonnes valued at over Rs nine lakhs. Neither New Delhi nor the government of West Bengal seems to appreciate the implications of this kind of load-shedding. As Mr Kanodia has pointed out, "interruption of the industry's production process in season and out of season seems, firstly, rendering the labour idle; secondly, increase in wages without return; thirdly, increase in the cost of jute goods; and, finally, decrease in the total output of the industry with consequent decrease in exports".

The state government has also been indifferent to the jute trade's plea to reconsider the multi-point sales tax. The jute trade has been suggesting that in place of the multi-point sales tax, there should be a single point tax at source on the goods meant for internal consumption. The levy can be linked with the central excise and thereby exports can be excluded from its incidence.

It is pointed out that this will not in any way affect the revenues of the state government. The multi-point sales tax is levied on each transaction of jute goods and this has hit the dealers in jute goods. Mr Kanodia has explained that with its inflationary effect on prices, the multi-point sales tax has been rendering Indian jute goods more and more uncompetitive in world markets; and, as a result, the investment in the jute goods trade has been considerably diminishing, leading to a gradual decrease in the liquidity of the market.

The export target for jute goods for 1972-73 has been placed at 750,000 tonnes, estimated to yield about Rs 270 crores. It is however doubtful if this target will be reached in view of the disruption in production due to the power cut, and the increasing competition from Bangladesh and synthetics. In this background New Delhi should carefully consider all the relevant factors while implementing its proposals to eliminate the private trade in jute, revise the minimum prices for raw jute or set up new jute mills outside West Bengal.

POINTS OF VIEW

Storm signals on prices

S. P. Chopra

DESPITE THE rather insensitive character of the Economic Adviser's Index of Wholesale Prices, there was an increase of more than six per cent in prices between the week-ended July 3, 1971 and the week-ended July 1, 1972. (see Table I). There is no seasonal element involved in this comparison because prices in two corresponding weeks in 1971 and 1972 have been set side by side. The price index for food articles, which has a weightage of more than 50 per cent in the overall index, has spearheaded this rise with an upshot of more than 10 per cent. The increase in the prices of food articles has been shared by all the sub-groups except for "fruits and vegetables" which rather intriguingly, shows a fall. The prices of cereals have risen by more than 11 per cent mostly because of the sharp upturn in rice prices. Spectacular rises have been recorded in the case of "sugar and allied products" and pulses. The only major group of the index which has failed to register a rise is that of industrial raw materials because of the crash, in raw cotton prices.

national in sweep

The latest data for consumer price index numbers for industrial workers are available for the month of March this year. These index numbers are no doubt available for later months for a few centres but for purposes of comparison for all the major industrial centres, figures for the months of March 1971 and March 1972 have been put together (see Table II). What hits the eye in this comparison is that the indices have risen all along the line without any exception implying that the current inflationary spell is truly national in its sweep. True that the rates of rise in consumer prices differ from centre to centre but by and large the increase has been of the order of five to six per cent in the year. Thus, a look at the wholesale and consumer prices suggests that our economy is once again in the grip of inflationary pressures.

Wherein lies the root cause for the current spurt in the prices? What is now patent is that the overall production of foodgrains and other items of consumption has received a setback. In the agricultural year ended June 30, 1972, the total

production of foodgrains in this country is estimated to be lower by two million tonnes than the all-time peak recorded at 107.8 million tonnes in 1970-71. Granted that the government of India has eight to nine million tonnes of foodgrains in its

warehouses, prices of food articles have risen by varying degrees all over the country despite this comfortable position in inventories. The prices of sugar have come under great pressure because of the continuous decline in the production of

TABLE I
Index Numbers of Wholesale Prices

(Base : 1961-62=100)

Sl. No.	Groups & Sub-groups	Week-ended		Percentage rise (+) or fall (-)
		3-7-71	1-7-72	
I.	Food Articles	207.9	229.6	+10.4
	(a) Foodgrains	208.4	238.3	+14.4
	(i) Cereals	199.3	221.7	+11.2
	(ii) Pulses	249.6	313.3	+25.5
	(b) Fruits & Vegetables	232.2	212.0	-8.7
	(c) Milk & Milk Products	222.6	223.7	+0.5
	(d) Edible Oils	198.0	208.5	+5.3
	(e) Fish, Eggs & Meat	232.6	271.0	+16.5
	(f) Sugar & Allied Products	209.7	266.9	+27.3
	(g) Others	169.6	166.6	-1.8
II.	Liquor & Tobacco	191.7	215.9	+12.6
III.	Fuel, Power, Light & Lubricants	172.7	177.1	+2.5
IV.	Industrial Raw Materials	192.7	183.9	-4.6
	(a) Fibres	193.0	157.3	-18.5
	(b) Oilseeds	205.5	209.5	+1.9
	(c) Minerals	138.8	141.5	+1.9
	(d) Others	172.1	179.7	+4.4
V.	Chemicals	195.0	200.5	+2.8
VI.	Machinery & Transport Equipment	157.9	166.0	+5.1
	(a) Electrical Machinery	157.1	169.6	+7.9
	(b) Non-Electrical Machinery	166.2	174.5	+4.8
	(c) Transport Equipment	143.6	147.6	+2.8
VII.	Manufactures	165.4	173.3	+4.8
A.	Intermediate Products	194.5	202.2	+4.0
B.	Finished Products	158.3	166.3	+5.1
	(a) Textiles	165.3	169.7	+2.4
	(b) Cotton Manufactures	159.4	164.3	+3.1
	(c) Jute Manufactures	195.2	194.4	-0.4
	(d) Silk & Rayon Manufactures	123.2	131.8	+7.0
	(e) Woollen Manufactures	191.0	212.6	+11.3
	(f) Coir Mats & Matting	175.8	187.8	+7.0
	(g) Metal Products	173.6	194.2	+11.9
	(h) Non-metallic Products	148.9	157.3	+5.6
	(i) Chemical products	149.7	154.5	+3.2
	(j) Leather Products (Shoes)	97.5	99.1	+1.6
	(k) Rubber Products	156.8	159.3	+1.7
	(l) Paper Products	124.7	137.3	+10.1
	(m) Oilcakes	172.8	196.1	+13.5
	(n) Misc. Products	123.4	124.2	+0.6
	All Commodities	187.0	198.7	+6.3

cane. Sugar prices have recorded a rise of more than 27 per cent in one year as a result of falling production for the last two years in succession. Gur prices have remained high in sympathy. Coarse grains such as barley, jowar and maize have all recorded substantial increases in prices and so also pulses, partly because of stagnation or decline in output.

The drop in the output of foodgrains and certain other commercial crops has been accompanied by a lag in industrial production. The supply of consumer goods has not kept pace with the demand and has led to a spurt in the prices of manufactured goods. Between November 1970 and November 1971, the index of industrial production rose by a niggardly seven percentage points (see Table III). The largest rise had taken place in the case of basic industries, but the consumer goods—especially non-durable ones such as sugar, vanaspathi cotton cloth, paper, drugs, soaps, matches and glass products—have fared very badly with a rise of 1.4 percentage points only. If the index of wholesale prices for manufactures has shown a rise of a little more than five per cent, it has certainly underestimated the degree of increase in prices of industrial goods. A glaring instance is provided by the index for the prices of shoes. If the Economic Adviser's index were to be believed, the prices of shoes in the wholesale markets of our country are today a shade lower than the level they had attained in 1961-62. How fantastic!

loose talk

In a way the present situation can be described as a rather belated effect of our massive expenditure on refugees from Bangla 'esh last year and earlier this year and also the cost of the Indo-Pakistan war in December last year. The economy could have tolerated this burden if the productive machinery both in agriculture and industry had been in truly dynamic shape. Unfortunately the loose talk initiated regarding the distribution of land among the landless under the proposed land reforms has dampened the spirit of those very progressive forces which had brought about the green revolution. In the case of industry, the ban on the activities of big business houses which possess both managerial and financial capabilities to expand industrial capacities slowed down the tempo of work. The emphasis on small-scale industries has yet to show any concrete results in terms of substantial increased production. Thus, it is this basic imbalance caused by increased money supply due to liberal deficit financ-

ing and the stagnation in production of consumer goods which has once again pushed up prices.

While the production of a majority of consumer goods has either been stagnant or declining, the pressure from increasing money supply has been unrelenting. Expansion in the supply of money in itself is not unhealthy provided it is accompanied by a proportionate increase in the

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availability of a majority of items constituting the housewife's shopping basket. This is exactly what has not happened. Money supply with the public rose by Rs 1,008 crores between June 25, 1971 and June 23, 1972 (see Table IV) which is unparalleled in the monetary history of this country. Money supply had risen by Rs 429 crores in 1968-69, Rs 607 crores in 1969-70, Rs 750 crores in 1970-71 and Rs 929 crores in 1971-72. The chief reason

TABLE II
Consumer Price Index Numbers
(For industrial workers only)

(Base : 1960=100)

Centre	March 1971	March 1972	Percentage points Rise (+) or Fall (—)
All-India	184	194	+10
Ahmedabad	175	184	+9
Alwaye	188	205	+17
Asansol	187	198	+11
Bangalore	189	197	+8
Bhavnagar	188	200	+12
Bombay	184	193	+9
Calcutta	176	185	+9
Coimbatore	167	180	+13
Delhi	205	213	+8
Dighoi	183	190	+7
Gwalior	188	201	+13
Howrah	184	194	+10
Hyderabad	188	196	+12
Jamshedpur	179	188	+9
Madras	172	186	+14
Madurai	181	193	+12
Monghyr	194	208	+14
Mundakayam	187	197	+10
Nagpur	187	194	+11
Saharanpur	183	204	+21
Sholapur	187	194	+7

TABLE III
Index Numbers of Industrial Production

(Base 1960=100)

	November 1970	November 1971	Percentage points rise (+) or fall (—)
General Index (unadjusted)	182.5	189.5	+7.0
Basic Industries	221.8	240.3	+18.5
Capital Goods Industries	221.2	224.3	+3.1
Intermediate Goods Industries	165.1	166.1	+1.0
Consumer Goods Industries	156.2	160.5	+4.3
(a) Durable goods	255.2	275.5	+20.3
(b) Non-durable goods	138.4	139.8	+1.4

for this rapid expansion of money supply has been the inordinate growth in "net bank credit to the government sector" which rose by as much as Rs 1,207 crores during the year under reference. The reason for this is not far to seek. The mounting demand for funds to support the Bangladesh refugees and to sustain Indo-Pak war operations of December last is the main reason for the government being forced to draw so heavily on credit from the Reserve Bank of India. Between May and September last year, the credit to the government sector ruled between Rs 5,711 crores and Rs 5,771 crores with negligible variations from month to month but from October onwards it started rising at the average rate of about Rs 150 crores a month. Between September 1971 and April 1972, it had risen by Rs 1,053 crores.

The obvious conclusion is that the government has gone in for much larger deficit financing than it had anticipated in the budget for this year. It may be recalled that the Finance Minister had indicated an overall deficit of Rs 385 crores in 1971-72 (revised estimates) in his budget speech this year. Since the government sector drew more than Rs 1,000 crores from the Reserve Bank by way of credit in 1971-72, it certainly overshoot the limits it had set for itself in this regard. A part of the increase in the credit of the government sector is due no doubt to the overdrafts of the states but the centre, surely, should accept the greater part of the blame.

The steel in his future

A Correspondent

THE DECISION of the central government to take over the management of the Indian Iron and Steel Co. Ltd, on the plea that there has been a gradual deterioration in the operating efficiency of the main steel plant and that there has been considerable loss of production, sounds ironic when the government itself has been trying to explain away the miserable performance of the three major units in the public sector in the first quarter of 1972-73. The union Minister for Steel and Mines, Mr Mohan Kumaramangalam indicated to members of the Parliamentary Consultative Committee recently that the decline in production of the three units in April-May was due to power shortage, a high level of absenteeism and extremely hot weather in the summer months. It looks as if these factors have no relevance for the working of IISCO as even after the

protest of the Committee of the Federation of Indian Chambers of Commerce and Industry, Mr. Kumaramangalam has observed that the poor performance of IISCO had been due to poor maintenance of plant and machinery and inefficient management and immediately fresh capital expenditure will have to be incurred for raising the operating ratio to the former levels.

There is of course no justification for the extremely disappointing output figures of IISCO for June when saleable steel production was less than 10,000 tonnes which does not work out to even 20 per cent of the rated capability. There was however a higher level of production of pig iron and steel ingots which compared more favourably with the operating ratio of Durgapur for the same month. Even in

1971-72 IISCO utilised nearly 62 per cent of its rated capacity and was hoping to raise it to 70 per cent or higher with greater cooperation between management and labour. The loss of production is certainly to be deplored and in the absence of an increase in internal availability heavy expenditure in foreign exchange will have to be incurred for permitting liberal imports of steel.

While the controversy about the decision of the government regarding the take over of the management will not subside for many months and there will be genuine doubts about the capability of the new management to bring about the desired improvement, it is astounding that Mr Kumaramangalam can put forward a claim that self-sufficiency in steel production can be achieved in the next two years even

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TABLE IV
Money Supply

(Rs in crores)

	Week-ended		Rise (+) or fall (—)
	June 25 1971	June 23 1972	
A. Money Supply With The Public	7,462	8,474	+1,008
1. Currency with the Public	4,591	5,067	+476
2. Other Deposits with the Reserve Bank	32	68	+36
3. Bank Money	2,839	3,339	+500
B. Factors Affecting Money Supply (1+2+3+4-5-6)			
1. Net Bank Credit to Government Sector	5,755	6,962	+1,207
2. Net Bank Credit to Commercial Sector	2,087	1,977	- 110
3. Net Foreign Exchange Assets of Banking Sector	569	617	+48
4. Government's Net Currency Liabilities to the Public	395	404	+9
5. Net Non-Monetary Liabilities of the Reserve Bank	817	1,058	+241
6. Residual	527	428	- 99

in the face of increasing consumption. In 1971-72 the internal production of steel was 4.5 million tonnes and imports 800,000 tonnes. As there were exports of steel in the form of engineering goods and heavy structurals, indigenous availability was of the order of 5.1 million tonnes. With a larger Plan outlay and the normal growth in consumption, aggregate supplies will have to be at least six million tonnes of steel or over eight million tonnes of ingots. The government has fixed a target of 7.2 million tonnes of ingots for 1972-73, the share of the major steel plants alone being 6.7 million tonnes. As the output of the major units in 1971-72 was 5.8 million tonnes, it was assumed that these units alone could produce additionally 900,000 tonnes.

In the light of the developments in the first quarter of 1972-73 this target is unlikely to be reached even granting that the Rourkela plant will function continuously and there would be no loss of production as it happened in the latter half of 1971 when there was a roof col-

lapse in the steel melting shop at Rourkela and output was lost to the extent of 300,000 tonnes of ingots. Taking into account the production of 874,000 tonnes of ingots in April-May this year, it follows that in the remaining three quarters of 1972-73 roughly the same quantity of steel ingots of 5.8 million tonnes produced in the whole of 1971-72 would have to be produced in nine months. Even assuming that there will be the advantage of uninterrupted production at Rourkela the balance of 600,000 tonnes of ingots will have to be secured by improving the operating efficiency of Rourkela and Durgapur. The operating ratio of Durgapur in the first quarter was not even at the level of the corresponding quarter in 1971-72 and it would be a great achievement if total production was in the region of one million tonnes. Rourkela may probably account for an output of one million tonnes under the most favourable circumstances and Bhilai for 2.1 million tonnes giving a total of 4.1 million tonnes. With the share of Tata Iron and Steel Co. Ltd at 1.8 million tonnes and Indian

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Iron at 500,000 tonnes, total production of the major plants will be 6.4 million tonnes under the most optimistic expectations. It is quite likely that actual production may not be more than 6.8 million tonnes including the output of mini steel plants and other units which would mean that steel imports will have to be equivalent of 1.2 million tonnes or roughly of the dimensions of 1971-72. Any talk of pruning of exports with an increase in internal production is untenable.

What will be the position in 1973-74? It is being assumed, perhaps, that there can be a substantial increase in output with a higher level of efficiency and the commissioning of the Bokaro steel plant in all its divisions. There would technically be an installed capacity 10.6 million tonnes of ingots in respect of six plants including Bokaro and a little over 11 million tonnes if the capacity of smaller units is taken into consideration. The consumption of steel in 1973-74 would have risen to 9.5 million tonnes of ingots and Mr Mohan Kumaramangalam believes that

this level of demand can be easily met by operating all the units at 90 per cent of their capacity. But it is unlikely that this jump in efficiency will take place as the average operating ratio for 1972-73 will not be much more than 70 per cent. As Bokaro also will be encountering teething troubles, and on the minister's own reckoning it will be difficult to tune up the efficiency of IISCO in a short period, it will be a miracle if an average ratio of 80 per cent is achieved in 1973-74 yielding a total output of 8.8 million tonnes of ingots. Thus it will again be necessary to import sizable quantities of steel and as no large new capacity may be brought into being in 1974-75, a critical situation may arise in respect of steel availability in that year unless imports are doubled. It has of course been assumed that the capacity of Bokaro would be raised to 2.5 million tonnes even by the end of the current Plan period with a crash programme. While this will be extremely difficult it will be well-nigh impossible to use even 50 per cent of the aggregate capacity of

Bokaro in that year after over-coming teething troubles. It has also been stated that there should be an increase in the capacity of Bhilai to 4.8 million tonnes in the second stage of expansion the earlier target of four million tonnes being revised upward. This decision is to be welcomed as new capacity can be created in a short period only with the implementation of expansion schemes of the existing units and a rapid growth of Bokaro to four million tonnes.

However, with a known gap of about 1½ million tonnes of ingots in 1974-75 which will increase to 2.5 million tonnes in 1975-76, there can be self-sufficiency only if at least additional capacity of three million tonnes is brought into being in that year. In this context the expansion scheme of Bhilai has therefore considerable importance and only if there is a staggered execution of this scheme and a steady growth in production is achieved, there is hope of catching up with demand for steel in the current decade. This is because the new

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steel units in the southern region are unlikely to be ready before 1980 even with the pious hopes expressed latterly that their period of construction should be shortened. With the prospect of only 4.6 million tonnes of additional capacity being installed in the current decade on the basis of existing schemes, and an increase in capacity of the mini-steel plants by about four lakh tonnes the country will have to make-do with an aggregate capacity of 15 million tonnes upto 1980. Even at that level the availability will be only 13.5 million tonnes while steel consumption may have risen to at least 16 million tonnes if not 17 million tonnes of ingots. Mr Mohan Kumaramangalam will therefore be deluding himself that there can be self-sufficiency in steel in the next two years and the state of self-sufficiency continued in the subsequent years. This will be possible only if Hindustan Steel acquitted itself creditably and expansion schemes are implemented early and efficiently at Rourkela and Durgapur and at IISCO and TISCO.

Jai Kishan Tandon*

Aid and Bonn

FROM THE very start of planning in this country, the role of external aid in development was duly recognised and foreign capital requirements identified with the need for additional real resources over and above what could be provided by domestic savings. As a consequence, external assistance was utilised during the first five-year Plan to the tune of 5.8 per cent of the total outlay. During this period most of the aid was given by the international agencies. West Germany's share in the total aid received during the period was, however, negligible.

West Germany, in fact, emerged as one of the important donor countries from 1956 onwards. By the end of 1967, it had authorised Rs 20 billion of official bilateral credits and about Rs 2.3 billion by way of technical assistance to various developing countries. Out of this total assistance given by West Germany, India's share was 10 per cent in the case of technical assistance and 28 per cent in the case of financial assistance.

The heavy industrial programme during the second Plan generated a large demand

* The author, a UGC Research Fellow in the University School of Commerce, is obliged to his Supervisor, Dr Om Prakash, Senior Professor and Dean, University Studies in Commerce, Jaipur, for guidance in writing this article.

for external assistance. In this period, the utilised external assistance was 13.1 per cent of the total investment outlay. It was during this time that American aid became impressive and effective. Among the major aid-giving countries, West Germany also emerged as a substantial donor, contributing 8.7 per cent of the total external assistance authorised to India. It was only during the year 1958, that the first loan agreement for Rs 1,237 million towards financing the Rourkela steel plant was signed and since then West German interest in India's developmental effort has continued to increase.

The third five-year Plan brought considerable change when the Kennedy administration was almost prepared to underwrite development in this country and Prof. Galbraith, the then American Ambassador to India, promised massive American aid to India for financing the public sector projects as well. During the third Plan, 19.4 per cent of the total investment outlay was met from the authorised external assistance and West Germany's share at 16.5 per cent was almost double of what it was in the second Plan period. During the three annual Plan periods (1966-1969), the external assistance utilised amounted to 34.2 per cent of the total investment in the public sector. It has

been estimated that West Germany's share was 5.3 per cent of the total authorised assistance.

Details of external assistance authorised during the Plan periods with that of West Germany's share in the total authorised aid are given in Table I.

The aid received so far from West Germany has been allocated in the following

Period	Total loans, grants etc. authorised	Loans, grants authorised by W. Germany	% share of W. Germany in total assistance
First Plan (1951-56)	3,817	Nil	Nil
Second Plan (1956-61)	25,313	2,206	8.1
Third Plan (1961-66)	29,363	4,831	16.5
1966-67	14,541	472	3.2
1967-68	7,158	469	6.6
1968-69	8,858	469	5.3

Source: Development Through Co-operation; published by the Indian Investment Centre, New Delhi, 1970.

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EASTERN ECONOMIST

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proportions : steel 25 per cent; industrial development 73 per cent and technical assistance 2 per cent. Steel loans have been concentrated entirely on the Rourkela project. Loans in the industrial sector have been made for the development of all other industrial fields and for the capitalisation of government lending institutions. The rest has been concentrated as technical assistance to the Indian Institute of Technology, Madras, Prototype Production cum Training Centre at Okhla and the agricultural projects in Himachal Pradesh, Tamil Nadu and Uttar Pradesh. The major portion of the aid from West Germany which has been directed towards specific projects accounts for 71.0 per cent of the total assistance, 17 per cent of it is for non-projects' form and the remaining 12 per cent is meant for semi-projects.

Table II gives the detailed analysis of allocation of development assistance received from West Germany, project-wise :

It is clear from Table II that West Germany has given assistance not only for the development projects but also for meeting debt repayment obligations and for balance of payments support.

short maturity period

So far as the terms and conditions of West German aid are concerned, not only were the interest rates high in the beginning but the maturity periods were also short when compared with the other developed countries of the world.

During the second five-year Plan, development assistance amounting to Rs 2,206 million was authorised by West Germany and out of this amount a loan of Rs 1,238 million was for a very short period i.e., for three years only with an interest rate of 6.5 per cent per annum, a loan of Rs 184 million was for four years with an interest rate of 5.25 per cent and the remaining loan of Rs 784 million bearing an interest rate between 5.25 per cent to 6.5 per cent was for a period of 20 years. As against this, nearly all the loans from the UK were for twenty-year periods with interest rates ranging between 3.5 per cent and 6.5 per cent. Some West European countries and the U.S.R. gave loans for twelve-year periods at 2.5 per cent interest to be repaid in rupees and settled through bilateral trade.

During the third Plan period, the rates of interest on West German loans came down along with an increase in the maturity period as well. Loans sanctioned were in the range of maturities of from 3 to 25 years, bearing interest rates between three per cent and 6.75 per cent. Not only the terms of loans were liberalised

but cash credits in the form of direct balance of payments support, which could be utilised for the purchase of any commodity from any country in the world, were also sanctioned. Commodity assistance and debt relief were given considerable attention. Interestingly enough, during this period, Japan's loan terms were less favourable than those of West Germany. Japanese loans were for maturity periods of from 10 to 18 years, with interest rates varying between 5.75 per cent and 6.25 per cent. The terms of US loans, however, were softer than those of West Germany. The interest rate, however, rose from 3 per cent per annum applicable to US loans authorised before December 16, 1963 to one per cent per annum for the first 10 years of the total maturity period and 2½ per cent for the remaining periods of 30 years for the loans extended after October 7, 1964. (The US generally sanctioned loans for longer periods between

30 and 50 years). The Canadian terms have been the most liberal, with repayment being after 50 years or more, apart from a grace period of 10 years. The loans are generally interest-free.

The terms of West German aid were further liberalised in the years preceding the third Plan period. Now most of the assistance is in the form of loans with maturity periods, bearing an interest of 25 or 30 years and carrying interest varying between one and three per cent. West German foreign aid policy for the second Development Decade will be increasingly on the basis of country-related aid programmes which would "make it possible to take greater account of differentiation among the developing countries, to determine priorities for projects, to grow the numerous isolated individual projects into a consistent programme and to co-ordinate better the efforts of the industrial and developing countries."

TABLE II
Allocation of Development Assistance Received from West Germany
(Rs million)

	Second Plan	Third Plan	1966-67	1967-68	1968-69	1969-70	1970-71	Total
Rourkela expansion	1238	795	—	—	—	—	—	2033
Personnel and maintenance requirements of Rourkela Steel Plant	—	105	—	—	—	—	—	105
Debt relief	184	1050	—	54	146	152	192	1778
Balance of payment supports	469	503	—	—	60	54	38	1124
Commodity assistance	315	663	360	263	131	132	139	2003
Project Aid	—	785	75	124	113	103	154	1354
Loans to financial institutions (IFC/ICICI/NSIC)	—	319	37	28	19	28	31	462
Supplier's credit	—	611	—	—	—	—	—	611
	2206	4831	472	469	469	469	554	9470

Sources : 1. External Assistance 1967-68.
2. German News, December 1, 1970.
3. Papers published by the German Embassy in India, New Delhi.

Eastern Economist 25 Years Ago

August 1, 1947

American economy in 1946 showed a record production, the transition from war to peace time production being accomplished at a break-neck speed, which many have characterised as miraculous. American firms and factories produced 50% greater in terms of physical output than in 1939. Employment did better with 58 million in job. Americans broke all previous records the number employed being several millions more than in the war years. This post-war boom has continued during the first months

of the current year. Presenting his report on the U.S. economic situation at the mid-point of 1947, President Truman catalogued the "magnificent record" of achievement. American output of goods and services is now running at a rate of \$225 billions. Total civilian employment has passed the sixty million jobs set as a target by Henry Wallace and regarded by many as a fantasy. The crucial question now being asked both in the United States, and abroad, is whether this level of employment and production can be stabilised and maintained.

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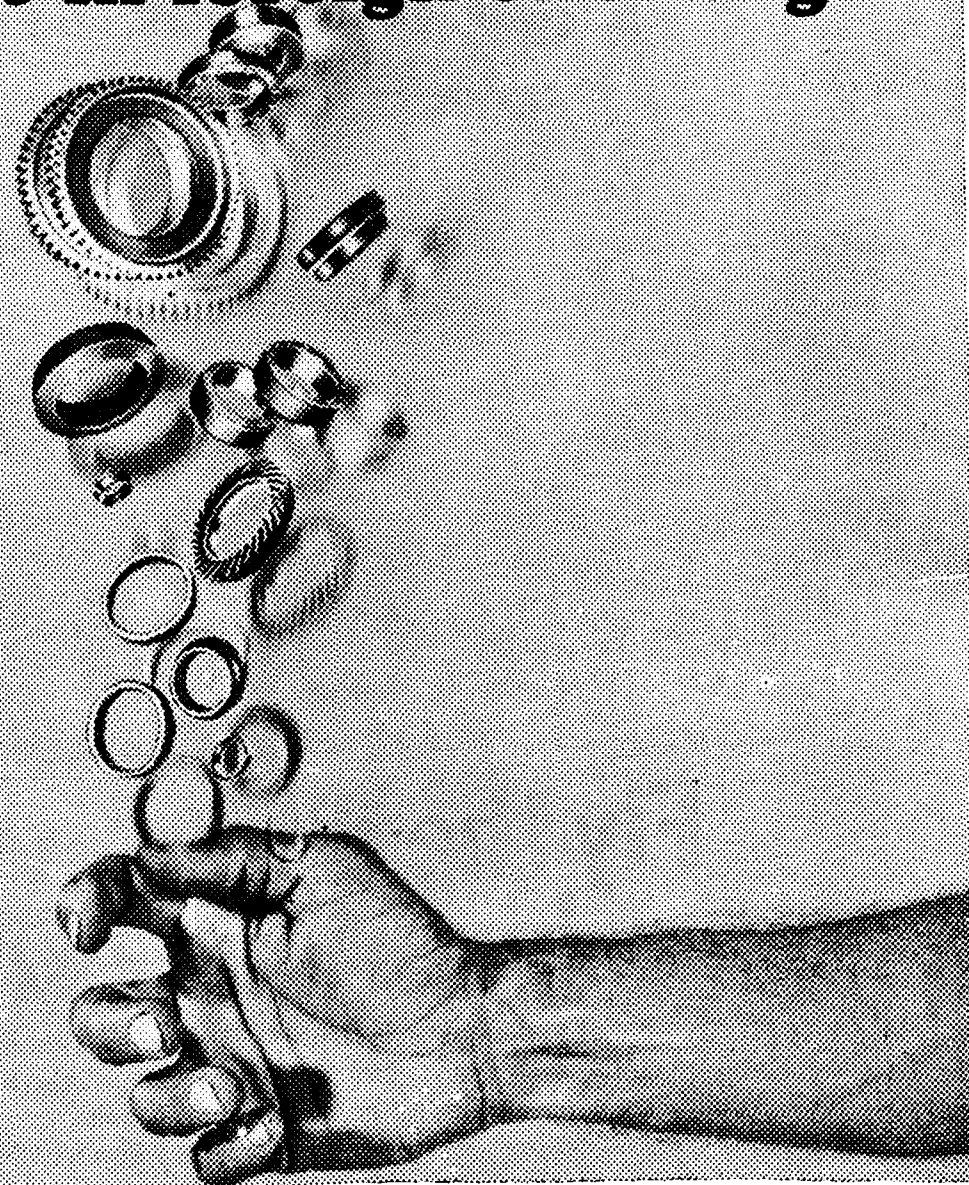
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Trade unions on the eve

Josselyn
Hennessy

London.

WITH THE prospect of British entry into the European Economic Community now practically assured, the trade union movement, despite its opposition to the terms of entry, is reconciled to, and preparing for, January 1, 1973, and the subsequent tightening of links with its counterparts in Europe. It is, however, a reluctant partner whose lack of enthusiasm for the Community, and marked nationalistic tendency, contrasts with the consistent support for further integration within the Community of European organised labour's democratic socialist unions. Doubtless these organisations welcome the accretion of a further ten million British members. Equally, they are conscious that, as the current president of the European Commission, Mr Mansholt, has

a Community pressure group. On the union side, the impetus towards finding common viewpoints to put before the Community institutions is less than that of the farmers, because most matters important to organised labour are settled at a national rather than a European level. Divisive tendencies within the labour movement are thus partially shrouded. It is true, nonetheless, that as economic integration in the European Community proceeds, the institutions in Brussels become more enmeshed in the daily life of the six countries. The trade unions have therefore had to cultivate the habit of consultation throughout the Brussels apparatus. It is, however, important to distinguish between consultation and decision-making. The major decisions in the EEC are taken

principal problems initiated between the Commissioners and the trade unions.

Formal trade union representation is assured on a network of committees throughout the Commission. The most immediately significant is the permanent Committee on Employment, a fairly recent innovation designed to align national employment policies within the Community. Here trade unionists meet employers and EEC government representatives. Because national ministers of labour attend the meetings, and are unlikely to adopt a different stand from that which they might adopt at Council level, the trade unions are here possibly nearest to the Community decision-making process. As the Committee on Employment is the sole committee on which ministers are represented, the recommendations that it hands down have more weight than the policies enunciated at other committees working on a lower level.

committee on employment

The only European committee which formally provides for labour representation mentioned in the Treaty of Rome is the Economic and Social Committee. Trade unionists constitute approximately one third of its 101 members, who are obliged by the treaty to be consulted by the Council on matters such as social security. The power that might have arisen from this obligation has not been fully realised partly because the Council has drawn into its hands more and more of the policy making, thus reducing the role of the Commission and its associated bodies, partly because the committee itself has striven towards unanimity in its views and has suffered a watering down of its recommendations in the process. There are further committees on which trade unions are represented with employers and Commission representatives operating within the social function. They deal with the movement of labour within the Community at large, professional training and the working of the European Social Fund. This fund is responsible for aiding financially workers in the process of resettlement and retraining. Additionally, trade unionists take their place on Commission committees dealing with farm workers transport and other industrial problems.

Although this list represents an impressive involvement in the work of the Commission, it is by no means sure that committee participation is the most effective

pointed out, socialism is an international movement.

Our object in this article is to examine how the European trade unions cooperate in Europe, i.e., their methods of influence at Community level; to measure this influence against their own demands for a voice in the making and execution of European policy; to survey the nature of the national union organisations on which the success of influence at a European level ultimately depends; to discuss the question of "participation" as exemplified by different national practices, and as an indication of the balance of power within European organised labour; finally, to cover briefly some of the wider problems that the Europeans must face in common with other trade unions working in an environment of relative affluence.

The first point about European organised labour is that it is second only to the agricultural interest in its effectiveness as

by the Council of Ministers, with which the trade unions do not have close working relations. The Council, indeed, is not open to the same sort of pressures that can be brought to bear at various levels throughout the Commission. Certainly, the unions can make representations to the Council and meetings have taken place with the Council chairman, but there is no statutory obligation for the Council to meet union representatives, who remain in the same position as any other powerful body with substantial grassroots support.

The main channels of influence open to the unions exist in the EEC's bureaucracy. In 1967, the unions were successful in having a trade unionist, Wilhelm Haferkamp, appointed to the Commission, although he was given areas of responsibility — energy policy and harmonisation of laws — which do not have an immediate effect on the narrow trade union interest. His is a voice at the highest level, which adds substance to the consultation on

channel of trade union influence in the Community. Informal contact in the usual process of lobbying through personal advocacy is more persuasive. It allows the direct representation of views unencumbered by the compromise that tends to flow from committees. To this end, the trade unions have established in Brussels secretariats to engage in this process. The independent unions of Social Democrat persuasion, affiliates of the International Confederation of Trade Unions, have set up the European Confederation of Free Trade Unions in the Community (ECFTUC), while Christian unions, affiliates of the World Council of Labour, have created a European Confederation of Christian Trade Unions (ECCTU). Communist trade unions in Italy and France, affiliated of the primarily eastern orientated World Federation of Trade Unions, have created a liaison bureau in Brussels. Numerically by far the most important of all these organisations is the ECFTUC.

value of informal contacts

Successful as the ECFTUC has been in spreading its viewpoint on matters of substance, the trade union role at the Community level remains limited. Collective bargaining is still a national or industrial prerogative and is likely to remain so. Admittedly, a limited start has been made on bargaining at Community level with an agreement between the unions (excluding the communists) and agricultural employers for certain farm labourers to work a 5-day, 45-hour week. The agreement, however, reached in 1968, was a recommendation, not an obligation. Precisely because the individual union centres still exercise their major influence on national governments, the unions' European secretariats are anxious to see a European structure of institutions that would enable them to exercise a comparable power at Community level. Dissatisfied with "the lip service given to consultation and concertation", the ECFTUC desires a more fully integrated Europe to undertake the type of social and economic reform that national governments have hitherto often been reluctant to undertake. This means increasing the power of institutions where the unions are well-entrenched and diminishing those where their potential grasp of influence is more restricted. "The Community", declares Theo Rasschaert, general secretary of the ECFTUC, "must move towards democracy through a properly (popularly) elected European Parliament; the individual union confederations work a great deal through the pressure they can bring to bear on their national legislatures, and we could do the same at European level. A more immediately realistic way of dealing with our communication problem

would be, first, to create a special section in the Commission with the specific job of organising consultation with the unions; and secondly... to redefine the Commission's real role. At the moment it spends an enormous amount of time defending its supposed prerogatives over a very broad spectrum to the detriment of its most important activity, which is suggesting and starting new initiatives. In limiting the Commission's role to essentials we could paradoxically strengthen its impact. At the same time, the Council of Ministers should take back its job of decision-making and the influence of the European Parliament and the Economic and Social Committee should be greater. One of the... most dangerous tendencies of the past few years has been the growing importance of the committee of permanent representatives. Their position is nebulous and in practice they are tending more and more to negotiate *faits accomplis* far away from any control or democratic

supervision. This tendency should be firmly checked."

Mr. Rasschaert's clear statement is scarcely likely to produce immediate results. The earliest occasion when any changes can be expected is the summit meetings of the potentially enlarged Community of Ten next October. But change is by no means certain and could easily be thwarted by national hesitations. A report by Professor Georges Vedel of Paris University, at present under consideration by Commission and governments, tries to devise ways of making the European Parliament more democratically responsible and powerful, but the French government is against increasing its powers, and all the major countries of the enlarged Community have accepted the Council of Ministers as the supreme body for decision-making. At this stage the political ambitions of the unions have outrun their capacity to engineer change.

Organised labour is less well-established

The Strength of the EEC's Trade Unions

								(million)	% of workers organised
		ICFTU	WFL	WFTU	Total				
Belgium	FGTB	0.8	CSC	0.9	—	1.9	66		
France	CGT-FO	0.5	CFDT	0.8	CGT 1.5	3.1	20		
West Germany	DGB	6.4	CGB	0.2	—	7.9	37		
Italy	CISL	2.5	—	—	CGL 3.0	7.0	57		
	UIL	0.5	—	—	—	—			
Luxemburg	CGTL	0.03	LCGB	0.01	—	0.05	50		
Netherlands	NVV	0.6	NKV	0.4	—	1.5	42		
			CNV	0.2	—	—			

ICFTU	—International Confederation of Free Trade Unions, whose European Organisation is the European Confederation of Free Trade Unions in the Community.
WFL	—World Federation of Labour, whose European organisation is the European Confederation of Christian Trades Unions.
WFTU	—World Federation of Trade Unions, whose communist affiliates have a liaison bureau in Brussels.
FGTB	—Federation Generale de Travail de Belgique.
CSC	—Confederation des Syndicats Chretiens.
CGT-FO	—Confederation Generale du Travail-Force Ouvriere, a breakaway group of
CGT	—Confederation Generale du Travail.
CFDT	—Confederation Francaise Democratique du Travail.
DGB	—Deutscher Gewerkschaftsbund.
CGB	—Christlicher Gewerkschaftsbund.
CISL	—Confederazione Italiana dei Sindacati Lavoratori.
CGIL	—Confederazione Generale Italiana del Lavoro.
UIL	—Unione Italiana del Lavoro.
CGTL	—Confederation Generale du Travail de Luxembourg.
LCGB	—Confederation Luxembourgeoise des Syndicats Chretiens.
NVV	—Nederland Verbond van Vakvereiningen.
NKV	—Nederlands Katholiek Vakverbond.
CNV	—Christelijk National Vakverbond.

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produce the Praga Gambin Milling Machine; Escosier & Co., also of France, for the Thread Rolling Machines; George Fisher of Switzerland for Copying Lathes; Kearney & Trecker CVA and Pratt & Co., both of the U.K., to produce drill chucks and lathe chucks respectively. Incidentally, we are the largest producers of lathe and drill chucks in the country. It is not surprising therefore that Praga (a public sector undertaking) is in the best-selling forefront at home and is finding ready and willing markets abroad. Our associates are world famous and their names speak for themselves. Need we say more?



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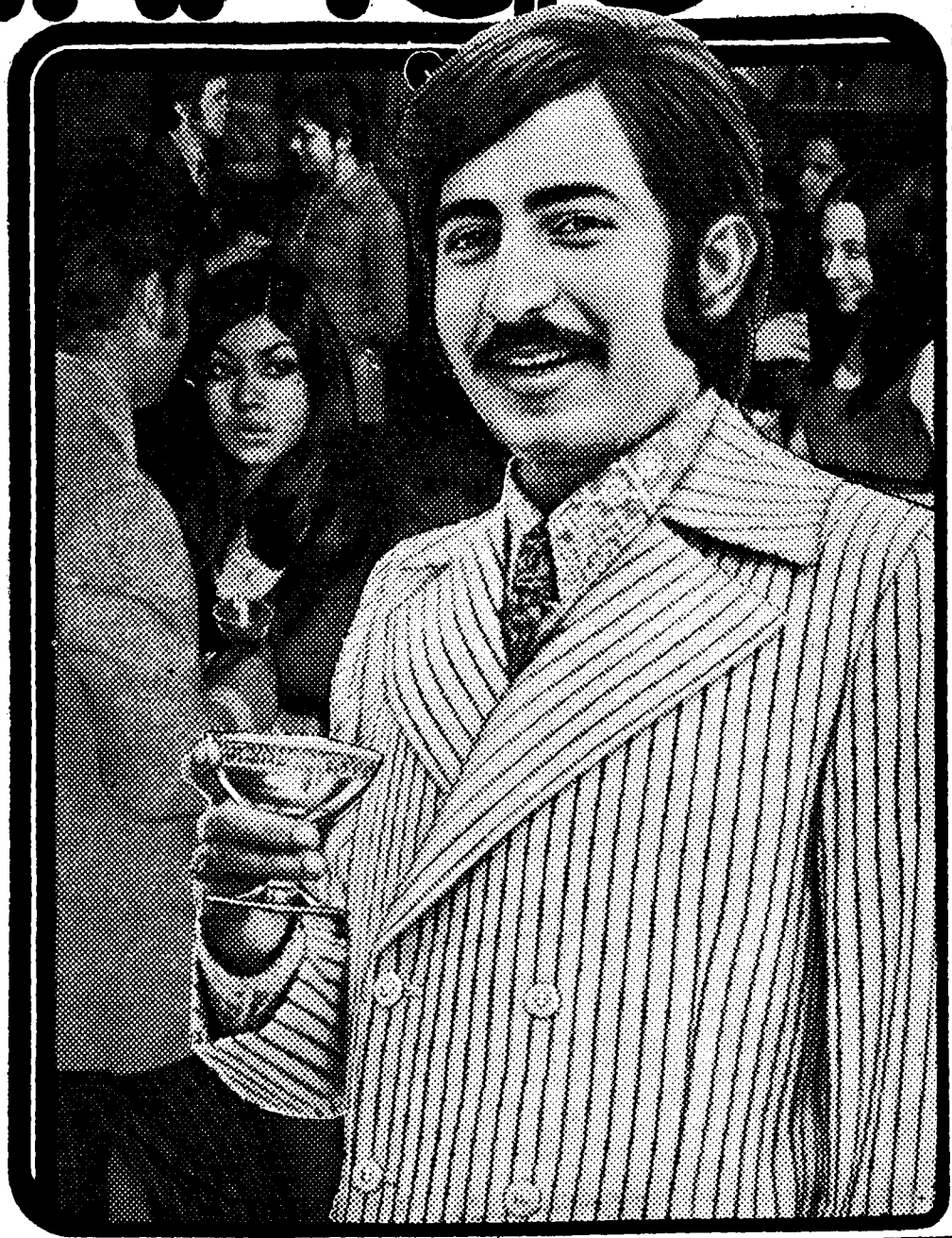
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at Community level than its panoply of contacts with the Commission suggests. The existence of the EEC has stimulated a European sense among the unions that is still in its infancy, and one reason why the most important aspects of union activity remain at a national level is the failure of organised labour to submerge internal differences internationally. West European trade unionism is less an organisation and more a movement; the major cause of its difficulties is a lack of homogeneity, reflected in the existence of the three union organisations in Brussels.

The three persuasions that these organisations represent—the social democrat, the communist and the Christian—indicate the vertical lines of West European trade unionism. Two strands of dispute running from the nineteenth century into the cold war period explain this division. The first is the question of balance in relations between church and state. The early unions were socialist and resentful of church involvement in right wing politics. They sought secular states, an aim that could be countered by the church, not only by its political involvement, but by the creation of its own trade unions in order to control the faithful. Both types of unions were extensions of political philosophies, in contradistinction to the British social democrat tradition, where the Labour party emerged from the trade union movement. The result on the continent has been the existence of parallel social democrat and Christian, or confessional, trade unions in Belgium, the Netherlands, Luxemburg, France and Italy. Only in West Germany has there been a unified social democrat trade union organisation, a result of the allied occupation after the Second World War, which caused the formation of a sixteen union federation as a safeguard against any resurgence of Nazi ideas.

no co-operation with communists

The second strand is the ideological difference between the communists and the socialists. During the interwar years, when social stress was acute, the communists were able to draw off socialist trade union members, but the immediate post-war years brought a rapprochement which was only to be nullified by the increasing anger of the cold war years. Now, communist trade unions are a force only where Communist party is a force, i.e. in Italy and France. Communist influence in the rest of the EEC countries is small.

At the Community level, there is ready co-operation between the ECFTUC (see Table on p. 168) and ECCTU, which secularised itself in 1968, but this has not spread to embrace the liaison bureau of

the two national communist confederations, the French Confederation Generale du Travail (CGT) and the Italian Confederazione Generale Italiana del Lavoro (CGIL). There remains, indeed, a fundamental difference of approach to the EEC, because while the ECFTUC and the ECCTU have consistently worked for an integrated Europe, the communist confederations have only recently muted their criticism of the EEC as reactionary, capitalistic and monopolistic. The gradual shift in attitude has been dictated by a rising standard of living throughout the EEC, due more to the functioning of a liberal economy than to the pressures exercised by the trade unions at their national levels. CGT and CGIL representatives have therefore sought and received seats on bodies like the EEC Economic and Social Committee. Their position, however, remains delicate, as they are forced to temper their ideological criticism of the EEC by the necessity to work within it.

For the present it is difficult to foresee any bridging of the ideological gap between socialist and Christian from communist. It is a weakness in west European organised labour, in an EEC context, which is overlaid and compounded by the disparity of strength and quality of organisation among the national unions centres.

West Germany

The sixteen German unions, under the umbrella of the Gewerkschaftsbund (GDB), are the dominant force within the ECFTUC. Their strength lies partly in their lack of fragmentation, partly in the factors that have induced their growth. Cohesion necessary to negotiate with strong employer organisations created the need for an expert union bureaucracy. Collective bargaining on the basis of contact between union and employers' association has encouraged centralisation within a union, and the presence of active unionists on the legally-constituted works councils, which have supervisory function over the agreements in addition to welfare responsibilities, has meant the spread of union activity down to the plant level. The union presence is reinforced by members on company supervisory boards in line with the principles of co-determination.

Belgium

The West German experience is nowhere duplicated within the EEC, although organised labour is strong in both Belgium and the Netherlands. In Belgium, the socialist Christian division is made more complex by the existence of linguistic divisions and a shifting balance of power between the confederations themselves. The Socialist Federation Generale de Travail

Belgique (FGTB) membership is split fairly evenly over the language barrier, but the Christian organisation, the Confederation des Syndicats Chrétiens (CSC) is concentrated in the Flemish-speaking north, the growth area of the country, and is benefiting more than the FGTB from the reservoir of unorganised labour there. Union organisation has been assisted by welfare benefits paid only to members, coupled with government use of the unions as an agency for the disbursement of unemployment benefits. In addition, a system of delegates syndicales, an equivalent of the British shop steward, represents the workers at plant level. At a national level, negotiating boards cover the broad range of Belgian industry, and employers' recognition of the unions is the Rule—the union rates providing the minimum in most employments.

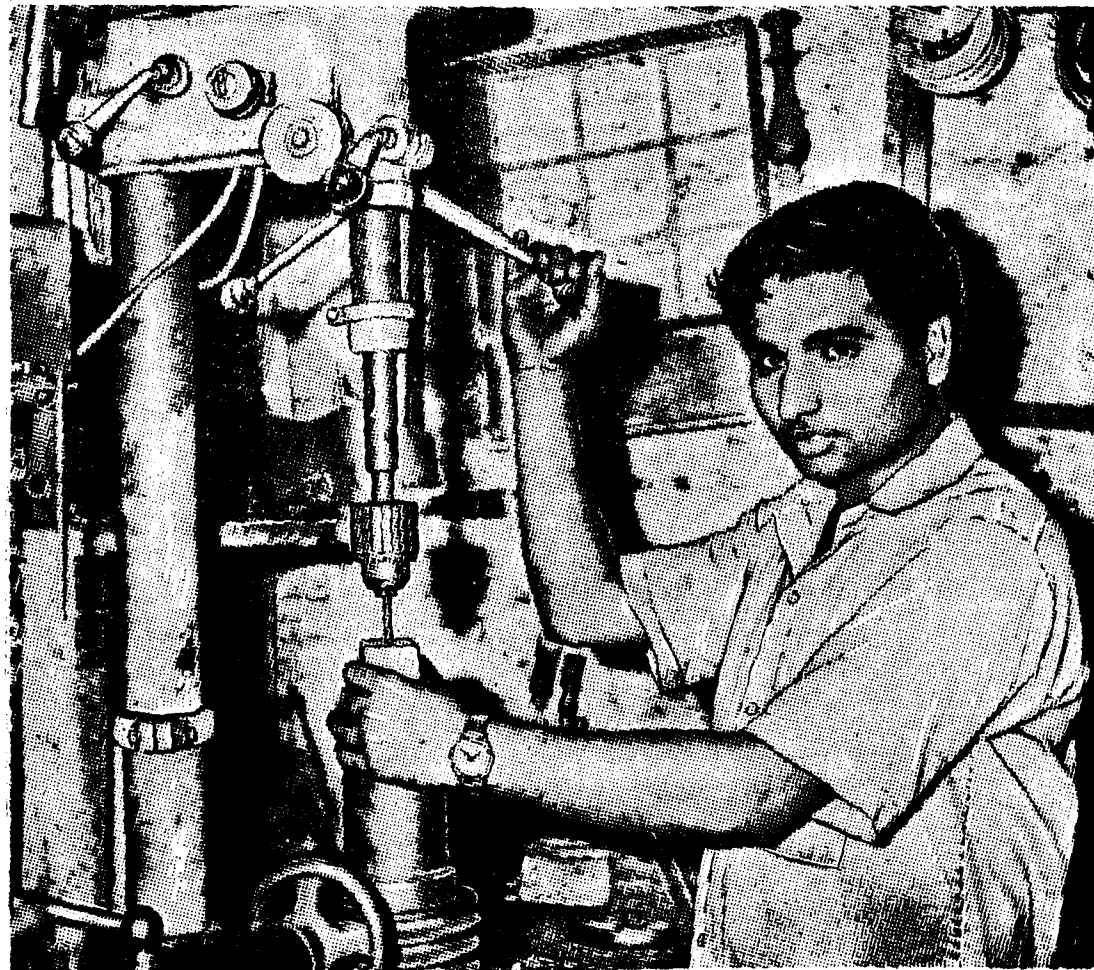
Netherlands

In one respect, the situation in the Netherlands is similar to that in Belgium. The confessional unions have increased their strength in comparison with the socialist Nederland Verbond van Vakverenigingen (NVV). This, however, has not stopped the three confederations from undertaking global wage-bargaining, a procedure that would have been impossible had not the union bureaucracies been largely independent of the rank-and-file at plant level, where branch meetings are rare, and consequently ill-attended. National congresses act only as a limited restraint, meeting but once every three years. Plant organisation is scanty and what there is centres on works councils. The observance of the 1950 law decreeing the councils has been honoured more often in the breach. This is likely to change with the imposition of further laws in 1971 compelling all companies with more than 1,000 employees to establish the councils and consult them on the major issues of plant policy that affect the workers.

France and Italy

In contrast to the relative order of trade unionism in West Germany, Belgium and the Netherlands, organised labour in France and Italy is weak and dependent upon political manifestations for a considerable portion of its gains. Membership is unreliable and individual dues not easily collected. The union split it down vertical lines—socialist, Christian and communist—and this has been perpetuated in France by collective bargaining legislation which does not require one agent to represent labour, but which provides for signature on agreements by "the most representative organisation". Further, French employers' organisations

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have been consistently more cohesive and better staffed than the unions, usually managing to keep wage bargaining out of the plants. Union structure at the plant level, indeed, is lacking to the extent that, for example, only 20 per cent of the workers at Renault's Boulogne-Billancourt plant are organised. A source of influence has been neglected by the failure to activate a large proportion of the works councils which, since the end of the Second World War, could have been set up in firms with more than fifty employees.

A similar situation exists in Italy, where the employers have managed to keep negotiating procedures away from the plants, and only since 1970 have the unions begun to receive any large-scale recognition from the employers at plant level. Instead a system of works councils, the *commission interne*, has been set up, from which the unions have been excluded. The workers elect these councils but their role has been largely relegated to welfare matters. Highly centralised bargaining at national level, with allowance for regional variations, has been the norm which the unions have been trying to break down. Their internal divisions, which there had been hopes of healing, have been fuelled by the political vituperation of the recent election campaign, and the possibility of a confederal unity between the communist CGIL and its Christian and socialist counterparts, the Confederazione Italiana dei Sindacati Lavoratori (CISL) and the Unione Italiana del Lavoro (UIL), has been severely damaged by the close association of the confederations with competing political parties.

attitude to 'participation'

The way in which this plethora of union organisations, with their varied strengths and capabilities, interact with the politics of the European Commission and the Community governments can be illustrated by one of labour's current preoccupations, the issue of "participation". The word itself is vague, indicating anything from a minor decision on the shop-floor, arranged jointly by workers and management, to an advanced form of profit-sharing and labour representation at the highest levels of management.

Participation has, however, reached its most legally-entrenched form in West Germany under the title of *Mitbestimmung*, or co-determination. There companies work under a three-tier structure: the shareholders, who appoint a supervisory board, which in its turn appoints a board of management. In the coal and steel industries, the workers have the right to 50 per cent representation on the supervisory board, while in other industries where

companies have more than 500 employees, they have the right to a one-third representation. In the board of management there must be a labour director whose appointment needs the approval of the labour representatives on the supervisory board. None of this in any way pre-empts the role of the workers' councils already mentioned above.

law under consideration

At present the Community is considering a company law to encourage the growth of trans-European industry. A draft was published by the Commission in 1970. This embraced the principle of *Mitbestimmung* to the extent that the European company would have one workers' representative on the supervisory board to every two appointed by the shareholders. Works councils, the Commission also suggested, would have a veto right on recruitment and dismissal, and on matters governing pay. This is a weaker version of what the DGB would like. Its aim in West Germany is to extend the one-third supervisory board representation to the level achieved in the coal and steel industries.

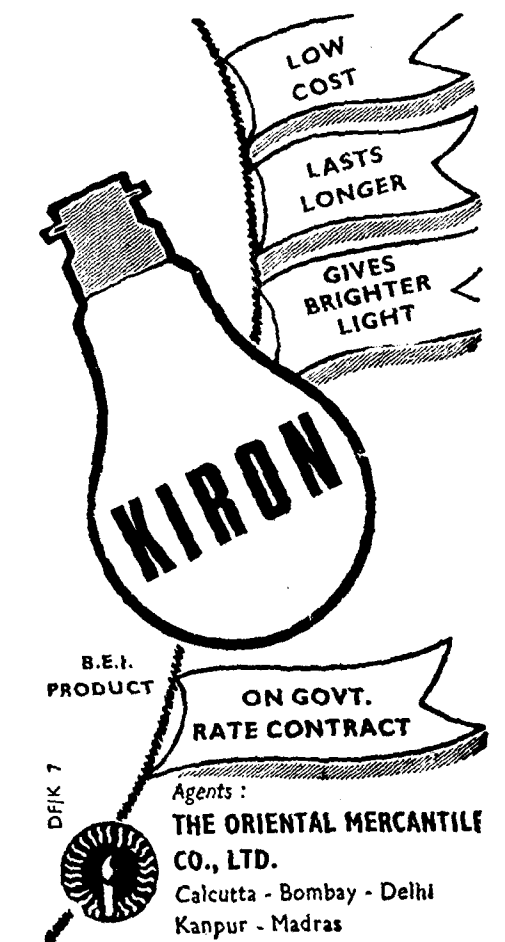
What had happened prior to the publication of the Commission draft was the imposition of DGB dominance on the ECFTUC: the DGB had used its role as the most powerful of the West European union groups in the councils of the secretariat which makes allowances for the differing strengths of its affiliates. The ECFTUC in its turn had presented proposals to the Commission. The Commission, in its role as a catalyst for new policies, then published the proposals within its suggestions for a European company law.

Talks have taken place under the aegis of the Commission between governments, employers and trade unions but agreement has not been reached, nor is it likely in the near future. West German employers have come to accept the one-third ruling under *Mitbestimmung*, but this has not spread throughout the Community. Nor, indeed, have the DGB ideas accepted among the national union centres.

In the Netherlands, the extension of the workers' council system blunts the envy for other systems of participation, while in Belgium the unions prefer a system of high-level consultation, which gives them a voice in dictating change without the fears of challenged autonomy. It is fear of company unions that has impelled the opposition in France of the Confederation Française Démocratique du Travail (CFDT) not only to limited profit-sharing and labour representatives on public sec-

tor boards, but also to the extension of this that *Mitbestimmung* would imply. In Italy, there is emphasis on gaining union recognition at plant level, as already pointed out. For the communist unions, *Mitbestimmung* cuts across even diluted Marxist principle.

Such a mass of conflicting viewpoints within the European union movement on a significant issue points up the perplexity of defining a common policy which can be carried out by the European trade unions working in unison. It is because there are so many built-in divergences between the national centres that the immediate prospects for European trade union co-operation at the practical level where employers might be immediately affected seem to concentrate on industrial groupings. It is true that the unions have been able to define areas of aim at which their collective bargaining could be directed: the first steps on a common action programme on issues like a shorter working week were taken as far back as 1965. This does not invalidate the basic point that national action is the predominant concern. Industrial groupings, however, will become increasingly significant as the unions take steps to protect their interests in the face of the rapidly-spreading multinational companies. For the present



the following sectors are represented at EEC level: metalworkers, agricultural workers, employees from the food, tobacco and hotel industries, building trade and woodworkers, employees of the textile and clothing industry, and postal, telegraph and telephone workers. But like national cooperation at the Community level, industrial union co-operation across frontiers has scarcely begun. There are examples of successful action nevertheless which provide a foretaste of what can be achieved by the unions if they co-ordinate their activities. The inability of the Ford Motor Company to switch production when a strike took place at Genk resulted in the Genk workers progressing towards parity of pay with workers in other Ford plants. The Philips company has entered into talks with the unions. Amsterdam shipyard workers on strike have been sustain-

ed by West German metalworkers.

The problems of the multinational companies, of participation, even co-operation at Community level are, in effect, extensions of traditional trade union activity, the protection of the labour interest in changing circumstances. Nonetheless, it may be that traditional trade unionism is becoming less adequate. Organised labour represents a minority of European workers, and the union bureaucracies are in danger of failing to attract the uninterested, and of cutting themselves off from their grass-roots by a remoteness that makes them appear as much a part of the governmental process as the employers have traditionally been assumed to be. As increasing affluence spreads through Europe, the problem of simple physical survival is eliminated to be replaced by

the higher expectation of job satisfaction and control over the environment in which the job is situated. Money for working beside a conveyor belt becomes an unsatisfactory exchange. The wildcat strikes since 1968 are a warning to the unions that they should not alienate their policies from the desires of the workers. The strident appeal of the 1930s and 1940s is the bored sigh of the 1970s and 1980s.

Sources and acknowledgements: This article summarises by special arrangement, a report in the latest issue of *European Trends* (to subscribers only), published quarterly, by the Economist Intelligence Unit (27 St. James's Place, London S.W.1.), but the EIU is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sources.

The Community in flux

E. B. Brook

Vienna.

THE YEAR is moving towards late summer and autumn and west Europe has still very little decided. Target dates are probably necessary tactics in international politics but they have the great inconvenience and drawback of either forcing decisions before governments are fully ready to take them or of leading to such artificial devices which deceive no one of "putting the clock back" which means that agreement is as far off as ever.

In a sense, it is remarkable that the Common Market has survived a series of such devices and a series of all-night sessions when exhausted politicians have reached a formula which, if it does not satisfy, does not actually vitally offend anyone. If the device has succeeded so far it must remain open to question whether bullying politicians in to agreement by sheer physical exhaustion is really the best or most sensible way of running half the European continent. By comparison, the eastern half takes these matters much more easily and representatives at Comecon sessions, such as that held recently in Moscow, so far from arguing through the night, end their talks in good time and spend much of the night dining quite regally.

Western Europe still has a formidable tally of unsolved problems. They include the terms on which the remaining EFTA states may have economic association with the Common Market, agreements over tariffs on such items as paper and sugar, details of the common agricultural policy when Britain adopts it one month after joining the Market, i.e. on February

1, methods of curbing "hot money" flows, whether or not to have a joint Common Market float, whether or not to tighten international monetary controls, methods — if they are to be adopted — to step up pressure against the US "disc" system of export promotion which permits US companies to defer paying taxes on half the earnings of specially constituted export subsidiaries which the Common Market contends amounts to an export subsidy, and, not least, the prospects and date of the Common Market "summit" (provisionally fixed for October 19 in Paris) which both the French and Germans now appear anxious to postpone *sine die*.

For a world organisation that is supposed to be setting fuller sail at the year's end — although it will not be certain whether Denmark and Norway are actually coming in until early in October — this is quite a formidable list of unresolved problems, nor is it the full gambit of its uncertainties. As far as the remaining EFTA states are concerned the long-drawn negotiations with the Market's Commission in Brussels resemble the children's game of "He loves me, he loves me not" as reports emerge of near full agreement to be followed the very next day by near breakdown in the discussions. This has happened time and again and Austria, from where I write, is not alone in irritation, anxiety and uncertainty.

The wealthier Swiss next door have adopted a do-nothing investment policy, certain only of one thing — that the present is no time to sell or switch and that investments decisions taken in cooler mo-

ments should be maintained in moments of crisis. The Swiss are convinced that another monetary crisis is on its way. As one Zurich "gnome" (a term better left unused when one visits Zurich — the Swiss can be quite cross) put it the other day — "We are on the merry round to hell where one restrictionist control leads to another and we'll end up enmeshed in a cocoon of controls which the politicians will call 'European unity'".

West Europe is moving not very slowly to as tightly controlled a economic system as they have for long derided in east Europe. The west, in the wider sense of western Europe and north America will, if the dollar glut lasts long enough, split into two monetary blocs, one on each side of the Atlantic. In this rush back to controls and divisions and agonising uncertainties for the individual the pace is being set not by west Europe but by the USA. The effect for the average small individual is that all the good habits he learnt in his youth — to save, to insure — are returning to him now with the fruits of his carefulness and foresight removed by the effects of inflation. The smart operator now is he who runs into debt if he can and lets the trusting lender take the loss of repayment in currency that has lost its value by anything between five and 30 per cent.

This scarcely moral fact is probably one reason why west Europe's leading bankers in France, Switzerland and federal Germany unitedly oppose the idea of a joint float of Common Market currencies. The British pound has sunk rather than

floated and the central bank governors who met at Basle on July 9 showed alarm that the £ would sink below the exchange rate agreed on in Washington last December of 2.40 dollars to the £. If this was allowed to happen other European currencies would also be obliged to devalue and the pressure on the British to prevent this collapse from occurring is continuous. So long as the Washington December values are maintained the bankers see hope of an improvement in the American payments position, which lies near the root of the whole problem.

Italian plan

While the Swiss and the Germans are certain that the best thing to do when you cannot see clearly ahead is to stand still the Italians plan to press for a "European monetary co-operation fund". The new Italian Prime Minister, Signor Andreotti, will discuss this plan when he meets President Pompidou of France in the Italian town of Lucca on July 27-28. Pompidou, who set the tone at Bonn on July 4 when Chancellor Brandt agreed with him that the Common Market summit meeting should be delayed and who almost immediately afterwards dis-

missed his prime minister for a far more strongly nationalist one in M. Messmer, appears at the moment very much to be calling the tune in western Europe, although the British, whom he appears to have dropped as his first love, are trying to make themselves as assertive as possible in Brussels and Luxembourg. There remains a wide gulf between the French insistence that the economies and exchange rates should be rigidly fixed — their concept of "dirigisme" — and the Germans who insist on free marketry. The Italians want their special fund and the money-wise Swiss insist on doing nothing except attend to technical current business.

The Germans are convinced that a joint Common Market currency "float" against the US dollar would do nothing to help either the Europeans or the Americans and feel that the crisis arises not from the dollar but from the weakness of sterling and the increasing worthlessness of the lira. In the German view there is no alternative to the US dollar as the world's major reserve currency and that the world should wait with as much patience as possible and making as little change as possible for another year for matters to right themselves.

The British, who have just seen their currency, with a strong current surplus in the balance of payments and backed by high reserves, hit so hard that it is compelled to "float" to an extent that amounts to a six to seven per cent devaluation, are not so sure. The menace of "hot money" flows remains a far more urgent subject than any Market enlargement or economic "summits". The British, unlike the Germans and rather more like the Italians, see need for early international discussion to forestall and remedy in future the sort of movements of money in bulk that has precipitated once again a pound crisis.

More to the point, still, would be to discover why these immense money flows from one currency to others take place at all. It seems fairly certain they do not take place because a sudden prospect of greater profit arises so much as from a determination to move funds for self-preservation. In other words, the pound and the lira should look at home rather than to international conferences and "monetary cooperation funds" for means to avoid still more crises. These crises are crises of faith, not of monetary mischievousness.

Foreign capital in Canada

M. M. Malhotra

OVER THE last few years, there have been a number of studies which have analysed the role that foreign capital has played in Canada's economic development and the problems it has created. It will be useful at this point of time to study the benefits and problems that foreign capital has brought to the Canadian economy, as the same may provide useful guidelines to India.

Canada's economic growth since World War II has been mainly fueled by the inflow of large amounts of US capital, and apart from the benefits that this inflow has brought, the Canadians have felt that a number of problems have been created. Initial public discussion on the effects of foreign capital in Canada started in 1957 when Mr Walter Gordon submitted the Royal Commission's Report on "Canada's Economic Prospect" and this was followed by the Watkins Report of February 1968. Later the Wahn Report covered the same ground and the most recent report on the subject is known as the Herb Gray Report and is titled "Domestic Control of the National Economic Environment: The Problems of Foreign Ownership and Control." This report was submitted to the Canadian govern-

ment in May 1971 and a leaked version has appeared in *The Canadian Forum*.

A study of these reports show the important role that foreign capital has played in increasing the rate of growth of the national income of Canada, thereby giving the Canadians one of the highest standards of living in the world. This inflow of capital has helped in developing the backward regions of the country; it has helped in making the Canadian industry more cost and quality conscious and thereby made its goods more competitive in world markets; and finally it has opened up certain export markets, thereby these industries have been able to reap the benefits of mass production and achieve the economies of scale.

One of the problems that the Canadian economy has to face is that the development of these industries took place in Canada which reflected the priorities of the capital exporting country, and in this case it was of the United States. Other problems are that R & D and entrepreneurial talent in Canada are not developed to the desired extent.

Foreign investment in Canada has increased very rapidly from \$6.4 billion (Rs 4672.0 crores) in 1926, to \$46.9 billion (Rs

34,237 crores in 1969, that is by just over seven times in 43 years. The main growth has been in long term direct investment, thus during the period 1950 to 1960 the investment increased by \$8.9 billion (Rs 6497.0 crores) which means an annual average compound growth rate of about 12.5 per cent. This growth rate was high during the next nine years, that is up to 1969. The pattern of foreign investment between portfolio and direct investment has undergone a remarkable change over the period 1926 to 1969. Thus in 1926, portfolio investment accounted for 66 per cent of the total investment, whereas in 1969 this figure fell sharply to 37 per cent.

Taking the world as a whole, during the post-World War II period, the US has been the main source of private long-term capital. For instance, in 1960 the flow of private long term capital from the US amounted to \$31.9 billion (Rs 23287.0 crores) which increased by 2.2 times to \$70.8 billion (Rs 51684.0 crores) in 1969. In 1960, 65 per cent of this amount went to developed countries and the balance of 35 per cent to the developing countries. Of the total investment that went to developed countries, the Canadian investment

accounted for 58 per cent, and in absolute terms this has meant a foreign exchange inflow of \$11,179 million (Rs 8160.7 crores). In comparison, it is of interest to note that in 1960 all the developing countries received practically as much as Canada received, which was \$11,129 million. Further, of the amount received by the developing countries, as much as 68 per cent went to the Latin American countries. This pattern did not change in 1969, even though the quantities increased by as much as 2.2 times. Thus in 1969, the developed countries took 67 per cent and 33 per cent went to the developing countries, however the share of Canada fell marginally from 58 to 44 per cent. In absolute terms Canada took \$21,075 million (Rs 15,384.8 crores) whereas the developing countries as a whole took about the same amount of \$20,000 million.

The pattern of investment, industry-wise for all areas in 1969, showed that the manufacturing industry accounted for 42 per cent, that petroleum accounted for 28 per cent; and mining and smelting eight per cent. In the case of the developed countries, the manufacturing industry was significantly higher at 51 per cent, whereas in the case of the developing countries the figure was only 26 per cent.

It has been roughly estimated that during the period 1956 to 1965 foreign capital financed about 33 per cent of the Canadian gross capital formation.

multinational corporations

Most of the foreign long term capital went into Canada through the giant multinational corporations. Initially, these corporations established overseas subsidiaries, but later entered the export markets by setting up local assembly plants which was mainly done to avoid high tariffs and trade barriers. The multinational corporation has a number of advantages compared with the local firm and includes, on the production side of achieving economies of scale on a global basis, by specialising each plant on a particular line of production. A typical case is the Canadian-US Automotive Agreement of 1965, which reduced the cost of production of the Canadian vehicle by 10 to 18 per cent by enlarging the scale of operations through exports. Further advantages to the multinational corporation are on the R & D side where the company can spread risks of new innovations on a large turnover, and on the marketing side where the company can experiment with a new product brand, and on the financial side the multinational company can have greater access to international money markets.

The Herb Gray Report of May 1971 pointed out that the Canadian government placed a lot of emphasis on economic

growth, but realised that there were serious gaps in the demand and supply of human and non-human resources; that some lines of technology were not available; that a particular type of finance was not available; and that certain types of entrepreneurial talent was also in short supply. For all these gaps Canada had to look to the US for help.

The entrepreneurial gap was explained by a complex set of psychological and sociological reasons which included such factors as: Canada's colonial status mentality; Canada's educational system which lays more emphasis on a classical curriculum and not on engineering or business.

growth aspirations

Federal and provincial governments have deliberately enacted a farmework of laws to attract foreign capital to meet their growth aspirations. Hence in most sectors of the Canadian economy there has been a large inflow of capital, risk taking entrepreneurial management, technology, and skilled manpower. In a few industries such as the railways, the air transport system and the broadcasting net-work, the Canadian government has set up national corporations such as the Canadian National Railways, Air Canada and the Canadian Broadcasting System. Aside from the benefits that have been enumerated above the report has spelt out the problems which include the truncation of the organisation in the decision making process; export markets being restricted; the foreign investor bringing in capital, usually has a package to sell which includes the purchase of components, payment of managerial fees, and in a number of cases the financing of the project by equity investment. In the case of Canada it has been demonstrated that the resources developed in Canada were determined by the industrial priorities of the US economy.

The non-resident ownership (i.e. 50 per cent and more) as measured by assets, industry-wise has varied as in the table alongside.

The figures above show that over the 14-year period, from 1954 to 1968, the foreign ownership in the case of petroleum and coal, rubber and transport equipment has increased, and by 1968 the ownership was practically entirely in the hands of foreigners. In the case of tobacco, chemicals and machinery, foreigners to a large extent controlled these industries, and even such industries which do not demand a sophisticated technology.

The Herb Gray Report has pointed out that during the period 1960-67, the non-resident firms financed their expansion as follows: inflow of foreign capital 37 per cent; from retained earnings 38 per cent;

and the balance from the Canadian capital market. Over the longer period of 16 years, from 1946 to 1969, foreign capital financed as much as 42 per cent of the capital requirements of these firms.

The report has stressed the need for Canada to develop a strong capability in buying technology, and to bargain for this at the time the investment is being made, so as to obtain the technology through arms length licence agreements.

Because of these considerations, the report suggests that a screening process should be used, as this method would give the greatest flexibility in bargaining for all factors; it would see that the best possible strategy for economic growth is used; and in case a particular type of investment was not required the same could be blocked.

The Herb Gray Report of May 1971 has suggested that there should be a screening authority, which would bargain for the purchase of technology; it would see that a more vigorous R & D programme is implemented; and that the patent laws are modified as far as possible to facilitate the dissemination of technical information.

This discussion has shown that foreign capital has played an important role in quickening the pace of economic development of Canada. By 1969, the longterm foreign investment in Canada amounted to 46.9 billion, or in terms of rupees, at the current rate of exchange Rs 34,237.0 crores, of which direct investment amounted to 57 per cent. By contrast the total foreign investment in India as of March 1968 was Rs 1,542.8 crores, and on a per capita basis, in the case of India the figure works out to be Rs 29, whereas in the case of Canada the figure is Rs 16,303.

	Percentages		
	1954*	1961*	1968
Petroleum & coal	60†	62†	99.7
Rubber	78	88	93.1
Transport & Equipment	34	57	87.0
Tobacco	na	na	84.5
Chemical & chemical products	na	na	81.3
Machinery	na	na	72.2
Electrical	70	73	64.0
Primary metals	na	na	55.2
Textile & clothing	21	24	39.2
Paper & allied products	51	51	38.9
Food & beverages	29**	26**	31.3
Wood	na	na	30.8
Leather products	na	na	22.0
Printing & publishing	51	57	21.0
Total manufacturing	na	na	58.1

*OECD Report on Canada; † Petroleum & natural gas only; ** Beverages only.

Governments of the rich

or powerful countries in the modern world dispose of such enormous power or authority over the lives of men and women in their millions and indeed the fate of the human race that it has become a condition of the survival of civilization that the heads of those governments must, in the last analysis, be men of compassion. It is plain that Mr Richard Nixon does not qualify in this respect. For there is no doubt at all that Mr Nixon is too small, too mean and too unclean a person to be allowed to continue to pollute the politics of the United States or the history of the world. Already, in his three evil-laden years at the White House, he has managed to betray all those ideas and ideals which were proudly his country's to serve and spread.

There is a theory that the next world revolution will take its birth in the United States and that it will do this without benefit of Marx or Jesus. It has also been argued that this could be a revolution effected through the institutions of a liberal democracy primarily by men and women who are too genuinely interested in one another to fight among themselves to the death for the greater glory of some scriptural text. The way Mr George McGovern's candidacy for the Democratic nomination has swept through the body politic of the United States temptingly suggests that this revolution may now be on its way. It is true that only a battle has been fought and that the war is still to be won. Nevertheless the mere fact that prospects of the Nixon administration securing another tenure has shaken the core of the American conscience sufficiently to bring to a stage of ferment new forces in the American demos is proof enough that the aspirations of the ordinary men and women need not for ever remain the small coin of the moneychangers. The time has come, perhaps, to put ideals back into politics and should this process start in the most meaningful democracy in the world so much the better for all of us.

The following news

item from the staff correspondent of *The Statesman* in Siliguri appeared on the

MOVING FINGER

EASTERN ECONOMIST

front page of the Delhi edition of that paper on July 18:

"Mrs Lila Mazumdar, wife of Naxalite leader Charu Mazumdar, appeared uncommunicative when this reporter met her at her residence here this morning. The frail-looking woman who appeared to be ill, said: 'Please spare me. I do not merit any publicity'."

Comment is needless on the professional ethics of a newspaper establishment which finds apparently nothing wrong in this atrocious invasion, on its behalf, of the privacy of a frail and ailing woman in her hour, presumably, of great mental anguish or emotional stress. Mrs Lila Mazumdar's plaintive but futile plea to be spared publicity is a protest against our leading newspapers following the worst practices of the more notorious "populists" abroad.

Mr Bobby Fischer, while

philosophising whether to play or not to play at Reykjavik, the capital of Iceland, was reported to have complained, among other things, that his orange juice was not cold enough and called for more ice. How mistaken can one be about places! Which, incidentally, makes me wonder whether there may not be among us souls which or who, when their time comes, may not find fault with Beelzebub for not tending the fire properly.

In the demonology of

communist China India is reported to have been promoted to the third place as a security risk, with the USSR standing first and Japan second, while the United States has been demoted to the fourth place. If the New Delhi Municipal Committee were to put up a hoarding in Connaught Place claiming this to be yet another triumph for our Prime Minister, this would certainly be one way of looking at the matter. Another would be to infer that Peking is merely trying to fool Mr Bhutto. That India could be a threat to anyone's national security except its own is, of course, a ridiculous proposition. There is, clearly, far more substance in the mental reservations which China may have about Japan. This is not necessarily to the discredit of the latter. Possibly much against its will Japan is gradually but steadily being forced to become a military power

once again. Should this happen, the Japanese people will be entitled to blame Mr Nixon's foreign policy more than anything else.

Having found the sure gains of peace very much more rewarding than the speculative spoils of war, Japan, left to itself, would willingly abide by its collective renunciation of war as an instrument of policy by eschewing militarism in letter and spirit. The pity is that neither the Japanese government nor the Japanese people are being left alone. It remains to be seen whether its new Prime Minister, Mr Kakuei Tanaka will display the highly sophisticated diplomatic skills that will be demanded of him in steering the ship of the Japanese state clear of the Scylla of American entanglements and the Charybdis of Chinese estrangement. He has come to his new office with a reputation linked chiefly to his talent for managing Japanese industry and commerce. That he will continue to serve his country competently in the former areas of his expertise may be assumed; the greater interest, however, will attach to the question whether he has the potential for playing the role of an international statesman who could translate some of Japan's amazing economic prowess into a capacity for enlightened relationships with other countries far and near.

There is a story which

is being eagerly told and retold these days wherever the capital's newsmen gather to drink at the expense of someone or the other. It appears that the editor of one of the national dailies has sent a circular to the members of his editorial staff, including out-station correspondents, drawing their attention to a piece of political gossip which was published in that newspaper some time ago and citing it as a supreme example of what is to be avoided in the area of adventurous reporting. As the saying goes, there are many ways of killing a cat; but, whereas a cat has only nine lives, a resident editor seems to have ten and then some more.

The writ petition filed

in the Supreme Court by a former Chief Secretary of Tamil Nadu alleging *mala fides* against the Chief Minister of that state, is not only replete with news value but is also a document of public interest in view of the situation prevailing under the DMK administration. It is interesting to note that, whereas *The Times of India* has given a substantial summary of the allegations made in the writ petition, *The Hindu* which must be considered to have a more proximate interest in the subject has contented itself with an extremely tactful version notable chiefly for its omissions.



TRADE WINDS

Cabinet Reshuffle

Mr D.P. Dhar and Mr T.A. Pai were sworn in, on July 23, as members of the union cabinet. Mr Dhar will hold the Planning portfolio. Mr Pai will hold charge of the Railway Ministry. Earlier, former Railway Minister, Mr K. Hanumanthaiya and the former Minister for Industrial Development, Mr Moinul Haque Chaudhury, had submitted their resignations to the Prime Minister. Mr C. Subramaniam who was Minister of Planning, has been put in charge of the Ministry for Industrial Development. The other portfolio of Mr C. Subramaniam, namely, the Department of Science and Technology, has been kept with him along with the portfolio of Industrial Development. Mr I.K. Gujral has been shifted from the Ministry of Housing and Urban Development to the Ministry of Information and Broadcasting. Mr Jagan Nath Pahadia, Deputy Minister in the Ministry of Agriculture has been shifted to the Ministry of Communications in the same status.

Land Ceilings

The chief ministers of states who met in the capital on July 3, agreed in principle to implement the recommendations of the Congress Working Committee (CWC) on land reforms by the end of the current year. It was a foregone conclusion at the Congress chief ministers would support the recommendations of the CWC. The decision of Mr Karunanidhi, Tamil Nadu chief minister, was eagerly awaited; he indicated broad acceptance of a formula laid down by the CWC. It was agreed that the ceiling on land with assured irrigation for two crops a year would be between 10 and 18

acres with weightage of 25 per cent for land irrigated by private sources. In the case of areas with assured irrigation for one crop in a year, the ceiling would be 27 acres; no weightage, however, would be given to private water sources. For dry land, the ceiling would be 54 acres. There was room for relaxation specially in the case of desert and hill areas. The ceiling would apply to a family defined as a husband, wife and three minor children. For families of larger sizes, additional land might be allowed but the total holding would not be allowed to be more than twice the ceiling for a standard-sized family. The ceiling laws would be given retrospective effect from January 24, 1971. Those states which wished to fix an early date would be free to do so. Compensation for land in excess of the ceiling would not be paid at the market rate. A slab system is likely to be evolved. A small surplus will be compensated at a proportionately higher rate than a large surplus. The criterion for fixing the compensation has been left to the states.

Tax Executives Confer

At a conference of tax executives convened by the Federation of Indian Chambers of Commerce and Industry (FICCI), the government was urged to accept the Wanchoo Committee's recommendations for reduction in the rates of taxation to check evasion. It was also suggested that the Wanchoo committee recommendations should be accepted "as a package deal" and their implementation should be ensured without offending the spirit behind them. The consensus at the conference was that black money could not be

curbed so long as controls were not simplified or abolished. The underhand dealings could be reduced only by exposing the economy increasingly to the market forces. The reintroduction of the expenditure tax as a measure to curb tax evasion was disfavoured because the tax was "administratively difficult and iniquitous in incidence".

While no reliable estimates of the volume of tax evasion were available, the conference underlined the need for curbing the black money operations. The conference noted that while no sympathy could be shown to a tax dodger, there should be adequate safeguards to protect the honest tax-payer.

The Wanchoo committee has recommended that capital levy should be imposed on owned and borrowed capital of companies along with bringing about uniformity in corporate tax at 55 per cent. The calculations made by some of the participants in the conference showed that the levy would amount to 18 per cent of after-tax profit of companies which would wipe out the marginal companies and would also reduce the volume of ploughed back resources. The conference suggested that as far as possible the scheme of present incentives should not be disturbed in a manner which would make the tax structure more complicated. In regard to wealth tax, it was suggested that the market value of the assets should be taken after allowing deduction for notional capital gains tax liability.

Steel Prices

On a representation by the three main steel producers in the country — Hindustan Steel, Tata Iron and Steel Co. and Indian Iron and Steel Co — the union government has decided to raise the prices of (i) billets, (ii) bars, rods and wire rods, and (iii) structurals and rails by Rs 80, Rs 85 and Rs 50 per tonne. The enhanced prices came into force on July 22. Since the excise duty of steel was raised sharply in two instalments in December, 1971, and April this year, the actual

increase in the prices of the above products comes to much more than the above level — nearly 75 per cent more.

The government, however, has decided to maintain the present prices of other categories of steel. It is of the view that a general increase in the prices of steel at this stage is not advisable.

The three main steel producers had, in a memorandum submitted to the government in April/May this year, urged that steel prices should be raised suitably to compensate them for the increased cost of production. They had pointed out that since December 30, 1969, when steel price were raised last, the cost of production of various categories of steel had gone up on an average by over Rs 100 per tonne. Wages, including dearness allowance, accounted for nearly Rs 30 per tonne increase, raw materials over Rs 20, refractories, rails and fuel oil over Rs 25 and other factors such as railway freight, consumable stores and power over Rs 32.

India and the EEC

The EEC Commission's approval of the conclusion of a Commercial Cooperation Agreement (CCA) between India and the EEC constitutes 'an important breakthrough' in India's relationship with the EEC. The approval has come in the wake of a sustained effort on the part of the Ministry of Foreign Trade and a series of discussions held by the Foreign Trade Minister, Mr L.N. Mishra, in the capitals of the important member states of the EEC. The EEC Commission's proposal would now go to the Council of Ministers of the European Economic Community (EEC) for their approval.

The CCA proposal envisages a mixed Indo-EEC Commission for a continuous dialogue between India and the EEC. Subject to the approval of the Council of Ministers serious negotiations can now begin for a long-term and comprehensive trade agree-

ment covering a wide range of products between India and the EEC. While these negotiations will deal with the totality of Indo-EEC relationship, the solution to the problems arising out of the British accession to the EEC would be a matter of utmost priority.

India has been pressing the European Economic Community for a Comprehensive Trade Agreement for several years. At the moment, India's relationship with the EEC is confined to a limited range of products such as jute and textiles.

Problems of Trade and Industry

At the Northern Regional Meeting of the Federation of Indian Chambers of Commerce and Industry (FICCI), Mr Madanmohan Mangaldas, President, discussed with the office-bearers the problems currently facing both trade and industry. Mr Mangaldas advised businessmen to adjust themselves to the changes in the political and economic environment of the country.

Following were the conclusions arrived at after discussion with the office-bearers:

Sales Tax: The members drew attention to the difficulties and harassment created by the Sales tax laws and regulations. In the case of major commodities, sales tax should be replaced by additional excise duty, as suggested by the Wanchoo committee. There should be, to the extent possible, uniformity in the rates of sales tax and the procedure has to be simplified.

Non-availability of Wagons: Trade and industry have been considerably disrupted by the non-availability of wagons for movement of raw materials and finished goods. Even sanctioned wagons are not allotted and there is mismanagement and favouritism in making allotments. Sudden stoppage of bookings without prior notice, suspension of bookings for indefinite periods, etc. caused serious hardship. The Railways should urgently review the situation and adopt and implement a rational

policy for allotting wagons. At the same time, every effort be made to acquire more wagons as early as possible.

Near Chaotic Condition in Banking Services: The banking services have substantially deteriorated in the last three years. Working of banks and clearing houses has been disrupted by frequent strikes and indifferent attitude on the part of the banking personnel. Clearance of cheques, collection of hundies, etc. take inordinately long time. All this has resulted in near chaotic conditions and bank clients have lost their faith and confidence in the working of the banks. Unless these conditions are improved and banking services put under Essential Services Act, the progress of banking will receive a setback. This will have serious adverse repercussions on the whole of the economy.

Takeover of supply of Essential Commodities: It has been reported that government is thinking of taking over of supply of essential commodities. Undoubtedly, the necessities of life have to be made available to people at reasonable prices. However, looking at the experience in the past, nationalisation or take-over, do not appear to be a solution to this problem. What is necessary is that the supply of essential commodities like foodgrains, cloth, sugar, etc. should be augmented as quickly as possible and produced on a sufficiently economic scale to bring down the cost. Normal trade channels, which historically have been the cheapest mode of distribution, should not be disturbed. It has been seen, that with government takeover, costs of handling, storage and distribution usually go up and impose additional burden on the consumer. Members were seriously concerned about the proposed move and hoped that no such drastic and deleterious measures would be taken.

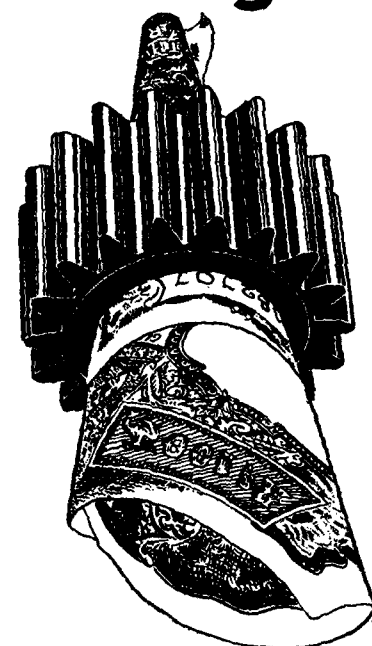
Electronic Desk-top Calculator

The NSH Business Machines, a new unit in Ghaziabad (UP), has developed an electronic

desk-top calculator with 100 per cent indigenous skill and 95 per cent Indian components. This is a sophisticated desk calculator which uses the latest technology known as LSI (Large-scale Integration). The calculator is priced at Rs 6,000, excluding taxes and is capable of performing the four basic arithmetic functions such as

addition, subtraction, multiplication and division on 16 digit numbers. It has capacity for chain multiplication and division, and for constant multiplication and division. It also possesses memory for mixed calculations. Dr T.R.S. Goel, Managing Director of the NSH Business Machines stated at a press conference in

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the capital on July 21st that development of small-sized calculators was in hand. Soon a pocket-sized calculator would also be put on the market. The know-how, components, technology and everything attached to the calculators would be indigenous, thus marking the beginning of a new era in self-reliance in this sophisticated field.

Evaluation Teams

The Minister for Foreign Trade, Mr L. N. Mishra, has set up six evaluation teams for assessing the performance of the public sector corporations and commodity boards under his ministry and to suggest action points for improvement. The teams will evaluate the functioning and performance of (i) the State Trading Corporation (ii) the Minerals and Metals Trading Corporation, (iii) the National Textile Corporation, (iv) the Cotton Corporation of India, (v) the Tea Board and (vi) the Coffee Board. They have been directed to complete their task within three weeks in the case of the corporations and within a month in respect of the two boards. The teams comprise senior officials of the Foreign Trade Ministry.

Reactivating Dead Mills

The National Textile Corporation (NTC) has embarked upon a modernisation programme covering 33 of the 50 mills whose management it has taken over. The programme would cost about Rs 14.50 crores. Orders for machinery worth Rs 3.64 crores had already been placed or were being placed. Some of them had already arrived. This information was given on July 19 by Mr K K Dhar, chairman and managing director of the NTC.

Of the 50 mills, 24 had shown gross profits in the latest monthly reports. The NTC was able to reactivate 13 mills within a period of three months from the date of takeover. They were also showing a trend towards profit. In West Bengal three mills had not only been reopened but had broken even. Mr Dhar remarked that the

NTC was given "dead mills" and not "sick mills". Almost all of them had closed down. It was a stupendous task to reactivate them.

The NTC was likely to take over 13 more units. It had recommended the take-over of the management of seven of them, while the reports of the investigating committees were being considered on the other six.

The cotton yarn and cloth production capacity of the 50 mills was valued at about Rs 175 crores annually. They could produce 526 million metres of cloth and about 107 million kg of yarn.

The NTC made a profit of Rs 32.94 lakhs in 1971-72; it had received export orders worth Rs 4.5 crores in that year.

Objectives of the Monetary Reform

The Finance Ministers of the European Economic Community (EEC) and the four acceding countries who met in London on July 17, formally agreed on eight major objectives to be pursued in the forthcoming discussions on international monetary reform. The eight points on which the ministers reached a wide measure of agreement were:

1. The new international monetary system should continue to be based on fixed but adjustable parities.
2. It should be designed to re-establish a general convertibility of currencies.
3. Provision must be made for the effective international regulation of the supply of world liquidity.
4. It should secure the necessary adjustments in the balance of payments of participating countries.
5. It must have regard to the need to reduce the destabilising effects of short-term capital flows.
6. There should be a principle of equal rights and obligations for all countries.
7. The interests of develop-

ing countries must be regarded.

8. Such a system is in no way incompatible with the progressive achievement of economic and monetary union of the enlarged EEC.

Mr Barber, Chancellor of the Exchequer (UK), is reported to have invited the Finance Ministers of more than 30 Commonwealth countries to London for two days of talks in September, immediately before the IMF meeting in Washington. The sterling balances have long been a sore point with the EEC in general and the French in particular. The individual agreements under which Commonwealth countries undertake to keep a certain minimum proportion of their reserves in sterling—in return for an exchange rate guarantee—are due for renegotiation and would have to be looked at in the light of the floating of the pound.

Syndicate Bank's New Scheme

The Syndicate Bank announced a new scheme on July 19 on the occasion of the third anniversary of bank nationalisation to benefit the man-on-the-street financially during illness. Under the scheme, known as the "cumulative-cum-sickness deposit scheme," claimed to be the first of the kind in the country, a depositor will be entitled to a loan of up to twice the amount standing to his credit to meet medical expenses and for the maintenance of his family if he falls sick. The loan would carry an interest of one per cent over the rate of interest applicable to the deposit. Another salient feature of the new scheme is that the loan would be granted without insisting on security other than the amount of the balance in the depositor's credit. The maximum loan under the scheme has been restricted to Rs 5,000.

Farm Research

Mr Fakhruddin Ali Ahmed, union Agriculture Minister, said recently that preparation should be made from now on to accelerate the pace of growth

of research and development in agriculture. Unless this was done, he warned, the country's farm production might "soon be reaching a plateau".

Mr Ahmed who was addressing the annual general meeting of the Indian Council of Agricultural Research (ICAR), said that exploratory research was one of the most critical elements in preparing for the future. He said that the process of reorganization of ICAR had yet to be completed "by giving proper definition to the nature and type of organization which is best suited to the needs of agricultural science and education. We are hoping to take a decision soon in this matter".

He said in pursuance of the policy of self-reliance the ICAR had formulated a project under which the services of Indian scientists and experts could be made available to different agricultural universities to help them in specific tasks. A national training centre for project formulation had also been set up at the Indian Agricultural Research Institute to train senior officials in the technique of project formulation both for national and international support.

Minichuker

Dr S. M. Patil, chairman of Hindustan Machine Tools, said recently that HMT had concluded a 10-year minimum royalty agreement with a British firm for licensing an indigenously designed machine called 'Minichuker'. This was the first time HMT had been able to negotiate an agreement of this kind in Europe.

Mr Patil added that the selling of the designing under a minimum guarantee agreement marked a big step forward for India in the machine tool field. This would bring substantial foreign exchange to the country.

HMT is also contemplating to enter another field—"numerically controlled machines". These machines are electronically controlled and are very valuable tools for defence and aircraft industries. HMT would make mechanical parts of these machines to be sent abroad to fit with the software of the

machines subject to the approval of the central government.

Fall in Grain Output

According to the latest estimates, total production of foodgrains in 1971-72 (year ended June 30, 1972) may have been two million tonnes less than the record of 107.8 million tonnes reached in 1970-71. The drop in grain output is not expected to materially affect grain availability as the centre has a buffer stock of over seven million tonnes. Nevertheless, this trend is very much against the expectations of the central Food and Agriculture Ministry, which in its annual report for 1971-72 had estimated that the combined grain production for the year would be "higher than the level of 107.8 million tonnes" reached in 1970-71. It is learnt that the decline in output is spread over all the crops.

From 95 million tonnes in 1967-68, grain production had touched 99.5 million tonnes in 1969-70. The growth rate was much more in 1970-71—8.4 per cent, compared to the annual growth rate of 5.6 per cent envisaged for the fourth Plan period.

Madhya Pradesh Budget for 1972-73

Fresh taxation measures to the tune of Rs 14.51 crores were proposed in the Madhya Pradesh budget for 1972-73 presented in the Vidhan Sabha on July 11 by the Chief Minister, Mr P.C. Sethi. Since the new budget would be enforced for the remaining eight months of the current financial year, the new taxation proposals are expected to yield only Rs 8 crores leaving an overall deficit of about Rs 10 crores. Mr Sethi expressed the hope that "residual gap" in the resources for the current year would be met by enhanced realization of payments over-due to the state government and by economy in the non-Plan expenditure.

The budget showed a surplus of Rs 10.24 crores on the revenue account. The revenue receipts were estimated at Rs 296.66 crores and revenue expenditure at Rs 268.42 crores. The deficit on account other

than revenue account is placed at Rs 22.69 crores. Taking into account the minus opening balance of Rs 5.54 crores, the overall deficit at the end of the year 1972-73 is estimated at Rs 17.99 crores.

While replying to the debate on the budget, the Chief Minister, Mr P.C. Sethi, announced reliefs totalling Rs 2.20 crores in the budget taxation proposals. This reduced the expected additional yield from Rs 14.51 crores to Rs 12.31 crores. The chief minister said holdings of up to five acres would be exempted from land tax. He also exempted land irrigated from private sources from the proposed irrigation tax of Rs 5 per acre.

The concessions and new rates of taxes are:

Land Revenue: No levy on holdings of up to five acres. Land revenue will be reimposed on holdings of more than five acres but less than 10 acres.

The surcharge on land revenue will be at the following rates: Holdings of 10 acres and above but not exceeding 20 acres—50 per cent of land revenue. Above 20 acres but not exceeding 30 acres—75 per cent of land revenue; Above 30 acres—100 per cent of land revenue.

The additional surcharge of Rs 5 per acre on irrigated land will be levied only on land irrigated from medium and major irrigation projects. The entire proceeds from this levy will be credited to a fund to be utilised for rural development.

Sales tax: No levy will be levied on ghee. There will be no increase in the rate for edible oils. Silver ornaments will be taxed only at the existing rates. Cycle tubes, tyres and other accessories will continue to be taxed at the existing rate of seven per cent. Rubber contraceptives will continue to be exempted from tax and nipples used in feeding bottles will be taxed at the existing rate of seven per cent. On the remaining rubber goods, the tax will be raised from seven to 12 per cent as proposed.

The tax on motor spirit will be at the following *ad valorem*

rates: Petrol 10 per cent; high-speed diesel oil 9 per cent; light diesel oil 12 per cent; aviation spirit and aviation turbine fuel eight per cent, and other motor spirits nine per cent. The existing rate of about 15 per cent on light diesel oil will be reduced to 12 per cent to help cultivators. Lubricants will continue to be taxed at seven per cent.

Motor vehicles, chasses, tyres will now be taxed at 11 per cent instead of the concessional

rate of 10 per cent as at sent. The tax is, however, being increased to 12 per cent to prevent diversion of tax from Madhya Pradesh, partly make good the loss revenue on account of concessions, the registration fees for dealers will be raised from Rs five to Rs 15.

Registration Fee: The registration fees will not be increased on documents of up to Rs 4, in value instead of Rs 1,

LOTTERY OR CROSSWORD

IF YOU WIN A PRIZE



THE PRIZE IS TAXABLE

Winnings from lotteries
and cross-word puzzles
are taxable
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INCOME-TAX and SURCHARGE

will be deducted
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making payments of
these winnings
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(for individuals the rate is 34.5%)
Prize money upto 1000/- is not
subject to deduction of tax.

For Details:—
PLEASE CONTACT INCOME TAX OFFICER
CENTRAL BOARD OF DIRECT TAXES
MINISTRY OF FINANCE, GOVERNMENT OF INDIA

davp 72/108

as mentioned in the budget proposals.

Property tax: Property having a rental value of up to Rs 4,000 will continue to be taxed at the existing rate of 10 per cent.

Electricity duty: For small shopkeepers a slab system will be introduced in the rate of duty chargeable on electricity consumed for commerce and trade. The rates are: Up to 50 units a month—eight paise; above 50 units but not exceeding 100 units—10 paise and above 100 units—12 paise.

Toll tax: It has now been decided to exempt tractors, motor-cycles and scooters from payment of toll tax on bridges. The proceeds of this levy will be funded and utilised for construction of bridges.

Entertainment tax: As against the 40 per cent tax proposed on tickets of up to Rs 1.50, the rate will now be 36 per cent. The government will take adequate steps to prevent evasion of entertainment duty.

Central Government Loans

Subscriptions to the three new central government loans totalled Rs 386.61 crores against the notified amount of Rs 350 crores, according to the figures released by the Reserve Bank of India. Subscription by way of cash amounted to Rs 149.70 crores and that by way of conversion of two maturing loans amounted to Rs 236.91 crores. The bulk of the conversion has come from the Reserve Bank of India.

The government usually retains excess subscription up to 10 per cent. This time it is retaining a little more, that is, 10.5 per cent. All subscribers will receive full allotment. Subscriptions to the 4-3/4 per cent loan 1979 amounted to Rs 52.52 crores (Rs 8.41 crores cash and Rs 44.11 crores conversion) and those for 5 per cent issue 1983 amounted to Rs 135.59 crores (Rs 48.03 crores cash and Rs 87.56 crores conversion). The largest subscription was for

5-3/4 per cent issue 2,002 (Rs 93.26 crores cash and Rs 105.24 crores conversion).

Scrap Trade Corporation

The government of India have decided to transfer, with immediate effect, the administrative control of Metal Scrap Trade Corporation from the Ministry of Foreign Trade to the Ministry of Steel and Mines (Department of Steel).

With the fall in export of scrap it became obvious that the corporation could not remain an economically viable unit if it were to function merely as a canalising agency for dwindling exports. It has, therefore, been decided to enlarge and diversify its activities into various other fields such as ship-breaking industry, regulating scrap collection, distribution etc.

The main role of the corporation in the new circumstances will be to maximise collection of scrap. Scrap is generated in small quantities at hundreds of small engineering units all over the country. The collection is usually made by small parties who dispose of their collection to the larger trader when there is a demand. The corporation will, however, provide an assured off-take to these collectors. As a result, the collections are expected to improve substantially.

The corporation will also play a significant role in setting up scrap processing machinery at appropriate places in the country and in standardisation of equipment for this industry. The present scrap processing facilities in the country are considered very meagre.

The authorised capital of the corporation is two crores of rupees and the paid-up capital is six lakhs of rupees. The paid-up capital of the corporation will be raised to enable it to take on these new activities. However, the entire additional capital will be subscribed by the government—the equity holdings of Steel Furnace Association of India and Iron & Steel Scrap Association of India will remain unchanged.

Hitherto the paid-up capital was divided equally between Mineral and Metals Trading Corporation of India Ltd, (on behalf of government of India) and these two associations.

Industries in Backward Areas

The coverage of the Central Subsidy Scheme for promotion of industries in the backward areas has been extended. It has now been agreed to increase the number of districts/areas from two to six in the case of states identified as industrially backward and from one to three in the case of other states. Under the scheme an outright subsidy of 10 per cent of the fixed capital investment is given to industrial units being set up in these areas.

In a letter to the chief ministers of states, Mr C. Subramaniam has suggested that the state governments may forward their proposals to Planning Commission for the selection of additional districts from out of those already approved for the purpose of concessional finance.

The capital subsidy scheme was introduced by the central government in 1970-71 to attract private capital to backward areas and for offsetting the locational disadvantages suffered by backward areas. So far 44 districts/areas have already been selected to qualify for the central scheme. It is expected that the extension of the scheme will provide wider choice to entrepreneurs for setting up industries in backward areas so as to give a further fillip to the scheme.

In regard to the limit of the fixed capital investment for the purpose of the subsidy, the earlier decision was that it should be limited to Rs 50 lakhs and that the question of giving subsidy to units having a fixed investment of more than Rs 50 lakhs might be considered on merits. It has now been agreed that units having a fixed capital investment of more than Rs 50 lakhs may also be ordinarily eligible for the sub-

sidy, subject to a limit of Rs 5 lakhs.

Changes in Foreign Trade Policy

The Foreign Trade Minister, Mr L. N. Mishra, announced in the capital on July 17 that the government had decided to introduce "structural changes" in the country's foreign trade policy with a view to achieving "national objectives". Mr Mishra also said that these changes would be brought about keeping in view the objectives of eliminating economic inequalities and disparities and promotion of social justice.

The Foreign Trade Minister referred to the developments in recent years on India's export front and said that exports showed a continued rise during the first three years of the current (fourth) five-year Plan, although the rate of increase varied from year to year. The growth of exports at the compound rate of seven per cent per annum can be achieved if export earnings from industrial products can be made to increase at a compound growth rate of 15 to 20 per cent per annum. With this end in view, several new measures have been introduced for facilitating the build-up of export production and export capability.

Emphasising the urgency of achieving self-reliance, he said that foreign aid has now to be viewed in the new and realistic perspective. The minister added: "I am aware that the Aid India Consortium has endorsed the World Bank figure of the aid proposed for India for the current financial year. A theoretical commitment has no doubt been made but nothing definite could be said unless there are clear manifestations of a sincere and positive will to implement the promises. This points to only one moral i.e. we have to learn to rely on our own efforts to achieve the objective of accelerated economic growth with social justice and since foreign aid would be limited, a manifold multiplication of effort on the export front is

absolutely essential to ensure speedy growth."

New Oil Find

The Oil and Natural Gas Commission has found encouraging shows of oil in the first well drilled on a new prospect in Gujarat. The new discovery is at Linch, a place about 80 kms from Ahmedabad. Tests have shown that the prospect may turn out to be a commercial oilfield. Linch will then be 20th oil bearing area in the state. The Commission had released the location for drilling in September, 1971, and drilling at Linch had started on February 23, 1972.

Earlier this year, the ONGC had made two new discoveries of oil and gas in Gujarat. Oil was struck on February 11 in a well drilled in the Dabka area. Six days later, on February 17, gas was struck in the first well in the North Balol area. The size of the oil and gas finds in the Dabka and the North Balol areas respectively and their commercial importance will be determined only after a number of wells have been drilled there. However, according to the preliminary data, the oil find at Dabka particularly may be quite encouraging.

Credit From Netherlands

An agreement between the government of India and the Netherlands government for a credit of 58 million guilders, equivalent to Rs 141.67 million, for India's development needs was signed on July 19 at The Hague by the Indian Ambassador, Lt. Gen. Yadavindra Singh and Mr P. C. Mass, President, Netherlands Investment Bank for Developing Countries. The credit forms the financial contribution which the Netherlands government has undertaken to make to India for the year 1972-73. The credit is repayable in 30 years with eight years' grace period and 2.5 per cent interest.

For Tourist

Dr Karan Singh, Minister for Tourism and Civil Aviation, informed the consultative

committee members of Parliament, attached to his Ministry, that plans for the construction of a new terminal building at Dabolim (Panaji) were ready. The construction of the building at a cost of Rs 9.23 lakhs will begin soon. The new terminal which will be ready by March 1974 will have a passengers' lounge, a VIP lounge, booking offices, snack bars etc.

The blue-print for the modification and improvement of the terminal building at Bangalore at a cost of Rs 17 lakhs had been prepared. The modification will be completed by March 1974. The minister said a traffic survey of Gulbarga in Mysore to assess the traffic potential in the area was being undertaken by Indian Airlines. The construction of a new aerodrome at Hubli-Dharwar was proposed to be started during the current Plan period. The work on construction of Hassan aerodrome was progressing satisfactorily. The minister informed the members of the committee that one crore of rupees had been collected during the last three years from airport fee at the four international airports.

The minister informed the members that significant recovery in tourist traffic had taken place during the last six months of the year. Tourist arrivals suffered a heavy setback last winter due to the Indo-Pakistan conflict. During the first six months of 1972 a total of 149,773 tourists had arrived till June, compared to 129,017 during the same period in 1970 and 146,496 in 1971.

Quality Drugs

The need to manufacture quality drugs in the country was recently stressed by Prof. D.P. Chattopadhyaya, Minister of State for Health and Family Planning, while inaugurating the first meeting of the reconstituted Indian Pharmacopoeia Committee. Prof. Chattopadhyaya said that the drug industry in India had taken substantial strides during the past two decades and its annual production was to the tune of Rs 300 crores. Besides, exports of drugs earned Rs 10

crores in foreign exchange each year.

Referring to over-charging, mal-administration and sale of spurious drugs, Prof. Chattopadhyaya stated that it was the combined responsibility of the central and state governments to guarantee the availability of genuine drugs to the people. The Minister was of the view that the Indian Pharmacopoeia Committee was a national effort requiring close liaison between the medical profession, the drug industry and the drug control authorities. The Indian Pharmacopoeia Committee had therefore been broad-based.

Medical Services in Rural Areas

Staffing and operation of Primary Health Centres (PHCS) has improved all over the country. In 1960 one-fifth of these centres were without doctors; today just over two per cent remain unmanned by doctors.

Of the total number of 5131 Primary Health Centres

in 4982 Community Development Blocks in the country, 2041 have the full complement of two doctors each. 2911 have one doctor each while 179 only are without doctors. Steps are being taken to open PHCs in the remaining 250 Community Development Blocks during the current five-year Plan period.

Names in the News

Mr S.B. Velankar has taken over as Senior Member, Posts, in the P & T Board. Till recently he was Member (Administration) in the Board. Earlier, he was Deputy Director General at headquarters in charge of Inspections.

Mr James R. Sankey has been elected Vice-President of Goodyear International Corporation, succeeding Mr Marshall F. Gillespie. Mr Sankey, 51, was production director for Goodyear-India for about three years. His new responsibilities encompass the areas of production and development for the company's various overseas units and facilities.

Readers' Roundtable

Mr MODY'S POSTERIOR

Dear Sir, In your "Moving Finger" Page, (July 14, 1972) while referring to Rajaji's blessing to Mr Pilloo Mody, you have said, "It had never occurred to me before that Mr Pilloo Mody's posterior was particularly photogenic, but then, handsome is as handsome does".

From the passage you have quoted from "Swarajya" I understand that the blessing ceremony could not have been so well-attended that there was no place for photographers even to creep in edge-ways,* and I am inclined to think that even the most unimaginative photographer, however "handsome", "photogenic" Mr Mody's posterior might be, would have bothered to take a picture of that; instead, he would have definitely taken

*unless Mody's posterior had thrust all out, as he bent!

a shot from the rear, in which case the picture would have given us the profiles of both Rajaji and Mr Mody.

When Rajaji says that the "charming scene" will remain vivid in "my memory", he definitely is not referring to Mr Mody's posterior, but to his act of bowing before him for blessing.

Perhaps only editors would find posteriors photogenic! Photographers never will. (I confine my comment to the male posterior only.)

And I gave up my editorship of *Industrial India* only a few months back!

S. Subramanyam
Bombay, July 20, 1972

(Mr Subramanyam, in the postscript, has after all got the point—which is a truly vast one—Ed.)

COMPANY AFFAIRS

Gwalior Rayon

GWALIOR RAYON Silk Mfg. (Wvg) Co. Ltd has raised the equity dividend to 19 per cent for the year ended March 31 1972 as against 18 per cent paid for 1970-71. Although sales have gone up by 6.3 per cent to Rs 63.71 crores from Rs 59.93 crores, gross profit has declined by 22.3 per cent to Rs 8.41 crores from Rs 10.83 crores in 1970-71. Out of the gross profit the directors have provided Rs 178.27 lakhs for depreciation, Rs 19.98 lakhs for development rebate reserve and Rs 392 lakhs for taxation as against Rs 201 lakhs, Rs 15.06 lakhs and Rs 484 lakhs provided respectively in the previous year. This leaves a lower net profit of Rs 250.76 lakhs as compared to Rs 382.46 lakhs in the preceding year. Out of the net profit a sum of Rs 230.76 lakhs was transferred to general reserve as against Rs 352.46 lakhs in 1970-71 while the allocation to preference share redemption reserve was enhanced by Rs 5 lakhs, to Rs 20 lakhs. Contingency reserve was appropriated with Rs 15 lakhs in 1970-71 as against no provision during the year under review. Equity dividends will absorb Rs 125.40 lakhs, Rs 6.60 lakhs more than in 1970-71 while preference dividends will claim Rs 31.52 lakhs, the same as in the previous year.

The directors attributed the setback in profit to the 72-day strike at the company's pulp plant in Kerala and the writing off Rs 127.74 lakhs, being the aggregate value of its industrial plantation at Nilambur following the take-over of the private forests by the Kerala government without paying any compensation. On petitions filed by the private forest owners, the Kerala High court has declared the Kerala Private Forests (Vesting and

Assignment) Act 1971 as unconstitutional and void. The Kerala government has filed an appeal to the Supreme Court.

The engineering division of the company secured an order over Rs 4.0 crores from Messrs South India Viscose Ltd, for the supply of complete plant, machinery and equipment for 20 tonnes per day of staple fibre production including ancillary plants for the manufacture of carbon bisulphide and sulphuric acid on turn-key basis. It has also offered to supply complete plants for the manufacture of normal viscose fibre polynosic fibre and cellophane paper to other leading firms. Besides it continues to supply machinery and equipment to rayon filament and other man-made fibre and allied industries.

The c. o. b. licence for the pulp plant for Harihar Polyfibers has already been received and production of rayon grade pulp has commenced since May 1972 with the commissioning of one digester. The delivery of other digesters and the recovery and auxiliary boilers has been considerably delayed and hence the complete plant is expected to be ready only by about March 1973. The work on the caustic soda project at Nagda is progressing quite satisfactorily. The factory is expected to be ready for trial runs by October 1972. The company's application for an industrial licence for setting up a plant for the manufacture of 150 tonnes per day of paper and 33,000 tonnes per annum of caustic soda in the state of Mysore has been referred by the government to the Monopolies and Restrictive Trade Practices Commission for enquiry. The company's application for establishment of a staple fibre plant including

polynosic fibre at Harihar is still pending with the government and the matter is being actively pursued.

Colour Chem

Colour Chem Ltd besides maintaining the equity dividend at 12 per cent for the year ended March 31, 1972, has proposed a bonus issue in the ratio of four new shares for every 11 shares held. Sales during the year recorded a smart rise from Rs 9.91 crores in 1970-71 to Rs 11.15 crores during the year under review while gross profit moved up from Rs 170.50 lakhs to Rs 181.66 lakhs. Out of the gross profit the directors have allocated a sum of Rs 56.74 lakhs to depreciation reserve, Rs 7.25 lakhs for development rebate reserve and Rs 43.50 lakhs towards tax liabilities as against Rs 58.77 lakhs, Rs 26.58 lakhs, and Rs 46.90 lakhs provided respectively in the previous year. This leaves a higher net profit of Rs 74.17 lakhs as compared to Rs 38.25 lakhs. After some adjustments there is a disposable surplus of Rs 80.57 lakhs as against Rs 51.63 lakhs in the earlier year, and the entire amount has been transferred to the general reserve. The proposed equity dividend will absorb Rs 33 lakhs and it will be paid out of the general reserve.

Modipon

The directors of **Modipon Ltd** have proposed to issue, subject to the consent of the Controller of Capital Issues, bonus shares in the ratio of three shares for every four shares held by capitalising a sum of Rs 1.5 crores out of the company's reserves. They have also recommended a final dividend of 16 per cent for the year ended February 29, 1972. This together with the interim of 17 per cent makes a total

of 33 per cent for 1971-72 as against 27.5 per cent paid for the earlier year. It is indeed creditable that the company which made its debut only a few years ago, has been able to make a handsome bonus issue besides declaring substantial dividends. No wonder the shares are quoted more than six times their paid-up value, the Rs 10 fully paid-up equity shares being currently quoted around Rs 62.

Maharashtra Sugar

Maharashtra Sugar Mills proposes to issue, subject to the consent of the Controller of Capital Issues, bonus shares in the ratio of two shares for every five shares held by capitalising a sum of Rs 37.80 lakhs out of the company's general reserve. While proposing the bonus issue, the directors have indicated that the company will be able to pay a dividend of Rs 8 per share or 16 per cent on the expanded share capital. The company paid dividend of Rs 10 per share or 20 per cent for the year ended September 30, 1971, on a capital of Rs 94.50 lakhs.

Simon-Carves India

Simon-Carves India, an associate of Simon-Carves Ltd, UK, has obtained a contract from Hindustan Steel to build a sulphuric acid plant at Bhilai steel works for over Rs 75 lakhs. The plant will have a daily rated capacity of 55 tonnes and will be based on solid sulphur. This is a turn-key contract and September 1974 has been fixed as the target for the completion of the project. This will be the 30th sulphuric acid plant built in India by Simon-Carves using the Monsanto process. It will also be the second plant supplied to Hindustan Steel, the first order being executed as a part of the Durgapur steel complex in 1960.

Telco

Tata Engineering and Locomotive Company Ltd has received a letter of intent for the expansion of the company's capacity by 12,000 vehicles and it hopes to receive an industrial licence within the

next six or eight months. This is revealed in the Chairman, Mr J. R. D. Tata's statement circulated to the shareholders of the company. Company's expansion scheme has, however, been approved by the government subject to certain terms and conditions. The order stipulates that the additional production of 12,000 vehicles should be reached by March 31, 1978 and that the company must export 20 per cent of the added production over and above the present level of exports so that the total exports reach a minimum of Rs 20 crores per annum. Further the government has specified that the pricing of the products made under the programme should be such that the rate of gross profit, after allowing for interest but before depreciation, development rebate and taxation should not exceed the base rate of 11.85 per cent of gross profit to net sales achieved in the years 1968-69 and 1970-71.

While accepting the conditions the chairman pointed out that the export target could only be achieved provided conditions prevailing in India and abroad at the time would be such that the company's efforts were not frustrated by causes beyond its control. Mr Tata wondered whether the government was fully aware of the uncertainties and difficulties involved in export of sophisticated engineering products in competition with the largest and most efficient producers in the world who have several advantages over the producers in India. Moreover there were several other hindrances to exports such as the absence of reliable port facilities. Referring to the pricing of the company's products the chairman said that the main economies of scale which could arise from the expansion programme would be in the modest increase of production at Jamshedpur of 3,000 vehicles of the type that are being currently made there. The manufacture of 9,000 vehicles of a heavier and altogether new type at Poona, in the chairman's opinion, cannot be considered a large-scale operation. Economies of scale in their produc-

tion, the chairman said, would only be achieved if and when the output was increased under some later expansion project.

On completion of the expansion programme the company will have powerful centres of production at Jamshedpur and Poona.

News and Notes

Expansion and Diversification

Delhi Cloth and General Mills Ltd plans to put on the market by the middle of September a wide range of electronic desk calculators including sophisticated scientific calculators and programmable machines. The first model will have addition, subtraction, multiplication, division, direct squaring, direct square root, constant multiplication and divisions, sequential calculations, negative number entry, an independent dynamic accumulative memory, reversal of registers, and clear entry facility. The company's factory is situated at Najafgarh, Delhi and it has received a licence to manufacture 2000 calculators a year. The DCM is planning to market these machines through its own sales organisation throughout the country and provide at the same time adequate service facilities.

New Issues

The preference issue of **Bharat Commerce and Industries Ltd** had been heavily oversubscribed. The company offered for public subscription for cash at par 25,000 third redeemable cumulative preference shares of Rs 100 each carrying a dividend of 9.5 per cent per annum. The subscription list for this fully underwritten issue opened on July 17.

Omega Locks and Typewriters will soon be approaching the capital market to raise Rs 14.40 lakhs in equity shares to meet a part of the cost of its project for the manufacture of typewriters and locks. The plant will be located at Bhopal and it will have an annual capacity of 8,000 baby traveller

model typewriters, 8,000 portable typewriters, 1,200 standard manually operated typewriters and 1,800 standard electrically operated typewriters in English, Hindi, Tamil, Gujarati and Bengali and 30 lakhs pieces of locks and door and furniture fittings. The company has entered into an arrangement with Messrs A. Ramsayer Albert Rodrian of West Germany for supply of types, certain accessories and tools. Messrs Wilhelm Dresicke and Co. of West Germany has agreed to design, fabricate and supply of all complicated parts and mechanisms in the first instance. These will be manufactured in India in the next three to five years. Most of the raw materials are available indigenously. However some critical items have to be imported in initial years.

The company has an authorised capital of Rs 50 lakhs—Rs 35 lakhs in equity and Rs 15 lakhs in preference. The issued subscribed and paid-up capital of amounts to Rs 61,700. The present issue is for Rs 19.38 lakhs in equity shares of which shares worth Rs. 4.98 lakhs have been reserved for allotment to directors and their friends. The total capital outlay on the project is estimated at Rs 50 lakhs and it will be financed through the share capital of Rs 20 lakhs, loans from MP Audyogic Vikas Nigam of Rs seven lakhs, loan from MPFC of Rs 19 lakhs, loan from the ICICI for import of machinery of Rs 3 lakhs and dealers deposits of Rs one lakh. If all goes well the company is expected to start production before the end of next year.

Capital and Bonus Issues

Consent has been accorded to two companies to raise capital amounting to over Rs 4.46 lakhs. Following are the details:

HTC Diesel Engines Private Ltd, Bombay, has been given consent valid for three months to capitalise Rs 1,56,600 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 one equity share held.

Uni-Distributors Private Ltd, Bombay is granted consent, valid for three months, to capitalise Rs 2,89,700 out of its General Reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of three bonus shares for every 10 equity shares held.

JAY SHREE TEA & INDUSTRIES LIMITED

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the Twenty-sixth Annual General Meeting of the Shareholders of the Company will be held on Friday, the 15th September, 1972 at 3.30 P.M. at "INDUSTRY HOUSE" 10, Camac Street, Calcutta-17, the Registered Office of the Company and its agenda has been/will be circulated to all members of the Company in time along with the relevant explanatory statement thereon.

The Equity and Preference Shares transfer registers will remain closed from 1.9.72 to 15.9.72, (both days inclusive) for the purpose of payment of dividends.

By Order of the Board
for JAY SHREE TEA & INDUSTRIES LIMITED
B. C. Biyani,
President.

Registered Office :
"INDUSTRY HOUSE"
10, Camac Street, Calcutta-17.
Dated, the 10th July, 1972.

THE AMALGAMATED ELECTRICITY COMPANY LIMITED

Registers of Members and Transfer Books of the Company will be closed from 18th August, 1972 to 8th September, 1972, both days inclusive in connection with Dividend.

By Order of the Board,
For The Amalgamated Electricity Company Limited

Kiran N. Javeri
Dy. Managing Director
Registered Office :
17/B, Horniman Circle,
Fort, BOMBAY-1.
Dated 20th July, 1972

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Shades so exciting
Patterns so striking
Price so inviting!

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gaudy festival colours.

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COMPANY MEETINGS

THE TATA IRON AND STEEL CO. LTD.

Chairman's Statement

The following is the statement of Mr. J. R. D. Tata,
Chairman of the Tata Iron and Steel Company
Limited, for the year 1971-72.

25 Years of Independence

I have for some years given up the practice of inflicting upon the shareholders at the beginning of my annual statement and earlier, of my speeches at shareholders' meetings, a review of events and developments of general interest to the economy of the country but not directly concerned with our affairs, as I found that these were amply discussed by the Chairmen of most other joint stock companies, large and small, and because, in any case, the views of spokesmen of the private sector seemed to make no impact whatever in official circles. If I make a brief exception this year, it is because it marks the significant completion of the 25th year of India's independence.

2. Tragically, these twenty-five years began and ended not only with a major political transformation of our sub-Continent, but with great human upheavals, including war, which on both occasions compelled some ten million people to flee in terror from their homes to seek refuge in another land, and brought death to thousands and misery to millions. The recent Agreement signed at Simla by our Prime Minister and the President of Pakistan gives hope that this grievous chapter in the relations between our two countries is now closed forever, and that peace, growing understanding and cooperation will henceforth replace the conflict and confrontation which

for twenty-five years caused so much suffering to so many on both sides.

3. In this last of the twenty-five years India bore a burden of refugee relief of a magnitude that no country in the world had ever been called upon to bear; it helped in the liberation of a nation of over 70 million people; it fought a victorious war — mercifully a short one; it bore with remarkable equanimity and success the severe blows which these events inflicted upon its economy; it emerged as a major factor in the Asian power balance, and achieved, under Indira Gandhi, a degree of political integration and stability equalled only by that achieved under Jawaharlal Nehru in the early years of our Independence.

4. It is only right that on such an important occasion we should briefly take stock of our achievements as well as of our failures during these twenty-five momentous years.

Achievements and....

5. Politically, we have emerged from our many trials and tribulations as one of the most stable developing countries in the world, confounding in the process the many in India and abroad who feared, or hoped, that we could not survive as a united and politically strong nation.

6. Militarily, we have achieved a capability in manpower, equipment and expertise of a high order and certainly ade-

quate to our defence needs against all but great powers, as well as a capacity for large-scale production of sophisticated military hardware without parallel in developing countries.

7. Economically, we have more than doubled our food-grains production, more than trebled our industrial production, increased by 25 per cent our real per capita income which had actually fallen in the first fifty years of the century and increased the life-span of our people from 31 to 52 years and their literacy rate from 16.6 per cent to over 29 per cent.

.... Failures

8. We may derive some satisfaction from these significant achievements, but we cannot overlook the fact that with all the growth and sophistication of our industrial apparatus, we are still today a small industrial power with about one per cent of the world's steel output, one half per cent of the world's exports, and producing in one year no more than what Japan produces in one month; nor the fact that the one per cent annual increase in our per capita income is only one-fourth of the target we set before us when we started planning in 1951; that the great majority of our people continue to live in deep poverty and distress; that unemployment or underemployment continues to rise each year and that; despite the expenditure of some sixty-five thousand crores on development during these 25 years, the

standard of living of the bulk of our people continues to be amongst the lowest in the world

9. Last, but by no means least, we have failed to make any real dent in the rate of growth of our population which, in these brief 25 years alone, has increased by a staggering 200 million, almost the total population of the United States, Western Europe or Soviet Russia.

10. Looking ahead, however, there is no reason to be disheartened or pessimistic about the next 25 years. We now have a versatile industrial base capable of rapid expansion, wide-ranging skills and managerial expertise, a basically sound economy which demonstrated its resilience by the manner in which it absorbed the severe shocks of the past year, and, equally important, we now have a united Government under strong and bold leadership. With such a combination of favourable factors, we undoubtedly have the capability of achieving much faster progress than in the past.

11. While the recent realisation that economic growth, to be meaningful, must make the masses of our people its main beneficiaries, is to be welcomed, I am sorry to say that there is still no sign of any realisation in official circles that the industrial and fiscal policies prevailing today contain major deterrents to rapid industrial growth which alone can provide the financial and material resources to pay for the mass employment and welfare

schemes of any anti-poverty programme.

Concentration of Economic Power

12. Government are still obsessed with the largely mythical bogey of concentration of economic power in private hands which protagonists of the extreme Left have so assiduously and successfully propagated for years. Not content with abolishing the managing agency system, Government have followed the general policy of denying to most individual companies, including small ones which previously were grouped under managing agency firms, opportunities of contributing further to the country's industrial growth. No distinction has been made between companies or groups with an impeccable record of efficiency and integrity and those known for serious malpractices. Because the so-called 'larger houses' represented the largest, most resourceful and most efficient part of the Private Sector, the shrinkage of fresh industrial investment caused by such policy has resulted in a significant fall in the rate of industrial growth during the past two years. There is now, however, a hopeful indication of a renewed willingness to make use of the material and managerial resources of some of the larger houses in the development of the country's economy, as evidenced by licences or letters of intent recently granted to some of our own sister companies.

13. I believe there has been a real confusion of thought in regard to the true nature and extent of the economic power about which so much fear and suspicion, genuine or politically convenient, has been expressed. With every aspect of large-scale industrial activity almost totally controlled by Government through an all-embracing panoply of controls and regulations, to which is now added a measure of managerial control by Government's monopolistic lending institutions it is clear that no real economic power is any longer wielded by industrial manage-

ment, if by 'economic power' is meant the power to make one's own economic decisions. Deprived of the right to decide what and how much to produce, what prices to charge, how much to borrow, what shares to issue and at what price, what wages and bonus to pay, what executives to employ and what salaries to pay them and, in some cases, what dividends to distribute, directors and top management from the Chairman down have hardly any economic power in our country. Taking my own case I doubt that there is anywhere in the world outside India any industrial executive in charge of a major enterprise with less real power than I have. In fact, no Government in the world has taken greater precautions to ensure that real economic power is concentrated in their own hands.

14. The confusion, I think, lay in the fact that while Government's restrictive measures have been directed mainly at curbing or destroying managerial freedom, initiative and policy-making powers, thus nullifying the principal advantages of private enterprise management, the real and justifiable target of criticism was, or should have been, the illegitimate accumulation of wealth, particularly in the form of tax-evaded funds in India and abroad and its use for anti-social purposes, including bribery and corruption. I submit that the right policy for a socialist Government such as ours, armed with the immense powers that it has, should be, on the one hand, to take every possible step to curb the acquisition and anti-social use of illegitimate funds and to punish those guilty and, on the other, to release for nation-building purposes all the resources, energies and dedication of those in the private sector whose past record has shown them to be worthy of the nation's trust.

15. I still hope, admittedly somewhat against hope, that this is the policy which Government will one day adopt as being the only one capable of harnessing all available resources to the Common effort

of achieving maximum growth with maximum social justice.

A Disappointing Year

16. Coming to our own affairs, the results of the year under review were disappointing, as they indeed must continue to be so long as our output remains more or less constant, and, at the same time, the unrelenting rise in costs due to the general and continuous inflation in the country, totally beyond the control of management, is not offset by an increase in prices or savings in costs by a combination of both.

17. Under Indian conditions, and particularly in an ageing plant such as ours producing at near maximum, the scope for reducing costs through higher production or greater efficiency is extremely small. Excluding the unlikely possibility of a major technical break-through in the world steel industry which would enable steel to be made much more cheaply, there seems to be no escape from a continuous rise in the cost of producing steel in India, as elsewhere, so long as inflationary forces continue to prevail. Consequently, I can see, over the years, no alternative to a slow but continuous increase in steel prices generally corresponding to that of other industrial products if the health and productivity of this most vital of all industries is to be preserved. That is hardly the case today, if by a healthy and productive plant we mean one maintained at a peak of efficiency by continuously replacing worn out or obsolete parts and incorporating improvements in equipment, processes and techniques as they become available.

18. All this costs far more money than available from allocations to depreciation, in view of the enormous increase in the cost of new equipment over the historical cost of the equipment it replaces. In a sound enterprise, the additional funds required must come mainly from retained earnings, temporarily supplemented in times of peak expenditure by borrowings. In our case, because of

inadequate steel prices, there have been for many years hardly any extra earnings left to plough back into the plant. The development rebate has materially helped to narrow the gap in resources. Its impending abolition will now leave depreciation allocations as virtually the only source of replacement finance unless more reasonable prices are allowed to the industry.

Steel Prices

19. One must surely hope and believe that sooner or later Government will come to realise that the policy they have been following of squeezing more and more out of the steel consumer in the form of excise duties, while maintaining prices to the producers at a level which is not only substantially lower than in other countries but leaves no margin for essential maintenance, let alone expansion, is a self-defeating one which in the long run can only result in dwindling production and rising costs.

20. Iron and steel are basic raw materials to all industries and there can be no justification for Government to enforce uneconomically low prices on producers of steel in both the Public and the Private Sectors, jeopardising their efficiency and health in the process, while extracting an additional 40% from the consumer in the form of excise duties.

21. I am sorry that we have failed upto now in our repeated efforts to convince Government of the unsoundness as well as the unfairness of their steel pricing policies. The situation is now reaching a critical stage. Steel prices allowed to the producers, as distinct from those charged to consumers, were last increased in January 1970, by an average of Rs 71 per tonne on our product-mix. Since then, further increases in costs beyond the control of management have been of the order of Rs 113 per tonne.

22. We, along with the Public Sector, are continuing our efforts to convince Government of the urgent necessity of an upward revision in steel

prices allowed to the producers. If they are anxious to hold the price line for the benefit of steel consumers, the increase to producers could be offset by a corresponding reduction in the excessively heavy excise duties. We can only hope that Government will decide, without delay, to place this most basic of all industries on a strong and safe footing.

Production

23. On the production side, I believe that we have at last reached the stage where we may now expect some real progress from the number of steps we have taken in the past year or two to re-establish full production, including those to increase coke, sinter and pellet availability. We, therefore, hope to do better in the current year, but only in 1973-74 can we expect to reach or approach the rated capacity which we last achieved in 1967-68.

24. Our life is not being made easier by constant interruptions in power supply which play havoc with the operations of continuous process plants. We calculate that directly or indirectly due to such interruptions and shortages during the past year, the Company has lost over 20,000 tonnes of steel.

25. The continuing shortage of wagons is another difficulty which is ever with us, causing not only a certain amount of dislocation but also the need for carrying larger inventories, which in turn involve higher interest charges.

Need for Replacements

26. Even if, as I hope will happen one day, all such problems are overcome, we must, as I said last year, face in the long term the inevitable consequences of the increasing age of our plant, about half of which dates back to the early 1920s and is therefore about fifty years old. We have in the past been able to maintain its productivity, although at an increasing cost each year. But this cannot be done for ever. Any major scheme of modernisation or expansion is a long-drawn affair in a steel plant, which takes five years to ma-

ture fully. A decision on a long-term programme of action, involving major schemes of replacement, cannot be delayed much longer if production is not to fall once again. We are, however, faced with the basic problem that, owing to inadequate steel prices, the resources available to us are wholly inadequate for the task.

Holding Company

27. In this context a coming event of great potential importance to your Company is Government's proposal to create a Holding Company to co-ordinate, control and generally supervise the functions and development of the steel, coking coal and refractories industries of the country.

28. The basic objectives of securing a more rapid and rational growth of the steel industry, of increasing its efficiency by integrated planning and supervision and ensuring that its full requirements in raw materials, fuel, power, replacements and other inputs are met, are to be welcomed.

29. Whether, however, these objectives can best be achieved by concentrating power, functions and authority in a Holding Company, superimposed on, or replacing, the existing decision-making machinery of Government, or whether they are more likely thereby to be frustrated through the complications and delays that such a scheme might add to the present highly cumbersome and time-consuming machinery, is something which only experience will tell.

30. Your Company will, I hope, be represented on the Board of the Holding Company and I can assure Government that, within that Board and outside it, we shall do everything in our power to help in making the working of the Holding Company a success, in our own interests as well as those of the industry as a whole.

Expansion

31. One of the prime tasks of the Holding Company, as it is today that of the Steel Ministry, is to plan and assist the further growth of the steel

industry. References have been made from time to time in the Press to the possibility of an expansion of our own plant at Jamshedpur. I had myself in a previous Statement to the shareholders pointed out that the infrastructure and organisation existing at Jamshedpur could support a considerably larger capacity than the present two million tonnes. If it were proved that additional capacity can be created at Jamshedpur quicker and more cheaply, and operated with greater efficiency than on an entirely new site, and if Government were to require that this be done in the national interest, obviously we should be prepared to respond. In fact, we would have little choice in the matter.

32. There is as yet no specific expansion project for Jamshedpur within our Company or, to the best of my knowledge, within the Steel Ministry. All I can say at this stage is that we are engaged in a detailed study of the possibility of formulating a viable project. I can assure you that any scheme that emanates from us will not overlook the interests of the shareholders.

33. The most important aspect of any possible scheme of expansion of capacity at Jamshedpur is the question of how it could be financed and its impact on the shareholders' interests. The capital cost of a major expansion programme would be so large that, with the monopoly of investible and lendable capital which Government have created for themselves, Government funds in one form or another or Government-guaranteed funds would be virtually the sole source of finance for the project. These would be subject to convertibility rights in accordance with the guidelines recently issued by Government to their financial institutions and now in force.

Joint Sector

34. Considering that, directly or indirectly, Government already control 40% of the voting rights in the Company, it is clear that any appreciable increase in their shareholdings

would automatically convert the Steel Company into a "Government company" as defined in the Companies Act, and into a Joint Sector company under any possible definition of the Joint Sector about which we hear so much today. In fact, with Government as the Company's largest shareholder, with the right to have three representatives on the Board, with veto powers in the hands of Government or of the financial institutions, and with production, sales and prices wholly controlled by Government, the Steel Company is for all practical purposes already in the Joint Sector.

35. This situation, which has gradually crept upon us over a period of years, whereby the control of the Steel Company has virtually passed into Government hands is one which need not arouse excessive concern or despondency amongst shareholders. The very fact that Government have already such a large stake in our Company—a stake which, in a major expansion, would become a majority of ownership—should normally ensure a greater interest in its welfare than if they had no investment in it at all.

36. I realise that this may not be an argument that will greatly impress shareholders who are well aware of the step-motherly treatment in the matter of steel prices which Government have meted out not only to the Private sector of the industry but also to Public Sector plants which, as a result, have operated continuously at a loss. In this business, however, one must take a long-term view and I cannot but believe that the time will come when Government will realise the imperative need, through a fair and rational price policy, of safeguarding the health and economic viability of the country's most vital industry.

37. Recent amendments to the Constitution and the use sought to be made of it to justify a scheme of compensation to the shareholders of the nationalised general insurance industry, which can only be

characterised as confiscatory, would seem to confirm the extremely low value attached to shareholders' legitimate rights and interests by those in power. Shareholders may, therefore, feel some doubt as regards the treatment this Sector may now expect in our country. I believe, however, that it cannot be the real intention of our Government to cause heavy and unjustified loss to those who, over the years, have done so much to build up India's industrial and commercial base, as the Bill for nationalisation of general insurance would seem to indicate, and that the Bill which is now before a Select Committee will be favourably amended. If, on the other hand, the Bill were to go through in its present form, there could be no other interpretation of it than as part of a deliberate programme of extinction by expropriation of private ownership in business and industry. The events of the next few months will clearly show what will be in store for us. Until then, I prefer to believe that private enterprise of the right type, managed with honesty and social consciousness, either by itself or in association with Government, has a large and growing role to play in promoting the economic progress of the country and in serving the interests of its people.

Jamshedpur Land Tenure

38. The shareholders were informed in previous Directors' Reports and Chairman's Statements of the Bihar Government's persistent attempts to treat the Company's rights over the land, acquired many years ago under the Land Acquisition Act for the purpose of establishing a steel plant and allied industries at Jamshedpur as zamindari rights, and to amend the Bihar Land Reforms Act of 1950 so as to bring our lands under the purview of that Act.

39. As mentioned in the Directors' Report, the Bihar Land Reforms (Amendment) Bill, 1972, has been passed by the Bihar Legislature and will become law when it receives the President's assent. The main

object of the Bill is to delete from the Act the amendment introduced in 1961 which expressly provided that the Act would not apply to lands acquired for industrial purposes like those held by our Company. The most objectionable feature of the Bill is that it seeks to give retrospective effect to the amendment. Under the retrospective provision of the Bill, the Company's lands may be deemed to have vested in the State from 1956, when the Bihar Land Reforms Act, 1950 was sought to be made applicable to them by a Notification.

40. It is for the first time in the history of India that lands used for admittedly industrial purposes have been sought to be acquired by the State under agrarian reform law. Again, our plethora of laws affords no parallel to the Bihar Bill, which gives retrospective effect for as many as 16 years in supersession of the earlier law which had expressly declared that the agrarian law could not and did not apply to the lands of the Company. Where the legislature intends to bring about a certain change and the law is found to have missed fire, subsequent validating laws have been passed with retrospective

effect, but there has never been a case like the present one where legislative intention, specifically expressed in the earlier law, has been reversed with so many years' retrospective effect. A measure such as this would serve as a disastrous precedent and have grave consequences on legislative practices and the rule of law.

41. While I have, in this Statement, been critical of certain policies of Government, it is with pleasure and gratitude that I acknowledge the assistance and cooperation we received throughout the past year from Government in the Steel Ministry which was most helpful in tackling some of our current problems and difficulties.

42. A reference has been made in the Directors' Report to the death of Sir Jehangir Ghandy last April. I would like to add my personal tribute to this esteemed colleague and friend of mine with whom I had been closely associated for 45 years in the work of your Company. We propose to perpetuate his memory by naming after him the fine new hospital building that is under construction next to the

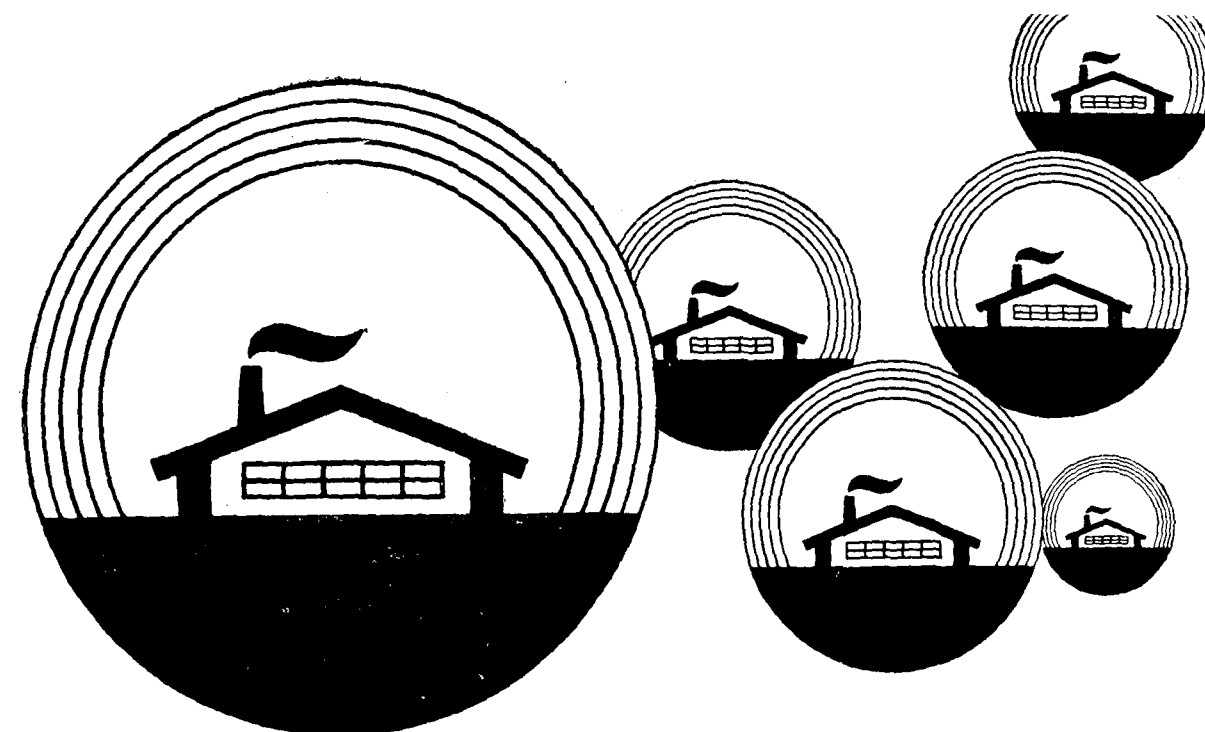
Company's old Main Hospital. I am sure the shareholders will wholeheartedly endorse this proposal.

Labour Relations

43. I am glad to be able to report that relations between management and labour at Jamshedpur and elsewhere and with their accredited Unions remained excellent throughout the year. Great credit is due to both the Tata Workers' Union and the management at Jamshedpur for this continuing state of cooperation and cordiality. On behalf of the Board and the shareholders, I take this opportunity of expressing to both our sincere thanks for their cooperation. The relationship established and maintained year after year at Jamshedpur has been a model for the whole country and shows that, with goodwill, sincerity and dedicated effort, there is no reason why conflict and work stoppages resulting in a grievous loss of production should prevail in our country, as it does in so much of Indian industry at so great a cost to the country.

J.R.D. TATA
Chairman.

Bombay, 4th July, 1972.



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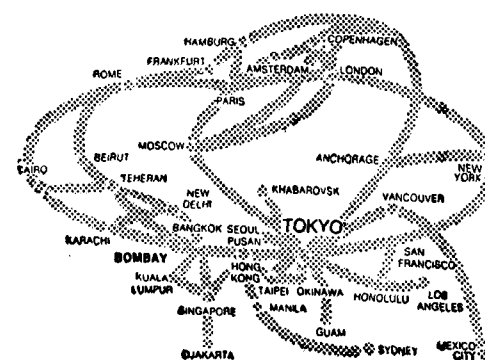
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CCI IN 1971/72 - A REVIEW

STATEMENT BY CHAIRMAN MAHESH SARIN
AT THE 2ND ANNUAL GENERAL MEETING

Imports of raw cashewnuts were canalised through CCI from 1st September, 1970, and 1971-72 has been the first full year of CCI's operations. Before I deal with CCI's performance during the year, let me briefly trace the origin and growth of the cashew industry—its strength and its weaknesses.

Few people know that cashew nut, a native of Brazil, was introduced into the western coast of India by Portuguese missionaries in the 16th century—for the purpose of soil erosion.

Organised processing industry is however of recent origin: the first exports of cashew date back to the mid-twenties. By the early fifties cashew had become a major item in Indian exports.

With Kerala as the largest producer of cashewnuts, Quilon became the nerve centre of the labour-intensive processing industry, employing around 75,000 workers, mostly women—unmatched by manual skills elsewhere, nor yet, by machines.

The demand for cashew exports quickly outstripped indigenous availability of raw nuts, and the export-oriented industry began importing raw nuts from East Africa to fill out its own supply base.

This provided a tremendous fillip to cashew cultivation in East Africa and production increased over five-fold—from about 53,000 tonnes to 275,000 tonnes—in the last 20 years.

Ready availability of imported nuts seems to have contributed the most to a near-total neglect of indigenous production which has remained stagnant over the years. Although official estimates place indigenous production at 200,000 tonnes, it would appear that only about 60,000 tonnes become available to the organised processing industry. Over the last 20 years imports of raw nuts have trebled, accounting for roughly 72% of the industry's total requirements.

Heavy dependence on imports—allowed until 31st August, 1970 under the Open General Licence—resulted in fierce competition between Indian importers, and a chain of middle-men to negotiate with the organised selling strength of the State Produce Boards set up in East Africa in the sixties.

In an environment of unhealthy competition, Indian importers began to pay uneconomic prices and—unable to fully recover the differential through export realisations—tended, on the one hand, to depress indigenous nut prices, and cut into statutory labour costs, on the other.

Steady increase in the prices paid for imported nuts and similar increases in kernel prices seems to have provided the impetus for substantial investments in mechanical decortication in East Africa, with Mozambique in the lead. In comparative economic terms the much lower cost of local crop and a two-way freight advantage more than off-set the substantially higher cost of mechanical processing. East Africa thus emerged as a serious competitor in cashew exports, threatening the virtual monopoly held by India for decades.

Thus, while on the one hand, India's share in world trade has been declining steadily—from 99.8% in 1950 to 91.4% in 1965 and down to 66.3% in 1971; on the other hand, this development poses a serious threat to the hitherto assured availability of raw nut supplies to the industry that has come to depend so precariously on imports.

While the Indian cashew industry has grown phenomenally in the last 50 years, its inherent weaknesses

HIGHLIGHTS		1971-72
1970-71		Rupees in crores
Imports	11.48	27.13
Exports	—	0.25
Domestic	—	0.02
Total Sales	11.48	27.40
Expenses	0.03	0.10
Profit before tax	0.73	2.13
Tax	0.48	1.46
Profit after tax	0.25	0.67
Expenses/Sales	0.26	0.36
Profit after tax/Sales	2.18	2.45
Manpower	14	25

too have, of late, become more apparent than ever before.

Fluctuating fortunes of individual trader-entrepreneurs—often through speculative operations and sometimes through protracted labour disputes—have over the years resulted in prolonged closures of processing units as well as migration of units within the State—and outside. Inter-State wage differentials contributed to the latter in no small measure.

Capital investment in a processing unit being nominal, 'installed capacity' in the labour intensive cashew industry is a very flexible term. Also new units have been allowed to come up despite the admitted fact that the 'installed capacity' is far in excess of what can be justified by the total availability of raw nuts—indigenous and imported.

A situation, in consequence, of highly skilled surplus labour lends itself easily to evasion of statutory wages through what is popularly known as *Kudivappu*, i.e. clandestine cottage processing.

Set up in August, 1970 as the canalising agency for the imports of raw cashewnuts, CCI got off the ground quickly and proceeded to dispel the fears of overseas sellers of raw nuts and buyers of kernel, and to establish rapport with the industry that had vehemently opposed canalisation before and after the event.

Judging by the results, 1971-72 was a highly successful year for the industry and a satisfying one for CCI.

The year was marked by numerous crises and uncertainties caused by the prolonged closure of factories due to a heavy carry forward of unsold stocks, the international monetary crisis culminating in the revaluation of Pound Sterling and devaluation of the Dollar—both affecting us adversely—and the imposition, in the wake of the national emergency, of a 2.5% regulatory duty on imports.

CCI met each challenge as it came, and not only maintained the flow of supplies, but held its selling prices around levels fixed in December, 1970 despite increased costs as well as a marked improvement in kernel prices. This policy paid good dividends. A measure of stability in raw nut prices together with a reduction in industry's inventory and operating costs through well regulated imports contributed a great deal both to a spurt in exports and to the profitability of the industry—a fact that is freely acknowledged, especially by the small processor who, in the past, had neither a say in the prices nor access to the better quality nuts, now equitably apportioned to all.

In the long, chequered history of the industry, 1971-

72 witnessed several new records: for the value of exports including CNSL (Rs. 62.35 crores); for the net foreign exchange earnings in absolute terms (Rs. 37.01 crores) as well as a percentage of the value of imports (146%); and foreign exchange earnings from the General Currency Area (Rs. 16.66 crores)—an increase of 237% over the previous year.

As compared to the previous year: imports were down by Rs. 4.07 crores (13.8%); exports were up by Rs. 9.49 crores (18%) and net foreign exchange earnings were up by Rs. 13.56 crores (57.8%).

	1969-70	1970-71	1971-72
	Rupees in crores		
Value of Exports (incl. CNSL)	58.44	52.86	62.35
Less: Value of Imports	27.60	29.41	25.34
Net FE Earnings	30.84	23.45	37.01
From GCA	3.70	4.94	16.66
From RCA	27.14	18.51	20.35
Net FE Earnings as % of Value of Imports	112%	80%	146%

As an incidental fall out of regulated imports, prices of indigenous nuts received a much needed boost taking them to levels higher than CCI's selling prices for imported nuts.

We in CCI have thus had the satisfaction of having served the industry well, with CCI relying for its profits entirely on purchases at reasonable and fair prices, economies in intermediaries' costs, an 18% reduction in ocean freight over the rates prior to canalisation (this alone accounting for a saving in 1971-72 of Rs. 45 lakhs in free foreign exchange), and a shoe-string budget for administrative costs.

We feel that we can take justifiable pride in having set up new staffing norms for the public sector by running a complex Rs. 27-crore business (going up to Rs. 32 crores next year) with no more than 25 persons, at a cost of a mere 0.36% of turnover. An innovation we made in our cash management was the deployment of occasional surplus funds within the STC Group, and Rs. 7.24 lakhs earned by way of interest more than met all our direct administrative expenses for the year.

Set up with a paid up capital of Rs. 50 lakhs, we have, in 1½ years' operations, grossed a return of Rs. 2.86 crores and contributed Rs. 194 lakhs to the exchequer as tax and Rs. 77 lakhs to our own reserves apart from Rs. 15 lakhs to STC, the holding company, by way of dividends. Our Board has, furthermore, proposed the issue of bonus shares to STC of the value of Rs. 25 lakhs, i.e. half the paid up capital.

With a view to the future, we have been paying a lot of attention to finding new sources for supplies of raw nuts and here too our efforts are beginning to bear fruit: we are already negotiating for trial supplies from several new sources—Nigeria, Dahomey, Senegal, Ivory Coast and, nearer home, from Ceylon. Equally, with the net work of STC's overseas offices, we are trying to diversify cashew exports and to establish new markets. We made a modest beginning with exports during the year to the value of Rs. 39 lakhs (including Rs. 13.4 lakhs through STC), and expect to attain a level of over Rs. 3 crores for exports in 1972-73.

THE CASHEW CORPORATION OF INDIA LTD.

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RECORDS AND STATISTICS

Report of the Committee for Review of the ONGC

THE APPOINTMENT of a high-powered committee to review certain aspects of the working of the Oil and Natural Gas Commission (ONGC) was announced by Mr P. C. Sethi in the Lok Sabha on July 16, 1971. Mr Sethi was at that time the central minister for Petroleum and Chemicals. The committee was asked to study certain features of the structure, organisation, financing and functioning of the ONGC and to make recommendations for changes and improvements which would strengthen and enable the Commission to achieve the objectives of rapid expansion of its programme or surveys, and exploration and production of gas and oil, both on shore and offshore.

A summary of this report was recently released to the press. The committee has recommended that the ONGC should be raised in status to that of national policy-making body. In this capacity, it should guide the Ministry of Petroleum. The obligation of the ONGC in the new set-up would be to make the country self-sufficient in oil. The committee has put emphasis on the foreign exploration activities of the ONGC. A number of shortcomings in the present working of the Com-

mission have also been listed. Main recommendations of the committee are listed below :-

The status of the Oil and Natural Gas Commission (ONGC) should be raised to that of a national policy body. It is this Commission that should guide the department (i.e. ministry) of petroleum exploration. In the new set-up, ONGC's obligation should be to make the country self-sufficient in oil by suitably combining exploration at home with exploration abroad and by producing synthetic oils.

Much greater emphasis should be laid on foreign exploration. The government should give support at the political level to promote ONGC's ventures abroad.

In consideration of oil's importance to industry and transport as fuel and lubricant and feedstock and also in consideration of its importance for defence, a bold plan for exploration is recommended. Oil prospecting is really an experimental research and deserves to be financed by research grant. Therefore, a generous exploration grant should be given each year until ONGC becomes financially well off.

The basic functions should be differentiated from the service functions.

Greater emphasis should be laid on seismic refraction, CDP (common depth point) techniques and general supervision of seismic data collection. The interpretation group should be strengthened.

The present tendency to save on logging expenses is false economy. It is better to use several types of logs. It is also cheaper to hire foreign expertise for specialised logging services than to leave

queries regarding the interesting subsurface horizons unanswered.

The rigs which have become unserviceable for drilling to depths beyond 2000 meters, as also the old mud pumps and the manually operated blow-out preventers should be changed.

Much greater importance should be attached to drill stem testing. Straddle packer type DST (drill stem testing) units should be used.

Much more importance should be given to laboratories in the projects. Saving on laboratories defeats the main purpose.

A more liberal policy of using cement additives should be adopted.

Some internationally known cementation experts should be invited to place the vital operation of cementation on a sounder footing.

Towards the development of a suitable oil well cement, a collaboration project should be set up involving the Cementation Research Institute, the IITs, few university chemistry departments and the ONGC Institute of Petroleum Exploration (Research Institute).

A similar initiative should be taken for developing cement additives, too.

Government should set a project for well log development, involving the Bhabha Atomic Research Centre, Electronics Corporation of India and National Geophysical Research Institute.

There is no need for a Central Directorate of Administration. It should be abolished. Administration should be a service wing under each of the different project field chiefs.

The present Directorate of Administration comprises both the Secretariat of the Commission and the Personnel Department. These should be separated.

The accounts department should have no power to ask for clarifications or to raise objections to an item of expenditure which forms part of the

approved budget unless there is a flaw in the procedure.

Finance should be involved at the horizontal level. At present the files move up to the head of a department and then it goes to finance, where the junior finance officer examines the proposal. This should be abolished.

The incentive scheme, which has resulted in a un-scientific drilling practices, should be withdrawn.

In ONGC there is over-staffing in certain areas and serious understaffing in certain other areas. This should be remedied.

The inadequate discussion at the budget preparation stage and top management's practice of pruning the budget proposals submitted by a department, even without a proper discussion, should be discontinued.

The ONGC leadership's present emphasis is only on the search for structural closures, in isolation from regional geological considerations. This has led to blind drilling and "hit or miss" tactics. Alternative hypotheses with the geological reasoning should form the basis of ONGC's exploration planning.

Except for some fundamental researchers, there should be a system of rotation between the laboratories, and from field to research and vice versa.

The 15 per cent research allowance given to IPE men should be removed.

ONGC should set up a committee to examine the various alternatives for easing the auto and transport situation.

The Ministry of Defence may be requested to meet the ONGC's minimum requirements of jeeps and trucks from the former's reserve stocks almost in the same manner as the Geological Survey of USA is given the privilege of using the transport facilities of the US Defence Services.

It was not possible for the committee to examine the pros and cons of giving freedom to the workshops to accept private jobs and also to the projects

for getting repairs done by private parties. The committee feels that there is nothing wrong in principle in accepting this proposal provided a periodical review is made to judge the comparative efficiency and cost.

ONGC should adopt a policy to promote specialisation. It should provide incentive for specialisation in terms of higher or special grades.

Collaboration should be developed with the Geological Survey of India as well as with the universities for furtherance of scientific research.

There is very poor use of library in the ONGC. This is an index of the lack of motivation for improvement of knowledge. A fundamental change in this atmosphere should be brought about.

The tendency of subjecting scientific work to mechanical cost analysis should be avoided.

The present system leaves no scope to the field parties for serious exploratory work. This system should be changed.

The responsibility for national policy for oil exploration at the highest level should vest in a body to be known as Oil and Natural Gas Commission.

The role of ONGC as national policy making body be recognised by an amendment of the statute or by a resolution of the government.

A department i.e. Ministry of Oil Exploration should be created as the implementing agency for the Commission's policy, as approved by the minister.

The Chairman of the ONGC should be a person of the Cabinet Minister's status and a member of the ONGC should be the Secretary of the Department of Oil Exploration. For some years, the Prime Minister should take over the oil exploration portfolio.

The operational functions now being performed by the ONGC should be the responsibility of a corporation, which may be called the Oil and Gas Corporation of India (OGCI).

The Board of the OGCI should have a full time Chair-

man, MD (exploration), MD (development and production) MD (off-shore), one Director of Economic Affairs, two part-time directors.

(There is a minute of dissent on the creation of a third MD Offshore).

The three Managing Directors should be Chief Executives in their respective spheres and report to the Chairman.

Although the OGCI will be a composite body to look after exploration, development and production as a whole, there should be a specific budget allocation for oil exploration.

To meet the heavy expenditure on oil exploration, a cess of about two naya paise on an average on every litre of petroleum product sold in the country may be levied by the Government. A National Oil Exploration Fund can be built out of this levy.

The existing system of directorates in ONGC should be abolished. In its place, a system of "line and staff" relationships should be introduced.

Training should be separated from the Institute of Petroleum Exploration, for the latter is essentially meant for research. The committee attaches the greatest importance to training, which should be taken up directly by the top management.

The research set-up in the ONGC should be reorganised. In addition to the research laboratory at Dehra Dun, laboratories should be considerably expanded in the regions to include petrographical, paleontological (including megafossil), palynological studies of the region as a whole.

There should be rotation of personnel between the laboratories as also from laboratory to the fields and vice versa.

An Institute of Basic Research should be set up under the ONGC within the IPE campus to conduct "objective basic" research, which has some longterm relationship with the work of the Commission.

There should be a separate design organisation for the

design and construction of sophisticated and specialised system (i.e. off shore systems and pipelines) as also to organise expertise for the large task of meeting the new transportation responsibilities of the country. The identification of this design organisation and its relationship with various organisations like ONGC, IOC, NMDC and NCDC etc. will need to be defined. A competent technical committee should be constituted by the government, within two months to decide on these issues of identification and definition of the role of HODI.

The country should be divided into 12 regions for the purpose of intensive exploration so that each region may receive due attention. The regions where there are hardly any outcrops (i.e. exposed rocks), would have to be headed by a geophysicist. Everywhere else a geologist should be the Regional Exploration Chief. Where a geologist is the Exploration Chief, a geophysicist should be the Deputy Exploration Chief and vice versa.

Sufficient powers should be delegated to the regional and project levels and a Committee of ONGC functionaries should be set up to examine the delegation of powers.

The government of India should invite the state governments' attention to the need for providing proper facilities to the oil exploration who are engaged in a work of great national importance.

The proposed corporation should set up a special Committee to prescribe the norms for deployment of personnel in a project.

There should be a change in the Central Workshop's Management which should be guided by a council consisting largely of representatives from the projects.

One or two companies to drill for water should be formed as subsidiaries to the proposed Oil and Gas Corporation.

ONGC is burdened with a large army of unproductive or

less productive labour. It is a serious problem. Government should take steps to absorb a part of this surplus labour force in some new industries.

The existing status of Hydrocarbons Indian (P) Ltd. should continue. After the conversion of the present ONGC into a corporation, and a India participates in other exploratory ventures overseas HIPL's status may be taken up for review.

ONGC should take steps to set up a synthetic oil plant for conversion of coal into oil. At present, research for this conversion is being done in the Central Fuel Research Institute, Dhanbad.

The Department of Oil Exploration may set up a geophysical company (tentatively called Geophysics India Ltd) for undertaking the most difficult operations within the country, and another drilling company (tentatively called the Indian Drilling Co) for taking up competitive jobs abroad. These should be outside OGCI but under the Commission.

The government should take up with the Institute of Cost and Works Accountants of India the question of starting a course of cost accounting specific to oil exploration.

There should be greater delegation of powers to all functional levels in the proposed Corporation. For this a special committee should be appointed to study in detail the financial powers required for different types of functionaries.

The present system of budgeting should be so changed that it would reflect the programme for the coming year and also the programme projections for next three years in exploration areas and the next five years in developmental areas.

Government may set up a National Energy and Feedstock Planning Board to dovetail production to requirements as well as to contain demands for petroleum products from sectors which can

use alternative forms of energy or feedstocks.

The nature of oil exploration invests material management with some special features. It is, therefore, necessary to carry heavier inventories of spares and equipment than would be considered optimum in other industries. ONGC's planning for equipment and stores should be far ahead of actual use.

ONGC should give much greater emphasis to forward planning of materials and budgeting towards this end; and the stores and purchase should form part of one comprehensive department of materials management.

A committee of specialists should be set up to examine the questions of procedure and methodology of operation in detail, including financial powers for the various levels.

The senior executives in the ONGC's Materials Management department should preferably be men with engineering background and given courses in materials management.

The Chief Materials Manager should function under the administrative control of the Managing Director, Development and Production but should provide service to all the wings.

The material management should aim at preparing a realistic 3-year plan for purchase of the equipment, and spares and other stores.

A "Stores and Equipment Purchase Committee" consisting of representatives from the Materials Management department, Finance and the various scientific and technical disciplines should be set up at the Centre, and in each of the regions, to screen the tenders (above a minimum value) from both the technical and financial angles and approve of the purchases.

The stores procedures should be changed to make them user-oriented.

As a general rule, the Projects Stores Officers should be freed from the responsibility

of normal purchase. The normal purchase from indigenous sources should be made by the regional offices of the material management department and supplied to the projects.

The project Stores Officer should be empowered to make emergency purchase with a fixed monetary ceiling. The project and regional Chief's financial powers for emergency purchase should be substantially enhanced and the requirement for prior financial concurrence relaxed.

The present practice of stores being "taken off charge" at the time of issue to the user sections should be discontinued. These should be "taken off charge" only when they are actually put to use.

A team should be formed to go round the projects, list the items which are being stocked, and complete their codification immediately.

It should be obligatory for every project store to submit return of every item in stock to the regional and central headquarters every two months. Stocks at all levels should be periodically reviewed and the reasons for surpluses investigated. A study should be made of how the items declared surplus could be put to productive use.

Repairs requiring service from trade, workshop or other agencies should be the responsibility of the Material Management Department. Major repairs should be referred to the regional workshops/ONGC's central workshops/firms specialising in such repairs.

There should be a regular policy of condemnation and replacement of vehicles and transport equipment. This should be done by a survey group consisting of representatives from various departments.

There should be a drive for standardisation of vehicles and transport equipment.

Transportation should be the responsibility of Materials Management Department and the functions of the transportation section should

be clearly differentiated from those of the transport section.

The committee proposed to be set up for examination of stores, purchase and supply procedures should also examine the practice about the safety measures taken in the projects for keeping the stores etc.

The aim of oil exploration efforts should be not only to discover oil accumulations but also to establish that a certain basin or its part has no commercial oil potential. From this it follows that ONGC would have to examine methodically every sedimentary basin, whether offshore or onshore, marine or non-marine, geologically young or old.

ONGC should remove the gaps in the basic data. Towards this end, much more importance should be given to the gravity, magnetic and refraction surveys.

ONGC has neglected regional geological considerations. In other countries, overlooking regional considerations has resulted in too much drilling without oil find. The importance of regional geology should, therefore, be restored.

ONGC should (i) seriously explore the flanks of anticlinal traps, and give full consideration to the geometry of the sand bodies; (ii) undertake a thorough examination of the wedge-edges of each area from the angle of structural geology, stratigraphy and hydrodynamics; (iii) give of fair trial to the possibilities of oil finds in the non-marine sediments. Even the ancient pre-Cambrian basins need not be excluded.

ONGC should make much greater co-ordinated effort for the exploration of the flanks. They should re-examine all the past cases where this aspect was not given due consideration.

A special study group should be formed in the ONGC to develop hydrological studies and to formulate objective planning for exploration of stratigraphic traps after synthesising all the available information.

ONGC should formulate a

bold policy of exploring the oil accumulation in non-marine sediments because hydrocarbons can be expected from both marine and non-marine sediments.

ONGC should also shed its prejudice against paleozoic sediments.

In order to revitalise exploration efforts in the country, ONGC should divide the total area into one whole offshore region and nine offshore regions. Besides, there should be two special study projects for the assessment of hydrocarbon potential in the ancient sedimentary basins and non-marine basins.

ONGC should lay emphasis on the study and application of various recovery techniques which would significantly augment production from the known hydro-carbon accumulations.

ONGC should organise separate conferences of the geo-scientists, the drilling personnel and the production engineers to discuss the postulates for exploration basin-wise.

Exploration plans should be separated from the development and production plans. Exploration plans should be regarded as pre-investment plans and not as investment plans.

OGCI should have a rolling five-year plan for exploration and development.

The accounting procedure in the ONGC is quite involved and does not represent true trends. It therefore requires simplification.

There has been no rational approach in the pattern of financing of ONGC. Borrowed funds have been repaid through further borrowing with increased liability towards interest charges. The present pattern of financing inhibits ONGC's efforts in carrying out exploration activities.

The pre-exploration project reports from the ONGC should not be equated with other project reports submitted by manufacturing units and that they should not be applied

similar yardsticks for appraisal.

The present ONGC or the future OGCI would be able to function effectively and quickly if a bulk amount of, say, Rs five crores per annum is placed at its disposal as foreign exchange instead of each major case being referred for clearance from the foreign exchange angle from DGTD, Department of Economic Affairs, etc. as at present. The nature of work in ONGC is such that it is most essential to have all stand-bys ready for any emergency.

Considering the high risk factors and uncertainties involved in oil exploration, the conventional method of financial exploration needs modification. The expenditure on exploration programme for the next 10 years is estimated to be of the order of Rs 400 crores i.e. Rs 40 crores per year. The committee suggests that the funds should be made available by way of grants from government and not by way of capital, which raises the capital base significantly and makes the ONGC answerable for dividends which, in the present situation, it is not in a position to declare.

A "National Oil Exploration Fund" should be created to finance the oil exploration, which would be operated by the OGCI in accordance with the directives of the ONGC. This fund would be fed by contributions from the Development and Production Wing of the OGCI, grant from government, and other sources, if any.

If government finds it difficult to allocate funds (as grants) every year from the General Revenue for oil exploration, then a cess may be levied for creation of National Fund for oil exploration. This may be on all petroleum products including lubes, bitumen, waxes etc.

For meeting the fluctuating requirements towards working capital of the development and production wing, the OGCI may be permitted to operate a cash credit account with the State Bank of India

upto a limit of say Rs five crores.

The work of preparation of budgets and exercising a continuous and close watch should be entrusted to budget committees—both at the headquarters as well as in the projects. The budget committee should meet at least once a month.

The long-term budget for ONGC should be a five-year budget so drawn up every year that the first year's budget will form the basis of a detailed budget for the next year. With the addition of a forecast for one more year, this will be a cumulative five-year Plan.

Resident cum-concurrent audit should be introduced for the new ONGC and the corporation/companies under it. The government may request the Comptroller and Auditor General to consider the suggestion favourably.

A very large part of the prospective area in the country, the offshore has not been surveyed. This has resulted in a gap in the data and certainly in the interpretation of airborne magnetic data. These gaps should be removed without delay. In addition, a number of basins, in which aeromagnetic surveys were earlier carried out with the now obsolete instruments, should be resurveyed to get a better picture. Some areas in the Ganga Valley, the Bengal Basin and the western Rajasthan deserve to be resurveyed immediately.

Much more attention should be paid to the very important aspect of the composition and array of seismic sensors.

The commission should give the highest priority to bridging the gaps in the acquisition of marine geophysical data so that ONGC can undertake exploration in our vast shelf areas in the quickest possible time.

A group of scientists, mainly geophysicists and mathematicians, from among the best available talents in the Commission and in the country should be organised for the generation and development

of geophysical, specially seismic, softwares.

In the field of ancillary seismic equipment viz. digital grade geophones, hydrophones, CDP cables etc, full efforts should be made to have these indigenously manufactured, in the next three to five year.

Men in geophysical field operations should be given incentives such as reasonable allowance for doing the actual field work.

The development of radio-navigation system, including positioning by the use of satellites, should be undertaken specially when the country has a very large marine area to be explored and exploited for minerals (including petroleum), oceanographic studies, marine biology and for defence.

Design and manufacture of the digital computers tailored to geophysical data processing will have to be taken up. But it is too much to assign this task to ONGC because of its very specialised nature and should be entrusted to an organisation like Electronic Corporation of India Ltd. Geophysicists from ONGC should however be associated with it.

The Commission must urgently set up an apparatus to design and fabricate instruments which are associated with non-explosive sources.

A project should be set up for development of well logging instrumentation.

The Commission's logging technicians should be trained in the methodology of modern data processing and interpretation, and comprehensive well logging evaluation methods in both their qualitative and quantitative aspects.

Expertise for drilling deeper wells with high-pressure conditions should be built up by deputing a few of our drillers abroad. Expertise in turbo-drilling technique may be acquired from the USSR.

The drilling tools must be provided with good coring equipment. Wireline coring methods should be employed wherever practicable.

There should be a review of the costing system.

Some internationally known

experts should be invited to put the high-temperature cementation technology on sound footing. Cementation section should be brought under the control of a Chemist. The Cement Research Institute at Delhi may also be consulted for the cementation problems.

The scientific/technical competence of the senior men of the present directorates and project managers should be revaluated.

ONGC should give top priority for personnel development for the next few years.

ONGC should give immediate attention for the development of indigenous science base. For this, they should recruit best students of geology, physics, mathematics, chemistry, mechanical and production engineering, and give advanced courses/integrated training courses to mould them as exploration scientists.

There should be no recruitment at the lowest entry point for the officers' category without prior training. It would be necessary to set up a committee consisting of broad visioned specialists to prepare the syllabi for each category of trainees.

Refresher courses for employees of different backgrounds and different levels should also be arranged in ONGC's Training Institute.

Vigorous steps should be taken for the training of ONGC's class III and IV employees.

For imparting intensive training to ONGC's personnel, not only the recruitment policy of ONGC should be very cautious in future, but ONGC should also make a careful screening of its existing work strength. The manpower found surplus on the basis of the work strength. The manpower found surplus on the basis of the work study may be absorbed in the new projects which have been recommended. In this connection, the practice of employing people initially as contingent labour and absorbing them after 240 days of continuous work should be stopped.

The importance of promoting

specialisation should be recognised by ONGC.

There should be a rotation of personnel from field to laboratory; from central headquarters to region or project and vice versa.

The ONGC's system of appraisal, selection and promotion should be changed.

Accountability is basic to the functioning of an organizational system and should be strictly enforced.

There should be a systematic intake of fresh blood at all levels. The selection should be based on tests designed to excite the imagination of the candidates and assess their potential.

There should be liaison between ONGC and Indian School of Mines so that the latter can plan its admission to the petroleum engineering course.

In the past there have been lopsided promotional opportunities for different disciplines. To correct this imbalance, the proportion of higher level posts has to be more certain levels of scientific disciplines.

There should be no fixity of sanctioned strength (posts) in the scale of Rs 700-1400. But above this, there has to be a fixity.

If anybody does an outstanding work of merit, no matter what level of posts he may be holding at the time, he may be considered for a much higher post.

The pay scales of functional members of the board of directors of the future OGCI should be brought on par with those of the functional members of the board of directors of other big corporations.

A person joining in the lowest class I officer's grade should be given a rigorous professional test after five years, for promotion to the next higher grade.

There should be a suitability test to cross the Efficiency Bar.

A worker should expect at least two promotions in life which should be based on tests and CRs.

Class I officers should have the right of appeal to the constituted ONGC if there is

any grievance which has not been redressed by the operating body.

There are complaints that fear of CSI inhibits decision making and prevents initiative at the operating levels. Government should have the question examined in detail.

ONGC or OGCI should constitute an internal committee to find a solution of the ageing field men who are becoming unfit for the strenuous work of drilling and field surveying.

A concrete study should be made of the conditions of living in each of the ONGC's producing fields for the purpose of deciding the question of termination or partial continuation of the project allowance.

The special allowance available to the ONGC's employees in the Research Institute (IPE), the Design Organisation (HODI) should be abolished.

The travelling and daily allowances of ONGC employees should be brought on par with those of IOC and FCI.

The Field Establishment Allowance to the ONGC field parties should be enhanced.

The lives of the personnel who have to work in dangerous surroundings should be insured at the cost of the Commission. Compensation policy for disabled officers and staff could be more liberal than that present.

The government should take steps so that loans on easier terms are available for the construction of houses for ONGC's employees. ONGC should pay House Rent Allowance to its employees at enhanced rates.

There is great need of residential schools for the children of exploration personnel in particular, and of the ONGC employees in general.

ONGC should give more serious thought to providing better medical facilities to the personnel of the projects fields. ONGC should adopt the scheme for encashment of leave. ONGC should employ social workers to keep in contact with the families of the ONGC employees and to know their problems.

Save with grace

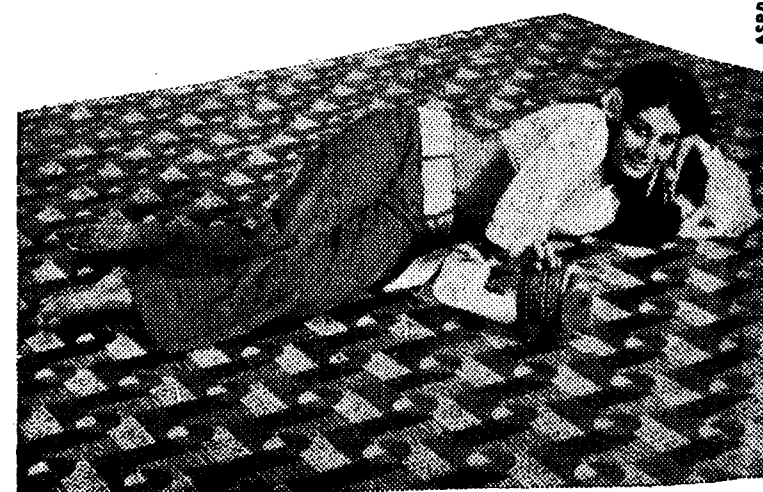
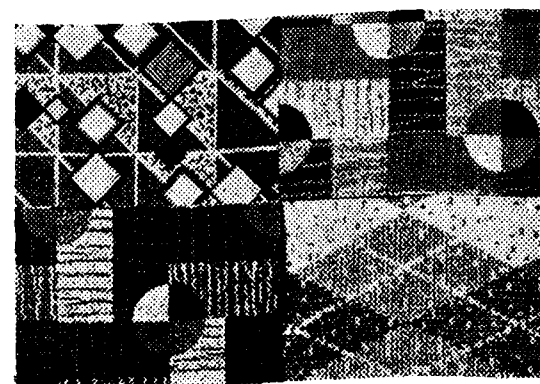
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ASPUL-S

Wholesale Prices

THE WHOLESALE prices as measured by the official index (with the year ended March 1962 as 100) stood at 192.3 in April 1972 as against 192.2 for March 1972. The general index at 192.3 was however higher by 5.5 per cent when compared to that of a year ago. During the month under review, 'liquor & tobacco' (+6.2 per cent to 216.5), 'fuel, power, light & lubricants' (+1.0 per cent to 177.7) and 'machinery & transport equipment' (+1.6 per cent to 165.2) showed significant advances while 'industrial raw materials' (-3.5 per cent to 175.8) recorded a noticeable fall.

Food Articles

The index for the sub-group 'cereals' moved up slightly by 0.2 per cent to 209.0 owing to an increase in the prices of rice and bajra although the prices of wheat, jowar, maize, barley and ragi declined. Lower prices of gram and masoor brought down the sub-group index for 'pulses' by 2.3 per cent to 279.4. The prices of arhar and moong, however, advanced. On the whole, the index for 'food grains' receded by 0.4 per cent to 221.7 during the month under review. The sub-group index for 'fruits & vegetables' recorded a rise of 2.4 per cent to 193.4 due to an advance in the prices of potatoes, oranges although the prices of onions and bananas recorded a fall. Substantial increase in the prices of milk was responsible for raising the index of 'milk & milk products' by 2.3 per cent to 221.9. The sub-group index for 'edible oils' stood at 196.2 against 197.7 for the earlier month. Prices of groundnut oil and coconut oil fell while those of gingelly oil and mustard oil advanced. A fall of 2.2 per cent to 257.1 in the index for 'fish, eggs & meat' was brought about by a decline in the prices of all the items under this sub-group. The sub-group index for 'sugar &

allied products' worked out at 247.6 as against 248.0 for the preceding month. The sub-group index for 'other food articles' slightly rose by 0.8 to 160.8 because of an increase in the prices of spices and condiments and betelnuts. However, a fall was noticed in the prices of tea, coffee and salt.

Liquor & Tobacco

Higher prices of raw as well as manufactured tobacco

raised the index for this group by 6.2 per cent to 216.5.

Fuel, Power, Light & Lubricants

The index for this group moved up by 1.0 per cent to 177.7 as against 176.0 for the previous month due to an increase in the prices of kerosene oil, petrol and rectified spirit. The price of castor oil, however, showed a fall.

Industrial Raw Materials

Lower prices of raw cotton and raw jute & mesta

brought down the sub-group index for 'fibres' by 6.8 per cent to 153.0 although the prices of raw hemp raw wool and raw silk advanced. A fall of 3.0 per cent to 196.3 in the sub-group index for 'oil-seeds' was caused by a recession in the prices of groundnuts, linseed, castorseed, cotton seed, and copra. However, the prices of gingelly seed and rapeseed moved up. The sub-

Index Numbers of Wholesale Prices by Groups and Sub-Groups of Commodities

(Base: 1961-62=100)

Group and Sub-Group	April 1972	March 1972	April 1971	Percentage change	
				April '72 March '72	April '72 April '71
Food Articles	216.4	216.2	202.3	+0.1	+7.0
Foodgrains	221.7	222.6	200.1	-0.4	+10.8
Cereals	209.0	208.5	194.0	+0.2	+7.7
Pulses	279.4	286.1	227.3	+2.3	+22.9
Fruits & vegetables	193.4	188.8	218.0	+2.4	+11.3
Milk & milk products	221.9	216.9	218.4	+2.3	+1.6
Edible oils	196.2	197.7	207.2	+0.8	-5.3
Fish eggs & meat	257.1	262.8	220.8	+2.2	+16.4
Sugar & allied products	247.6	248.0	191.6	-0.2	+29.2
Others	160.8	159.6	179.8	+0.8	-10.6
Liquor & Tobacco	216.5	203.9	183.5	+6.2	+18.6
Fuel, Power, Light & Lubricants	177.7	176.0	162.4	+1.0	+9.4
Industrial Raw Materials	175.8	182.2	190.9	-3.5	-7.9
Fibres	153.0	164.2	191.4	-6.8	-20.1
Oilseeds	196.3	202.4	202.4	-3.0	-4.1
Minerals	141.5	141.5	132.5	Nil	+7.0
Others	175.1	174.8	168.9	+0.2	+3.7
Chemicals	198.8	198.7	189.3	+0.1	+5.0
Machinery & Transport Equipment	165.2	162.6	152.3	+1.6	+8.5
Electrical machinery	169.7	163.2	149.9	+4.0	+13.2
Non-electrical machinery	173.4	171.3	162.0	+1.2	+7.0
Transport equipment	146.4	146.4	137.0	Nil	+6.9
Manufactures	173.3	172.8	162.3	+0.3	+6.8
Intermediate Products	205.3	206.6	188.5	-0.6	+8.9
Finished Products	165.6	164.6	156.0	+0.6	+6.2
Textiles	171.2	170.9	163.7	+0.2	+4.6
Cotton mfrs.	164.6	164.5	159.6	+0.1	+3.1
Jute mfrs.	202.7	201.9	187.7	+0.4	+8.0
Silk & rayon mfrs	132.1	130.1	123.7	+1.0	+6.8
Woollen mfrs	194.4	194.4	183.2	Nil	+6.1
Coir mats and mattings	183.0	175.8	175.8	+4.1	+4.1
Metal products	190.9	187.4	166.7	+1.9	+14.5
Non-metallic products	155.7	154.7	146.1	+0.6	+6.6
Chemical products	153.4	151.9	148.8	+1.0	+3.1
Leather products	98.0	98.0	92.1	Nil	+6.4
Rubber products	159.3	158.3	156.5	+0.6	+1.8
Paper products	136.3	136.0	124.7	+0.2	+9.3
Oilcakes	178.1	177.6	175.7	+0.3	+1.4
Misc. products	124.2	124.1	123.0	+0.1	+1.0
All Commodities	192.3	192.2	182.2	+0.1	+5.5

Source : Office of the Economic Adviser, Ministry of Industrial Development.

group index for 'minerals' remained unchanged at its last month's level of 141.5. The sub-group index for 'other industrial raw materials' stood at 175.1 as against 174.8 for the earlier month. Prices of raw hides, and raw skins moved up while those of lac fell.

Chemicals

The index for the 'chemicals' group stood at 198.8 as against 198.7 for the earlier month.

Machinery & Transport Equipment

The index for this group rose

by 1.6 per cent to 165.2 due to an increase in the prices of both electrical and non-electrical machinery items.

Intermediate Products

A fall of 0.6 per cent to 205.3 in the index for 'intermediate products' has been caused by lower prices of cotton yarn, rayon, zinc, brass sheets, copper sheets and tin. The prices of coir yarn leather semis, and lead, however, advanced.

Finished Products

Enhanced prices of coir mats and mattings (+4.1 per

cent to 183.0), silk & rayon manufactures (+1.0 per cent to 132.1), jute manufactures (+0.4 per cent to 202.7) and cotton manufactures (+0.1 per cent to 164.6) pushed up the sub-group index for 'textiles' by 0.2 per cent to 171.2. The sub-group index for 'metal products' advanced by 1.9 per cent to 190.9 due to an increase in the prices of iron & steel manufactures and cutlery & hardware items. A rise of 0.6 per cent to 155.7 in the sub-group index for 'non-metallic products' was brought about by an increase in the prices of cement, bricks and tiles. 'Chemicals products' sub-group witnessed an increase

of 1.0 per cent to 153.4 due to an advance in the prices of fertilisers, paints & varnishes and dyeing materials. A fall was, however, noticed in the prices of essential oils. 'Leather products' remained stationary at its earlier month's level of 98.0. The indices for 'rubber products' (+0.6 per cent to 159.3), 'paper products' (+0.2 per cent to 136.3) and 'miscellaneous products' (+0.1 per cent to 124.2) recorded advances. The sub-group index for 'oilcakes' went up by 0.3 per cent to 178.1. On the whole, the index for 'Finished Products' rose by 0.6 per cent to 165.6 during the month under review.

Index Numbers of Industrial Production

(Base: 1960=100)

Item	1970*			1972*	Item	1970*			1972*
	Novem-ber	Decem-ber	Janu-ary			Novem-ber	Decem-ber	Janu-ary	
General Index					Manufacture of fertilisers	668.7	941.5	976.6	909.4
Seasonally adjusted					Manufacturing of paints, varnishes & lacquers	115.2	135.5	127.0	119.8
Crude	180.8	191.5	191.3	192.3	Fine pharmaceutical chemicals	156.6	118.5	237.9	238.0
Mining and quarrying	149.0	161.6	169.2	170.4	Fine chemicals	132.3	64.2	132.0	150.3
Manufacturing	174.8	181.5	193.9	188.8	Petroleum refinery products	297.3	307.8	338.7	341.2
Food manufacturing industries	157.5	147.8	160.9	176.1	Manufacture of non-metallic mineral products†	189.1	214.0	220.2	212.5
Sugar factories and refineries	165.3	103.9	276.6	352.6	Manufacture of cement (hydraulic)	177.9	186.1	192.4	206.0
Vanaspati	154.4	197.2	179.5	189.7	Basic metal industries	205.5	212.6	226.2	220.4
Tea	128.4	133.0	47.4	18.7	Iron and steel basic industries	187.8	190.2	203.9	198.7
Coffee curing	129.3	118.0	115.2	168.5	Non-ferrous basic metal industries	301.2	333.4	346.8	338.0
Beverages and tobacco industries	170.1	195.7	195.6	185.6	Aluminium manufacturing	508.7	572.8	594.8	585.3
Cigarette manufacturing	168.0	188.5	189.8	181.1	Manufacture of metal products (except machinery and transport equipment)	219.0	206.4	217.6	219.9
Manufacturing of textiles	109.7	112.5	119.3	114.7	Manufacture of machinery (except electrical machinery)	369.5	378.0	384.4	373.4
Spinning, weaving and finishing of cotton textiles	111.8	110.0	116.4	112.1	Manufacture of industrial machinery	120.6	85.3	79.7	81.9
Cotton spinning	127.0	124.0	130.7	125.8	Machine tools	327.6	420.2	422.2	438.9
Weaving of cotton textiles	92.7	92.4	98.6	94.8	Manufacture of electrical machinery	362.7	431.8	456.5	411.0
Woollen textiles	161.6	211.6@	211.6@	211.6@	Manufacture of batteries	232.3	263.7	269.7	266.9
Jute manufactures	85.1	101.1	112.4	104.7	Manufacture of transport equipment	132.0	125.6	131.6	121.6
Manufacture of paper and paper products	216.5	230.1	247.6	252.0	Manufacture of motor vehicles	157.8	171.7	188.5	175.4
Manufacture of paper	217.7	237.9	247.2	251.5	Motor cycles and bicycles	266.5	278.0	259.8	245.3
Manufacture of leather and fur products	65.3	56.7	53.3	45.1	Manufacture of motorcycles and scooters	603.2	743.3	616.7	713.0
Manufacture of rubber products	215.7	279.8	311.6	258.6	Manufacture of bicycles and tricycles	194.9	179.1	183.8	145.9
Tyres and tubes	258.3	340.3	385.5	322.5	Electricity generated	334.0	371.0	385.2	394.8
Manufacture of chemicals and chemical products	236.5	247.9	292.3	284.0					
Basic industrial chemicals, including fertilisers	332.2	362.7	397.8	374.2					
Heavy organic chemicals	287.7	277.0	297.1	334.9					
Heavy inorganic chemicals	337.4	360.3	381.5	354.9					
Synthetic resins and plastics	194.4	245.2	222.8	224.7					
Synthetic fibres	230.7	160.2	250.0	259.7					
Dyestuffs and dyes	195.6	188.7	193.1	157.4					

*Provisional @ Due to non-availability of production data, the figure for the previous month has been repeated.
†Except products of petroleum and coal.

Source C.S.O.

Reserve Bank of India (Rs crores)					Scheduled Commercial Banks (Rs crores)				
	July 7, 1972	A week ago	A month ago	A year ago		July 7, 1972	A week ago	A month ago	A year ago
Issue Department					1. Demand deposits*	3345.00	3288.60	3199.95	2733.86
Notes held in banking department	41.53	45.67	14.16	16.36	2. Time deposits*	4252.41	4234.87	4174.98	3505.95
Notes in circulation	4903.36	4860.37	4987.85	4475.07	3. Aggregate deposits*	7597.41	7523.47	7374.93	6239.81
Total notes issued	4944.89	4906.05	5002.00	4491.43	4. Cash	233.10	206.00	196.07	171.58
Gold coin and bullion	182.53	182.53	182.53	182.53	5. Balances with Reserve Bank	261.36	241.36	266.83	198.43
Foreign securities	211.65	221.65	221.65	253.42	6. Cash and balances with Reserve Bank	494.46	447.36	462.90	370.01
Rupee coin	26.41	27.57	23.54	37.53	7. Borrowing from Reserve Bank	4.00	42.11	75.43	247.93
Government of India rupee securities	4,524.30	4,474.29	4,574.28	4,017.45	8. Investments in government securities	1722.12	1664.05	1692.32	1415.87
Banking Department					9. Advances	4396.53	4346.24	4393.23	3843.53
Deposits of central government	54.54	66.72	54.15	54.85	10. Bills purchased and discounted	1041.68	1030.89	937.29	1036.69
Deposits of state governments	16.23	7.61	7.11	4.04	Inland bills	833.60	822.16	715.86	832.78
Deposits of banks	319.43	301.73	286.60	214.69	Foreign bills	208.08	208.73	221.43	203.91
Other deposits	256.58	97.76	94.68	148.30	11. Total bank credit	5438.21	5377.13	5330.52	4880.22
Other liabilities	940.71	1065.29	1036.80	719.13	12. Percentage of (6) to (3)	6.51	5.95	6.28	5.93
Total liabilities or assets	1587.50	1539.10	1479.33	1141.03	(8) to (3)	22.67	22.12	22.95	22.69
Notes and coins	41.59	45.72	14.22	16.44	(11) to (3)	71.58	71.47	72.28	78.21
Balances held abroad	187.06	196.11	214.89	109.31					
Loans and advances									
State governments	70.70	91.07	111.84	143.77					
Scheduled commercial banks	4.00	42.11	75.43	247.93					
State cooperative banks	208.70	215.52	224.80	234.63					
Other loans and advances	106.89	90.89	87.78	59.93					
Bills purchased and discounted	360.86	331.36	264.68	34.82					
Investments	510.27	458.79	434.60	234.76					
Other assets	97.44	67.54	51.09	59.43					

*Excluding inter-bank borrowings

Source: Reserve Bank of India

Money Supply with the Public (Rs lakhs)						
Last Friday	Money supply	Total currency with the public	Deposit money with the public			
			Total	Net demand deposits of banks*	Other deposits with Reserve Bank	Total variations in money supply
1951-52	1,848.18	1,285.51	562.67	544.85	17.82	-160.03
1955-56	2,216.95	1,571.01	645.94	336.90	9.04	+262.16
1960-61	2,868.61	2,098.05	770.56	757.10	13.46	+199.11
1965-66	4,529.39	3,034.28	1,495.10	1,478.38	16.72	+449.11
1966-67	4,949.96	3,196.80	1,753.16	1,711.75	41.41	+420.57
1967-68*	5,350.07	3,376.08	1,973.99	1,917.66	56.32	+400.11
1968-69*	5,779.25	3,681.97	2,097.28	2,016.41	83.88	+429.18
1969-70*	6,386.54	4,010.34	2,376.20	2,318.30	57.90	+607.29
1970-71*	7,136.32	4,379.67	2,756.65	2,712.82	43.83	+749.78
1971-72	8,042.00	4,806.00	3,236.00	3,156.00	80.00	+905.68
January 1971	6,946.31	4,259.01	2,687.29	2,628.46	58.83	+151.88
October 1971	7,446.34	4,470.98	2,975.36	2,926.06	49.30	+44.32
November 1971	7,487.98	4,489.75	2,998.23	2,949.54	48.69	+41.64
December 1971	7,704.30	4,566.83	3,137.46	3,071.45	66.02	+216.32
January 1972*	7,817.41	4,697.11	3,120.30	3,056.73	63.57	+13.11
February 1972	7,896.68	4,781.34	3,115.33	3,058.27	57.06	+79.27
March 1972	8,065.63	4,807.15	3,258.49	3,178.93	79.55	+168.95
April 1972	8,234.11	4,913.44	3,320.67	3,244.27	76.40	+168.48
May 1972	8,388.00	5,015.00	3,373.00	3,301.00	72.00	+154.00
June 1972	8,470.00	5,007.00	3,463.00	3,397.00	66.00	+82.00

*Provisional

Source: Reserve Bank of India.

Consumer Price Index Numbers for Industrial Workers

(Base : 1960=100)

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1971*				1972*		
							Mar.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
All-India	—	—	174**	177	186	192	184	196	197	195	194	193	194
Ahmedabad	130	168	165	169	176	181	175	182	186	184	185	185	184
Alwaye	145	183	198	197	198	202	188	204	206	210	205	204	205
Asansol	140	168	176	178	189	194	187	199	199	195	195	194	198
Bangalore	144	172	180	183	186	194	189	197	199	197	197	196	197
Bhavnagar	132	173	176	178	186	194	188	196	195	199	199	197	200
Bombay	130	164	167	175	182	190	184	193	194	191	190	191	193
Calcutta	131	163	170	172	182	187	176	198	200	193	187	186	185
Coimbatore	132	151	147	154	164	177	167	177	180	184	185	179	180
Delhi	136	172	178	185	199	211	205	213	218	211	213	212	213
Dighboi	138	198	185	180	189	188	183	191	191	190	190	189	190
Gwalior	139	191	179	184	191	197	188	201	200	198	199	197	201
Howrah	137	178	181	176	186	191	184	200	201	196	191	190	194
Hyderabad	140	167	173	185	189	195	188	200	200	197	197	196	196
Jamshedpur	136	183	171	170	183	187	179	191	192	186	187	184	188
Madras	134	151	150	160	170	182	172	185	187	188	194	186	186
Madurai	128	146	148	160	177	192	181	194	197	196	200	197	193
Monghyr	151	215	185	188	205	204	194	213	209	202	201	206	208
Mundakayam	138	173	186	191	197	199	187	200	204	206	202	198	197
Nagpur	138	164	166	176	187	192	183	194	196	197	196	194	194
Saharanpur	141	188	176	181	186	196	190	194	198	200	203	201	204
Sholapur	128	165	167	176	185	198	187	204	201	207	205	197	194

* Provisional

** Average for eight months—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	1971-72	1971*				1972*		
								Mar.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
All-India	132	146	159	161	167	174	180	174	183	183	182	182	183	184
Bombay	132	142	153	156	162	168	172	166	174	174	171	171	173	174
Delhi-New Delhi	131	142	154	162	168	174	180	176	181	180	180	181	184	188
Calcutta	126	139	152	156	162	170	174	168	179	179	175	172	172	174
Madras	133	147	154	154	161	175	188	181	189	191	193	194	195	195
Hyderabad-Secunderabad	133	147	155	159	167	174	180	175	181	184	184	184	183	183
Bangalore	133	145	156	160	164	172	180	175	181	182	182	183	184	185
Lucknow	132	146	159	156	161	166	174	168	177	178	176	176	179	181
Ahmedabad	131	146	160	162	168	171	173	167	174	175	175	176	176	178
Jaipur	133	150	162	168	176	183	188	181	189	189	188	191	193	197
Patna	139	160	179	180	180	191	190	188	195	193	190	188	188	191
Srinagar	134	143	160	167	174	184	191	190	191	192	193	194	196	197
Trivandrum	131	146	165	168	172	178	184	177	184	186	187	188	189	189
Cuttack-Bhubaneswar	142	154	164	167	169	176	184	175	185	189	188	186	187	187
Bhopal	133	144	166	166	172	180	188	182	189	191	191	192	193	194
Chandigarh	129	143	155	164	171	178	183	178	183	184	185	186	188	189
Shillong	123	134	155	163	164	166	175	166	180	182	179	173	172	174

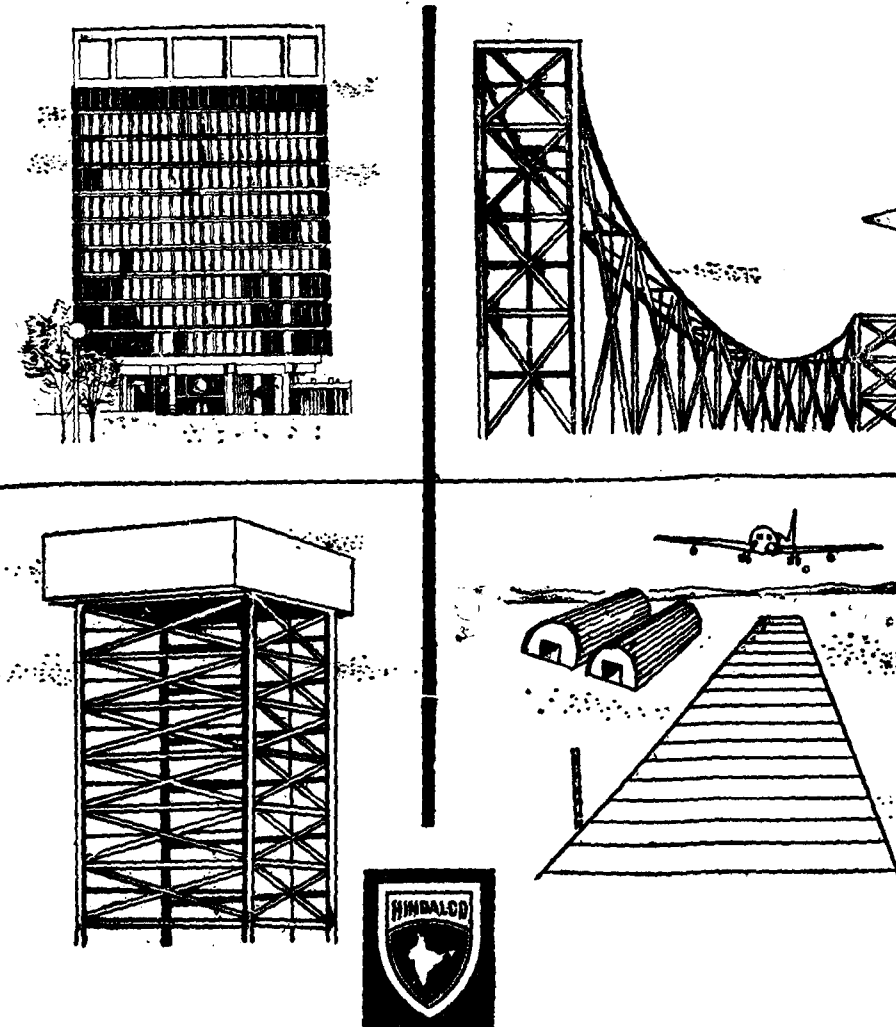
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Source : C. S. O.

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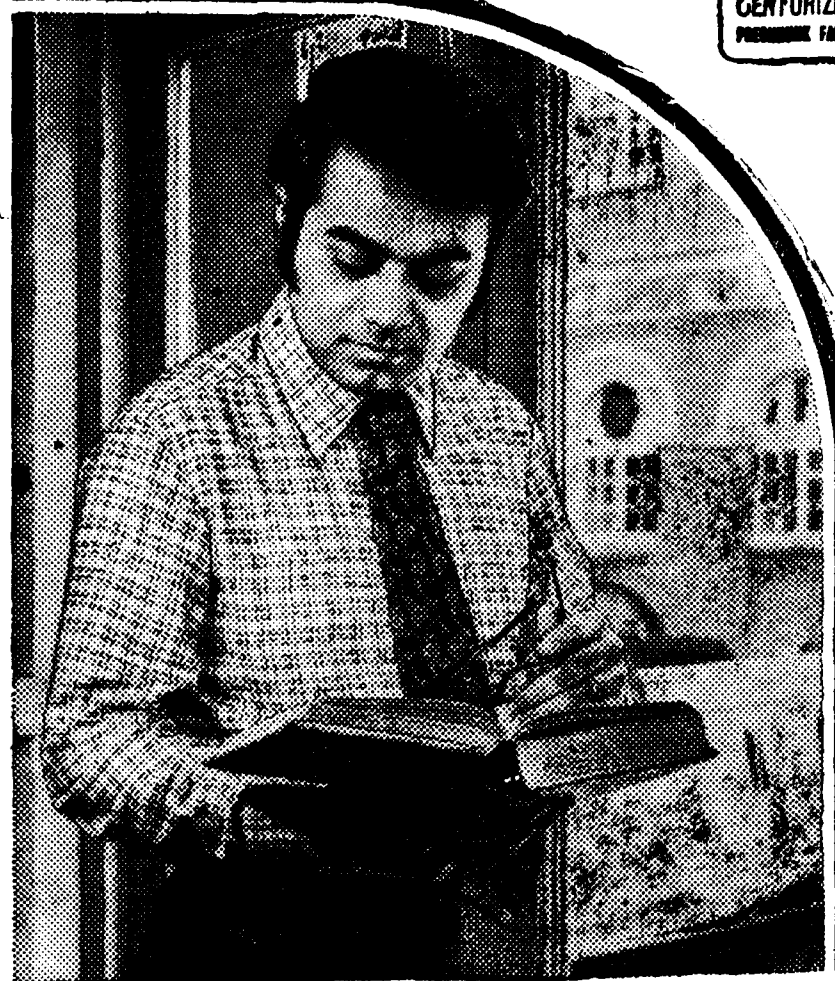
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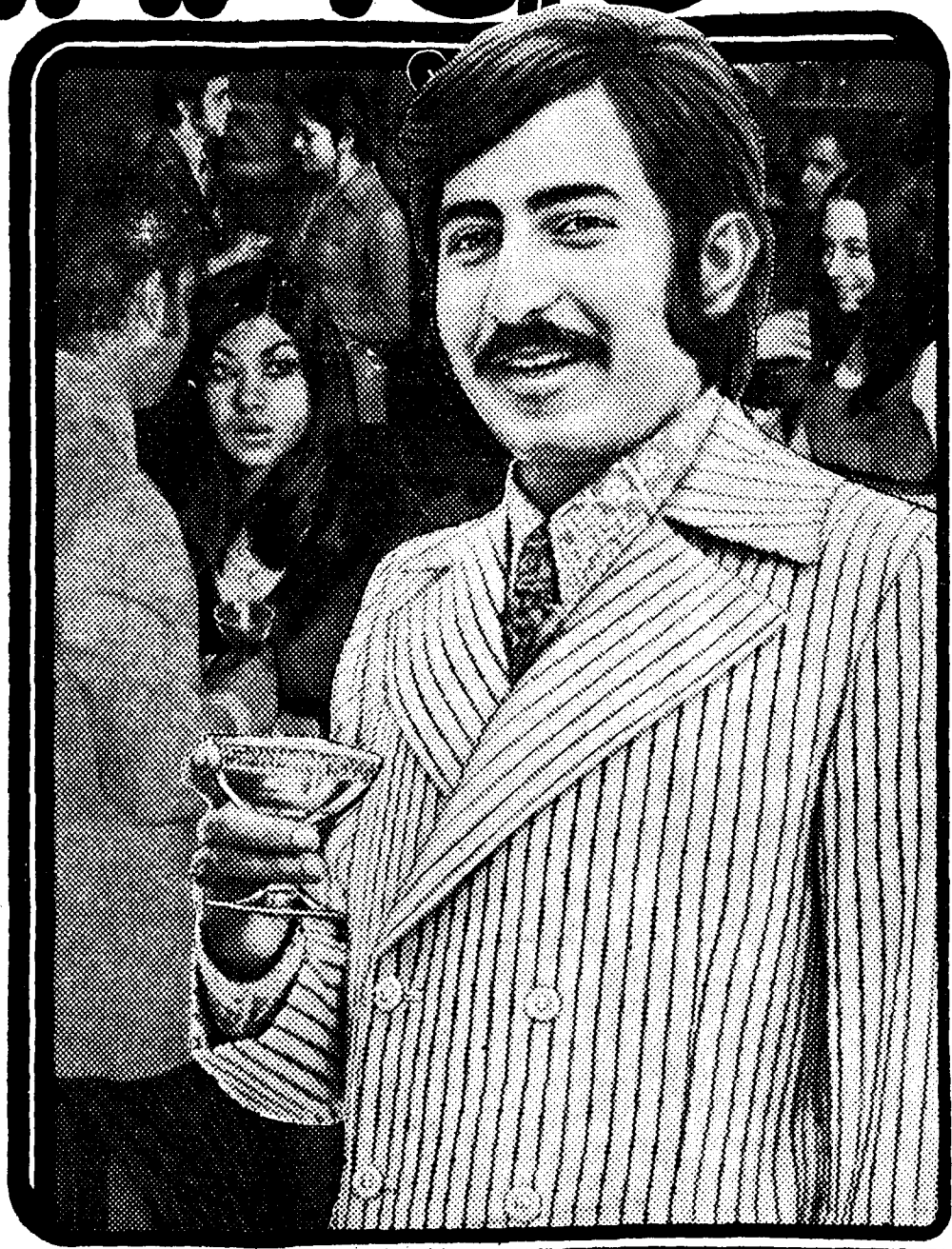
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Cheers to the team spirit

WHETHER THE Prime Minister would be able to reorganize the economic ministries in a more rational manner and man them adequately at the ministerial level later in the year remains to be seen. She has however had the prudence to realize that an effort has to be made in the meantime to achieve some co-ordination of inter-ministerial activity in the economic sphere. Ordinarily the Minister for Planning should essay this task in association with the Finance Minister and under the general guidance or supervision of the Prime Minister. Mr D.P. Dhar, however, is new to his job, while Mr Chavan seems to be sulking in his tent. Mr C. Subramaniam, newly vested with the portfolio of Industrial Development, has therefore been only too ready to deputize for him in the matter. Last week, at his instance, there was an informal meeting attended, apart from himself, by the ministers of Steel, Mines and Metals, Petroleum and Chemicals, Planning, Railways and Foreign Trade.

It appears that such meetings will be held periodically for informal exchange of views in order to facilitate inter-ministerial co-ordination and decision-making. The Minister for Industrial Development would perhaps seek to be *primus inter pares* in this ministerial group of six. This will not be unreasonable because it is desirable that the Industrial Development ministry should become more and more the government's primary operational machinery for formulating or guiding the industrialization processes of the nation. The question, however, is whether the government as a whole is organized properly at present to allow this ministry to function in this manner. For instance, how would the Minister for Planning fit into the picture? It may be expected that Mr D.P. Dhar would seek to be an active and forceful member of the cabinet and since he has the reputation of being a quick learner he may be expected to get over soon enough the disadvantage of being new to his portfolio. It is not unlikely, therefore, that very soon the issue may arise whether the Minister for Planning should do the co-ordinating or the Minister for Industrial Development.

Again, there has been no indication so far of the way the Finance Minister feels about these goings-on. It is improbable indeed that he would agree to join the informal group of economic ministers which has been formed now unless he could be the master of ceremonies. As it is, his ministry was not represented at all at the meeting last week. In view of the fact that Finance must necessarily enter the argument at some stage or the other, there are bound to be occasions when the Subramaniam group might find the need for the Finance Ministry's presence at the discussions.

Rather interestingly the Minister of State for Company Affairs was not present when Mr Subramaniam and the other economic ministers had their meeting. It has been alleged that the motivations or the workings of Mr Raghunatha Reddi's establishment have had much to do with the poor showing of the government in the promotion of industrial growth. The kind of co-ordination which the Prime Minister may have in mind or the Ministry of Industrial Development would like to engineer must surely require the active participation of the Department of Company Affairs and the minister who is now in charge of it. It could perhaps be argued also that, since important industries are under the charge of the Ministry of Food and Agriculture, the Defence Ministry, the Ministry of Transport and Shipping, the Ministry of Communications and other ministries not strictly classed as economic ministries, the group of six would be able to function only in a manner short of complete comprehensiveness. Even so, in practical terms, there are clearly gains to be made by the coming together of as many of the economic ministries as possible for the purpose of holding informal consultations among themselves. Quite possibly this process would get extended in due course to bring under its coverage more and more ministries with economic responsibilities.

Since personalities and personal equations have much to do with the functioning of the government, it is a happy circumstance that the ministers for Industrial Development and Steel, Mines and Metals happen to have good personal relations with each other. Mr Subramaniam and Mr Mohan Kumaramangalam are already known to be working fairly closely with each other in the council of ministers. This applies also to Mr Kumaramangalam and Mr Gokhale, and will be no doubt true of Mr Subramaniam and Mr Pai. While the government cannot afford to have its ministers going about organizing themselves into exclusive coteries, it may certainly be an advantage if a sufficient number of ministers, whose ministries have a great deal to do with one another, do find that official connections could be reinforced by personal associations. In any case it is certainly better that ministers should band together for public purposes rather than for pursuing private goals or interests.

The task that lies immediately ahead of the economic ministries is undoubtedly

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one of increasing industrial production all round. Prices are rising while the growth of exports is suffering — both in the context of gathering domestic inflation. There is an urgent need for more goods of almost every description, while there is a special need for an increase in the output of essential consumer goods. If the economic ministries desire to make an impact on the public consciousness, they should make an effort on a grand scale to formulate a series of measures which could individually and collectively help increase industrial production by making it possible for the factories in the land to utilize their installed capacities more intensively.

The problem here is to identify the major bottlenecks and decide what could be done to widen them, so that raw materials could flow more freely into the plants even as finished goods move out of them smoothly towards markets all over the country. In evolving a suitable strategy for this purpose the Minister for Industrial Development will have to rely heavily indeed on ministries such as the Railways which must strive to move more goods faster. The ministry of Foreign Trade, after talking too loud and too long about a breakthrough in exports, has now sobered down and conceded that grand visions of an export drive are bound to be misleading so long as industrial production in the country does not recover, or industrial growth is not accelerated. The Minister for Steel, Mines and Metals, who obviously aspires to be the pacesetter for the economic policies of this government, has to realize first of all that, unless there is an improvement in the efficiency of the steel plants for which his ministry bears a direct responsibility, there will be no brightening prospects either for domestic price stability or for the growth of exports.

Although the ministry of Industrial Development is generally assumed to be primarily responsible for industrial development generally or the progress of various industries individually, the truth is that several important industries, basic or strategic, lie quite outside its direct purview. The cotton textile industry, for instance, is with the ministry of Foreign Trade, while the petroleum, chemical and pharmaceutical industries are with the ministry of Petroleum and Chemicals. It follows that wherever a clear need exists for vigorous promotional measures for increasing the output of industries such as these, the ministry of Industrial Development can make itself effective only by taking the initiative to discuss with the particular ministry concerned the programme or programmes that may be immediately called for.

Apart from this, the most significant contribution that the new Minister for

Industrial Development can make to the industrial well-being of the country is to mobilize support not only among a few economic ministries but in the council of ministers as a whole for rationalizing and liberalizing the broad industrial policies of the government so that the prevailing deterrents to industrial investment or industrial expansion may be removed. If the ministry of Industrial Development is to succeed it must become a policy-oriented ministry, analysing the implications and consequences of current policies and working for the improvement, modification or even the abandonment of such of the features of these policies as are found to come in the way of current production or expansion

of industrial capacity. Prevalent thinking on the fifth Plan gives great importance to the growth of consumer goods industries as a part of the anti-poverty programme. The point is that production, whether of consumer goods or other goods many of which may in fact be needed for the production of consumer goods, is a function necessarily of the general level of economic activity in the country. Poverty can be fought only by the creation of wealth so that more wealth becomes available to be shared more equitably. It is to be hoped that the country will not have to wait long for some indication that the economic ministries can act both individually and collectively to deliver the goods to a waiting nation.

Borrowing is beautiful

THE FIRST tranche of the borrowing programme of the central government for 1972-73 has been completed with the least effort and the money market was in such an extremely comfortable state that a much larger amount could have been raised without creating strain anywhere in the organised sector. The three loans 4½ per cent 1979, 5 per cent 1983, and 5½ per cent 2002 were oversubscribed in less than an hour on July 15 and the lists had to be closed within a short time of their opening. Aggregate subscriptions in the form of conversion and cash applications amounted to Rs 386.61 crores against the notified amount of Rs 350 crores, and all subscribers received full allotment. The government has of course exercised its right to accept subscriptions up to 10 per cent in excess of the notified amount. It could thus borrow a net amount of Rs 131.79 crores as the maturing 4½ per cent 1972 loan was outstanding to the extent of Rs 254.82 crores. The conversion operation has been a greater success on the present occasion than in earlier years as applications from the holders of 4½ per cent 1972 loan were as much as Rs 236.91 crores and only about Rs 18 crores had to be repaid on July 15. In July 1971 against a notified amount of Rs 375 crores aggregate subscriptions for three loans amounted to Rs 405.78 crores. Conversion applications were Rs 298.36 crores against the outstanding amount of Rs 332.09 crores in respect of the maturing 4½ per cent 1971 loan. The funding operation recently completed has therefore meant a smaller outgo of funds and net borrowing also has been on a larger scale.

An analysis of the conversion ap-

plications for the recent loans shows that there were larger subscriptions for the long dated and medium dated loans. Those against 5½ per cent 2002 were Rs 105.24 crores, 5 per cent 1983 Rs 87.56 crores, and 4½ per cent 1979 Rs 44.11 crores. It is also noteworthy that cash applications too showed a similar preference, those for the long dated loan being Rs 93.26 crores, for the medium dated loan Rs 48.03 crores and for the short dated loan only Rs 8.41 crores. This is a clear indication that institutional investors, particularly the Life Insurance Corporation and provident funds, have been anxious to secure a higher average yield on their investments by taking advantage of the more attractive interest rates on loans with longer maturities. This is perhaps due to the difficulty now being experienced in finding remunerative use for funds.

The government could have actually adopted a bolder policy as even with the siphoning away of over Rs 131 crores there is no sign of strain on the money market and the inter bank call rate in Bombay is quoting between 3½ per cent and 4 per cent. It has not even been necessary for the scheduled commercial banks to borrow sizably for a temporary period in order to meet the needs of its constituents and also invest fairly large amounts on their own account in the new loans. This has been due to the fact that a growth in deposits has latterly been very impressive, and advances also have started declining. Since there will be further sizable additions to deposits in the coming weeks, and advances also will tend to contract steadily, the centre could have easily borrowed Rs 175 crores without creating any trouble for the state governments which may not raise a net amount of more than Rs 125 crores.

The difficulties experienced by the scheduled commercial banks in putting to good use available resources will be

clearly borne out by the increase in advances during a twelve month period ended July 14, 1972 being only Rs 530 crores against an increase in deposits in the same period of as much as Rs 1381 crores. It was therefore possible to wipe out more or less completely borrowings from the central banking institution and invest also nearly Rs 300 crores in government securities and treasury bills alone. There should have been also a big increase in holdings of bonds and trustee securities. With fresh additions to deposits at an average of Rs 30 crores every week there would be a growth in deposits of nearly Rs 200 crores before the list for the state governments' loan open on September 4, 1972.

There are maturing loans for over Rs Rs 84 crores and with the known anxiety of many state governments to raise larger net amounts through open market loans, the notified amount can be easily Rs 200 crores. Even if the net amount borrowed was Rs 116 crores there would be surplus cash balances with the banking system. It remains to be seen whether the Reserve Bank would effect sizable open market sales for enabling banks to employ their surplus resources remuneratively. These sales can easily amount to Rs 75 crores even before the state loans are out of the way. Such a state of affairs has not prevailed in the money market in the past decade and the developments in the current slack season have been extremely slack after procurement operations of the Food Corporation and other agencies were completed.

Even allowing for liberal borrowing by the state electricity boards and the statutory financial corporations the central government can exceed substantially its target for net borrowing which has been fixed at Rs 215 crores for 1972-73. Already Rs 131 crores have been raised and it may be necessary to have an unusual funding operation in the next fortnight in order to replenish the holdings of terminal loans of the Reserve Bank on account of large open market sales. The funding of ad hoc securities of about Rs 100 crores usually takes place in February every year. In view of the cautious policy pursued by the central government the first stage of its borrowing programme and the compulsion on the part of the banks to invest their surplus resources in terminable loans, the funding of treasury bills may have to take place earlier than usual, as stated above through re-issues of the recent loans. Already the Reserve Bank has started effecting open market sales of the new loans with the long dated issue being offered at a premium of 10 paise and the medium dated issue at a premium of 5 paise over the issue prices.

The short-dated loan is of course being offered at par.

Member banks might like to invest their surplus resources until the middle of October in terminable loans. As it is likely that there will be fresh additions to deposits in these three months of nearly Rs 400 crores and there may also be a contraction in advances to the extent of Rs 100 crores in all an amount of Rs 500 crores has to be invested in terminable loans and treasury bills. Assuming that the state governments will be raising a net amount of Rs 125 crores and there will be bonds of state electricity boards and others for Rs 100 crores the central loan can absorb Rs 150 crores even allowing for the wiping out of loans that may be temporarily taken. This would mean that even by the middle of October there is scope for raising a net of Rs 280 crores against the target of Rs 215 crores. There will of course have to be fresh investments out of fresh additions to deposits upto the end of the year. On present indications, it will thus be possible to raise easily Rs 300 crores against the net amount of Rs 294 crores borrowed in

1971-72 which is a record for recent years.

Besides the compulsion to invest new deposits in new loans almost concurrently there will also be the unusual feature of sizable purchases of treasury bills out of funds that may start accumulating after the end of September. The investment in treasury bills can be easily Rs 100 crores and for the first time in living memory the 1972-73 busy season will start under extremely comfortable conditions. Apart from there being no borrowing by member banks from the Reserve Bank, the investments in treasury bills can be utilised if there is an aggressive demand for funds in December or January next. There may be need to borrow from the Reserve Bank on a large scale only if there are big additions to sugar stocks and the cotton crop also is again a bumper one. The outlook for borrowing for central and state loans is thus extremely encouraging though it may not be considered a happy development by many experts that there should be a persistent decline in the credit deposit ratio when available resources should be effectively utilised for hastening economic growth in all sectors.

A CLARIFICATION

Arguing for the government on the writ petition filed by several newspaper owners and interests challenging the government's newsprint price control policy, the Additional Solicitor-General made certain submissions on July 28 before the five-member Constitution Bench of the Supreme Court, presided over by the Chief Justice in the course of which he (Mr F.S. Nariman) made a reference to this journal in terms which are inaccurate and misleading. According to the newspaper reports of the relevant proceedings in the Supreme Court, the Additional Solicitor-General, while contending that if any newspaper wanted to use varieties of printing paper other than newsprint they were free to do so, said that one of the petitioners was publishing *Times Weekly* using white printing paper while another was bringing out *The Sunday World* and the weekly journal *Eastern Economist*.

The suggestion here seems to be that *Eastern Economist* is a *Hindustan Times* publication in the same way as

Sunday World is a *Hindustan Times* publication, or, *Times Weekly* is a *Times of India* publication. This is a misreading of the situation on the part of Mr Nariman or those who have briefed him. The true position is that *Eastern Economist* is NOT a *Hindustan Times* publication. It is financially, organisationally and indeed in every respect an independent publication and has no association or link with *The Hindustan Times* in the manner suggested by the Additional Solicitor-General or indeed in any other manner. I may add that, although at one time *Eastern Economist* was being printed at *The Hindustan Times* Press as a commercial arrangement, it is for quite some time now being printed in another private press. To put the record straight, I would once again make it clear that *Eastern Economist* does not belong to any newspaper group or chain, but is an independent publication which is entirely on its own.

—Editor

Slipping on statistics

UNTIL A couple of months ago, the spokesmen of the Ministry of Foreign Trade were confident that the total exports for 1971-72 (data always released with a time-lag of four to five months) would cross the Rs 1600 crore-mark and would keep up the momentum generated in the earlier two years. The final tally of exports has disclosed an increase of only 2.1 per cent in 1971-72 over the previous year. The earlier exuberance was based on faulty statistics, especially those relating to exports from the port of Calcutta which account for nearly two fifths of our total exports. The Director General of Commercial Intelligence had added, instead of subtracting, Rs 2.5 crores every month to the export figure for ten months — April 1971 to January 1972 — in lieu of "short and shut out" shipments. It was this statistical illusion of five crores of rupees per month over a period of ten months which had cheered up the officials of the Ministry of Foreign Trade. When the truth came to light the first action that the ministry took was to ask the Director General of Commercial Intelligence to proceed on forced leave indicating that something was seriously wrong with the statistics-gathering machinery at Calcutta.

As stated above, the value of exports at Rs 1567 crores in 1971-72 showed a marginal rise of about two per cent over 1970-71. The exports of this country were reported to have risen by 8.5 per cent in 1970-71 over 1969-70 and by about four per cent in 1969-70 over 1968-69. Thus for the first three years of the fourth five-year Plan period, the rate of rise in exports worked out at nearly five per cent per annum as against the target of 7 per cent per annum fixed by the planners. The value of imports in 1970-71 increased while exports were sluggish; it widened the trade gap. It has naturally caused concern because the drop in our capacity to earn foreign exchange at this juncture can have serious repercussions on the economy in view of the US stoppage of aid and our resolve to be increasingly self-reliant.

It may be recalled that Mr L. N. Misra, the Minister for Foreign Trade, had exhibited great satisfaction last year when exports at Rs 1535 crores in 1970-71 were reported; they indicated a rise of 8.5 per cent over 1969-70. This sharp rise in exports was contested and it was pointed out in March this year by *Eastern Economist* and other newspapers that a part of the increase in the value of exports was

due to inaccurate statistical accounting. A new procedure of recording exports adopted in November 1970 under the advice of a sub-committee headed by Mr P.L. Tandon, Chairman, State Trading Corporation, had inflated these figures giving undeserved credit to the Ministry of Foreign Trade. The minister had to concede, in a statement made in Parliament, that the new procedure was erroneous and had assured the House that the traditional system of listing exports would be adopted. It was the return to the old system of registering exports in 1971-72 minus the accidental error in Calcutta export statistics which had clearly shown that the export picture was not very bright and that the official statisticians had misled the ministry not once but twice.

Assuming that no further statistical errors in the value of exports are likely to be found, the analysis of our export performance shows that some of the significant advantages which we enjoyed in 1971-72 were nearly nullified by the adverse factors which were in operation. Among the favourable factors, the most important was the easy availability of raw jute from Bangladesh which assisted our jute mills to increase their production as well as exports. Because of the virtual absence of competition from Bangladesh the unit prices realised for jute manufactures were surely more favourable than in the preceding years. It is estimated that jute exports in 1971-72 increased by as much as Rs 60 crores over 1970-71. In

the case of tea also, the unit prices realised were higher, though the overall increase was not significant. Other commodities which recorded sizeable increases in exports were sugar, engineering goods, hides and skins, manufactured tobacco, spices, handicrafts, coffee, castor oil, chemicals and allied products.

The advantages accruing from the increased exports of all these commodities were wiped out by the reverses encountered in the case of a number of other commodities such as iron and steel, cotton yarn, iron ore and hides and skins. The drop in the production of iron and steel in the country was responsible for a reduction in their exports. In fact, the imports of steel had to be increased in order to meet the increasing demands of the engineering goods industries. Again, the shortage of cotton in the country brought about paucity of cotton yarn which in turn reflected on our exports. The recession in Japan in the wake of the crisis in the international monetary system last year hurt our exports of iron ore.

Among the adverse factors which our exporters encountered last year, the pride of place must go to the bomb-shell which Mr Nixon threw on August 15 last year by floating the dollar and de-linking the dollar and gold. The crisis which ensued in the international monetary system gave a severe jolt to our exporters because of the uncertainties involved, especially the absence of the fixed exchange parities which caus-

ed gloom in international trade, cutting its growth rate to half. Naturally our country could not escape the painful effects of these trends in international trade.

The persistent shortage of steel too had an unhealthy effect on the engineering industry whose production and export schedules were seriously impaired. Efforts were made, no doubt, to fill the gap through imports but without much success. The engineering industry had plans to increase its exports from Rs 117 crores in 1970-71 to Rs 175 crores in 1971-72, but the total value of these exports did not rise beyond Rs 130 crores. Partly the liberation movement in Bangladesh and the 14-day Indo-Pakistan war were also responsible in slowing down the pace of operations of this industry in eastern India.

The spurt in prices which has been wit-

nessed during the last one year in this country is also partly responsible for slowing down our exports. With fixed exchange parities, inflation at home does make export commodities uncompetitive in markets abroad and thus plays havoc with export capabilities. The impact of rising prices has not been clearly seen by the Ministry of Foreign Trade in reducing our exports in international markets.

Much has been said about the helpful possibilities of the generalised system of preferences (GSP) which is supposed to help our country as well as other developing countries in increasing exports. The total impact of the GSP has been negligible because the bulk of the advantage under this scheme was to accrue from the USA which has so far failed to fall in line with the EEC while even the latter has hedged in the scheme with numerous conditions and restrictions.

mittee which had desired that the problem of ceilings of plantations should be studied further by an expert committee. In the case of orchards, the ceiling is to be 54 acres with the proviso that attempts will not be made to clear orchards to release land for cultivation. The holdings of educational, religious and charitable trusts are not proposed to be brought within the purview of the ceiling laws. The exemption to mechanised farms, seed farms, goshalas, etc., from the above ceilings, however, is to be withdrawn. The proposed legislation is to take retrospective effect from January 24, 1972.

It is, indeed, a pity that in deciding on a ceiling of 18 acres per family of five for land assured of perennial irrigation, the chief ministers and the Congress Working Committee have ignored the pleas of such eminent persons as Mr M.S. Randhawa, Vice-Chancellor of the Punjab Agricultural University, that the optimum size for an agricultural holding is about 22 acres. There can be no denying the fact that all through the past 25 years since independence, neither the central government nor the state governments have been able to come to a sound decision on the minimum economic size for agricultural operations. The raising of the ceiling to 22 acres of perennially irrigated land per family of five would have somewhat reduced the quantum of land available to the state for redistribution. But it may be pointed out here that nearly 50 per cent of the cultivable area which accrued as surplus after the last land reform in the late fifties and early sixties — about 2.5 million acres — is yet to be distributed among the landless. The record of distributing this "surplus" land has been satisfactory only in one state — Jammu and Kashmir.

It is true that the smaller the holding the better attention it gets from the farmer and his family. But the labour of the farmer and his family alone is not the determining factor for the productivity of land. The recent breakthrough on the wheat front and some improvement in the unit-area yields of other crops, however, are clear indications that the application of science and technology in the shape of modern inputs like hybrid seeds, fertilizers, pesticides, etc., is a must for raising unit-area yields. This also is the lesson to be learnt from the post-war experience of Japan and Taiwan where agricultural holdings are roughly between five and eight acres. Unless, therefore, the proposed land ceiling legislation is accompanied by a massive drive for the use of modern farming inputs on small holdings, agricultural development is likely to suffer a setback.

Consensus on land ceilings

At a meeting held here last week, the state chief ministers, including Mr M. Karunanidhi of Tamil Nadu — the only major state which has a non-Congress government — generally endorsed the recommendations of the Congress Working Committee on land ceilings. It was decided that the ceiling on holdings of land with assured irrigation for two crops in a year, whether from government or privately-owned sources, should range between 10 and 18 acres. Within the upper limit of 18 acres, the lands irrigated through private means should get a weightage of 25 per cent. For lands having irrigation facilities for only one crop in a year, the ceiling is to be 27 acres. In this case, however, no weightage is to be given to private irrigated farms. The ceiling for the ownership of dry lands is to be 54 acres. In the case of desert and hilly areas, the ceilings may not conform to the above three-tier system. They will be fixed by the states — of course, in consultation with the union Ministry of Agriculture — taking into consideration the local conditions. The ceilings will be family-wise; the family will consist of husband, wife and three minor children. For larger families, additional land is to be allowed. But in no case, the total holding of a larger family is to exceed twice the ceilings for the standard-sized family of five for the three categories of lands.

In arriving at the above formula, the

chief ministers have tried to strike a balance between contending views. The 'radicals' had been demanding a uniform ceiling of not more than 18 acres on the holdings of the best land in the country. All sorts of arguments were put forth by them for not differentiating between land assured of perennial irrigation from government sources, as suggested last year by the Central Land Reforms Committee, and land which is irrigated by private means. They had argued that most of the investment for creating private irrigation facilities had come in the form of government loans which, in many cases, were not even being repaid. The chief ministers and the Congress Working Committee have attempted to accommodate this point of view to a limited extent by lowering the ceiling for holdings of land which have assured perennial irrigation from government sources.

An important decision of the conference is that plantations of tea, coffee, rubber and cardamom will not be governed by the above ceilings. The leftists had been vociferously demanding the inclusion of these plantations also in the land ceiling laws, completely ignoring the fact that in the interest of keeping the cost of production of these plantations at reasonably low levels, their sizes had to be kept economic according to the global standards, specially when tea, coffee and cardamom are valuable foreign exchange earners and rubber is a commodity the production of which has to be increased steadily for meeting the growing demand. In the case of these plantations, in fact, the chief ministers have gone slightly beyond the suggestion of the Congress Working Com-

Eastern Economist 25 Years Ago

August 8, 1947

"The partition of railways is an integral part of the overall division of assets and liabilities between the dominions of India and Pakistan. It is essential that each dominion should have a clear definition of the extent of its rights over specific portions of the existing railway systems together with the assets attached to them. But the aspect of division which relates to liabilities is no less important. Loans raised for financing the construction of railways form a substantial part of the national debt of our country. However, it will not be difficult to determine the quantum to be apportioned to each dominion on account of railway items. Once the shares of assets and liabilities are ascertained and handed over, the process of parti-

tion must stop at that point. It should not be allowed to be carried to its extreme consequences. Political frontiers do not necessarily correspond with economic frontiers. Where this is the case, as it is bound to be with respect to the frontiers of the two new dominions formed on a communal basis, the trend in modern times is to disregard the political frontiers in the interests of neighbourly co-operation and mutual assistance in matters of rail transport. If, however, the partition of our railways is taken to signify a watertight division barring the door against unimpeded communication, it will operate to the detriment of both the parties. It will be a retrograde measure creating unnecessary obstacles.

POINTS OF VIEW

The gentle art of grabbing

R. V. Murthy

SELDOM DO we hear these days of our economy taking off, though the need for it has become greater now than at any time before, but take-over is the talk of the town everywhere. When solutions elude, slogans seem to come in handy. The ready resort to the most fashionable slogan of today — take-over — is presumably also due to the fact that, following the latest amendment of the Constitution relating to payment of compensation, it is so much easier for the government to nationalise and take-over anything and everything. Mr N.M. Tidke, Maharashtra's Minister for Industries and Labour, admitted this in so many words whilst replying to the debate on the demands of his department in the state assembly recently.

"Following the amendment to the Constitution, Mr Tidke said, in the course of his reply, 'the state government felt that it would be advisable to nationalise these mills'. These mills here refer to the 22 textile mills in Maharashtra being run by the state government under the Industries (Regulation and Development) Act. It is significant that the Maharashtra minister was not even prepared to wait for the normal procedure in this behalf; he wanted the central government straightaway to promulgate an ordinance to enable the state government to nationalise these mills.

old habit

This habit of hustling, however, is nothing new. Even when taking over a mill under the Industries (Regulation and Development) Act, the government has not cared to wait, as it is required to under the Act, for the report of the officer appointed by the authorities to investigate and justify the taking over of a given mill by the government. If such reports have preceded every case of taking over a mill by the government, how is it that no one concerned with the industry e.g. Millowners' Association, is aware of them? Why are these reports not made public?

Evidently Mr Tidke, like his confreres

at the centre and in other states, feels this is the most propitious time to nationalise, because of the latest relatively satisfactory results of the mills and the likely prospects of their maintenance during the current year also, thanks to appreciably lower cotton prices. But it is too premature to take a far-reaching decision such as nationalisation on the basis of these results. One cannot be certain that what the industry has gained by way of lower raw material prices will not be more than offset by higher wages, as witness the demand of textile labour urging the Bonus Review Committee to raise the statutory minimum bonus from the present four per cent to 8.33 per cent without even going into the merits of the case.

case for modernisation

This apart, as Mr K.K. Dhar, Chairman of the National Textile Corporation, told the last annual general meeting of that corporation, to become capable of their optimum production, the mills under the corporation must be first modernised. Although Mr Dhar mentioned that the corporation has already prepared schemes to modernise 33 mills under its charge, involving a total outlay of Rs 14.50 crores, even he may not be able to say by what date precisely this process of modernisation will be completed. True, the Committee of Experts appointed by the government some time ago to go thoroughly into the working of the government-run mills and suggest policy guidelines for making these units economically viable, has laid special stress on modernisation: "Modernisation within two years" is what it has prescribed. But as the same committee has observed, the pace of modernisation so far has been woefully slow and it does not seem it will be accelerated appreciably hereafter. So far, according to this committee, programmes totalling only Rs 9 crores have been approved and the total amount of funds released therefore is just over a crores of rupees.

Mr Dhar spoke of 50 mills being under

the corporation, 23 directly under its management, the rest being under its supervision. He also indicated that 13 more mills would be taken over shortly, raising the total to 63 mills. On March 31, 1972, however, according to the Committee of Experts referred to above, only 47 mills, spread over 12 states, had been taken over under the Industries (Development and Regulation) Act. Presumably, three more mills were taken over between March 31, 1972 and June 30, 1972. Be that as it may, the mills taken over account for over nine per cent of the total spindleage and over 14 per cent of the total loomage in the country and employ about one lakh of workers.

The Textile Corporation may be saddled with more mills, if the goals outlined by the Minister of Foreign Trade viz., maximum cloth production and no throwing out of any worker in a mill, are to be achieved. For, according to a statement made by him in Parliament on January 31, 1972, the number of mills remaining closed was 75, including 23 mills which are considered first to be scrapped. And these 75 mills account for 15.69 lakh spindles and 15,937 looms employing 71,635 workers. If 23 mills are to be scrapped, that would mean throwing out of not only 18,107 workers but throwing out of commission some 4.37 lakh spindles and 6,014 looms also.

himalayan task

It is not known how many of these 75 mills have already been taken over, or are going to be taken over. Even if 52 sick mills are going to be taken over by the corporation, the task ahead of it is going to be Himalayan, and in as much as many, if not all of these, also need to be modernised and require, besides, vast sums by way of working capital, it is not clear how Mr Dhar can afford to be so complacent as he sounded the other day.

The Committee of Experts which reported recently on the working of the government-run mills, by the way, has not stated anything new. Most of its recommendations were made four years ago

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by the Cotton Textile Committee (the Kogekar Committee) appointed by the government of Maharashtra. Indeed, the spokesmen of the industry also have been repeatedly drawing attention to the same ills of the industry and the need for early and substantial relief. But these pleas have been consistently ignored. And Mr Dhar, who has had the advantage

of unlimited financial assistance, exemptions from certain statutory obligations, and what not, now claims spectacular achievements by the mills under the charge of his corporation. Maybe, he is entitled to some credit, but the question is: Would he have achieved what he has claimed without these special favours? Or, to put it differently: would the previous owners

themselves not have achieved these results, had they been shown the same consideration? These are not hypothetical questions and the answers thereto would establish where—and not with whom—the fault lies. The spokesmen of the mill industry must be feeling happy that at last the powers-that-be have begun to recognise realities.

Municipal tax structure in Rajasthan

P. L. Bhargava

TAXATION ACCOUNTS for the larger part of municipal revenue in all the states in India, the average tax revenue of municipalities being over 60 per cent of their total receipts. The states, which derive more than the all-India average are Gujarat, Jammu & Kashmir, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, West Bengal and union territory of Delhi. It may be mentioned that these are the states which levied octroi in 1960-61. The states, much below the all-India average in this respect, are Assam, Bihar, Kerala, Orissa and Uttar Pradesh.

There exist significant differences among the states in the degree of exploitation of different taxes. Whereas direct taxes are of great importance in states such as Andhra Pradesh (96 per cent), Assam (95 per cent), Bihar (99 per cent), Kerala (86 per cent), Madras (99 per cent), Orissa (74 per cent), West Bengal (96 per cent) and Delhi (71 per cent), indirect taxes contribute a significant part in Gujarat (79 per cent), Jammu & Kashmir (98 per cent), Madhya Pradesh (71 per cent), Maharashtra (53 per cent), Mysore (52 per cent), Punjab (81 per cent) Rajasthan (87 per cent) and Uttar Pradesh (79 per cent).

growth of indirect tax

Examining the role of direct and indirect taxes in the tax structure of Rajasthan municipalities (Table I) it is evident, that, whereas the revenue from direct taxes during the period ranged between 8.13 to 11.31 per cent of the tax revenue and registered a growth rate of 140.43 per cent giving an annual growth rate of 14.04 per cent, the revenue from indirect taxes ranged between 88.69 to 91.87 per cent,

registering a growth of 135.18 per cent and an annual growth rate of 13.51 per cent.

The ratio of indirect taxes to direct taxes remained stationary, for the beginning and ending of the decade, 89 : 11. Direct taxes contributed 6.68 and 6.31 per cent and indirect taxes 60.43 and 55.80 per cent of the aggregate income in 1956-57 and 1965-66 respectively. Thus during the period, indirect taxes were the mainstay of municipal taxation. In other states, too, indirect taxes are more popular than direct, although the proportion of the indirect taxes is now showing a declining trend.

regressive tax

The relative predominance of indirect over direct taxes make the tax structure continuously regressive. This is because direct taxes are mostly frozen, since neither the house tax rates nor the annual valuations, in spite of increase in rents and prosperity of community—are revised. Moreover, arrears of taxes go on mounting. The entertainment tax is no longer levied by municipalities and the compensation received from the state governments is seldom revised by the latter. All these factors make the direct taxes static and inelastic. On the other hand, indirect taxes increase due to increase in population, expansion of trade, revision of octroi schedules and rates more often than the house tax rates.

The tax revenue of the municipalities at present is usually derived from the following three sources : tax on property; tax on trades; and tax on persons. The tax on property is one of the major sources of tax revenue, which can be levied either

as a general tax on immovable property assessed on the basis of annual or capital value or as a specific tax for rendering specific services to the inhabitants such as water rates, electricity rates, drainage or sanitary cess or conservancy rates, latrine rates, betterment taxes and surcharge on stamp duty.

state-wise breakup

In 1960-61, the yield from this tax on all-India level was 37.6 per cent of the total municipal tax revenue. While on individual states basis where octroi is not levied its yield is very much impressive, 74.9 per cent in Andhra Pradesh; 92.3 per cent in Assam; 89.4 per cent in Bihar; 70.8 per cent in Kerala; 54.8 per cent in Madras; 74.5 per cent in Orissa; 90.6 per cent in West Bengal and 70.6 per cent in Delhi. In the states, where octroi is levied, its importance as tax source is reduced. Octroi contributed a major part in the total tax revenue. The yield through this tax in total tax revenue is, therefore, only 11.3 per cent in Gujarat; 13.3 per cent in Madhya Pradesh; 26.1 per cent in Maharashtra; 35.3 per cent in Mysore, 16.7 per cent in Punjab; 6.7 per cent in Rajasthan and 14.6 per cent in UP.

Taxes on trade comprise octroi, terminal tax, toll tax and tax on animals and vehicles and are another important source of tax revenue, as it contributed 54.3 per cent on all-India basis, and in some states, the proceeds from this tax constituted the major share in the tax revenue. Municipalities in Gujarat derived 81.7 per cent; Jammu & Kashmir, 100 per cent; Madhya Pradesh: 91.5 per cent; Maharashtra, 53.2 per cent; Mysore 52.1 per cent; Punjab 82.2 per cent and

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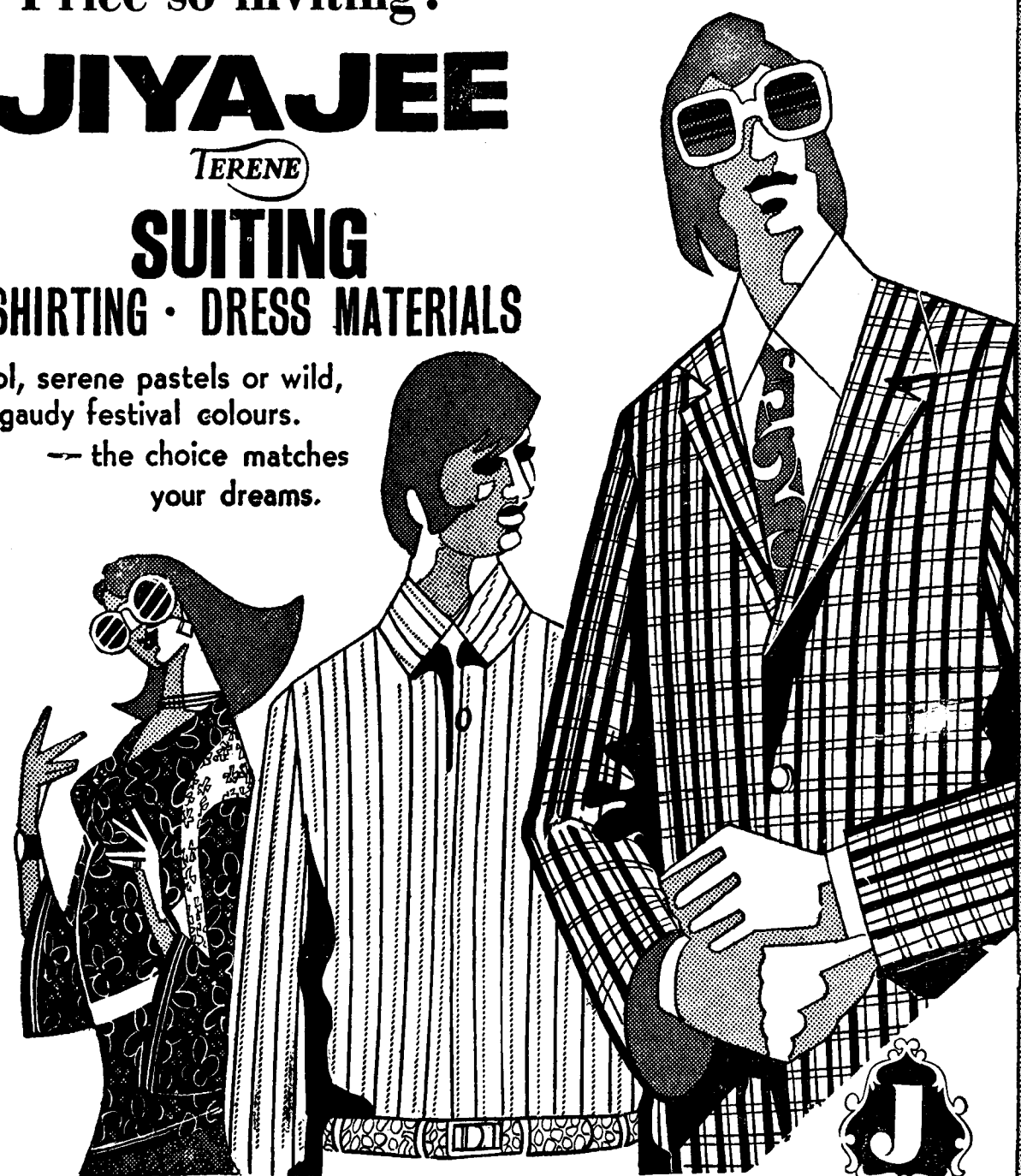
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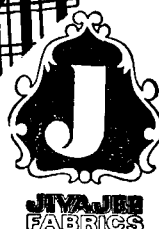
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Uttar Pradesh 81.00 per cent of their total tax revenue from taxation on trade.

Taxes on persons is levied in the following three forms:

(1) Tax on circumstances and property of an individual. It is a tax not on income alone, but takes into consideration the economic personality, social position and size of the family of an individual. It is levied in Madhya Pradesh, Uttar Pradesh and Bihar. There is now a tendency among states to substitute separate taxes on property and profession for this composite tax.

(2) Taxes on trade, professions, arts and callings, this tax figures in entry No. 60 of the State List and is permitted by the Article 276 of the Constitution of India to be leviable by the local bodies.

(3) Passenger or visitor or terminal tax is levied by the municipalities receiving visitors. Pilgrimage tax is levied by the municipalities receiving pilgrims. These taxes are permitted by the central government, if these were in existence prior to the transfer of the tax powers to the central government under the Government of India Act, 1935.

three types of tax

Municipalities in Rajasthan impose all the three types of taxes. The revenue derived from each of these sources and their relative importance is shown in Table II. Taxes on trade bring the bulk of total tax revenue; accounting for more than four fifth. Their dominant position not only remained unaltered but also improved during the decade of study. Revenue from these sources improved from 82.24 per cent in 1956-57 to 88.78 per cent in 1965-66 and recorded a growth rate of 154.52 during 10 years of study giving 15.45 per cent as annual growth rate.

The taxes on property comes next in 1965-66; but it was not so in 1956-57, when the second position was occupied by the taxes on persons. Taxes on property improved from 6.44 to 9.38 per cent of the total tax revenue. The growth of taxes on property has been 243.41 per cent during the decade giving an annual rate of 24.34 per cent. The explanation for this changeover in importance is found in the rationalisation of tax structure brought about by the Rajasthan Municipal Act, 1959, under which this tax has been made one of the three obligatory taxes and the state government persistently requesting the municipalities to levy this tax.

The taxes on persons during the period of the study has declined in importance from second ranking to the third in

TABLE I
Tax Revenue of Rajasthan Municipalities Classified as Direct and Indirect Tax Revenue during the Second and Third Plan Periods

Year	Direct taxes (Rs)	Percentage to aggregate income	Indirect taxes (Rs)	Percentage to aggregate income	Index No. of growth of tax revenue (in Rs)
Second Plan					
1956-57	11,19,143 (11.07)	6.68	89,88,194 (88.93)	60.43	100.00
1957-58	11,25,559 (9.95)	5.73	1,01,83,015 (90.05)	57.63	111.88
1958-59	12,67,906 (11.31)	7.25	99,43,130 (88.69)	45.46	110.92
1959-60	11,90,161 (8.75)	4.59	1,24,10,307 (91.25)	52.64	134.55
1960-61	11,07,094 (8.13)	3.58	1,25,15,620 (91.87)	44.68	134.78
Third Plan					
1961-62	16,53,734 (10.49)	4.88	1,41,15,398 (89.51)	46.68	156.02
1962-63	16,10,429 (9.67)	4.59	1,50,36,949 (90.33)	47.35	164.70
1963-64	18,13,452 (9.42)	4.99	1,74,41,045 (90.58)	52.90	190.50
1964-65	20,73,415 (9.86)	5.09	1,89,45,801 (90.14)	51.89	207.96
1965-66	26,90,803 (11.29)	6.31	2,11,38,398 (88.71)	55.80	235.76
Index Nos. of growth during the decade. 1956=100					
	240.43		235.18		

Note : Figures in brackets indicate percentage of tax to total tax revenue.

Source : Census survey by the author of the income and expenditure of municipalities in Rajasthan as they existed in 1965-66.

TABLE II
Revenue from Taxes on Trade, Property, Persons and Miscellaneous Sources (in Rs)

Year	Taxes on trade	Taxes on property	Taxes on persons	Miscellaneous	Total
1956-57	83,11,669 (82.24)	6,51,003 (6.44)	8,14,633 (8.05)	3,30,132 (3.27)	1,01,07,437 (100.00)
1959-60	1,23,25,033 (90.70)	7,39,875 (5.44)	2,60,086 (1.91)	2,65,474 (1.95)	1,36,00,468 (100.00)
1965-66	2,11,54,995 (88.78)	22,35,625 (9.38)	3,40,003 (1.43)	98,578 (0.41)	2,38,29,201 (100.00)
Index No. of growth of different tax sources during the decade. 1956-57=100					
	254.52	343.41	41.74	29.86	235.76

Note : Figures in brackets are percentage to the total tax revenue.

Source : Census survey by the author of the income and expenditure of municipalities in Rajasthan as they existed in 1965-66.

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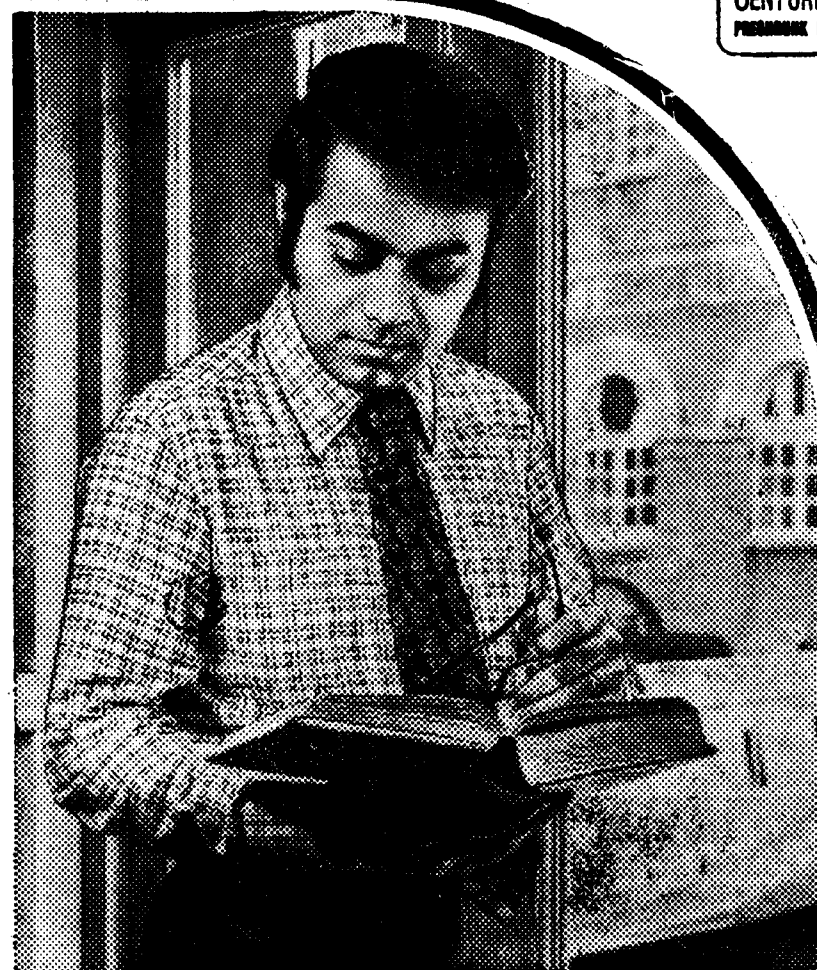
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the tax structure, of the municipalities. The percentage yield from tax on persons declined from 8.05 per cent in 1956-57 to 1.43 per cent in 1965-66 because of public resistance to direct taxes and constitutional limitation in case of profession and terminal taxes. Miscellaneous taxes also recorded a decline in importance both in absolute and percentage terms. The rate of growth of taxes on persons and miscellaneous taxes shows a decline, which is an alarming situation. Taxes on persons declined by 58.26 per cent and on miscellaneous taxes by 69.14 per cent during the decade.

unchanged composition

An analysis of total tax revenue of municipalities in Rajasthan (Table III) indicates that the composition of taxes and their relative importance during the period has not changed materially. Of course, octroi predominates over other items of tax revenue and contributed 74.40, and 85.86 per cent of the total tax revenue in 1956-57, and 1965-66 respectively. This tax was levied by 114 in 1956-57 which number increased to 137 municipalities in 1965-66. During the period, its growth has been of the order of 172.15 per cent recording an annual rate of 17.22 per cent associated with a rise in volume of trade. Next in importance comes the tax on building and land which contributed 6.44 in 1956-57, and 9.38 per cent in 1965-66. The number of municipalities was 22 and 78 in 1956-57 and 1965-66 respectively. Its growth rate during the period was 243.41 per cent giving an annual rate of 24.34 per cent and was associated with increase in the number of municipalities levying this tax and number of houses, revision in the annual rental value of houses and of tax rates.

Octroi and house tax combined contributed 95.26 per cent of the tax revenue of the municipalities in Rajasthan in 1965-66.

The remaining five per cent was contributed by taxes like terminal tax (2.29 per cent), visitor tax (1.32 per cent), vehicle tax (0.48 per cent), other taxes (0.41 per cent), toll tax (0.13 per cent) and profession and vocation tax (0.11 per cent). In 1956-57, on the other hand, house tax and octroi contributed 80.84 per cent and the remaining 19.16 per cent was contributed by terminal tax (5.89 per cent), entertainment tax (5.08 per cent), visitor tax (2.78 per cent), vehicle tax (1.65 per cent), toll tax (0.30 per cent), and other taxes (3.27 per cent). Except in visitor and profession and vocation tax which showed a slight rise, the revenue from the remaining taxes declined during the period. The sharpest decrease of 70.64 per cent during the decade was recorded by the head 'other taxes'. This was because the municipalities withdrew these taxes under the plea of re-organisation of their tax structure under the Rajasthan Municipalities Act, 1959.

local situation

It should be appreciated that size of the income does not only depend on the number of taxes levied but also on the local situation, productivity and scope of the taxes. It may be that even one tax is sufficient to yield a substantial revenue e.g. octroi in Kherli. On the other hand, there may be municipalities, with a host of taxes and still with smaller income. Municipalities of Amber and Ajmer both levied five taxes in 1960-61; but there is world of difference both in their total and per capita tax revenue. However the diversification of tax sources signify the developed tax pattern and indicates the tax efforts made by the municipalities. Although the local bodies have been allowed to exploit 15 taxes at present; yet not more than 5 taxes are being exploited, mainly because of the

unproductive nature of the taxes allocated. This is a result of the tendency by higher governmental units to allocate to themselves the most productive and elastic sources of revenue; but it is also their duty to see that municipalities get their due share. At present not much attention has been paid by the state governments to this aspect. The result is that the list of taxes leviable by the urban local bodies is no indication of its revenue exploitation.

tax effort

A study of Table IV will throw light on tax efforts made by all the municipalities in Rajasthan over the years.

Octroi which was levied by 114 municipalities in the year 1956-57, increased to 127 in 1959-60, when the Rajasthan Municipalities Act, 1959, came into force. The number had increased to 136 by 1965-66. However, even by that time, octroi, an obligatory, tax was not levied by five municipalities.

The number of municipalities levying, building and land tax—another obligatory tax—came down from 22 in 1956-57 to 19 in 1959-60. It was during the third Plan period, that the number of municipalities levying this tax increased. This was due to the state government's insistence in giving grants subject to levying of at least one tax—either octroi or house tax. Still in 1965-66, out of 141 municipalities only 78 levied this tax.

Profession tax which was levied by 21 municipalities in 1956-57, even after making it obligatory, the number could only come up to 23 in 1965-66. This was so because of the low yield and difficulties in imposing it due to constitutional limitations.

Vehicle tax suffered most at the hands

TABLE III
Tax Revenue from Different Taxes in Municipalities in Rajasthan over the Second and Third Plan Periods

Year	Octroi	Building & land tax	Terminal	Entertainment	Other tax	Passenger & pilgrimage tax	Vehicle tax	Toll tax	Profession & vocation tax	Total tax
1956-57	75,19,461 (74.40)	6,51,003 (6.44)	5,94,943 (5.89)	5,13,196 (5.08)	3,30,132 (3.27)	2,81,427 (2.78)	1,66,703 (1.65)	30,562 (0.30)	20,010 (0.19)	1,01,07,437 (100.00)
1959-60	1,16,13,512 (85.39)	7,39,875 (5.44)	5,00,198 (3.68)	—	2,65,474 (1.95)	2,38,507 (1.75)	1,90,200 (1.40)	31,103 (0.23)	21,579 (0.10)	1,36,00,468 (100.00)
1965-66	2,04,41,186 (85.88)	22,35,626 (9.38)	5,45,505 (2.29)	—	98,578 (0.41)	3,14,546 (1.32)	1,15,175 (0.48)	30,129 (0.13)	25,457 (0.11)	2,38,29,201 (100.00)
Index No. of growth during the	272.15	343.41	91.69	—	29.36	111.77	69.09	98.58	127.22	235.76

Note : Figures in brackets are percentages to the total tax revenue.

Source : Census survey by the author of the income and expenditure of municipalities in Rajasthan as they existed in 1965-66.

of the elected leaders, as the number of municipalities levying this tax came down from 85 in 1956-57 to 62 in 1965-66; the reason was the desire on the part of politicians to earn cheap popularity.

Toll tax was neither favoured nor disliked by the elected leaders as the number of municipalities levying this tax varied between 25 to 29 during the period.

Terminal tax, now being a central tax under the Constitution of India, can be levied only by those municipalities, which were levying it earlier. Thus it is an in-elastic source of revenue.

The number of municipalities levying 'other taxes' which include quite a number of taxes came down from 68 in 1956-57 to 39 in 1965-66. Thus it is clear that on the one hand the municipalities did not care

to exploit fully the existing tax measures and on the other elected leaders were more in favour of abolition of existing taxes rather than imposition of new ones except octroi and house tax. If this tendency continues the finances of municipalities are bound to remain in a parlous state.

To sum up, the study reveals a number of significant trends during the period. Municipalities in Rajasthan have evolved a tax structure which is neither diversified nor elastic and is dominated by indirect taxes, particularly taxes on trade or commodity viz., octroi, terminal, vehicle and toll tax. Moreover, these taxes are imposed at a flat rate and are therefore lacking in graduation or progression. These municipalities exploited in 1965-66 more or less the same taxes which they

POINTS OF VIEW

were levying before 1956-57. The tax structure has not undergone any major change except that certain taxes have been discarded by the local bodies and certain others have been taken over by the government. This is in spite of the fact that there exists considerable scope for the expansion of the tax revenue of municipalities in Rajasthan, if they levy the taxes permitted—obligatory and discretionary—by the Rajasthan Municipalities Act, 1959 and the tendency to abolish vehicle tax, toll tax and 'other taxes' is checked.

Existing municipal taxes are not fully exploited and in many cases not efficiently administered. A great laxity exists in the tax administration and collection. The taxes levied at present are also capable of yielding larger receipts provided the administrative machinery is geared to maximum collection. In spite of all this the nature of local taxes is such that even with the utmost care and economy it would not be possible for municipalities to secure enough revenue for ensuring a decent level of civic development unless municipal finances are linked to state and national finances through a realistic scheme of grants-in-aid.

TABLE IV

Number of Municipalities (Total 141) Levying Different Taxes During II and III Plan

Years	Octroi	Building & land tax	Profession tax	Vehicle tax	Toll tax	Terminal tax	Other tax
1956-57	114	22	21	85	25	37	68
1959-60	127	19	19	85	26	34	45
1965-66	136	78	23	62	26	32	39

Source : Census survey by the author of the income and expenditure of municipalities in Rajasthan as they existed in 1965-66.

Industrial development in Uttar Pradesh

Dr P. K. Bhargava

UTTAR PRADESH has remained one of the most backward states of India and nearly 50 per cent of the poorest districts of the country are found in the state. Still depressing is the fact that the economic position of the state has relatively gone down during the era of planned economic development. Thus the *per capita* income of the state in the pre-Plan period was 5 per cent above the all-India average whereas at the end of the second Plan it was 20 per cent lower than the all-India average and 27 per cent lower than that in the year following the third Plan. There are districts (such as Uttar Kashi and Tehri Garhwal) in the eastern region of the state where *per capita* income is as low as Rs 129; even the prosperous districts (such as Dehra Dun, Naini Tal and Kanpur) of the state have a *per capita* income slightly higher than Rs 385. This is not a happy situation as it poses a serious threat to the integrity of federal structure of our country since the strength of a nation lies in its weakest links.

The economy of Uttar Pradesh is ag-

rarian in character as agriculture provides employment to over 75 per cent of the state's working population and contributes about 61 per cent of its total income. Even then Uttar Pradesh has to import foodgrains from other parts of the country to feed its population. Industrially also the state is extremely backward. It is depressing to note that central investment in the industrialization of Uttar Pradesh has been smaller than in other states. Out of a total investment of Rs 1,856.57 crores in centrally sponsored projects during the three Plans, the four states of Madhya Pradesh, Orissa, West Bengal and Bihar accounted for Rs 1,428.88 crores or nearly 77 per cent of the total.

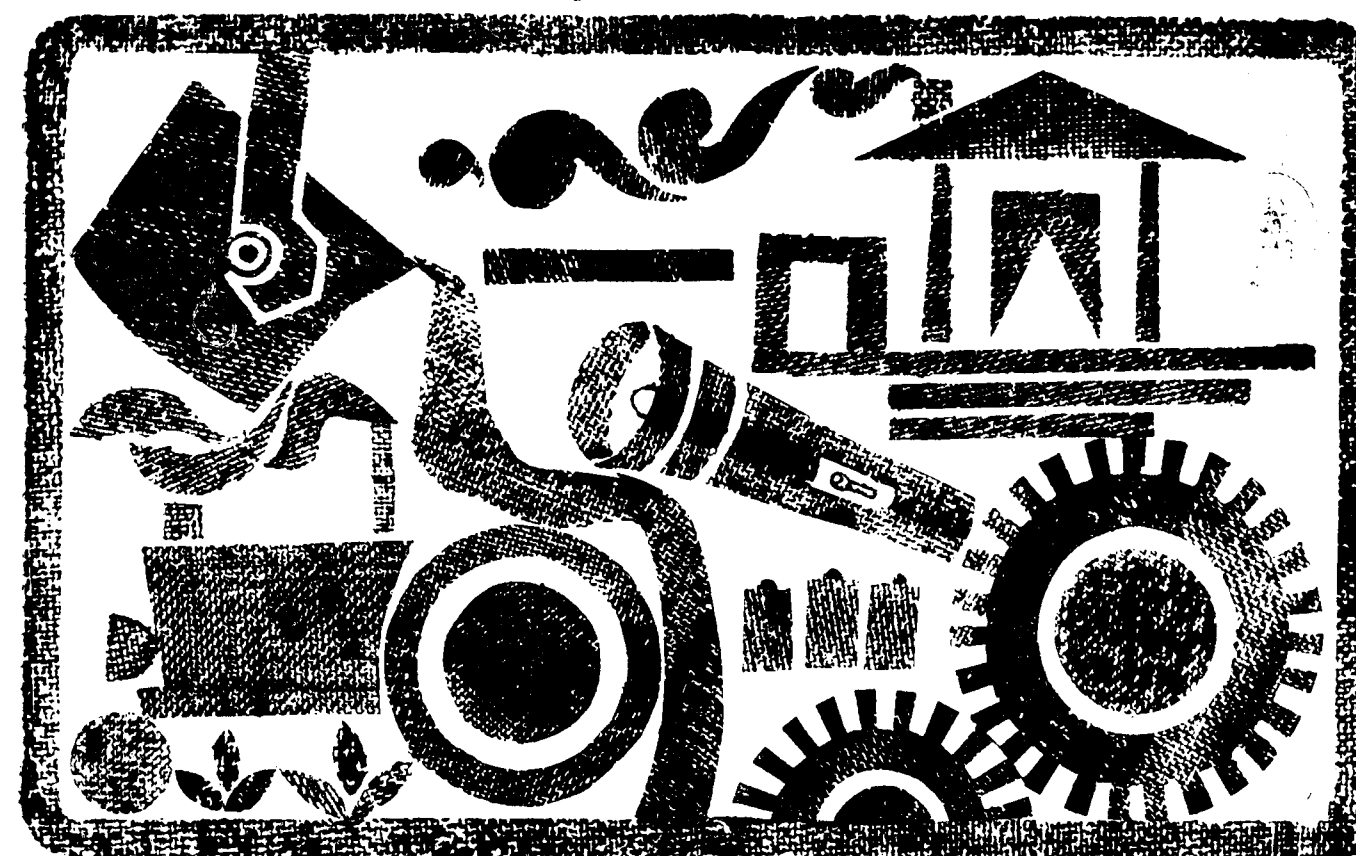
Uttar Pradesh had no investment on central or state sponsored projects during the first Plan. There was no investment on central projects during the second Plan also even though industrial investment by the central government considerably increased, but an investment

of Rs 3.24 crores was made in state projects. It was only in the third Plan that investment in centrally sponsored projects in Uttar Pradesh was Rs 71.44 crores. Besides, the state government incurred an expenditure of Rs 9.29 crores on industrial development.

A working group of the Planning Commission in February 1969, on the basis of certain criteria such as total *per capita* income, *per capita* income for industry and mining, number of workers in registered factories, *per capita* annual consumption of electricity, etc., identified six states including Uttar Pradesh as industrially backward areas eligible for special treatment by way of incentives for industrial development. It is a happy augury that the government of Uttar Pradesh on its part has offered far-reaching concessions and facilities to the industrialists. These facilities and concessions include:

- Loans at concessional rate of interest;
- Sheds in industrial estates available for

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The battle against inflation

POINTS OF VIEW

outright purchase or hire purchase or on reasonable rent;

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Sales tax holiday for three years on the finished products of new industries. Exemption is also granted on raw materials used for manufacturing for certain specified industries for a period of three years;

A rebate of 15 per cent in power rates to such new units whose contracted demand to exceed 100 KVA for a period of three years. Certain categories of small scale units receive power subsidy up to nine paise per unit provided their load does not exceed 20 horse-power;

Feasibility reports, prepared in consultation with NIDC and technical experts, available;

Supply of raw material at competitive prices through UP Small Industries Corporation Ltd;

Common facility services to small-scale units for improving their productivity, efficiency and quality on normal service charges; and

Small-scale industrial units of the state are given 15 per cent price preference and the large and medium units given 5 per cent price preference over their counterparts in other states under government purchase programme by way of marketing assistance.

minimising red-tape

In addition to the above incentives, the government of Uttar Pradesh has set up various corporations in order to minimise red-tapism and procedural delays at various levels. The UP Small Industries Corporation is engaged in solving the problems of small-scale industries in matters of capital, technical know-how, marketing and utilisation of idle capacity. The corporation, among other facilities, provides hire purchase assistance, marketing assistance, technical know-how assistance and raw material assistance. The UP State Industries Corporation provides developed industrial plots of land mostly ranging 1/2 acre to 5 acres at selected places on "no profit no loss" basis. The corporation also provides finance in the form of share capital after underwriting of public issues to joint stock companies in the private sector. It also procures industrial licences from government of India for projects of fundamental importance and sets up industrial units and develops selected mineral based industries. The UP Financial Corporation helps industrialists by way of granting loans for the establishment of

industries and for renovation, expansion or modernisation of existing plant and machinery or other fixed assets and also in issuing deferred payment guarantees to industrial concerns.

Then there is also the Uttar Pradesh Export Corporation Ltd. that serves as a channel for the outflow of goods from Uttar Pradesh. It co-ordinates the activities of exporters with the various export promotion councils in respect of cash incentives and enters into direct exports without effecting the exporters' interest in general, particularly to assist those small exporters, who cannot export their goods due to lack of resources and knowledge. The corporation also renders financial assistance to exporters for the execution of export orders in deserving cases and assists the exporters in getting scarce raw materials for the execution of export orders. It introduces new items of exports and reorients UP products particularly manufactured by cottage and small industries in relation to the markets abroad and undertakes survey of the markets abroad.

government effort

The above discussion amply demonstrates that the government of Uttar Pradesh is taking various steps to develop the industrial base of the economy. The state, with its sturdy agricultural base, cheap labour, plenty of water resources and power generation together with the various incentives and facilities provided by the government, possesses good prospects for industrialization in the near future.

It is, however, depressing to note that there was not much enthusiasm in UP especially among those who could invest to take advantage of the liberalised policy adopted by the centre to set up industries in the state. It needs to be emphasised there were only 120 applications from UP for setting up industries out of the 3,300 applications from the whole country. It is, therefore, of paramount importance that the climate of stagnation and pessimism is changed and that a proper environment created which can usher confidence and enthusiasm among the entrepreneurs. This will help in harnessing the rich potentialities of the state and take it on to the path of rapid industrialization. Without the self-confidence and enthusiasm of the entrepreneurs, the incentives and facilities provided by the government to industrialize the state would hardly be of any use.

Another important aspect of the state's industrial policy should be to give as wide

publicity as possible to the incentives, concessions and facilities that the state is going to provide to industrialists so that outsiders may be attracted to invest in the state. It is also necessary to concentrate on the existing units and invigorate them rather than to establish new units. The primary task of the state government should be to develop adequate infrastructure for the existing industries rather than to divert resources in establishing new units. Once the existing industries are fully developed, ancillary industries will grow automatically.

lopsided development

The present difficulty of the state in the field of industrialization is lopsided development. If a district such as Barabanki has surplus power, rail-road link facilities and financial resources, there are no technical training facilities. There are districts such as Bahraich and Azamgarh where roads are in a bad shape, transport facilities inadequate and supply of electricity irregular. Communications are so bad that at some places one has to go as many as 24 kilometers to send a telegram. It is, therefore, necessary that the state government concentrates its efforts to remove these bottlenecks so that the existing resources of the state are utilised productively for its industrialization.

No doubt, the state of Uttar Pradesh possesses potentialities to develop agro-based industries, oil and mineral based industries and consumer goods industries based on fruits and vegetables. The available industrial potentialities survey reports reveal that there are 29 districts in the state which have potentialities to develop industries such as fertilizers, insecticides, power-tillers, tractors and other agro-industries; petroleum refinery, naphtha-based products such as ethylene, propylene and butadiene gases and aromatics, cement pipes, asbestos sheets, crockery, sheet glasses, scientific glasswares, paints and varnishes, chemical detergents, resins and acids; engineering industries based on aluminium, steel forgings, machine tools, scooters and automobile industries, industrial machines, scientific instruments, power cables and other electrical engineering items, cotton and woollen textiles, synthetic fibres, leather industries, food processing, pharmaceuticals, rubber industries, etc. The establishment of these industries will accelerate the tempo of industrial development in the state. For the healthy industrial advancement however it is inevitable that the barriers to the existing industries are removed so that the state develops a sound base for its industrialization in future.

Home Truths from Australia

LIKE ALMOST every other country in the world Australia is struggling against inflation. The latest issue of the *Review of the influential Australian Institute of Public Affairs* (289 Flinders Lane, Melbourne 3000) not only analyses the immediate causes of Australia's present discontents but prefaces its analysis by a recall to first economic principles, all the more impressive because it states them in terms simple enough for any mildly intelligent employer and worker to understand.

The Institute opens its attack by saying that cabinet ministers, press commentators, and even some economists, repeat *ad nauseam* that rising prices result from wages and salaries increasing faster than productivity. It needs, says the Institute,

garettes, result *immediately* in higher prices to the consumer. Increases in company tax and payroll tax come out in higher prices. Increases in charges by governments and their business undertakings for TV and radio licences, postal and telephone services, water, fares, and many other items, directly increase the cost of living. They also add to business costs and thus to prices.

Those who engage in prolonged strikes in key industries forget that they cause the under-utilisation of plant capacity so that overheads have to be spread over a smaller volume of output, thus increasing unit costs and selling prices, often decreasing the demand for their products. Wage and salary increases are thus *not* the only immediate cause of rising prices, though they constitute the main element.

How far are wage and salary increases,

A general scarcity of labour, or even of particular types of labour, will produce a rise in the price of labour. A great part of the wage and salary increases of a year or two ago in Australia were the result not only of union action but of employers competing for a shortage of workers from skilled artisans to office secretaries. The spiralling of payments in excess of wage awards at the time is clear evidence of this. Admittedly, increases in award payments were granted by wage tribunals, but these increases had their chief source in the widening disparities in wages paid to different industries, as a consequence of above-award payments. This was the reason behind the now notorious 6 per cent National Wage Judgment in December, 1970. Thus, the root cause of inflation at that time was not incomes exceeding productivity, but over-full employment, i.e., excess demand. Moreover, once excess demand appears, its inflationary effects may continue long after the excess has been corrected. Thus, many of the wage increases in 1971 originated in the disturbance of relativities which resulted from the spiralling of over-award payments in 1970.

New Delhi, please note!

In an economic climate of excess demand inflationary wage and salary rises inevitably occur. But this is not the whole story. Other conditions which virtually guarantee inflationary wage and salary increases, arise where (New Delhi, please note!) governments, year by year, are expanding their claims on the resources available and increasing their taxes and charges to make their claims effective. Over the past decade the Australian public sector share of total national expenditure has risen from 29 to 33 per cent at the expense of personal consumption and private capital investment. I do not know what the comparable figures are for India, but I would not be surprised if they were even higher.

When governments add to prices in this way thus raising living costs, they must expect increased pressures for higher incomes as wage and salary earners try to retrieve their former position. Moreover, taxes and charges which act directly on prices are often accompanied by increased taxes on personal incomes: so the people are hit at both ends: living costs soar at the

WINDOW ON THE WORLD

no unusual powers of perception, or knowledge of economics (a grasp of simple arithmetic is enough) to see that this is the main *immediate* cause. But what we need to uncover are not the immediate but the deep-seated, root causes of inflation.

First, however, note that wage and salary increases are not the only immediate cause of higher prices. Higher costs for imports are clearly another.

Lower export returns for primary products associated with home prices support schemes may result in higher domestic prices. Higher prices for other exports, for example beef and zinc, mean higher prices on the domestic market for these commodities. Increases in sales tax and excise duties on e.g. cars, beer and ci-

which exceed productivity gains, a cause of inflation in themselves? How far are they merely a secondary response to less obvious causes? To an important extent, wage and salary rises are a cause in themselves — especially at the moment in Australia. It would be wrong to argue that there are no elements of what is now called "cost-push" in recent price increases. But it would be equally wrong to argue that wage and salary increases are the *only* cause, or that Australian inflation is entirely "cost-push".

If the diagnosis is pursued further, it becomes clear that rising incomes are often a natural response to other factors. When this occurs, they are part of the inflationary process itself, not a cause of it.

same time as there is less money in the pay envelope. This inevitably intensifies pressures for higher incomes. People, become accustomed to a certain standard of consumption. If that standard is threatened they will do all they can to try to protect it.

The reason for increasing taxes and charges is partly due to expanding government expenditures to meet deficiencies in community facilities, from hospitals and schools to roads and sewerage. In turn, these deficiencies chiefly arise from a rate of population increase that the economy cannot digest properly, and so suffers serious inflationary discomforts. This, again, applies to India.

Thus the pressure for higher incomes comes not only from Oliver Twist's desire for more, but from the understandable concern of the people to hang on to the living standards that they have achieved.

From this it follows that to curb inflation, we must create an economic climate in which the pressures for wage and salary increases — which will always exist — are reduced to a minimum. This means, first, keeping total demands in the economy from exceeding supplies with acute shortages of labour and increasing over-award payments. And, second, it means avoiding conditions in which governments feel compelled to make expanding claims on the resources of the community and, in so doing, leave less resources for satisfying the improvements in standards of personal consumption which are the natural wish, if we are to be frank, of us all.

II

Why Workers Demand Higher Wages

The rise of 2.3 per cent in the Consumer Price Index in the December quarter sent a shock-wave of alarm through the community.

The announcement of the increase on January 20 was accompanied by a warning from the Federal Treasurer on the growing menace of inflation. The text of the Treasurer's statement, one of high national importance, received scanty treatment in most newspapers.

Mr Snedden's comment contained two significant points. The first was its summary rejection of the "scarce" pictures of the economy and the unemployment position given in recent months by the media, many economists, some trade union and political leaders — the last-named for obvious political purposes. The Treasurer said:

"With all this in mind, it is necessary to say something about the various alarmist

opinions so freely expressed in recent months as to the state of the economy in general and the labour market in particular. Charges such as 'recession' and even 'depression' have been freely asserted from many quarters. So far from being in recession, the economy is basically sound and is growing quite strong. Gross national product can be expected to show an increase of over 4 per cent in real terms in 1971-72. If that is to be described as a 'recession', words have lost their meaning".

public support

The Treasurer's second point emphasised that the battle against inflation was one for the whole community, not just for government: "It is fair to say that no democratic government, of whatever political complexion, can deal effectively with this grave matter unless it has the broad support of the community." The fight, Mr Snedden said, will not be easy, "for those charged with the hard decisions involved. These include not just the government, but others such as wage tribunals union leaders and employers". He could have added those who play a major role in forming opinion and shaping public attitudes — the press, radio and television.

This was clearly not an attempt by the government to lay the blame for inflation at every door but its own — which it seemed to be doing only a few months ago. It was a plain statement of an economic truth. The task of beating out the fires of inflation is one for the whole community. It is absurd to think that government alone can do the trick while the community looks on. If inflation is to be overcome, new and different attitudes are required of employers, trade unions, wage tribunals, state and local governments, government agencies, press and radio.

Leadership, self-discipline and example will be demanded of all sections of the nation. Unless they are willing to play their part in the battle to defeat inflation, the Australian government will be like a general in command of troops who refuse to fight. The government would, however, be well advised to spell out in unmistakable terms what is required of each section of the community if the battle is to be won and the victory thereafter maintained.

Employers, for the time being, need to pursue moderation in their pricing policies. It is true that the declining level of company profits in recent years suggests that over a good part of the field this is already being done. Over the last three years net company profits as a percentage of shareholders' funds have fallen: 1968-69 — 8.7 per cent; 1969-70 — 8.5 per cent; 1970-71 — 8 per cent (estimated). More-

over, unavoidable increases in costs, resulting from wage rises unmatched by productivity improvements, or from higher government taxes and charges, must, in the main, be passed on. If they are to continue to attract the capital necessary for the expansion of their enterprises employers are left with no alternative. Nevertheless, the times are such that a special effort should be made to keep price increases to the minimum compatible with inescapable business necessities. The maximisation of profits should, for the time being, take second place to the need for overall economic balance.

The trade unions have a clear responsibility to moderate their wage and other cost-increasing claims. They should face the truth that wage and salary rises in excess of productivity gains are not genuine rises: or, if some sections gain, others must lose. Those who lose are, in the main, not employers or investors but fellow workers (including hundreds of thousands in retirement) less favourably placed to enforce their demands. However loudly they may proclaim that wage rises are not the cause of price increases, trade union leaders know in their hearts that this is not true. Unless union officials are prepared to give a higher priority to the national interest, and to educate their members in the simple relationship of wages, productivity and prices, inflation will go on. The reduction of work stoppages and threats of work stoppages will, needless to say, be another test of how far the trade unions are prepared to co-operate with the rest of the community in achieving the goal of price stability.

crucial role

The role of wage-fixing authorities is, of course, crucial. While fair-minded people readily concede the special difficulties that the tribunals have faced in recent years — largely because they have been operating in an environment of over-demand with spiralling above-award payments — these bodies have not, in general given sufficient weight to economic needs and the effect of their decisions on the cost and price structure. If anything close to price stability is to be achieved in the future, wage authorities must recognise the importance of productivity improvement in non-inflationary wage awards. While the Australian government has argued in case after case for this principle, it has by allowing conditions of excess demand to develop, not made the task of wage tribunals easy.

The communications' media are important in the war against inflation. Public opinion and attitudes are largely formed by what the people read in their papers and hear and see over the air. Unless the media are prepared to undertake a

proper share of responsibility by educating and guiding the public, the task of the government will become virtually impossible. The media have regrettably been more concerned to stir up controversy, to create alarm and disturbance through the community by presenting sensational accounts of the economic situation than to paint a balanced picture. This has contributed to the gloom which has overtaken business psychology in recent months and in the reluctance of consumers to spend. Criticism of policies and personalities is legitimate and necessary but criticism carried to extremes is irresponsible, and destructive of the public interest because it distorts understanding of the real issues.

III

What the Government Could Do

With an election pending in Australia later this year, it has been argued that the government has no alternative but to provide a strong stimulus to the economy, in other words, to recreate what would be in effect an inflationary climate of over-employment and excess demand. This would mean that the government could only assure its return to office by acting in a way opposed to the best interests of the nation — if true, a sad comment on democracy. But the government should remember that once resistance to inflation is relaxed, what it might gain on the political swings could be lost on the roundabouts. Notwithstanding the difficulties created for it by the media, the government might be well advised, in its own political interests, to place the defeat of inflation above all other objectives.

While the Australian government cannot beat inflation on its own, it must bear full responsibility for the strategy and direction of the battle. In this task it is entitled to ask for the full support and co-operation of the remainder of the public sector — state and local governments and government and semi-government undertakings.

The Australian Institute of Public Affairs has never wavered from the view that the first and all-important step in combating inflation must be a sharp reduction in the rate of increase of public sector spending, which has increased, and continues to increase, much faster than private spending. The private sector, not the public, has had to bear the brunt of any attempts to bring supply and demand into balance.

At this time last year, it appeared that the government had accepted, belatedly, the necessity of arresting the strong growth in government claims on resources. In a TV address to the nation in January, 1971, the then Prime Minister, Mr John Gorton, said: "We believe our first line

of attack should be to ensure not only restraint of government expenditure but reduction in government expenditure this financial year". Mr Gorton got to the heart of the reason why government rather than private spending should bear the brunt of any expenditure cut-backs when he said "By reducing the demand of governments, more is made available to meet the demand of private persons". The truth is that heavy government spending, particularly on capital projects puts a brake on the rate of improvement in personal living standards. In doing so it causes smouldering discontent throughout the community, which intensifies claims on wage tribunals and employers (government as well as private) for increased wages and salaries. The cost-push pressures on the economy are thus greatly aggravated. (Are you listening, Indira?)

The way that the public sector gets the money for increased spending is higher taxes and charges at all levels of government — personal and company income taxes and indirect taxes at the federal level, state taxes of various kinds, local council rates and such things as fares, water rates, postage and telephone rates, gas, electricity, hospital and other charges by the multitude of government agencies. Faced with increases in all these directions, it is not surprising that the mass of the people try to retrieve their losses by clamouring for higher wages and salaries.

spendthrift budget

In the first Snedden budget, a pitifully small concession was paid to the need for curbing federal government spending. However, the main emphasis of the budget strategy, which provided for increases in personal and company and indirect taxation, was directed at expenditure in the private sector. This, the Australian Institute of Public Affairs believes (and said at the time) was a serious blunder. While, as the government is now claiming, its policy has curbed demands in the private sector, it will do little to relieve the pressures on costs. The main contributions to higher prices in recent years have been coming not from goods and services supplied by private enterprise, but from rising taxes and charges imposed in the public sector.

Had the budget provided for a substantial cut-back in government spending and has the state governments, in the weeks that followed not acted irresponsibly by greatly increasing their own expenditures, these mass pressures would have been avoided. In fact, the net outcome of all government expenditures in 1972 will be to increase substantially the public sector claim on total resources.

The IPA cannot agree that the current

unemployment position in Australia calls for the material increases in government expenditures decided at the Premiers' Conference of February 14. At a time of rapid inflation, and with unemployment little or no greater than the long-term average, it is strange to introduce emergency measures to provide for a large expansion in government spending!

The IPA, however, supports the rise in unemployment benefits and the restoration of the industry investment allowance — the latter largely because it should help overcome the lack lustre psychology in business circles.

reduction in levy

Rather than provide for such big increases in government spending, the government might have been better advised to reduce the present 5 per cent levy on personal income tax to 2½ per cent — i.e. to the pre-1971-72 budget position. While this might not have had such an immediate impact on employment as expanded government spending, it would have had the advantage of taking some of the steam out of the pressure for high wages and salaries which is the immediate cause of current inflationary difficulties.

It is no good crying over spilt milk, but had the government refrained from imposing such large increases in taxes in the last budget, and adopted a sterner attitude towards the growth of government expenditure at all levels, the present situation might have been less critical. As it is, the structural bias of the economy towards inflation has been strengthened. This bias is inherent in an economy where, because of a too rapid growth in urban population, governments are virtually compelled constantly to increase their demands on available resources through raising taxes and charges of all kinds in order to meet inescapable capital expenditures. The strategy of curbing government spending was accepted by the government at the beginning of 1971. Over the last 12 months this strategy, has suffered a resounding defeat the reparations for which may have to be paid in the continually rising bills of inflation. But no government policies will succeed in arresting inflation and, at the same time, provide the basis for healthy growth, unless employers, unions, wage tribunals, and all sections of the community, are aware of their responsibilities in the difficult task of maintaining economic balance.

This report on inflation in Australia covers the situation in the majority of all countries. All you have to do to apply it to your own national circumstances is to substitute the words India, the U.K., France, or the United States for Australia.

Regional development in Wales

Hardev Singh

IN INDIA there are state development corporations looking after the interests of industries in each state. These corporations in collaboration with the state directorates of industries try to encourage entrepreneurs from all over the country and abroad to establish new industrial units in the respective states by offering incentives. Here, in Wales too, a similar body has been operating with similar objectives and has been in existence for the last fourteen years. It would be of some interest to examine its working in the light of the fact that its experience can be of interest to India.

Wales was faced by unemployment following the decline of its two major industries—coal and steel—that were concentrated in the area. During the inter-war period the level of unemployment increased to the extent of 50 per cent. By way of immediate remedial measures some industries were helped in their development. Industrial estates were established, the first one being ten miles out of Cardiff.

representative body

In the face of comparative underdevelopment and unemployment, the industrial and economic affairs of Wales required a strong representative body which was able to speak upon all matters affecting its industrial progress. The Development Corporation of Wales was the answer. This is a vigorous organisation supported and financed by industry, local bodies and the government. It devotes all its energies and resources to the development of industry, trade and commerce in the Wales.

This institution was established in 1958 in the first instance as a limited company for the benefit of industry in the area. But gradually the government took more interest in the affairs of the region and was obliged to come forward in a big way. The government assumed the responsibility of the body for the benefit of the economy of the area. The financial responsibility of industry to run the organisation was reduced to the extent of 25 per cent so that 50 per cent of the expenses were borne by the government and the remaining 25 per cent by the various local authorities. At the same time the scope of the organisation was extended to include the interests of several commercial bodies such as the British Transport

Docks Board, the Tourist Board, the Electricity Board, the Institute of Science and Technology and the Department of Industry and Trade.

The operations of the corporation have been broadly divided into two spheres, namely, development of new industries by inviting fresh investment and the expansion and welfare of the existing industry.

The corporation uses two instruments, grants and taxation concessions, as measures for the encouragement of new investment. The range of financial assistance is such that the interested investor can hope to derive advantage to the extent of 50 per cent of his investment. This is offered roughly in the form of grants to the extent of 20 per cent and the remaining part in the form of other concessions and tax reliefs when he starts marketing his products.

financial aid

Financial assistance is available to the incoming industry by way of building grants too. New factory premises and warehouses are available free of rent for an initial period of occupation. Assistance is also provided for the purchase of plant and equipment and grants and loans are also available for special purposes.

Over the decade these efforts have yielded considerable positive results. New industries, widely diversified in production have been established and the basic industries have been redesigned according to new techniques. No fewer than 100 overseas firms have set up subsidiary operations or associate companies in Wales, of which 70 per cent are from the United States or have US associates. Nearly 3,000 manufacturing organisations are employing over one third of the entire working population on industrial units, an increase of more than one hundred per cent in the last 25 years. As a result of the massive investment undertaken by the manufacturing industries, productivity in Wales has increased at a rate more than the average for the entire United Kingdom in recent years.

The proposed entry of the United Kingdom into the EEC has induced some non-European countries such as Japan to establish new units in this country. As Wales offers some facilities, they have shown considerable interest in the area. In this

context the Development Corporation made sure with the government that the current regional policy involving concessions should not be diluted or weakened in any way if Britain joined the EEC. A strong regional policy in an expanded EEC would produce opportunities only if the assistance is assured for a certain minimum period.

importance of grants

A spokesman of the corporation stressed the importance of outright grants as against concessions alone. He pointed out that the advantage of tax concessions could be wiped out by the imposition of some fresh taxation, but the grants were a positive step that acted as an instantaneous incentive. The spokesman also made it clear that though regional development has been aimed largely at employment, that was not the rule.

The corporation does not concentrate only on inviting new industries, but also looks after the already established units. The corporation believes that a happy industrialist in the region is the best ambassador of the area and helps to invite more units. With that aim in view the corporation continues to improve the infrastructure of the area. The facilities of roads, airports, power, water and communications are always kept in mind.

The corporation helps the industries in the region by holding permanent and temporary fairs and exhibitions. In London, for instance, it has a permanent exhibition for the overseas buyers visiting the city. The corporation also sends trade missions abroad in order to explore markets for the products manufactured in the area.

It may be observed that the success achieved by the corporation in improving the economic conditions of Wales has largely been due to three factors. In the first instance the corporation has composite representation and comprehensive powers. Secondly, it has all the interests working harmoniously for the same purpose—the development of the area. Moreover the objectives of the corporation are precise and clear and not vague and idealistic. In the third place the grants and concessions are fairly substantial and carry no obscure and complicated conditions.

I had always suspected

that the Prime Minister and her party would convert the silver jubilee of the nation's independence into one grand occasion for further advertising and glorifying her image. It is now very clear that Mrs Gandhi and her henchmen are determined to make as much political capital as possible out of this national occasion. As information becomes available of the central government's plans and programmes for this August 15, the conclusion becomes hard to resist that not only public funds but also the simple patriotism of the people are going to be unscrupulously exploited for boosting the career of an individual politician and the fortunes of her party.

It has been announced, for instance, that Mrs Indira Gandhi is going to travel across the length and breadth of the land ceremonially visiting places sacred to the memory of the martyrs of the freedom struggle. This I would consider to be a monopolistic or restrictive trade practice of the worst kind since this would squeeze out effective participation by other political or public figures in this emotive ritual. Mrs Gandhi ought to remind herself at least occasionally that she is only the grand-daughter of the freedom struggle. There are happily still with us many who could lay claim to a more proximate place in the lineage. Why should they not be given their legitimate place in the national celebrations? The Prime Minister and her courtiers may believe that she has made history, but they cannot make the people believe that Indian history began and would end with the prime ministership of Mrs Indira Gandhi. The mere fact that the Prime Minister can commandeer an IAF plane is not justification enough for her wanting to fill the entire national scene with her presence on a day when the people's thoughts must naturally and properly turn to the ordinary men and women who, in their hundreds of thousands, had given their all to the service of the country in its hour of greatest need.

Whether the Prime Minister

has demoted Mr C. Subramaniam or not, he seems to have demoted himself. Whereas he was using a luxury foreign car when he was Minister for Planning, he has opted for an Ambassa-

dor after his transfer to the Ministry of Industrial Development. I fail to see the logic or reasoning behind this act of ostentatious austerity. Do our ministers still believe that the public can be taken in by such cheaply clever gimmicks? It is common knowledge that extravagance and conspicuous consumption in government is growing day by day. Against this background people can have but little patience with the empty gestures of politicians in power.

Mr T.A. Pai has gone one better. He has not only declared that he would tax the tax-payer only to the extent of the price of an Ambassador car for his official use, but has also taken up his residence in a railway saloon pending the allotment of suitable ministerial accommodation for him. Mr Pai has been appointed Minister for Railways. He has probably assumed that this entitles him to the use of a saloon as a temporary residence. I am not sure that the rules permit this. In any case what would Mr Pai have done had he been appointed Minister for Civil Aviation? Would he have gone to live in a hangar in Palam? It passes my understanding why reasonably intelligent persons should so readily succumb to the temptation to play the fool merely in order to catch the public eye. Do our ministers realize at all that the country is passing through a very difficult time and that the public is in no mood to put up with clowning as a substitute for clean government or efficient administration?

In the relatively short

and inglorious career of Dr Ashok Mitra as Chief Economic Adviser in the Finance Ministry lies a cautionary tale. People who are light weights must surely be chary of throwing their weight about. Dr Mitra has exhibited on various occasions a degree of intellectual arrogance which has been invariably short on intellect. He has done probably as much as anybody in his position could have done to sow confusion in government policies, particularly in the monetary and banking areas. There has been some speculation about the reason for his leaving the Finance Ministry. The wonder, however, must be how it was that he was tolerated in the government so long. His thesis on differential interest rates will forever remain the ultimate absurdity in economic analysis.

The Chief Minister of

Himachal Pradesh, Dr Y.S. Parmar has been a more enduring landmark or Simla than most of its more natural landmarks. He has been successfully defying political erosion in a way which must be the envy of the Jakk hill so constantly threatened by wind weather or water. It is therefore rather difficult to believe that the 'ceiling epidemic' is about to overtake even his tenure as Chief Minister. Dr Parmar has of course done many good things to Himachal Pradesh. For instance, he has greatly helped to develop its orchard wealth, primarily by building a network of roads through its hills and across its valleys. More important still, he has encouraged and enabled the hill people to cultivate in themselves a sense of belonging and this he has done mainly by easing and extending their access to the emerging economic opportunities in the state. He need have no regrets therefore when he does step down from the leadership of the state government. On the contrary, there would be a risk of his being unjust to himself if he permits himself to be unduly reluctant to give up office. Too long a tenure of power at the top must necessarily lead to the creation of a cluster of vested interests, political or other, although Dr Parmar's record has been on the whole a clean one. All the same it cannot be asserted that a change in the chief ministership in Himachal Pradesh will not be to the advantage of good government. Incidentally Mrs Gandhi seems to have ideas of her own in this matter.

Dwarkanath Kalhan who

passed away in New Delhi last week was a rare journalist. In a profession where dog habitually eats dog, he was not only no cannibal but was, so to speak, a strict 'vegetarian'. Kalhan believed not only that the world was large enough to accommodate all kinds of people but also that even the vocation journalism was wide enough to permit its practitioners to live and let live. I worked with him for several years on the staff of *The Hindustan Times*. What made me feel somewhat sentimental about him was his transparent social conscience. He was not in the best of health in his later years and it is possible that it was only his wife's mothering care which saw him into the threshold of his sixties. It so happened that I met him at a dinner a few days before his death. He talked to me enthusiastically about the places he had visited recently in south India and said that he was hoping to return to that part of the country for a more leisurely tour of its temple-towns or historic centres. To him, however, wherever he went, people were always more important than places, for he truly loved his fellowmen.



MOVING FINGER

Trade Guide for East Europe

Reviewed by
Academicus

Exporting to the Socialist Countries of Eastern Europe — A Guide to Marketing Techniques: International Trade Centre, Geneva; Pp 428; Price US \$30.

International Conference on Monopolies, Mergers and Restrictive Practices: Edited by J.B. Heath; Vidya Mandal, Delhi; Pp 285; Price Rs 75.

Banking Regulation Act — 1949: L.R. Suneja; Bankers' Publishing Centre, New Delhi; Pp 435+X; Price Rs 17.50.

Business Switch : R. Arvidsson and S. Dandapani; International Cooperative Alliance, New Delhi; 1972; Pp 262; Price Rs 20.

Regional Development Banking: R.M. Saksena; Somaiya Publications Pvt Ltd, Bombay; 1972; Pp 124; Price Rs 20.

Tax Burden on Agriculture in India: Dr K.N. Reddy; Good Companions Publishers, Baroda; 1972; Pp 110; Price Rs 15.

Exporting to the Socialist Countries of Eastern Europe is a comprehensive and excellent marketing guide intended for exporters and export promotion officials of developing countries interested in eastern European markets. This guide is limited, because of the basic similarities, to seven of the socialist countries of eastern Europe, namely Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, Rumania and the USSR.

Case material is used extensively in this book. Most of it is based on the recent experience of some thirty developing countries that are actively promoting export of their products to east European countries. This guide, unlike many other books on the subject, does not limit itself to the marketing of industrial capital equipment but is written with the specialised marketing needs of exporter of food-stuffs, raw materials and simple manufactures, since most of the developing countries are selling these products to eastern Europe at present.

important assumptions

Underlying the approach of this book are two closely related important assumptions. The first assumption is that a developing country that desires to increase its exports to eastern Europe will have to expand imports from this area more or less to the same extent. The second assumption is that some of the east European countries referred to in this book prefer to trade on bilateral basis with the developing countries. This is because their planning of imports and ex-

ports is implemented most efficiently when there is bilateral payments agreement with each trading partner.

The ten chapters in this book are devoted to development of marketing strategy, organising of sales efforts, choosing a representative in the markets, obtaining and analysing trade and market data, conducting formal market studies, organising and managing exhibitions at trade fairs in the area, selecting appropriate advertising and publicity media, the size and nature of the markets, the foreign trade systems of the seven countries and their commercial practices and regulations.

extremely instructive

It would be extremely instructive to have an idea of the size, trends in growth in foreign trade, relative importance of markets of the seven east European countries under study here, level of their economic development and importance of their foreign trade, especially in the broader perspective of world trade.

We find that in 1968 the seven countries of eastern Europe accounted for 11.3 per cent of the world trade and for more than 30 per cent of the world's industrial production. In 1968 exports from the seven countries totalled \$25.159 billion and their imports \$23.906 billion, the USSR alone accounting for some two-thirds of exports and imports. But exporter should not assume that the vastness of the USSR would justify concentrating most of their efforts in that market. The greater dependence of the other east European countries under study here on

foreign trade make them of equal interest to foreign exporters.

The data in the book reflect the large differences in the relative levels of economic growth among the seven countries. Rumania has the lowest GNP per capita and the German Democratic Republic the highest. There are also large variations in the levels of industrialisation in the seven countries and we find that in general, lower the level of industrial development, higher the country's rate of growth. Planners in the seven countries expect to maintain roughly the same annual growth rates during the 1970s that have been recorded since 1950. Where foreign trade is concerned, its share in each of the seven economies and its growth correspond roughly to the relative levels of industrialisation and per capita GNP. Only the foreign trade of USSR varies from this pattern because of the Soviet economy's resource endowment and size leading to a greater degree of self-sufficiency.

decrease in share

It is interesting to note that during the past decade, the share of foreign trade of the socialist countries in the total world trade has declined slightly from 11.7 per cent in 1960 to 10.7 per cent in 1968. Nevertheless in absolute terms, their total trade has increased substantially during this period, from \$ 15 billion in 1960 to \$25.38 billion in 1968. Of greater significance to the developing countries is the substantial growth of their trade with the socialist countries of eastern Europe which increased at an annual rate of 13.2 per cent during 1960-68. In fact since 1968 the rate of growth of eastern European imports and exports has tended to exceed the international average. It is observed that during the decade 1955-65, trade between the developing countries and eastern Europe was the most dynamic sector of world trade. There seems to be no sign of abatement in this trend.

In terms of composition of this trade, industrial manufactures have been the fastest growing category of products exported by developing countries to eastern Europe and also offers the greatest promise in coming years as reflected in the substantially increased import quotas for indus-

trial manufactures in bilateral trade agreements recently negotiated between eastern Europe and many developing countries. This means trade between the developing countries and eastern Europe offers plenty of scope for expansion. Nearly all the governments have shown awareness of this and have entered into bilateral trade and payments agreements.

During the 1960 nearly 90 per cent of exports from developing countries to eastern Europe were accounted for by agricultural products and raw materials. The fastest growing category of exports during that period was manufactures and semi-manufactures which rose from eight per cent of all exports to Eastern Europe in 1962 to 27.8 per cent in 1968. On the basis of the survey, it is apparent that for many years to come, the major market in eastern Europe for the exports of developing countries will continue to be food products and raw materials for industrial use. Also, for developing countries that export industrial manufactures, the markets of eastern Europe hold much promises. It should be noted that despite the impressive expansion eastern European imports of manufactures from developing countries — \$ 654 million in 1968 — have not yet reached a significant proportion of their total imports from those countries and one half of their imports of manufactures came from only three countries, namely Cuba, India and the United Arab Republic (Egypt).

bright picture

Regarding prospects of exports from developing countries to eastern Europe it is observed that the overall picture is exceptionally bright, provided the developing countries take suitable measures to ensure a long-term readiness on the part of their east European trade partners steadily to increase their imports. The bilateral trade and payments agreements assume that the developing countries will take steps to increase their purchases of capital goods and consumer products from east European countries. The study warns that although growing markets exist in eastern Europe, unless developing countries take energetic steps to enter them, they will not be in a position to take full advantage of the opportunities.

It is an exhaustive study with 38 appendices which are packed with every conceivable detail of relevant information and a fairly exhaustive and extremely useful bibliography on the trade of developing countries with eastern Europe. Developing countries are finding it increasingly difficult to increase their exports to western countries and therefore are in need of new markets which fortunately for them the east European countries are in a position

to provide and which the developing countries must fully exploit. This authoritative and exhaustive guide to marketing techniques and exports to east European countries should prove extremely useful in achieving the objective of diversifying exports of developing countries like India.

COMPETITION AND ECONOMIC GROWTH

A conference was held in England in September 1969 and was sponsored by the Board of Trade and OECD and was attended by officials, lawyers and economists from the United States and most of the European countries. The central theme of the conference was the relationship between policies on competition, rationalisation in industry and economic growth. *International Conference on Monopolies, Mergers, And Restrictive Practices* reproduces the papers read at the conference.

As regards the ultimate objectives of competition there was some tendency to think of these ultimate objectives in terms of full employment, stable prices, a more equitable distribution of income, raising living standards and sound balance of payments. But it was thought that it may not be possible to aim at such a wide spectrum of objectives at one and the same time. Prof Cairns emphasised that there was danger in expecting competition to do too much and therefore the main objective should be to ensure the speedy and effective transfer of resources from less to more efficient uses.

Prof Phillips referred to the most important difficulty in achieving the efficient use of resources through competition. Individual firms in the pursuit of profit ordinarily do not take account of externalities—those costs on the community which may be incurred through the industrial and commercial activities of an enterprise but which do not enter directly or indirectly into their profit and loss account. Pollution of the environment is the most obvious example. Unless such factors are taken explicitly into account as would be required in a social cost-benefit analysis, the pursuit of profits—whatever the state of competition—may well lead to a misallocation of resources. The solution to this problem is for the state or some other appropriate authority to impose regulations or to manipulate decision variables so as to bring private and social interests more closely together. Thus by bringing externalities in to profitability reckonings of firms, the pursuit of competition policy may lead to a better social allocation of resources than if externalities are ignored.

The scope of competition policy was

being regarded as potentially very wide. To a greater or lesser degree it could be taken to relate to monopolies, mergers, restrictive practices by industry and trade unions, consumer protection, patent legislation, advertisement, establishment of companies, copyright laws, tariffs and so on. Several speakers urged that in Britain more decisions in the implementation of competition policy should be made through the application of legal criteria rather than through ad hoc decisions within a rather broad legal framework. This line of reasoning received considerable support and led to the proposition that in some areas the time has come for the more precise specification of the rules of conduct. But there was also some doubt as to whether general laws regulating competition could be framed with sufficient precision to cover the many different circumstances which might arise in practice, while at the same time affording businessmen clear guides to action.

competition policy

The participants at the conference analysed and discussed many specific problem areas in the implementation of competition policy. Some of the issues discussed in the book are the multinational corporations which have been posing many critical problems to national governments, the law's delay and whether the market is a better judge, concentration, firm's size, invention and innovation, economies of scale, the problems of resale, price maintenance and refusal to sell, price discrimination and non-price competition. Though some of these issues are very technical and the plane of analysis is highly sophisticated, most of the papers have succeeded in bringing out the various implications of these issues very lucidly so that there is no mistaking on the part of the readers about the complexities involved in the problems of competition and monopoly.

Indian authorities dealing with the problems of monopolies, mergers, concentration and such other aspects of industrial organisation in the country would do well to ponder over some of the most complex issues dealt with fairly exhaustively in this book. So far the impression created is that in this country the government has not been looking at these problems objectively and scientifically but with essentially political objectives in view with the consequence that the rate of industrial growth has been declining over years. In the interest of economic growth and maximising social welfare, these problems of competition and monopoly in the industrial field need to be dealt with rationally and the papers in this book will give enough food for thought to

those interested in the problems of industrial organisation.

BANKING REGULATION

Is there the necessity of a new book on the Banking Regulation Act of 1949 after July 1969 when 14 major commercial banks in the country were nationalised? Now that the major commercial banks are owned and managed by the government, there is no question of banks making a profit or suffering a loss or their going in to liquidation. Does not the new situation make a book on banking regulation superfluous? L.R. Suneja's exhaustive and excellent book on *Banking Regulation Act—1949* which has gone into the second edition, proves that the study of banking regulations is as important today as before nationalisation and thus makes a useful contribution to the relatively sparse literature on banking in India.

The Banking Companies Act which was passed on March 10, 1949 was a significant landmark in the history of banking in India. Though at the time of passing it was thought that the Act was very well thoughtout and comprehensive piece of legislation, it soon become obvious, in the light of the experience gained in its actual operation, that there were many deficiencies and loopholes and amendments were passed in 1950, 1953, 1956, 1957, 1959 and 1960. The author has dealt exhaustively with the main act and all these amendments and has explained their implications very lucidly. These amendments related to amalgamations, liabilities of directors, powers of the Reserve Bank of India to supervise and control commercial banks and so on.

The government however was not satisfied with the results obtained and felt that the commercial banks should play a more decisive role. The deficiencies of the Indian commercial banking system came to be discussed widely in the context of planned objectives and targets. There were complaints that the bulk of bank advances tended to be directed to the large and medium scale industries and big and established industrial houses while priority sectors such as agriculture, small-scale industries and exports had not been receiving their due share. In order to mobilise the country's resources more effectively and to bring about the desired changes in the pattern of bank lending, it was considered necessary to evolve appropriate guidelines for bank management and to bring about a reorientation of their decision-making machinery so that the policy formulated in the sphere of bank lending by the Reserve Bank of India was properly implemented. It was with this end in view that Social Control Order

came into operation since December 1968.

According to the author the Indian bankers soon reconciled themselves to the ideas and methods of social control. They redoubled their efforts in the field of branch expansion, deposit mobilisation and diversification of credit, particularly in favour of priority sectors. The author feels that a favourable change was clearly discernable in the attitude of Indian commercial banks.

The Social Control Order was hardly in operation for six months when on July 19, 1969 nationalisation of 14 major commercial banks with deposits of Rs 50 crores and more was announced and the banks taken over by the government. The declared goal of the nationalisation is to diversify the pattern of lending in favour not only of the priority sectors of the economy as envisaged by the Social Control Order but also in favour of weaker sections of society and of backward areas.

additional responsibilities

According to the author the task ahead of the nationalised banking sector lies in two directions — the operational and organisational. The diversification of credit pattern and its functional distribution are the most important changes on the operational side of the banking system. "Attuning the banking transactions to the changing needs of the economy and enabling the system reorganise itself to shoulder the additional responsibilities is the major organisational task." The author has rightly emphasised that the speed and efficiency with which the nationalised banking sector adapts itself to these requirements is of the crucial importance because on it depends the future growth of the Indian economy.

According to the author nationalisation and Social Control Order are now working together in India. While nationalisation controls the State Bank of India with its seven subsidiaries and 14 major commercial banks, Social Control regulates the business of 38 Indian commercial banks as yet out of public sector and 13 foreign exchange banks. This book on banking regulation is still relevant because many of the provisions of this Act with its amendments are still applicable to nationalised banks not to speak of non-nationalised banks in the country. Both the nationalised and non-nationalised commercial banks are still guided by the provisions of the Banking Regulation Act. This means that full knowledge of the provisions of this Act is absolutely essential for the officials and others working both

in the nationalised and non-nationalised banks in the country.

This book is easily one of the finest on the subject of banking legislation in India. L.R. Suneja has dealt exhaustively and clause by clause with the provisions of the Act and its various amendments including the Banking Companies (Transfer of Property and Undertakings) Act, 1970 and the Nationalised Banks Management Scheme, 1971. The remarkable lucidity with which the exposition and analysis are carried on from beginning to end shows the deep study of the author as also his great practical experience in the field of commercial banking. This book is a must to all the commercial bankers in the country.

SUCCESSFUL MANAGEMENT

Since *Sale — A Profile*, an earlier publication by the same authors (already reviewed in these columns) received a favourable reception, the authors have made an attempt in *Business Switch* to catalogue a few of the important techniques that are necessary for the smooth functioning of a complex business organisation, viz, the retailing unit. "Whether the retailing units are managed by private individuals largely motivated by profit consideration or through the agency of co-operatives with an aim of curbing consumer exploitation, the techniques mentioned in this book are essential pre-requisites to the successful management of a retail shop.

This book regarding retail trading should be of significance as retail trading so far happens to be a neglected field. In several countries the monetary value of retail trade is roughly a little more than a third of the Gross National Product. Even in developing countries where traditional occupations with rural background still predominate, the share of retail trading is not any less. The chances are that with economic progress, retail trading will grow both in volume and value. It is in this context that systematic study of retail trading becomes necessary so that wasteful growth in that business is avoided.

The authors have emphasised that the failure of a retail business unit is not as sudden as is often made out to be. Deterioration in business efficiency sets in at several stages in a very imperceptible way. And therefore the basic pre-requisite to understanding an activity such as retailing is an awareness based on knowledge and know-how of the weak and strong points pertaining to this business.

The authors have dealt with all the sources of income and expenditure of a retail business unit and with other topics such as the importance of the rate of turn-

over of stock, wage costs, sale per employee, budgeting, work organisation, depreciation and so on. They have discussed the factors to be kept in mind when fixing the prices of commodities, how to raise and use capital, how to watch cash inflow and outflow, cash control, control over inventory, and result calculation and evaluation. The authors have emphasised that in a fast moving complex business organisation such as retailing, the management has to review the programmes regularly with the help of 'key figures'. The compiling of these key figures should be a routine to be rigidly followed at the end of each stipulated period. Some of the key figures mentioned by the authors are sale per consumer, sale per employee, stock turnover, break-even sale, margin of safety, net profit per employee and assets turnover ratio. The authors have also given in a detailed way job description i.e. functions of various officials in a retail business unit such as branch manager, section manager, sales assistant, sales promotion man and so on, generally employed in big co-operative retail business unit.

Retail trading in developing countries like India is yet run on traditional lines and without adopting most of the sophisticated techniques mentioned in this book. But there is no doubt that this vital sector of our economy needs to be based on rational and modern techniques. Many of the techniques described in this book are quite simple ones and can very easily be adopted by even small retail shops. The book will certainly be found useful not only by big departmental stores and large consumer co-operatives but also by small retail shop-keepers.

REGIONAL DEVELOPMENT

Literature on banking is relatively scarce and books of quality on the subject rarer still. One is therefore extremely pleased to read *Regional Development Banking* by R.M. Saksena who within a small compass of 124 pages has done full justice to the subject and has produced an excellent book on regional development banking.

Though after World War II there is a distinct movement towards international economic co-operation under the aegis of the United Nations, there is however a feeling among statesmen and economists that it would be better to narrow down the scale of co-operation in the economic sphere because international relations as at present cannot be very intimate. "The concept of economic internationalism due to its inherent weakness to sustain itself under diverse pressures from various directions has, therefore paved the way for economic regionalism. "The outcome of such an attitude has resulted in the

establishment of regional development banks. European Investment Bank — 1958 (EIB), Inter-American Development Bank-1959 (IDB), African Development Bank-1964 (AFDB), and Asian Development Bank-1966 (ADB) are the four regional development banks that are functioning in different parts of the world today.

The author has traced the origin and growth of the four regional development banks and has analysed the meaning of the term 'regional development bank', their ideological foundation, their objectives and scope, their functions, managerial pattern, capital structure and the terms of development finance and the part which they have been playing in the economic development and social progress of their respective regions. The author has also made an attempt to evolve certain guidelines for their future policies.

macro standpoint

It would be extremely instructive to look to all these development banks from the macro standpoint, though the European Investment Bank stands generally in a different category from the other three in several respects. The functions which the regional development banks perform are either financial or developmental in their nature. The former category refers to provision of financial assistance in various forms and the latter refers to provision of technical assistance, conducting techno-economic surveys and pre-investment studies and such other aspects.

According to the author the objective of removing regional imbalances makes it incumbent on these banks to give greater attention to developmental functions rather than purely banking activities. It follows that establishment of priorities for the provision of financial assistance is a *sine qua non* of effective regional development banking. Naturally there is the necessity of adoption of different schemes of priorities by different regional banks, depending upon the strategy of economic growth and the socio-economic context of the applicant country. And still the author has suggested some excellent guidelines. According to him highest priority should be given to multinational projects which accelerate the rate of economic growth of the region as a whole, as also to projects which facilitate regional economic integration by making economies of the countries of the region complementary with one another, to projects which are likely to increase intra-regional and extra-regional trade, to projects which would quicken the pace of economic growth of relatively less developed areas in the region, and to projects which are likely to attract intra-regional and extra-

regional investible resources, both public and private. Though there is no rigidity about this scheme, the author rightly feels that the scheme suggested above is likely to help the regional development banks substantially optimise the use of their limited resources.

broaden the spectrum

As regards administrative matters the author is of the opinion that the directors should be appointed for a period of five years instead of two or three years as at present as that is too short, that the regional development banks should pay more heed to advisory committees which should be strengthened, that while the majority of bank employees should be recruited from the region concerned, experts from other centres should be appointed as that would broaden the spectrum of thinking in the bank, that training centres should be opened for training officials in developmental banking, that there should be follow-up action by the development banks after post-sanction and post-disbursement, instead of leaving the responsibility for follow-up action with the recipient countries, that regional banks should provide direct financial assistance mainly for the international projects which require international outlook, international experience and international financial resources, that the regional banks with paucity of resources should think of syndicating i.e. undertaking joint financing operations with large and prominent private investors, bankers and industrial concerns throughout the world, that these banks should look to the problem of export finance which has remained neglected so far, that the regional development banks should examine feasibility of the scheme for underwriting bonds and debentures floated by the national development banks, that the rate of interest of these banks be as low as feasible and that in order to avoid conflicts and duplication of activities, the operations of the regional development banks be dovetailed with those of the national development banks on the one hand and those of the World Bank on the other.

The author has also pleaded that in order to make the regional development banks (excepting EIB) to play their role more effectively, the advanced countries should come forward with subscriptions to the capital of these regional banks and should provide special funds to them on concessional terms. These are all eminently practicable and extremely useful suggestions which the regional development banks can follow with profit to the regions they are serving.

This is an extremely thought-provoking study of a subject which is bound to be of

increasing significance in years to come. The book certainly deserves to be read by all those who are interested in development finance. The book is an excellent addition to the relatively sparse literature on banking.

TAXING AGRICULTURE

One suffers from a surfeit of discussions on the subject of agricultural taxation in India these days. Dr K.N. Reddy has added his share to this lot by his *Tax Burden on Agriculture in India*.

One school of thought holds the view that agriculture in India has been an under-taxed sector and hence this sector must be taxed more, both on grounds of equity as well as the need to raise additional resources for the country's development. Among the many measures advocated by this school, agricultural income tax finds a conspicuous place. Due to increase in agricultural incomes, especially among farmers with substantial holdings in the wake of the green revolution, this view has gained wider currency in recent years and a committee under the chairmanship of Prof K.N. Reddy is again examining the issue.

There is also the opposite view which while conceding that agriculture has been under-taxed would not advocate imposition of additional taxation as the increased burden of taxation would nip the agricultural revolution in the bud by adversely affecting the willingness and the ability of farmers to invest.

Dr Reddy rightly feels that it is necessary to know the factual position in regard to the benefits received by and the costs incurred in the agricultural sector so that one could form an informed judgement on the net position of the sector. Also since the argument is often put forward in the name of equity, the author feels that it is necessary to know how the net position of agriculture compares with that of non-agricultural sector, as also various groups within the two sectors. Further, since in the discussions, agricultural income tax finds a conspicuous mention, it is necessary to know the pros and the cons involved and find out if and whether there are better alternative ways of raising additional resources.

In regard to the above matters, the author has arrived at the following conclusions. As regards the fiscal burden on agriculture, his findings are that the per capita income and per capita tax incidence are lower in the agricultural sector than in the non-agricultural sector, that the per capita benefit received by the agricultural sector is higher than that of the non-agri-

cultural sector, that measured in terms of per capita taxes as percentage of per capita income, agricultural sector has borne more burden than non-agricultural sector, that the tax incidence in the agricultural sector is lower than in the non-agricultural sector and that the presumption of some economists that agricultural sector has borne less burden seems to be unwarranted, particularly in the context of concealed taxes borne by the agricultural sector.

As regards intra-sectoral equity, the author has concluded that the tax payments by lower income class in the agricultural sector were roughly equal to the tax payments by the same class in the non-agricultural sector upto 1960-61 and lower by 35 to 40 per cent thereafter. However the upper income class in the agricultural sector bore comparatively less tax burden than that of the upper income class in the non-agricultural sector. Efforts for mobilising additional resources from the agricultural sector have got to be made primarily as a part of financing development programmes and secondarily as a part of bringing equity in the tax burden between the two sectors.

plugging the loopholes

On the basis of the above findings Dr Reddy has made the following recommendations. In his scheme the short-term measures do not envisage any radical changes in the existing agricultural taxation. They are aimed at raising at least that much revenue (say about Rs 35 crores) which would bridge the inter-class inequity. The long-term measures, on the other hand, concern the basic changes needed for plugging the loopholes in the existing tax system and attaining certain other Plan objectives.

Regarding short-term measures, the author has recommended a surcharge on land revenue, the rates being framed in such a way that the surcharge will be in consonance with the progression and higher yield. Holdings below 25 acres are to be exempt and the rest of the holdings are to be subject to surcharge at progressive rates. While fixing the progression in tax rates, inequity of tax burden as between the upper income class in the agricultural sector and non-agricultural sector is taken into account. Also, discrimination may be made among states by taking into account the existing levels of agricultural taxation in each state. According to the author a surcharge of Rs 2.50 per acre on holdings between 25 to 49.99 acres and Rs 7.50 per acre on holdings between 50 acres and above will yield about Rs 50 crores annually.

As regards long-term measures, the

author has suggested reorganisation of agricultural taxation which is to take place within 6 to 8 years. He recommends land-based taxation instead of income-based taxation, especially in the context of lowering down of ceilings on the existing land holdings.

In the reorganised system of agricultural taxation, the author wants that the existing type of agricultural income tax should be done away with, since it does not serve the purpose of raising substantial revenues for the states. Instead, the author has made the following proposals. Systematic valuation of agricultural land should first be done on the basis of soil classification, topography, climate, fertility, irrigational facilities etc., etc. The different grades of land should be subject to different rates of taxation, distinction being made especially between irrigated and non-irrigated lands. Wealth tax on agricultural property may also be imposed. If a high rate of wealth tax is imposed, this would perhaps reduce tax avoidance in personal income tax. Further, to impart elasticity to the agricultural tax system, a surcharge on land revenue may be thought of once in three years until another assessment of land and valuation takes place. The surcharge according to the author, may be fixed



taking into account the average wholesale price index of foodgrains during the three years. And finally, to ensure progression in the tax system as well as for increasing revenue, the author suggests that some indirect taxes may be levied such as taxes on electric motors, pumpsets, oil engines, fertilisers and tractors which enter mostly the consumption pattern of higher income groups in the agricultural sector.

While the analysis and short-term mea-

sures suggested by the author are useful and practicable, his long-term measures are too complicated and are likely to violate the canon of simplicity. It is to be wondered whether in the existing setup such a complete overhaul of agricultural taxation is possible even in the course of next decade or two. Set back to agricultural production this year should make us cautious about the measures that we take in the agricultural sector which after long period of stagnation is just pulling up.

Books Received

The Effectiveness of Family Planning Programs in Less Developed Countries: The Evidence from Survey Data: Dudley Kirk; Food Research Institute: Stanford University, California: Pp 19; Price \$ 1.00.

Doctors and Dukuns, Puppets and Pills (A Look at Indonesia's Family Planning Program): Peter C. Muncie; World Bank, 1818 H Street, N.W., Washington DC, 20433 USA; Pp 43.

Technical Studies Prepared for the Banking Commission (Vols I & II): Published by the Reserve Bank of India; Vol I: Pp 609; Vol II: Pp 581; Price Vols I & II Rs 27.50.

The University in Transition (An Indian Case-Study): Philip G. Altbach; Sindhu Publications Pvt. Ltd; Pp 136; Price Rs 20.

Britain 1972 An Official Handbook: Pre-

pared by the Reference Division of the Central Office of Information; Published by Her Majesty's Stationery Office. London; Pp 518.

Tourism (Sector Working Paper): Published by World Bank, 1818 H Street, NW, Washington DC, 20433, USA; Pp 33.

Trading with the World (Country Profiles) - Revised Edition: Published by the Indian Institute of Foreign Trade, H-24 GreenPark Extension, New Delhi-16; Pp 722; Price Rs 40.

Soil Fertility Evaluation for Increased Farm Production and Profits: Dr Howard and E.K.S. Nambiar; Fertiliser Association of India, 85, Sundar Nagar, New Delhi-3; Pp 48; Price Rs 3.

Digest of Tea Statistics, 1971-72: Published by the Tea Board of India; Pp 91; Price Rs 2.

Key to Household Economy: Mrs Mar-

garet D' Cruz; International Cooperative Alliance, 43 Friends Colony, New Delhi-14; Pp 28; Price Rs 3.

Directory of Technical and Engineering Services in India: Published by the Indian Engineering Association, 6, Netaji Subhas Road, Calcutta-1; Pp 88; Price Rs 10.

The Industrial and Commercial Directory of Poona: Edited and Published by B.R. Sabade, Mahratta Chamber of Commerce and Industries, 587/9 Tilak Road, Poona-2; Pp 319; Price Rs 25.

Water and Power Development, India: Designed and Produced by the Directorate of Advertising and Visual Publicity, Ministry of Information and Broadcasting, Govt. of India, for the Ministry of Irrigation and Power: Price Rs 3.

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Road Transport Review, Quarterly, Jan-March 1972, Vol I, No. 1: Edited and Published by A.J. Arantha, Mysore State Road Transport Corporation, Transport House, Shanthinagar, Bangalore 27; Pp 80.

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TRADE WINDS

Cashew Corporation

THE CASHW Corporation of India (CCI), a public sector enterprise formed on September 1, 1970, has reported satisfactory results for the first 1½ years of its operations. The gross profit of the corporation during the 18 months to March 31, 1972, aggregated to Rs 2.86 crores—Rs 2.13 crores for 1971-72 and Rs 0.73 crore for the earlier six months. Of this gross profit, Rs 1.94 crores have been contributed to the exchequer as tax, Rs 77 lakhs have been credited to the reserves account and Rs 15 lakhs have been paid to the State Trading Corporation (STC) by way of dividends on a paid-up capital of Rs 50 lakhs. The Board of Directors of the CCI has further proposed to issue bonus shares to the STC to the value of Rs 25 lakhs. Ultimately, it is proposed to raise the paid-up capital of the company to two crores of rupees.

The total exports of the enterprise, including CNSL, in 1971-72 amounted to Rs 62.35 crores, as against Rs 52.86 crores in 1970-71 and Rs 58.44 crores in 1969-70. Deducting the value of imports of raw cashew nuts, the net foreign exchange earnings in 1971-72 were of the order of Rs 37.01 crores, as against Rs 23.45 crores in the previous year and Rs 30.84 crores in 1969-70. The foreign exchange earnings from the general currency area in the three years were Rs 16.66 crores, Rs 4.94 crores and Rs 3.70 crores, respectively. From the rupee currency areas, they were Rs 20.35 crores, Rs 18.51 crores and Rs 27.14 crores, respectively.

The sizeable increase in exports and some improvement in the profitability of the corpora-

tion in 1971-72 have been achieved in the face of heavy odds. The year 1971-72 was marked by numerous crises and uncertainties caused by the prolonged closure of factories due to a heavy carry-forward of unsold stocks, the international monetary crisis and the imposition, in the wake of the national emergency, of a 2.5 per cent regulatory duty on imports.

Compulsory Export Obligation

The Foreign Trade Ministry has a proposal under consideration to impose compulsory export obligation on a wide variety of industries so as to increase exports. The Minister of Foreign Trade, Mr L. N. Mishra, said on July 30 that the proposal was part of a radical plan which he intended to put into operation during the year to restructure the country's external trade in consonance with the growing accent on self-reliance. The legal and constitutional aspects, of this proposal were now being seriously examined in consultation with various ministries. Initially, compulsory export obligation would be put on a few selected industries.

Mr Mishra said he also proposed to devise schemes to make inputs available to exporters at internationally competitive prices in view of the serious erosion into the profitability of exports because of rising prices within the country. Another measure he had in view was to draw up a comprehensive programme for the growth of export-oriented units.

Compulsion, Mr Mishra added, had become inevitable in a situation where domestic demand continued to outstrip

the rate of growth in industrial consumption in order to create exportable surpluses. Further, he said experience had shown that the attraction of increased profit margins in the home market was a disincentive to exports.

Realistic Prices

The seminar on public undertakings held recently in the capital recommended that the government should fix "realistic prices" for their products which would enable them to meet inevitable increase in operating costs and also be fair to consumers. Criticism was voiced against the fact that "predominantly non-economic factors" were allowed to affect projects at the stage of formulation. It was urged that sound feasibility reports should be prepared on the basis of scientifically formulated guidelines.

The seminar described over-capitalisation and under-utilisation of capacity as major ills afflicting the public enterprises. According to the consensus at the seminar, under-utilisation of capacity resulted from overambitious and bad planning, imbalanced or defectively-designed plants, shortage of working capital, power failures, industrial unrest, recession, and lack of raw materials and transport facilities.

Several enterprises had problems of "overcapacity" as a result of "fantastic" installed capacities. These problems could be tackled through product diversification.

Two other problems highlighted were overstaffing and excessive inventories. Overstaffing was due to lack of proper manpower planning in initial stages. Adequate control was not exercised over creation of additional posts. Among the reasons for excessive inventories were technological changes and obsolescence, procedural delays in releasing foreign exchange, lack of planning and constant review by top management.

Panel for Fiscal Set-up

The IMF announced on July 28 formal approval by its board of governors of the new

"committee of 20" to negotiate reforms of the world monetary system and "related issues". The approval was by an overwhelming majority of the governors of the Fund who are either finance ministers of their countries or central bank governors. A few countries abstained on the poll taken by mail.

The 20 countries constituting the committee will be the five who have the largest quotas in the fund—the USA, the UK, France, West Germany and Japan—six from the developed world—very likely Italy, the Netherlands, Belgium, Canada and a Scandinavian country—three from Latin America and six from Asia, Africa and West Asia among whom India will be one.

The main purpose of the committee will be to recommend monetary reform, including an amendment to the articles of IMF agreement. The committee will also give full attention to the inter-relationships between these matters and existing and prospective arrangements among other countries, including those involving international trade and the flow of capital investment to developing countries. Monetary reform was strongly advocated at UNCTAD-IV where a resolution was passed, in the teeth of opposition by the rich countries, that developing countries should fully participate in process of decision-making and reform of the fund.

Science and Technology

The National Committee on Science and Technology (NCST), which was inaugurated in November 1971, is currently engaged in the formulation of a Science and Technology (S & T) plan. This is the first time that such an attempt is being made in the country. The strategies of the S&T plan would be determined by the socio-economic goals as defined in the five-year Plan. The more important among these goals are maximum utilisation of resources, self-reliance, increasing employment potential and provision of basic minimum needs. But, as the choice of

specific scientific problems within the broad areas has to be tactical and an only working scientists can make these tactical choices, MCST has involved about 1,500 working scientists for formulating the S&T plan. This has also given a great sense of participation to our scientists, particularly the younger scientists.

To cover the various sectors of S&T, NCST has constituted 22 panels. These in turn have formed a number of groups and sub-groups comprising scientists, technologists and other experts. They have been drawn from R&D organizations industries and government agencies, with a view to ensuring an inter-disciplinary approach. The S&T plan would cover the entire innovation chain, from research and development through design, engineering, pilot plant to production.

Aromatics Project

The union Minister for Law & Justice and Petroleum & Chemicals, Mr H. R. Gokhale, informed the members of the Parliamentary Consultative Committee attached to the Ministry of Petroleum & Chemicals recently that the Aromatics Projects of the Gujarat Petrochemical Complex was likely to be commissioned by the end of 1972. He explained that there had been some delay in the implementation of the project mainly on account of the fact that indigenous fabricators, who were given fabrication jobs relating to certain critical parts of the plants had not been able to meet their schedule.

Regarding downstream units of the Olefins Project, the Minister said that investment approvals for all the downstream units had been accorded and letters of intent for all except synthetic rubber and poly-ethylene had been issued. Foreign collaboration proposals in respect of all units except poly-ethylene had been approved by the Foreign Investment Board. The Olefins Project would take approxi-

mately 36 months for completion.

The Aromatics Project, the Minister said, consisted mainly of a DMT plant and a Xylenes plant. The DMT part of the project was expected to be in position earlier than the Xylenes part and the Indian Petro-Chemical Corporation proposed to commission it on the basis of imported paraxylene till such time as the Xylenes plant was commissioned, saving considerable foreign exchange through reduction in DMT imports as such.

Social Security

The conference of state ministers of social welfare and in charge of backward classes on July 23 agreed that in the fifth Plan a system of public assistance should be evolved for the benefit of some categories of persons who would normally be in great distress otherwise. These categories were: old persons who have no income and no one to support them, orphans and children whose parents cannot support them, widows with no income during the first year of widowhood and persons who are severely handicapped.

The scheme will cost about Rs 750 crores during the fifth Plan period. It was agreed that such proposals should be formulated and incorporated in the Plan.

A new strategy for tribal development has also been approved by the ministers.

Wagons to Yugoslavia

Yugoslavia has agreed to an extension of five months in the delivery schedule for the first consignment of the 3,600 railway wagons that the State Trading Corporation has contracted to supply over a period of years from the beginning of 1973. The chairman of the Projects and Equipment Corporation, Mr P. Sahai, told the Press in the capital on July 27 that there was no dispute with Yugoslavia on the question of the price to be paid for the Indian wagons which would be exported in knocked-down condition and assembled

in Yugoslavia. However, there were some differences of opinion on who should bear the penalty in the event of the supplies being delayed to the Yugoslav Railways. The Indian stand was that if the delay was not due to late deliveries by the Projects and Equipment Corporation, the penalty should not be charged to its account.

The corporation has made, in the very first year of its working, a profit of Rs 21.19 lakhs after paying a tax of Rs 60 lakhs to the government. The total turnover of the corporation was nearly Rs 40 crores and the corporation proposes to raise it to Rs 60 crores this year.

Liberal Credit Policy

Mrs Sushila Rohatgi, union Deputy Minister for Finance, has asked bankers to be less conservative while advancing loans. She was speaking at the inauguration ceremony of a branch of the Bank of Baroda in the capital on July, 26.

The government, she said, was concerned that the advance-deposit ratio was going down. She said that it was impossible to believe that this was due to lack of demand for credit. In a country which chronically suffered from lack of resources there would always be need for bank loans. She was satisfied that banks were on their way to fulfil socio-economic objectives of nationalisation.

Power Supply in Calcutta Area

The government has appointed a committee to find out the causes of frequent breakdowns of power supply in the Calcutta area and suggest measures for preventing the breakdowns and improving power supply in the area. The committee is to submit its report within two months. It is headed by the Vice-Chairman of the Central Water and Power Commission Mr A. K. Ghose. The other members on the committee are Mr B.S. Raghavan, Commissioner and Secretary to the government of West Bengal, Department of power, Calcutta; Mr S. K. Mukherji, Chairman, West Bengal State

Electricity Board, Calcutta; Mr S. K. Sen, Chief Electrical Engineer, Damodar Valley Corporation, Calcutta; and a representative each of the Calcutta Electric Supply Corporation Ltd, Calcutta and Durgapur Projects Ltd, Calcutta. Mr B. Sinha, Chief Engineer, Central Water and Power Commission, (Power Wing), New Delhi is Member Secretary.

New Business by LIC

The total new business completed by the Life Insurance Corporation of India (LIC) in June this year amounted to Rs 96.68 crores involving 1,11,405 policies.

In the three months from April to June 1972, the new business completed by the corporation totalled Rs 203.61 crores as against Rs 155.91 crores completed in the corresponding period of 1971—a rise of Rs 47.70 crores. The number of policies went up during the same period by 38,193.

Nationalisation of Coking Coal Mines

A bill for the final acquisition of the coking coal mines will be introduced in the current session of Parliament, which began on July 31. Another bill will be introduced in Parliament providing for the government ownership of the Indian Copper Corporation, the management of which was taken over recently.

The national income at current prices from mine sector in 1970 had reached about Rs 314 crores from Rs 139 crores in 1960, he said.

MSSIDC

The Maharashtra Small Scale Industries Development Corporation has succeeded in securing a big rate contract for a small-scale industry in Maharashtra for the supply of folic acid and ferrous sulphate tablets to the family Planning Department of the union Ministry of Health and family Planning. It is expected that the government might buy these tablets worth anything between Rs 75 lakhs to one crore of rupees every year.

The MSSIDC had quoted the

tender on behalf of Messrs Lupin Laboratories, Bombay and the Director General of Supplies and Disposals approved MSSIDC's tender for a rate contract lasting for two years from April 1, 1972. As a result of this rate contract, the Family Planning Department will place orders from time to time for the supply of specific quantities. The MSSIDC has already received an order for the supply of tablets worth Rs 42 lakhs at the rate of ten crore tablets per month. More orders will follow during the year.

Rural Industries

More than Rs 13.75 crores have been spent on the Rural Industries Projects Programme sponsored by the Planning Commission, in the past few years. Of this, Rs 6.81 crores were spent as grants on promotional schemes and Rs 6.94 crores were loaned to industrial units for investment. The number of industrial units receiving financial assistance has increased to 30,171 from 28,641 in 1970, registering a growth of 5.4 per cent. The total investment by these industrial units increased from Rs 16.68 crores to Rs 18.58 crores in the past year.

Accountancy Profession

The Young Chartered Accountants Forum has sent a memorandum to the Prime Minister urging her to bring drastic reforms in the accountancy profession to meet the present day socio-economic requirements. The Forum has pointed out that the rotation of auditors in itself would not solve the problem of concentration as the audit of companies may then be rotated between the same audit firms. In addition, there should be a ceiling on the number of companies for which the same person could be appointed an auditor. Further the appointment of an auditor should be in the individuals name and not in his firms name as is the case in regard to cost audit.

The Council of the Institute of Chartered Accountants of India is dominated according to the Forum, by monopoly

audit firms or their supporters. This requires to be drastically reformed. It has been suggested that the role of audit should also be changed and that it should be made clear in the Companies Act that the audit should be conducted with a view to ensure that (1) No malpractices are resorted to by the company management, (2) there is maximum utilisation of resources in the interest of the company, (3) there is no evasion or taxes, (4) the labour and the consumer have been given fair deal and that (5) there are meaningful disclosures in the published accounts of the company.

Chartered Accountants Meet

Mr A.B. Tandan, President of the Institute, held a Press Conference to highlight the decisions taken at the 63rd meeting of the Council of the Institute of Chartered Accountants held at New Delhi on the 27th and 28th July 1972.

The Council approved in December 1970 certain measures of self-regulation to be followed by members of the profession in order to ensure an equitable flow of professional work within the profession. These measures included:—

(1) Non-acceptance of audit work below a certain fee by larger firms; (2) work of audit of branches of companies not being conducted by statutory auditors so that it is left to be done by local small firms of auditors; (3) in the case of audit of large companies, encouraging association of smaller firms of chartered accountants as joint auditors; (4) maintaining within the firms of chartered accountants a certain ratio between the number of members *vis-a-vis* the audit of public limited companies and statutory corporations they have; (5) maintaining a certain ratio between qualified and unqualified staff in firms of chartered accountants.

With a view to meeting the immediate needs of the situation and for mitigating the problems of younger members, the Council has now decided

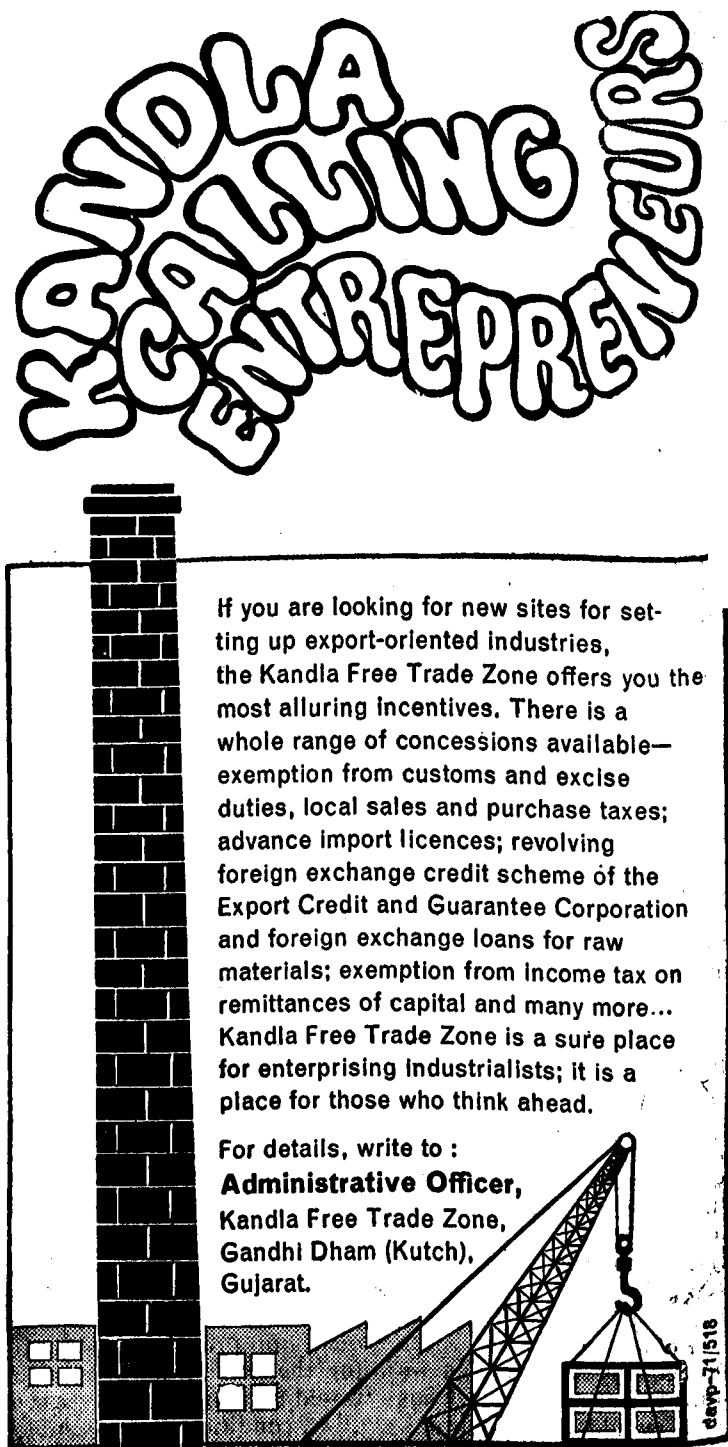
that the above self-regulatory measures should be made mandatory and that the government be requested to amend the Chartered Accountants Act and/or the Chartered Accountants Regulations in such manner as it may deem necessary to achieve the desired objective.

For the purpose of ascertaining the extent of alleged concentration of audit work in a few hands, a committee of the Council is collecting data about the names of

the auditors, the amount of audit fees paid and the capital structure in respect of government companies, statutory corporations, nationalised banks and companies listed with stock exchanges.

The Council is preparing guidelines to members in respect of audit being performed as joint auditors and also on the question of ethics and other related problems.

The Council has decided that articled clerks who are



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For details, write to:
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Gandhi Dham (Kutch),
Gujarat.

enrolled on or after April 1, 1973 shall be paid a monthly stipend at the following rates:

(a) In Bombay, Madras Calcutta, Kanpur & Delhi.—Rs 60 (1st year); Rs 100 (2nd year) Rs 150 (3rd year); (b) In other places — Rs 30 (1st year), Rs 50 (2nd year), Rs 75 (3rd year).

With a view to helping poor and needy students in pursuing their education, the Council has already instituted a Loan-Scholarship Scheme. This scheme has now been amended in following respects: (1) All students, whether articled clerks or audit clerks, are eligible to receive the scholarships; (2) The amount of loan-scholarship has been increased from Rs 75 p.m. to Rs 100 p.m.; (3) The number of scholarships has been increased from 20 to 50 per year; (4) Freeships will be provided to 200 students per annum.

For securing an easy and speedy administration of the Companies Act, the Council has submitted a set of suggestions to the government. It has also submitted two representations to the government on the amendments in Part II of Schedule VI to the Companies Act.

The Council is finalising the conditions which should be specified for regulating the undertaking of management consultancy services by members of the Institute in the form of corporate bodies, by themselves or with members of other disciplines.

Cooking Gas Prices

The government has decided to fix the selling price of LPG (liquefied petroleum gas) when used as a domestic fuel. The selling price has been fixed on the basis similar to that adopted for other petroleum products and will result in price reduction in varying degrees all over the country.

As a result of the introduction of rational pricing principles it has been ensured that nowhere will the price of LP Gas exceed Rs 22.76 for a 15 Kg. cylinder. The revised prices will come into force from

August 1, 1972. However, to avoid shortage of product and inconvenience to the public, a maximum period of seven days has been given to the agents to dispose of old stock so that the revised prices will become operative everywhere latest by August 7, 1972.

The new prices are based on a rational formula whereas previously the prices of cooking gas had been fixed on an *ad hoc* basis.

New Air Terminal for Delhi

Plans have been finalised for the construction of a new air terminal at Palam for the Delhi Airport. A master plan for development of a 7,000 acre complex, keeping in view the future requirements of the anticipated increase in air passengers and the operation of new types of aircraft for mass movement of passenger and cargo traffic has been drawn up.

The new air terminal, located south of the present terminal, will be a group of modules or units added one after the other as the traffic grows during the next twenty years and as funds for capital investment are available during the successive Plan periods.

The whole architectural concept is of a circular air terminal formed by putting up nine modules or units, each contiguous to the other. Each of the modules will be a separate independent unit capable of handling passengers and their baggage. For customs and immigration clearance each will have its own counters. They will be served by new taxiways, high speed exit ways, parking bays etc. to cater to the movement of aircraft they have to handle.

When the entire terminal complex is ready by 1990, according to the plan, out of the nine modules, the three large ones will serve the international traffic and six smaller ones domestic traffic. The terminal building will then be capable of handling 19 million air passengers every year, and

will rank with the major terminals of the world.

Employment Generation

The five-day workshop sponsored by the Expert Committee on Unemployment in co-operation with the ILO will discuss in depth four important aspects of employment generation, namely, Specific Fiscal and Financial Measures for Promoting Employment through Industrialisation; a Strategy for the Development of the Full Employment Potential of Large Industrial Complexes in India; Levels of Technology in Agriculture and Employment with particular reference to Dry Farming Areas and Small Holdings; and the Educational System and Employment Promotion and Vocationalisation of Education linking it to job opportunities.

The workshop, under the

Chairmanship of Mr B. Bhagwati commenced on August 2, 1972 after inauguration by Mr R.K. Khadilkar union Minister of Labour and Rehabilitation and will last till August 7, 1972. The conclusions reached in this workshop will be considered by the Expert Committee before finalising its report.

Names in the News

Mr Viren J. Shah has been appointed chairman of the board of directors of Mukand Iron and Steel Works Ltd. in the vacancy caused by the death of Mr Kamalanayan Bajaj.

Mr K. T. Satarwala has taken over as officer on Special Duty with the rank of Special Secretary in the Ministry of Foreign Trade. He was until recently Adviser to the Governor of Gujarat during the President's Rule in that state.

Readers' Roundtable

BANGLADESH CURRENCY

Sir, While the Pakistan currency continues to float in Bangladesh all reserves against the currency are held by the Reserve Bank of Pakistan in Pakistan. Normally this should lead to heavy inflation but there are no such indications. It will however, be necessary for Bangladesh to create necessary reserves as quickly as possible without sacrificing expenditure on nation building. The people of Bangladesh also would for obvious reasons like to see that Pakistan marked currency is replaced by Bangladesh currency as quickly as possible. But can Bangladesh issue new currency without adequate reserves backing it?

The answer appears to be in the acquisition of property left by Pakistani nationals and government, which stands 'acquired', without payment of compensation and the value of such property can be treated as reserves as India did immediately after World War II

when foreign reserves of about Rs 3000 crores, most of which was in UK were treated as reserves for the issue of currency.

The banks in Bangladesh which had advanced huge sums to industries having head offices and securities in Pakistan will find it difficult to recover such loans unless the industries left behind are run profitably and assure the return of loans and payment of interest.

These matters need clarification because probably first time in the world such a case has happened where a large area of land and population have separated from the parent country reducing it in size to less than half.

I hope your readers will throw light through your esteemed columns on the vital but probably forgotten subject of the reserve currency of Bangladesh.

Yours etc.
Visakhapatnam M.L. Jain

COMPANY AFFAIRS

Jiyajeerao

THE DIRECTORS of Jiyajeerao Cotton Mills Ltd have recommended an equity dividend of 11 per cent for the year ended March 31, 1972 which will be payable on an increased capital of Rs 6.95 crores following the issue of bonus shares made in March 1972 in the proportion of one equity share for every two shares held. In 1970-71 the company paid a dividend 15 per cent on the old capital of Rs 4.64 crores. The working results show that the company has fared extremely well during the year with sales, gross profit and net profit recording impressive improvements over 1970-71. With a sizable expansion in sales from Rs 28.48 crores to Rs 35.37 crores the gross profit has moved up sharply to Rs 5.50 crores registering an increase of as much as Rs 1.17 crores over 1970-71. Out of the gross profit the directors have earmarked a sum of Rs 124.33 lakhs for depreciation, Rs 23.46 lakhs for development rebate reserve, Rs 220 lakhs for taxation as against Rs 118.37 lakhs, Rs 27.61 lakhs and Rs 156.90 lakhs provided respectively in 1970-71. Besides a sum of Rs 6.91 lakhs was allocated for payment of gratuity as against no allotment in the preceding year. This leaves a higher net profit of Rs 175.63 lakhs as compared to Rs 130.56 lakhs in 1970-71 and the entire amount had been transferred to the general reserve out of which the proposed dividends will be paid. Equity dividends will claim Rs 76.50 lakhs, Rs 6.96 lakhs more than in 1970-71 while preference dividends will absorb Rs 9.30 lakhs the same as in the earlier year.

Despite higher prices of cotton compared to the previous year the working of the textile division during the year was

satisfactory because of the timely action of the management in stepping up production of blended fabrics. The company spent Rs 54.58 lakhs on renovation programme of the mill during the year. The directors have expressed optimism about the current year's working. As for the chemicals division its working remained satisfactory during the year. The application for expansion of soda ash capacity from 500 tonnes to 800 tonnes per day is pending with the government for more than three years.

Hindalco

Hindustan Aluminium Corporation has submitted a proposal for setting up a 250 MW power plant at an estimated cost of Rs 50 crores with a view to augmenting the availability of electricity. At present the company draws electric power from its own power plant which has a capacity of 135 MW and 50 MW power from the UP State Electricity Board. The company has in hand a programme aimed at stepping up capacity for production of aluminium by 40,000 tonnes to 120,000 tonnes per annum in two phases by the end of 1973. The first half potline of the company is expected to go on stream early this month. This will augment production annually by 15,000 tonnes.

The company has been requesting the UP State Electricity Board to supply power for starting up the expansion but there has been no response. For the power supply for the interim period till Hindalco's own power station is expanded the state government had agreed that SEB would supply power at the rate of 4.2 paise per unit.

TISCO

The Tata Iron and Steel Company Ltd is engaged in a

detailed study on the possibility of formulating a viable expansion project. This is revealed in the Chairman Mr J.R.D. Tata's statement circulated to the shareholders of the company. But the most important aspect of any scheme of expansion, according to the chairman, would depend as to how it could be financed and what its impact would be on the shareholders' interest. The capital cost of a major expansion programme, the chairman felt, would be so large that, with the monopoly of investible and lendable capital which the government has created for itself, government funds in one form or another or government-guaranteed funds would be virtually the sole of source of finance for the project. These would be subject to convertibility rights in accordance with the guidelines recently issued by the government to its financial institutions and now in force.

Considering that, directly or indirectly the government already controls 40 per cent of the voting rights in the company, it is clear that any appreciable increase in its shareholding would automatically convert Tisco into a 'government company' as defined in the Companies Act and into a joint sector company under any possible definition of the joint sector. In fact with the government as the company's largest shareholder, with the right to have three representatives on the board, with veto powers in the hands of the government or of the financial institutions and with production, sales and prices wholly controlled by the government, the company is for all practical purposes already in the joint sector. However, in this business, the chairman said one must take a long term view and he hoped that

the time would soon come when the government would realise the imperative need, through a fair and rational price policy of safeguarding the health and economic viability of the country's most vital industry.

On the production side the company has at last reached a stage when it can expect some real progress from the number of steps that were taken in the past year or two to re-establish full production, including those to increase coke, sinter, and pellet availability. Hence the company is expected to fare better during the current year but only in 1973-74 alone the company hopes to reach the rated capacity which the company last achieved in 1967-68.

Meanwhile the company has to contend with constant interruptions in power supply. Last year alone over 20,000 tonnes of steel production was lost because of this handicap. Besides wagon shortage continues to cause not only some dislocation but also the need for carrying larger inventories which in turn involve higher interest charges.

Mukand

Mukand Iron and Steel Works Ltd has reported excellent working results during the year ended March 31, 1972 with notable advances in sales and profits. The directors have recommended issue of bonus shares in the ratio of one share for every share held by capitalising a sum of Rs 2.69 crores out of reserves besides maintaining the equity dividend at 15 per cent. The entire dividend will be exempt from tax in the hands of the shareholders. With a significant improvement in sales from Rs 17.34 crores to Rs 23.56 crores gross profit recorded a smart rise to Rs 3.88 crores from Rs 2.84 crores in 1970-71. Out of the gross profit the directors have enhanced the appropriation to depreciation reserve by Rs 5.09 lakhs to Rs 73.24 lakhs while the allotment to development rebate reserve was reduced by Rs 71 lakhs to Rs 9 lakhs. A sum of Rs 130 lakhs was set apart towards tax liabilities as against no allocation in the preceding year. This leaves a higher net profit of Rs 1.76

crores as compared to Rs 1.36 crores in 1970-71. After adjustments a sum of Rs 9.57 lakhs was transferred to special reserve of tax-exempt profits and Rs 167.96 lakhs to general reserve as compared to Rs 110 lakhs and Rs 26.13 lakhs provided respectively in 1970-71. The proposed dividend will claim Rs 40.36 lakhs and will be paid out of the general reserve.

Chase Bright Steel

Chase Bright Steel Ltd has received a letter of intent to double its licensed capacity to 24,000 tonnes per year and the necessary licence is awaited. The company's hopes to commission the enhanced capacity at a relatively small cost installing some balancing equipment.

The company has improved its working during the year and this has enabled the directors to declare a maiden dividend of six per cent for the year ended March 31, 1972. Although sales have gone up by 17 per cent from Rs 2.58 crores to Rs 3.04 crores the gross profit has declined by 32 per cent from Rs 18.06 lakhs to Rs 12.40 lakhs. Out of the gross profit the directors have allotted a sum of Rs 2.29 lakhs to depreciation reserve as against Rs 2.04 lakhs while the appropriation to development rebate reserve was reduced by Rs 6,500 to Rs 13,500. An amount of Rs 5.77 lakhs was set apart for meeting tax liabilities as against no provision in 1970-71. This leaves a surplus of Rs 4.60 lakhs and the entire amount has been transferred to general reserve out of which the proposed dividend absorbing Rs 3 lakhs will be paid.

Indian Bright Steel

Indian Bright Steel Company Ltd has fared extremely well during the year ended March 31, 1972. The company's encouraging performance during the year has enabled the directors to declare a maiden dividend of six per cent for 1971-72. Despite a handsome rise in sales from Rs 86 lakhs to Rs 120 lakhs the

gross profit has dropped by 20 per cent to Rs 9.60 lakhs from Rs 11.90 lakhs in 1970-71. Out of the gross profit the directors have earmarked a sum of Rs 1.20 lakhs to depreciation reserve as against Rs 1.10 lakhs in 1970-71 while the allotment to development rebate reserve was lower at Rs 8,500 as compared to Rs 60,000 in the previous year. After adjustments an amount of Rs 8.30 lakhs was transferred to general reserve out of which the proposed dividend claiming Rs 1.65 lakhs will be paid.

Premier Automobiles

A new car model known as "Premier-President" has been introduced by Premier Automobiles after the expiry of its 20-year agreement with Fiat of Italy. The new car had all the good features of Fiat 1100-D with several modifications and improvements. With 99.9 per cent of the components produced in India, only 0.1 per cent of the car's spare parts worth about Rs 130 were imported. Even these parts would be manufactured in the country within the next nine to ten months. As a result of the termination of the agreement with Fiat, the country saves Rs 95 per car hitherto paid as royalty to the Italian firm. The company had plans to expand production capacity from the present 14,000 cars to 18,000 cars per annum in the first phase and 24,000 cars per annum in the second phase. The first phase of the expansion plans had been approved by all the concerned ministries. The matter is now with the union cabinet and a decision is expected soon.

News and Notes

Expansion and Diversification

Shree Vallabh Glass Works Ltd is planning in a big way to modernise, expand and diversify its lines of manufacture. The company, which has been permitted to install modern glass drawing machines, expects to improve significantly the quality of its sheet glass and the improved product will be marketed in the course of next year. The modernisation of the

Andheri unit manufacturing toughened glass, for which government approval has been received, is under way. The Vallabh Vidyanagar unit has commenced production of mirror glass. The plant for the manufacture of quartz sand, the principal raw material, at Limkhoda at the rate of 125 tonnes per day on a two shift basis is expected to go on stream towards the end of this year. Plans are afoot to undertake the manufacture of heat-resistant coloured glass. The company has already entered the export field and it hopes to export annually glass worth at least Rs 25 lakhs after modernisation.

Poysa Industrial Company Ltd is going ahead with its expansion programme. It is setting up two new large can factories, one each at Madras and Calcutta. The capacities of the company's Ghaziabad and Cochin factories are also being expanded. The company expects to receive shortly the government's approval for its technical collaboration with American Can Company, the largest can producers in the world. As a result of the collaboration the company will be able to undertake the manufacture of several new items

such as beer cans, aerosols and cans with easy opening ends.

New Issues

General Electric Company of India Ltd is entering the capital market on August 14 with a public issue of 8,71,125 equity shares of Rs 10 each at premium Rs 6.50 per share. In addition to the public issue the company is making a rights issue of 2,62,500 and offering 27,875 shares to its employees on the same terms. A sum of Rs 8.50 per share is payable on application and the balance of Rs 8 per share has to be paid within one year from the date of allotment. Applications must be for a minimum of 50 shares or multiples thereof. The subscription list will close on August 25 or earlier but not before August 17. It is taken for granted that the issue will be heavily oversubscribed and the shares, in unofficial deals, are already commanding a premium of Rs 7.

After the present issue the Indian participation in the company will increase to 26 per cent from the present level of 10 per cent. The company has undertaken to increase the Indian participation in the capital progressively to 33%

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Price (Volumes I & II) : Rs. 27.50 (postage extra)
Copies can be had from
The Administrative Officer, Economic Department, Reserve Bank of India, Post Box No. 1036, Bombay-1.

per cent and to 40 per cent in stages. The proceeds of the issue amounting to Rs 1.91 crores will be utilised for financing the expansion of the company's business.

The company's sales are expected to move up by 50 per cent in the next two or three years. The directors are hopeful that the profits for 1972-73 will be definitely higher than for 1971-72 and they are confident that the company will be able to maintain the dividend of 14 per cent on the enlarged capital for 1972-73. The new shares will be eligible for pro-rata dividend for the current year ending on March 1973.

Britelite Carbons Ltd is issuing 1,20,000 equity shares of Rs 10 each and 50,000 (9.5 per cent) cumulative redeemable preference shares of Rs 10 each at par to the public for subscription. The subscription list opens on August 7 and will close on August 14 or earlier but not before August 9. The issue is fully underwritten. The company is setting up a project at Halol in Gujarat to manufacture cinema arc carbons, photo process carbons and other carbon products. The installation of the plant for the three million pairs of cinema arc carbons is expected to be completed by February 1973 and regular production will commence from April. Thereafter the installation of midget electrode plant will be undertaken which will be completed by September 1973 with a capacity of 80 million pieces of battery carbons. The outlay on the project is estimated at Rs 65 lakhs and it will be financed through the share capital of Rs 25 lakhs, loans from financial institutions of Rs 30.5 lakhs, subsidy from the union government of Rs 5 lakhs and

foreign exchange loan—to be negotiated—of Rs 4.5 lakhs. The management hopes to pay a dividend of 15 per cent for 1973-74.

Eddy Current Controls (India) Ltd, Chalakudy, Kerala, is setting up a project in technical collaboration with Yaskawa Electric Manufacturing Co. of Japan to manufacture variable speed motors with Eddy current couplings and electronic controls, a new item, to be produced in India for the first time. The installed capacity of the plant will be 4,000 units per annum and production is expected to commence by February 1973. The requirements of this item needed by industries such as cement, rubber, chemicals, paper, electric wire, metal, mining and chemical fibre units are met at present by imports. The potential demand is placed at 15,000 units per annum.

The company has been promoted by Kerala State Industrial Development Corporation and Mr. M.D. Jos and Associates. It has an authorised capital of Rs 60 lakhs and an issued capital of Rs 20 lakhs of which the Kerala State Industrial Development Corporation will subscribe to equity shares worth Rs 6.50 lakhs and other promoters to the extent of Rs 6.25 lakhs. The remaining equity capital of Rs 7.25 lakhs in equity shares of Rs 10 each are offered at par to the public for subscription. Of the public issue of Rs 7.25 lakhs, the IDBI has agreed to underwrite shares worth Rs 5 lakhs. The capital cost of the project is placed around Rs 40 lakhs which will be met by the share capital of Rs 20 lakhs, loan from IDBI of Rs 10 lakhs and an amount of Rs 10 lakhs as loan from banks. The foreign exchange component of the

project is estimated at Rs 3.11 lakhs.

East West Hotels Ltd will soon be in the capital market with a public issue of Rs 22 lakhs consisting of 1,35,000 equity shares of Rs 10 each and 8,500 cumulative redeemable preference shares of Rs 100 each, carrying a dividend of 10 per cent per annum. The proceeds of the issue will be utilised for the construction of a hotel at Bangalore. The project is expected to be completed by June 1973. Barring unforeseen circumstances the management is confident of declaring reasonable dividends from the third year of the commencement of operations. The Rs 85 lakh project will be financed through the share capital already subscribed of Rs 10.11 lakhs, present issue of Rs 24.89 lakhs of which shares

of the value of Rs 2.89 lakhs have been reserved for subscription by directors, and their friends, loans from Hotel Development Board of Rs 25 lakhs, another loan from the Mysore State Financial Corporation of Rs 15 lakhs, and deferred payments advances and bank borrowings to the extent of Rs 10 lakhs.

Company Meetings

Jay Shree Tea and Industries Ltd: Industry House, 10, Camac Street, Calcutta-17; September 15; 3.30 P.M.

Tata Engineering and Locomotive Company Ltd: Birla Matushri Sabhagar, New Marine Lines, Bombay-20; August 8; 4.30 P.M.

Jagatjit Industries Ltd: At Registered Office, Jagatjit Nagar, Dist. Kapurthala, Punjab; August 14; 11.00 A.M.

Dividends

Name of the company	Year ended	(Per cent)	
		Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Simco Meters	March 31, 1972	12.0	10.0
India Steamship	March 31, 1972	10.0	Nil
Tata Power Company	March 31, 1972	13.0	12.0
Andhra Valley Power Supply Co.	March 31, 1972	13.0	12.0
Tata Hydro-Electric Power Supply Co.	March 31, 1972	13.0	12.0
Shree Vallabh Glass Works	March 31, 1972	12.0	8.0
Mysore Tobacco Company	March 31, 1972	15.0	12.0
Same Dividend			
Kailas Rubber Company	Feb. 29, 1972	15.0	15.0
Madras Motor and General Insurance Co.	December 31, 1971	25.0	25.0
Mysore Paper Mills	March 31, 1972	15.0	15.0
Hindustan Ferodo	March 31, 1972	23.0	23.0
International Tractor Company	March 31, 1972	10.0	10.0
Reduced Dividend			
India Cements	March 31, 1972	8.0	9.0

BANK OF INDIA

Directors' Report

The Year 1971

The year 1971 was one of the most eventful in recent times in the country's history. Early in the year, the Prime Minister was returned to head the Government with a massive mandate from the electorate. Hardly had the new Government settled down to the changed environments, when the country was faced with a vast influx of population from across the eastern borders. And, there was the enormous problem of providing shelter, food and clothing to almost ten million refugees, who had crossed over. Subsequent events culminated in an open conflict with Pakistan. Then came our great victory, followed by the unilateral declaration of ceasefire and the emergence of a new nation — Bangla Desh.

In the international monetary field, an event of historical importance was the suspension of the convertibility of the US dollar into gold, on August 15. This led to the floating of all the major currencies in the foreign exchange markets. Eventually, on December 18, gold was revalued from \$35 to \$38 an ounce, amounting to a devaluation of the dollar by 7.9 per cent. Following this, most of the stronger currencies were revalued to realign their par values on a more realistic basis—Japanese yen by 16.88 per cent, deutsche mark by 13.58 per cent, French franc by 8.57 per cent, pound sterling by 8.57 per cent — in terms of the US dollar. The Indian rupee, on suspension of convertibility of the US dollar into gold in August, maintained its par value with the US dollar, although it stood devalued *vis-a-vis* other currencies such as sterling, Japanese yen and deutsche mark. But, after the revalua-

tion of the gold on December 18, the Government of India decided to maintain rupee-sterling parity at Rs 18.9677 per pound sterling, which in effect amounted to a revaluation by 3.0 per cent in terms of the dollar and a devaluation of nearly 5.4 per cent in terms of pound sterling.

Economic Background

Thus, throughout the year, the country's economy was put to extraordinary stresses and strains. A striking feature, however, was that the price situation exhibited a remarkable degree of resilience. The general index of wholesale prices (1961-62=100) increased only by 3.9 per cent as against 6.2 per cent the previous year, despite the substantial increase in money supply consequent upon the fairly large doses of deficit financing resorted to by the Government — reflecting the inherent strength and maturity of the economy to meet crises of vast dimensions.

Otherwise, the year 1971 was marked with a slow growth of the economy. The national income is estimated to have grown by about 4 per cent during the year, as against a little less than 5 per cent in 1970. This was because of the significant decline in the rate of increase in output in the industrial sector — the index of industrial production during the eight months went up by 2.0 per cent compared to 5.5 per cent in the corresponding period of 1970. In contrast, agricultural production recorded a fairly satisfactory growth rate, 5 per cent against 5.3 per cent in 1970. The production of food-grains had registered a sharp increase from 99.5 million

tonnes in 1969-70 to 107.8 million tonnes in 1970-71; the estimates for 1971-72 place the production at 112 million tonnes.

In foreign trade, the gap between exports and imports widened from Rs. 89 crores in 1970 to Rs. 252 crores in 1971. Export earnings aggregated Rs 1,581 crores in 1971 (as against Rs. 1,504 crores in 1970); but imports were higher at Rs. 1,833 crores (Rs. 1,593 crores in 1970), due mainly to larger imports of capital goods and industrial raw materials. However, this gap in the balance of trade was more than covered by the net receipts in foreign aid, and, inclusive of the allocations during the year of SDRs, the foreign exchange reserves showed a rise of Rs. 63 crores, to stand at Rs. 802 crores at the end of December 1971.

Banking System

The Banking system during 1971 recorded a faster rate of growth of deposits and a slower expansion of credit. Aggregate deposits of scheduled commercial banks went up by 21.8 per cent from Rs. 5,685 crores on December 25, 1970 to Rs. 6,922 crores on the last day of December 1971, as against the increase of 16.6 per cent in 1970. On the other hand, advances of the scheduled commercial banks rose only by 13.4 per cent, from Rs. 4,452 crores to Rs. 5,047 crores, during this period, compared to the rise of 23.1 per cent in 1970. The branch expansion programme continued, though at a somewhat slower pace — 1,805 offices were opened in 1971 as against 2,137 in 1970. Of the 1,805 new offices opened, 1,073 were located at unbanked centres. And, at the end of December 1971, the number of commer-

cial bank offices stood at 12,985, of which 4,889 were at rural centres, 4,224 in semi-urban centres, 1,850 at urban centres and 2,022 at metropolitan centres. The average population served per office was brought down to 42,000, compared to 50,000 in December 1970 and 65,000 in December 1969.

The public sector banks made a major contribution in this progress of the banking system. The offices opened numbered 1,502, of which 889 were located at unbanked centres. Their aggregate deposits increased by about Rs. 970 crores to Rs. 5,742 crores at December end 1971, i.e., by 20.3 per cent, as compared to a rise of Rs. 689 crores (16.9 per cent) in 1970. Their aggregate advances recorded a rise of Rs 449.06 crores or 12.1 per cent and stood at Rs. 4,172.14 crores at the end of December. Advances to the weaker sections of the society, such as persons engaged in agriculture, small industry, transport, small business and distributive trades, rose by Rs. 72 crores to stand at Rs. 960 crores, constituting a proportion of 23 per cent. The number of borrowal accounts rose by 13.9 per cent — from 11,49,587 to 13,09,731.

Credit Policy

The admirable manner in which the banking system was able to adapt itself quickly to the demands created by the conflict with Pakistan needs special mention. The tenor of bills was extended beyond the specified periods and selective credit controls relaxed in so far as they related to trade in or with border districts. Credit limits were liberalised in respect of defence oriented industries. Even in other cases, limits were allowed to be ex-

ceeded when warranted, upto 15 per cent, without prior authorisation from the Reserve Bank.

The Bank

The Bank of India was in the forefront to adapt its operations to the needs of mounting war psychosis, the war itself and its aftermath. The Bank also took a series of steps to attuning its policies and services to the emerging socio-economic problems of the community. Unfortunately, almost synchronising with the ushering in of the year, the Bank's operations got dislocated for about a month because of an agitation by the Federation of Officers' Associations on the question of revision of pay and allowances of officers. Also, the aftermath of non-recruitment of staff in the two years, 1969 and 1970, during which period the Bank set up 166 new branches, began to be increasingly felt as the year progressed and the acute shortage of staff operated as a constraint throughout the year. But, on the other side, the Bank was able to introduce some sophistication in its dealings in foreign exchange, while expanding the scope and content of its exchange operations. And, through an optimum deployment of its resources, both human and monetary, coupled with the full use of the opportunities that came its way, the uptrend in the Bank's progress was maintained.

Thus, in 1971, the Bank had another successful year. Deposits increased by Rs. 75.23 crores to stand at Rs. 588.24 crores at the end of year. Advances increased by Rs. 54.77 crores, from Rs. 352.56 crores to Rs. 407.33 crores. The branch network expanded by 110, and, at the end of the year, the Bank had 510 branches in India, 13 offices abroad and two foreign subsidiaries with three offices. Total working funds of the Bank at the end of 1971 rose to Rs. 715.13 crores from Rs. 622.36 crores at the end of 1970.

Operating Results

The total income of the

Bank, after making the usual and necessary provisions, amounted to Rs. 42.43 crores, recording an increase of 25.9 per cent, following an increase of 15.8 per cent in 1970. Earnings on Interest and Discount increased by Rs. 8.81 crores. But, expenditure rose by Rs. 8.36 crores, to Rs. 40.08 crores, or 26.4 per cent, following the increase of 15.3 per cent the previous year. Interest paid on Deposits and Borrowings was higher by Rs. 5.73 crores, while Establishment charges increased by Rs. 1.73 crores. The net profit for the year, at Rs. 2.35 crores, was accordingly higher by 18.1 per cent, compared to the net profit of Rs. 1.99 crores in 1970.

With this increase in profit, it was possible to strengthen the reserves by a 23 per cent transfer, instead of the statutory 20 per cent. The transfer to the Reserve Fund thus amounted to Rs. 54 lakhs, as against Rs. 40 lakhs in the previous year, raising the 'Reserve Fund and Other Reserves' to Rs. 7.74 crores.

The allocation for bonus to staff amounted to Rs. 87 lakhs; the cost of the bonus was actually reckoned at Rs. 126 lakhs, but part thereof, viz., Rs. 39 lakhs, was met by transfer from the Contingency Fund, to which transfers have been made from income from time to time including the year under review. The allocation to Staff Welfare Fund, was also higher at Rs. 10 lakhs compared to Rs. 5 lakhs in the previous year.

After the above allocations, the balance of Rs. 84.46 lakhs was paid as dividend, yielding a return of 5.746 per cent on the acquisition compensation amount of Rs. 14.70 crores or 20.85 per cent on the paid-up capital of Rs. 4.05 crores, compared to 5.528 per cent and 20.07 per cent respectively in 1970.

Operations in India

The Bank's operations in India during the year were marked with three significant trends—the concentration of effort to create a nucleus of

branch network in each of the Bank's 'lead' districts, to enable the Bank to give appropriate attention to the credit needs of the communities therein, including the locally oriented trade, commerce and industry; the endeavour to remove regional imbalances in banking development as well as in provision of credit; and, the giving of stimulus to cater, in increasing measure, to the credit requirements of the weaker sections of the society. What is more, there was a healthy and judicious deployment of funds; while increasing the quantum of the credit directed to the weaker sections of the society, the Bank also took care to ensure that no other sector of the country's economy was denied or starved of credit, so long as the credit was needed for productive purposes.

Branch Expansion

A record number of 110 branches was opened in 1971, as against 90 in 1970 and 76 in 1969. Of the 110 new branches opened, 73 were located in rural centres and another 27 at semi-urban centres, making a total of 100; only 10 were opened at urban and metropolitan centres. In other words, 91 per cent of the branches opened during 1971 were located at relatively less developed centres. Viewed from another angle, 71 were at unbanked centres, while those located in lead districts also numbered 71. And, 50 per cent of the total number of branches opened were located in the relatively backward States of Bihar, Madhya Pradesh, Orissa and Uttar Pradesh.

The Bank's branch expansion thus made a fairly significant thrust in achieving rural penetration and removing regional imbalances. At the end of 1971, the Bank had 510 branches. Of these, 57 per cent were located at rural and semi-urban centres, as against 47 per cent at the end of 1970 and 41 per cent at the end of 1969. Also, 22.9 per cent of the branches were located in the relatively backward States of Bihar, Madhya Pradesh, Orissa and Uttar Pradesh, as against 15.8 per cent at the end of 1970

and 13.5 per cent at the end of 1969.

The Bank is also moving steadily towards a more balanced dispersal of branches as between one region and another. Until the middle of July 1969, the Bank had no representation in Jammu & Kashmir and Himachal Pradesh, while it had only marginal representation in certain other States, particularly in the relatively backward States. On the other hand, there was a high degree of concentration in Gujarat and Maharashtra. This picture is now rapidly changing. Branches have been opened in all the major States, while a large number of the new branches opened are being located in the relatively under-banked States to increase our representation therein.

Mobile Branch Units

In 1971, the Bank opened one more mobile branch unit in Andhra Pradesh, raising the total number of mobile units in operation to twelve. Already the Bank was operating nine mobile units in Gujarat and one each in Maharashtra and Madhya Pradesh. The mobile branch units have been able to mobilise sizable rural deposits, in a few cases as much as Rs 32 lakhs. They carry modern banking facilities to the doorsteps of people in remote villages and thus play a significant promotional role in the spread of banking, and inculcation of the saving habit.

Deposits

Aggregate deposits of the Bank in India went up by Rs. 76.87 crores during 1971, from Rs. 435.42 crores to Rs. 512.29 crores. The rate of growth at 17.7 per cent was slightly higher than 15.9 per cent in the preceding year, but lower than the average of 21.8 per cent for the banking system. Component-wise, fixed deposits registered a 20.8 per cent rise, compared to 11.0 per cent in 1970, while savings bank deposits rose by 21.7 per cent, compared to 16.1 per cent in 1970—these growth rates compare well with the average growth rates for these deposits of the banking system.

BANK OF INDIA

Balance-Sheet (Condensed) as at 31st December, 1971

As at 31-12-1970		Rupees in crores	
		As at 31-12-1971	
Assets			
46.70	Cash and Balances with other Banks	57.19	
137.75	Investments	156.63	
352.56	Advances	407.33	
5.79	Premises & Furniture & Fixtures	6.49	
26.27	Bills Receivable	30.77	
43.51	Constituents' Liabilities for Acceptances, etc.	46.51	
9.78	Other Assets	10.21	
622.36	Total Assets	715.13	
		Liabilities	
142.61	Current Accounts, Contingency Accounts, etc.	148.84	
124.63	Savings Bank Deposits	149.73	
245.77	Fixed Deposits	289.67	
513.01	Total Deposits	588.24	
24.86	Borrowings from other Banking Companies, Agents, etc.	33.64	
2.65	Bills Payable & Other Liabilities	3.34	
26.27	Bills for Collection, being Bills Receivable	30.77	
43.51	Acceptances, etc.	46.51	
0.81	Dividend Payable	0.84	
611.11	Total Liabilities	703.34	
4.05	Capital & Reserves Paid-up Capital	4.05	
7.20	Reserves	7.74	
11.25	Total Capital & Surplus	11.79	
622.36	Total	715.13	
		Profit & Loss Account (Condensed)	
For the year 1970		Rupees in crores	
		for the year 1971	
29.27	Income (after making the usual & necessary provisions)		
3.46	Interest & Discount	38.08	
0.98	Commission, Exchange & Brokerage	3.82	
	Other Income	0.53	
33.71	Total Income	42.43	
		Expenditure	
18.05	Interest Paid	23.78	
10.07	Salaries, etc.	11.80	
3.60	Other Expenses	4.50	
31.72	Total Expenditure	40.08	
1.99	Balance of Profit	2.35	
0.40	Transferred to Reserve Fund	0.54	
0.73	Appropriated towards Bonus to Staff (Rs 1.26 crores less Rs 0.39 crore adjusted against Contingencies)	0.87	
0.05	Appropriated towards Staff Welfare Fund	0.10	
0.81	Dividend	0.84	
33.71	Total	42.43	

In current deposits, however, the growth rate was very much lower at 6.2 per cent, compared to 27.4 per cent in 1970.

This was partly attributable to the very much lower surplus funds carried by some of our large institutional depositors and partly to the tendency on the part of some institutional depositors to maintain accounts in more than one bank to minimise inconvenience on dislocation of the normal banking services. The number of deposit accounts increased from 13,66,876 at the end of 1970 to 15,68,437 at the end of 1971 recording a growth rate of 14.7 per cent.

Historically, the Bank of India grew up as the most metropolitan-oriented of all banks and has been deriving as much as 72 per cent of its deposits from 8 metropolitan cities. The Bank has had the highest per branch deposits in these metropolitan cities and, in the shift that was called for, the Bank could open between January 1969 and December 1971 only 24 new branches in these metropolitan cities, as against as many as 599 offices opened by all the banks therein, recording a share of only 4 per cent as against the Bank's normal business share in the banking system of about 7.5 per cent. Also, because of the shortage of staff, the pace of the Bank's programme of branch expansion has been slow; indeed, of the 110 branches opened in 1971, 89 were opened during the latter half of the year, while as many as 40 were opened only in the month of December. Besides, very few branches were opened in those States which experienced a faster rate of growth of deposits. And, the branch expansion programme could not make its due contribution to the Bank's deposit growth.

The deposits collected by the 240 new offices opened since July 19, 1969, of which 138 were at rural centres, 56 at semi-urban centres, 26 at urban centres and 20 at metropolitan centres amounted to Rs. 24.21 crores as at the end of December 1971 giving an average of Rs. 10.1 lakhs per

office and forming 4.7 per cent of the total deposits in India. The average deposits per branch works out to Rs. 4.86 lakhs in rural centres, Rs. 9.98 lakhs in semi-urban centres, Rs. 20.88 lakhs in urban centres and Rs. 32.45 lakhs in metropolitan centres. If the 40 branches opened in December 1971 are excluded, the average deposits per branch at rural centres would work out to Rs. 5.93 lakhs, at semi-urban centres Rs. 12.33 lakhs, at urban centres Rs. 22.54 lakhs and at metropolitan centres Rs. 33.96 lakhs. These averages are higher (except in the case of metropolitan centres) than the averages for the new offices of the scheduled commercial banks, which are Rs. 3.37 lakhs, Rs. 7.92 lakhs, Rs. 8.23 lakhs and Rs. 32.54 lakhs respectively.

Advances

The Bank's advances in India rose by Rs. 58.22 crores or 18.2 per cent during the year, from Rs. 319.99 crores on December 25, 1970 to Rs. 378.21 crores (exclusive of participation certificates, Rs. 3.99 crores) on December 31, 1971. This was higher than the banking system's average of 13.4 per cent. The additional accommodation granted for food procurement purposes accounted for Rs. 23.5 crores, or 40 per cent of the rise in credit, while advances to agriculture and allied sectors, small industry, small business and other weaker sections of the society took up a further Rs. 11.41 crores, viz. 24 per cent. Another 8 per cent or Rs. 4.7 crores, was taken up by export credit. The balance covered credit to other sectors—industry and trade.

Thus, while on the one hand the Bank directed credit in increasing measure to the weaker sections of the society and other priority sectors, the Bank also ensured that credit was not only not denied, but was timely disbursed to other sectors as well, so long as it was needed for productive effort. At the same time, the Bank took due care to see that the credit disbursed was in consonance with the actual

requirements, to obviate grant of excessive credit. This is reflected in the larger percentage of utilisation of the limits during the year, viz., 69 per cent compared to 65 per cent in the previous year.

Advances granted by the new branches amounted to Rs. 6.80 crores as at the end of December 1971, forming about 28.1 per cent of the deposits collected by them. But, what is significant is that the share of the new branches at rural centres amounted to as much as Rs. 3.05 crores or 44.9 per cent; the average per branch at rural centres at Rs. 2.21 lakhs was higher than the average of Rs. 1.96 lakhs for scheduled commercial banks. The share of semi-urban branches was Rs. 1.26 crores or 18.5 per cent. The urban and metropolitan branches shared Rs. 1.30 crores and Rs. 1.19 crores respectively or 19.1 per cent and 17.5 per cent of the total.

The number of borrowal accounts with the Bank went up from 72,405 to 81,136 registering a rise of 8,731 during the year. This number would have been much larger but for the fact that a good number of accounts under the Consumer Loans Scheme granted two-three years ago in the context of recession in engineering and certain other industries mainly at metropolitan centres like Bombay and Delhi, has been closed on the completion of the instalment payments. Consequently upon the relatively larger credit expansion in 1971, the credit-deposit ratio of the Bank (exclusive of participation certificates) moved up to 73.8 per cent on December 31, 1971, from 73.5 per cent on December 25, 1970.

Investments

Investment in government securities moved up by Rs. 19.20 crores during the year from Rs. 126.07 crores to Rs. 145.27 crores. As much as Rs. 5 crores was subscribed to the National Defence Loan floated by the Government of India in December 1971. Investments in foreign government and trustee securities were also

stepped up slightly and these, together with the investments in shares and debentures, stood at Rs. 11.36 crores at the end of December 1971.

There was an increase of Rs. 3.78 crores in cash holding over the year, although the ratio of cash to total deposits actually recorded a decline from 6.3 per cent in December 1970 to 6.1 per cent in December 1971, reflecting a more rational use of cash.

Lead Districts and Lead Bank Role

The quick impressionistic surveys of all the 30 districts allotted to the Bank—4 in Bihar, 9 each in Madhya Pradesh and Maharashtra, 6 in Uttar Pradesh and 2 in Orissa were completed early in 1971 and the survey reports compiled by June 1971. The surveys had identified about 400 centres with banking potential for opening branches, of which 219 were unbanked centres. Out of the unbanked centres identified, 80 were taken up by the Bank of its own. The other centres were taken up by the other banks operating in those areas.

At the time of allocation of lead districts, the Bank of India had branches only in 13 districts out of the 30 allotted to it; there were no branches even at the headquarters of 20 districts. During 1970, 19 branches were opened and during 1971, a further 71 branches. Thus, by the end of 1971, the Bank had branches at all the 30 district headquarters and at 92 other centres in the districts.

In furtherance of the lead bank role, Consultative Committees have been set up in all the 30 districts to discuss and devise the strategies for follow-up action of the impressionistic surveys, to formulate plans and programmes for banking development in, and economic growth of, the districts and the communities therein, and to direct as well as supervise the implementation of those plans and programmes. These Committees have held a few meetings—some with district autho-

rities too—in an endeavour to identify the particular projects/schemes to be taken up, to assess the extent of the credit required and to formulate operative plans for action. And, the Bank hopes to be able to make some positive headway in the implementation of this role in a few of the Bank's lead districts during the course of the year 1972.

Priority Sectors & Weaker Sections of the Community

The Bank has been consistently stepping up the flow of credit for export promotion and to agriculture, small-scale industries, retail trade, road transport operators, self-employed and professionals and other weaker sections of the community. The outstanding increased from Rs. 74.90 crores to Rs. 91.02 crores at the end of 1971, i.e. by 21.5 per cent, although the rise in total advances was only 18.2 per cent. And, the outstandings at the end of 1971 formed a proportion of 24.1 per cent of the total advances of the Bank of India. Exclusive of exports, the credit to these sectors accounted for 15.9 per cent of the total credit.

Export Promotion

The Bank's assistance to the export sector, comprising both pre-shipment and post-shipment credit rose from Rs. 26.35 crores to Rs. 31.06 crores. While the exports handled covered both traditional and non-traditional items, a major part of the post-shipment credit covered export of engineering goods. The Bank gives particular attention to the need of the exporters and, where necessary, tailors credit to suit their requirements.

Agriculture

The Bank's lendings to the agricultural sector rose during the year from Rs. 21.01 crores to Rs. 27.70 crores, or by about 32 per cent. The number of accounts under direct finance increased from 32,801 to 39,918 with outstandings rising from Rs. 12.24 crores to Rs. 15.30 crores. Of the 39,918 accounts at the end of 1971, as many as 19,176, or 48 per cent, were those having land-holdings of 5 acres or less, as against 10,591

accounts, or 32 per cent of the total number of accounts at the end of 1970. The Bank has thus not only been expanding its coverage of lending, but also emphasising on financing the small farmer.

In the case of indirect finance too, a very large part, viz. Rs. 11.09 crores out of Rs. 12.40 crores covered finance for energisation of wells; although routed through the Electricity Boards, the finance has really gone to assist some 22,000 and more farmers.

An endeavour has been made to diversify gradually the Bank's portfolio of agricultural finance, in respect of areas as well as types of loans. In view of the concentration of the Bank's branches in Maharashtra and Gujarat and the better infra-structure facilities available in these States as well as in Tamil Nadu, the bulk of the Bank's agricultural lending was initially confined to these three States. With the expansion of branch network and gearing up of the organisation in other States, the area of operation, has been widened to include the other States as well, and, in particular the backward States. Further, the Bank's lendings to the agricultural sector are not confined merely to crop financing, but cover also land development, farm mechanisation, creation, of minor irrigation facilities and development of allied activities such as dairy farming, poultry, fisheries, etc.

While financing a farmer, emphasis is always laid on initiating him to modern methods and techniques of farming. In a few villages, where groups of farmers have been financed under various intensified programmes, the results have been spectacular. For instance, in Vaduth village, located in Satara District in Maharashtra, production of hybrid jowar and bajra seeds and chandramukhi potatoes, with financial and technical assistance from the Bank, has given the farmers rich harvests, raising their income significantly. In another village in Baroda district, where production of a new hybrid cotton-seed H-4 was programmed, the farmers have reaped a four-fold in-

crease in the yield.

In addition, a few special schemes have been taken up such as financing of small farmers in coordination with the Small Farmers Development Agencies (SFDA) in Ujjain, Bhandara and Ratnagiri districts and assisting marginal farmers and agricultural labourers in Ratnagiri, Ranchi and Keonjhar districts in conjunction with Marginal Farmers and Agricultural Labourers Agencies (MFAL). In both these categories of financing, provision is made for subsidiary occupations, such as poultry farming, dairy and piggy, in order to get fuller employment and supplementary income.

The Bank has also participated in schemes financed by the International Development Association, through the Agricultural Refinance Corporation, such as Punjab Agricultural Credit Project for farm mechanisation (Rs. 49 lakhs) and Andhra Pradesh Agricultural Credit Project for farm mechanisation and minor irrigation (Rs. 75 lakhs). In addition, the Bank has financed projects processed by the Agricultural Finance Corporation Limited for construction of wells and energisation thereof, development of eucalyptus plantation, rubber plantation, etc. in participation with other banks. A deep-sea fishing project has also been financed, right from the purchase of trawlers till the export of the catch.

The Bank's experience of recoveries in agricultural finance has been satisfactory.

Small-Scale Sector

The Bank's assistance to small industry sector was also

steadily stepped up during the year. Over 650 new units were brought into the Bank's fold and the outstandings rose from Rs. 22.80 crores to Rs. 26.35 crores. The rate of growth, at about 16 per cent, was no doubt lower than in the previous year. But, this was due to the conditions prevailing generally in the industrial sector, as the lower growth rate therein had necessarily its impact on the small sector.

The small units financed continue to be largely concentrated in Maharashtra, Gujarat, Tamil Nadu and Punjab, but steps have been taken to boost up this activity in the other States as well. Industry-wise, plastic goods, chemicals, metal products and engineering were the major activities of the units financed by the Bank.

Road Transport, Retail Trade, Small Business

The financing of the other weaker sections of the community, such as road-transport operators, retailers and small businessmen also made progress during the year, as given in table below:

The Bank's educational loans are aimed at providing opportunities to diligent students for prosecuting higher studies, mainly in scientific and technological fields, in India or abroad. Of the 458 students assisted by the Bank, 326 are prosecuting their studies in foreign countries.

Finance under the other heads is aimed at providing gainful employment. The Bank operates special schemes to assist artisans, craftsmen and other technically qualified entrepreneurs, to enable them to

(Rs. in lakhs)

	End of 1970		End of 1971	
	No. of Accounts	Outstandings	No. of Accounts	Outstandings
Road Transport	520	114	620	137
Retail Trade	1599	234	2121	274
Small Business	2944	23	2989	20
Professional and Self-employed	1073	44	1008	66
Education	272	60	458	94

engage themselves in gainful employment. A worthwhile project, technical feasibility and economic viability are the only credit factors considered, apart from the managerial and technical ability of the entrepreneur. The finance made available is tailored to suit the requirements of the individual project. The approach is need-based and the terms flexible to cater to the varying needs. Special concessions are granted to projects undertaken in backward regions or by backward classes of the community to suit the local social and economic environments.

Operations—Overseas

The Bank's overseas offices continued to operate satisfactorily. They registered higher turnover, bringing in increased returns.

The overseas offices continued to act as useful links for the Bank's overseas operations and assist in development of international trade. In addition, they help in promotion of joint ventures, apart from acting as contact points and providing liaison with the concerned authorities/organisations. Their role in this respect and as suppliers of commercial and economic intelligence concerning international trade was made more active during the year.

In U.K., arrangements were finalised for opening one more office at Wembley. The Bank's branch network in U.K. would then increase to six—at London, Birmingham, Leeds, Leicester, Manchester and Wembley.

In the far East, it has been decided to add to the branch network of four—two in Japan and one each in Hongkong and Singapore—a representative office in Indonesia at Djakarta. This representative office would be a prelude to the establishment of a full branch, our application for which, made in 1967, is awaiting its turn in the queue.

The subsidiary in Nigeria—the Bank of India (Nigeria)

Limited—also increased its earnings. But, the pre-tax profit at £N. 151,930 was marginally lower than £N. 154,247 in the previous year. The operations of this subsidiary are being so geared that it may play an increasingly positive and meaningful role in the development of the Nigerian economy. To this end, while, on the one hand, arrangements are being made to establish more offices, on the other, provision is being made to bring to bear on our operations there, our expertise in financing small industry and business aimed at promoting small industry and developing Nigerian entrepreneurship. There has also been gradual Nigerianisation of the Bank's staff and, to train senior level staff, training facilities available here in India are being utilised.

The subsidiary in Uganda—Bank of India (Uganda) Limited—had another satisfactory year returning a net profit of U.Shs. 1,146,333 as against U. Shs. 804,867 in the previous year. In the larger interests of the operations in Uganda, a decision has been taken that the Bank of India (Uganda) Limited be taken over by the Bank of Baroda (Uganda) Limited; arrangements to that end have now been finalised and the take over, subject to the final clearance of the Uganda government, is likely to be effected on 1st July 1972.

Staff—Recruitment and Training

To bridge the gnawing gap between the requirements and availability of human resources, arrangements were set in train for fresh recruitment of staff on a war footing. But, the formalities took some time, and it was only towards mid-year that it was possible to add to the officer strength 335 officers, largely through promotion; those recruited from the market were only a few technical officers, with specialisation in agriculture, engineering and law. The recruitment of probationary officers from the market had also been taken in hand, but was still in process at the close of the year. To the clerical

strength, over the year, 771 new recruits were added.

Training facilities too were augmented and intensified. Training centres were set up at Ahmedabad, Calcutta, Madras and New Delhi, while arrangements were in hand to set up training centres at Lucknow and Patna. A mobile squad of instructors was also pressed into service for training of clerks at a number of other centres. Simultaneously, the Bank's Residential Staff Training College at Bombay was geared to go into full operation, while increased use was made of the training facilities at the Joint Staff Training College (also in Bombay) run in collaboration with the Bank of Baroda.

A crash programme for training was introduced. Apart from short induction courses, carefully planned condensed course materials were adopted, aimed at imparting expeditiously to the new recruits the basic training in banking procedures. And, specially designed courses were organised for junior officers scheduled for posting at rural and semi-urban centres. These courses, *inter alia*, aimed at giving the trainees the necessary orientation in outlook and at developing in them the special skills and the right attitudes needed to deal with the emerging new class of clientele and handle their problems.

In all, 17 training courses were organised for clerical staff and 608 clerks were trained. Seven training courses were organised for officers; these included courses on branch banking for junior and middle level managers, export finance, initiation to banking of technical officers and induction of promotee officers. In addition workshops were organised at Coimbatore and Rajkot to train branch agents and officers in financing of agriculture. And, the Bank continued to take advantage of the training facilities provided by the Reserve Bank Training College as well as the National Institute of Bank Management.

To cover the shortfall and

provide for the increasing requirements of the human resources, the Bank has introduced forward planning of manpower and training requirements based on business-plan-budgets for the coming three years. The organisation is also being geared for speeding up the recruitment process. Simultaneously, arrangements have been set in train to meet the training needs on that basis; these envisage opening of more training centres, including three residential training colleges at Calcutta, New Delhi and Poona.

Organisation

The Bank's expanding business, both in scope and content, called for a modification in the Bank's organisational structure. On the one hand, there was the increasing branch network and, on the other, the lead responsibility for banking development in regions far removed from the Bank's areas of operations, where the Bank's base of operations was only marginal and where the Bank was required to start virtually from scratch. Simultaneously, a new class of clientele was emerging, which required sympathetic understanding and skilful handling of its needs. The Bank's existing clientele too was becoming more demanding. There was also the Bank's corporate citizenship responsibility or the social responsibility, to sponsor, support and take up programmes which help translate the gains of economic progress for the benefit of the common man and assist the nation's efforts at ensuring that the fruits of economic progress are shared by all.

The modified organisational structure had to take care of all these requirements. It called for a new approach and a new orientation, the primary objective being to serve all classes of customers at all centres more effectively and efficiently. There was need for greater decentralisation of functions and wider delegation of authority, so that, on the one hand, decisions are taken, as far as possible, at or near the points where problems arise

in order that they be prompt as well as realistic, and, on the other, Head Office may have more time to concern itself with the more important aspects of management, such as corporate planning, direction, superintendence and control.

These requirements were duly taken note of towards the end of 1970 and an appropriate plan of reorganisation conceived. But, because of the continuing acute shortage of staff, it was considered appropriate to administer the recipe in small doses spread over a period of time. The first steps were initiated in July 1971 and the revised Regional set-up has now taken shape. The Regional set-up follows an areawise distribution and takes due account of the areas where the Bank has lead responsibility. The country has been divided into seven Regions and each Region placed under a senior official designated as the Regional Manager. The Regional Managers have responsibility for administration, superintendence and control of the Bank's branches and business in their Regions; for that purpose, they are being given wider powers commensurate with the responsibility. The Regional Managers are assisted by Area Managers, each of whom is in charge of a compact group of 25/30 branches, they assist the Regional Managers to maintain contact with the branch staff, provide on-the-spot help and guidance to Branch Managers/Agents, and review operations of the branches in relation to their business plans, giving particular emphasis on the developmental and promotional activities. Their role has a developmental bias, with special responsibility for the lead districts falling within their jurisdiction. They also form an integral part of the communication system in the Regions, by not only clarifying and interpreting to Branch Agents/Managers the various communications and circulars issued by the Regional Office (and Head Office), but also by providing the required feed back for policy formulation or corrective action.

The reorganisation at Head

Office, which is currently in progress, covers a functional distribution by way of Departments. Each Department, placed under the charge of a senior officer designated as Chief Manager, is to concentrate on specific areas of the Bank's activities and develop a specialist's expertise therefor. In most of the Departments, and particularly those entrusted with 'line' responsibility, an additional division is being created for "strategic planning and control", which division is to concern itself with preparation of strategic plans for action in the Department, providing the general framework of operating strategy, and reviewing, analysing and counselling the operating personnel. Operational efficiency and periodical review of the progress are to be secured through four high level Committees, called the 'Corporate Planning Committee', the 'Business Development Committee', the 'Credit Committee' and the 'Personnel and Services Committee'. Except for the first Committee, which is ordinarily to meet monthly, the other Committees will meet weekly. They will have specific powers delegated to them, and will be presided over by the Chief Executive and, in his absence, by the next Senior Executive in station. This system is designed to enable collective decisions to be taken and simultaneously assist in the development of executives.

Some of the Head Office Departments have already come into existence. Amongst them are those designated as 'Development' and 'Community Banking'. The Development Department covers the two important activities of branch expansion and agricultural and cooperative credit. The Community Banking Department is to focus attention on catering to the needs of small industry, new entrepreneurs, retailers and other locally oriented business and individuals. Both these Departments are being oriented towards providing 'tailored' credit, or credit tailored to meet the individual requirements, particularly of the weaker sections of the community.

The Department of Economic and Statistical Research

is being reorganised for it to assist the management in policy formulation and corporate planning through supply, from time to time, of management information. It will also provide the economist's support to other 'line' personnel, both at Head Office and at Regional Offices.

A new Department designated as 'Planning and Systems Development' is also being set up, which will concern itself with areas of activities such as Management Services, Banking Services and Systems Development. It would be innovation-oriented, and charged with the responsibility to constantly look for areas which call for action—to modify, to adapt and to create—improvements in systems and procedures, adaptation to technological changes and introduction of new services.

One other aspect of the reorganisation involved is the introduction of performance budgeting. Branches would prepare the annual 'business plans', as their contribution to the corporate plan-projections of broad performance levels in different areas for the whole Bank. Apart from following the policy directions from Head Office, the branch business plans, would take into account past performance the economic outlook for the year, and the specific development programmes, if any, in the areas. They would then be translated into budgets. And, the actual performance would be periodically reviewed against these budgets to take stock of the progress and determine critical areas, if any. These reviews would also, provide a useful tool for management control and enable corrective or remedial action to be initiated as and when required. It is expected that this system would go into operation next year.

Viewed from the organisational angle, therefore, 1971 could well be regarded as a formative year for the Bank. And, the organisation is gradually getting geared for the Bank to operate more effectively in environments which are becoming increasingly more

complex. The Bank can now look forward with confidence to meet the new challenges that are being thrown up and play a more active role in the development of the national economy.

Staff Relations

But for the incident referred to at the commencement of the Report, the staff relations continued to be cordial throughout the year. The Board of Directors take this opportunity to place on record its appreciation of the services rendered by the staff at all levels and the hard work put in by them during a year of considerable stress and strain.

Board of Directors

There was no change in the Board of Directors of the Bank during the year. In all 25 Board meetings were held. One of the meetings was held in New Delhi and one in Ujjain. Ujjain is one of our lead districts and the meeting was held there for the directors to familiarise themselves with the specific problems of the area and meet the customers and official and non-official agencies operating therein.

For & on behalf of the Board of Directors

J. N. SAXENA
Custodian

Bombay,
29th June, 1972.

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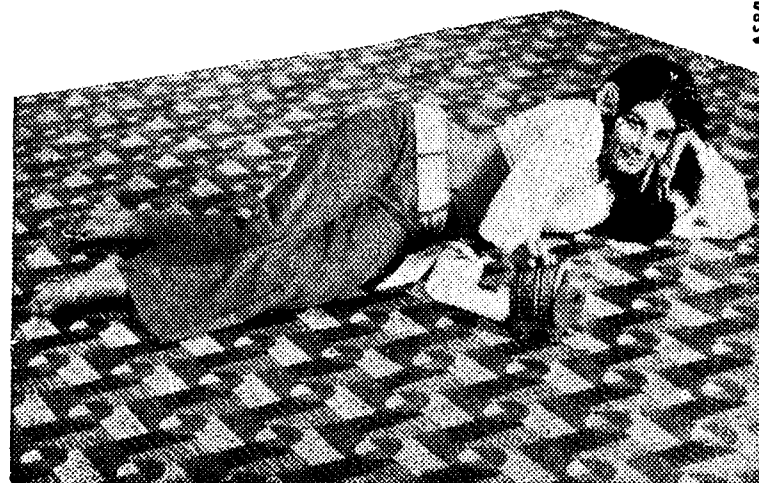
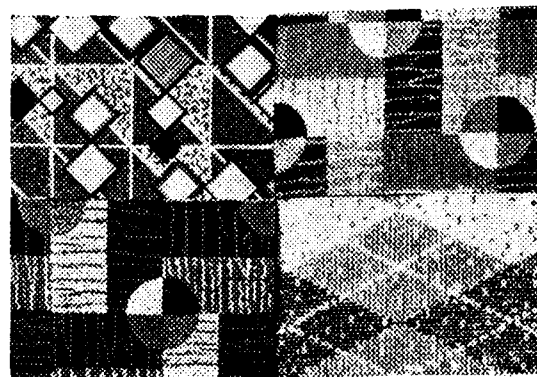
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ASP/L-5

RECORDS AND STATISTICS

Household Demand for Money

IN A study published in the June 1962 Bulletin of the Reserve Bank of India, an analysis has been presented of the Household Demand for Money@ in this country on the basis of statistical series of currency, time deposits and demand deposits between 1950-51 and 1967-68. Time deposits have been found to be highly interest elastic while demand deposits are price elastic as well as interest elastic. In regard to demand for currency for household purposes, the analysts found some difficulty in interpreting the data. It is known that a substantial part of the demand for currency by households represents transactions balances. However, the observed substitution effect between currency and other assets indicated that it contained idle balances as well.

The study is reprinted below in full :—

The main object of this study is to empirically test whether household demand for money is stable in the Indian case and if so, spell out the significant factors influencing it, based on the data available for the past two decades or so. Separate demand functions for each of the constituents of money like currency, demand deposits and time deposits have also been tried with a view to throw light on the important aspects such as (a) the actual magnitudes of income and interest rate elasticities of demand for these

instruments; (b) the consequences of aggregation of the demand functions over the individual money components; (c) the degree of substitution between that set of financial assets defined as money and other financial assets, say corporate securities, and (d) the precise nature of the 'adjustment' mechanism towards their 'desired' levels.

Money has been the subject matter of controversy for long and the significant issues on which discussions have centred round are : what should be the appropriate definition of money; what is generally the nature of the transmission mechanism whereby monetary changes influence expenditure decisions and in particular the precise role of the interest rate variable in demand for money; how to measure satisfactorily the 'market' rate of interest;

should the relevant interest rate be short or long or both; apart from the income and interest rate variables what are the relevant variables in the demand functions for money; what should be the appropriate functional form of the demand curve; is the demand for money best measured in real terms or in nominal terms (proportional to price level) or alternatively, should the specification of the demand function be in real or nominal terms.¹

Empirical investigations, especially in some of the developed countries like the USA and UK, have in recent years contributed a great deal in narrowing the area of dispute over the importance of money and the repercussions of its changes on the system. There is hardly any one at present who, for instance believes, as the quantity theorists believed, that money does not interact with other variables in the system and monetary adjustments are at best passive to changes in real activity. Instead, a growing consensus is clearly discernible in the modern literature on money whether credit theorist (Keynesian) or monetarist (Chicago) and the current dispute is not so much regarding the determinants (or

determinates) of money as to the significance or otherwise of the effects involved.² If this be so, then the solution lies in their empirical verification covering as far as possible a wide range of developed and developing economies and differing time periods with due reference to conditions prevailing in them.

The scope of the present study is restricted to household demand for money. This was felt necessary for the following reasons. The money-holdings of government (with the exception of government-owned commercial undertakings) although sizeable, are more a result of its fiscal operations and cannot possibly be explained in any generalised behavioural terms. The cash balances of the corporate sector are quite small relative to the monetary aggregates and are meant for smooth conduct of day-to-day transactions. The case with households is somewhat different. In their case both the transaction motive and the asset motive are important. They account for a substantial part of money stock, roughly 90 per cent of currency and 75 per cent of bank deposits, in recent years. Moreover, household transactions, even as of now, have a sizeable

TABLE I
Demand Deposit,*

(Amount in Rs crores)

Year	Total demand deposits of all sectors†	Households	Current deposits Others	Total	Demand portion of savings deposits**	Total demand deposits of households
1	2	3	4	4	6	7=3+6
1950-51	584 (100)	309 (53)	175 (30)	484 (83)	100 (17)	409 (70)
1955-55	627 (100)	322 (51)	208 (33)	530 (84)	97 (16)	41 (67)
1960-61	787 (100)	393 (50)	222 (28)	615 (78)	172 (22)	565 (72)
1965-66	1500 (100)	479 (32)	388 (26)	867 (58)	633 (42)	1112 (74)
1966-67	1700 (100)	522 (31)	414 (24)	936 (55)	764 (45)	1286 (76)
1967-68	1895 (100)	572 (30)	435 (23)	1007 (53)	888 (47)	140 (77)

Note : Figures in brackets represent proportion (per cent) to total demand deposits held by all sectors. *Estimated using the results from Surveys of Ownership of Deposits. †Excludes interbank deposits. **Exclusively owned by households.

component of non-monetised (or barter) transactions which, although gradually shrinking in volume, is likely to have some impact on the quantum of money demanded.³ It is, therefore, hoped that the study, if restricted to household demand for money, may help to bring the relevant issues under sharp focus than a similar study at the aggregate level. Furthermore, households are the important savers in the economy and a fairly large proportion of their financial savings is in the form of monetary assets and hence a study relating to household demand for money would be helpful in short-term projections of non-contractual transferable resources in the economy.

The study broadly falls into three parts. Part I deals with some of the important issues referred to in the introductory paragraph with particular reference to the Indian economy. Part II presents the fits obtained and discusses the results emerging therefrom. Some of the important limitations of the exercise are also stated in this section. A summary of the conclusions drawn is given in Part III.

PART I

In this paper money is defined in two ways. Following the conventional approach, the first definition of money (M_1) is taken to comprise the estimated holdings of currency and demand deposits of household sector with commercial banks. The other definition (M_2) is more comprehensive in so far as it includes also the time deposits with commercial banks. The issue as to which of these definitions of money is superior cannot be settled on *a priori* considerations because equally valid arguments have been put forth both for and against the choice of a particular definition. For instance, some have preferred M_1 for the reasons that (a) currency and demand deposits together represent that stock of most liquid assets which are generally used for making payments and yielding only services (convenience, liquidity etc.) but no other income to the holder, (b) time deposits, besides being interest earning, has

to be first converted into either cash or demand deposits before they could be spent and (c) inclusion of time deposits in money confounds the interest rate effect in so far as a rise in interest rate, while reducing the demand for money defined in conventional terms, increases the demand for time deposits. Those for whom M_2 appeals more, have based their reasoning on the 'stability' aspect of demand for money. This stability will be achieved only when money is comprehensively defined so as to include all near-money assets also. On practical considerations, however, they stop with time deposits as this is considered to be nearest to money.

In the Indian case, there are some points in favour of M_2 . Savings deposits which are exclusively owned by households and account for 25-33 per cent of total bank deposits held by them have the traits of current and fixed deposits and their allocation into demand and time portions has a certain element of arbitrariness. With the progressive liberalisation of rules governing withdrawals from such deposits over the years, an increasing proportion of these is getting reflected under demand deposits. Furthermore, there is some empirical evidence to show that there is substitution between demand and time deposits during the busy and slack seasons of any year.⁴ By defining money to include time deposits also the results obtained would be free from any bias on this score. The ultimate choice, however, will have to wait judgement based on the results obtained.

Apart from differences in opinion regarding the role of interest rate in determining the demand for money through its direct and indirect effects on expenditure, income and wealth, views in regard to the selection of a relevant interest rate variable from among a variety of such interest rates available, have been equally divergent. This is partly because the choice of a proper interest rate is also linked to the definition of money used. Relevant interest rates for a study at the aggregate level are: yield on government (long-

term) securities, yield on variable dividend industrial securities, rates offered on bank deposits of differing maturity or on postal savings deposit, rates charges on bank advances, call money rate, treasury bill rate and the bazaar bill rate. From among these, the rates which appear to be significant for households, in particular, are the yield on variable dividend industrial securities, bank deposit rates and the bazaar bill rate. The first two rates are important for the reason that households own a substantial part of the corporate equities and bank deposits and so have a direct bearing on saving-decisions of households. The bazaar bill rate owes its importance to the existence of a sizeable unorganised money market in India. Industrial securities' yield is taken as the long-term rate of interest and the rates offered on bank deposits of maturity of three months to represent the short term rate.

The selected interest rates are not without limitations. The yield on industrial securities may be based in view of the relatively less developed nature of stock-market in India. Furthermore, the rate used is the 'running' yield rather than 'redemption' yield which is normally used.⁵ The bank deposit rate also has its shortcoming, namely, that it is administered to some extent in accordance with the inter-bank agreements concluded by banks from time to time and is currently being regulated by the Reserve Bank.

To explain the demand for money, the variables chosen are household income in nominal terms and the interest rate. As referred to earlier, the non-monetised income is not relevant to a study of the demand for money and as such the total household income series is adjusted to exclude such income accruing to households. The exact procedure of estimating non-monetised income is given in the Annexure. Besides, it also gives the method followed in estimating the holdings of currency, demand deposits and time deposits in respect of household sector.

In some versions of the de-

mand equation, additional variables such as proportion of agricultural income to national income, prices and a trend factor have also been tried. The wealth variable (or the permanent income) is admittedly yet another significant factor but could not be considered for want of data.

As regards the functional relationship to be used, relatively simpler formulations of linear and log-linear equations have been attempted.

PART II

This section is devoted to a discussion of the results obtained from the empirical fits attempted in respect of demand for money and its important constituents. The equations tried for the period 1952-53 to 1967-68 are given in Table II. To begin with, the results in respect of deposits are first presented followed by those for currency and for the two concepts of money adopted in this study. For the sake of brevity only such equations which are 'good' fits to observed data, judged on the basis of values of R and $D.W.$ and in which most coefficients not only have the right signs expected but also are statistically significant have been given. While reading the results, the main limitations of single-equation models, namely, that they implicitly assume the exogenous determination of the explanatory variables may be borne in mind.

Time Deposits

In all, seven selected equations have been presented in Table II. Household (monetised) disposable income (Y_{dh}), rate offered on bank deposits of one year maturity (R_1) and the yield on variable dividend industrial securities (R_2) are the explanatory variables used. The deposit rate chosen is R_1 because the bulk of the fixed deposits with banks (nearly 62 per cent in 1967-68) has a maturity period of less than a year during the period studied. The industrial yield rate is introduced to take care of the effect of substitution between time deposits and corporate securities generally believed to be true in respect of the better-off sections of urban households.

It is, however, necessary to add a caveat in this regard. As mentioned in Part I, if R_i is taken as a proxy for the long-term profit rate in the economy⁶ then the observed substitution effect should not be narrowly interpreted in the sense that the time deposits are liquidated for purchase of more industrial securities but in a wider sense of these being drawn upon for alternative avenues of investment also.

The income variable specified in nominal or real terms has come out to be the most significant factor affecting demand for time deposits. In the linear case, the income elasticity co-efficients computed at mean levels, work out in the range of 1.19 to 1.60. Corresponding range in the log-linear case is seen to be 0.90 to 1.71. The elasticity with respect to real income is around 1.23 (See Equation 6). These values are sufficient to show that the in-

come variable exerts significant influence on demand for time deposits.

It may be seen from the linear equations (1) and (4) and log-linear formulations (2) and (5), that the inclusion of interest variable R_2 has reduced the income elasticity coefficients from 1.60 to 1.19 and from 1.71 to 0.90 respectively. The co-efficients of R_2 are highly significant and possess the expected positive sign. This result is to be viewed especially in the context of the implementation of successive five-year Plans in the country. The growth in planned investment undertaken in the public sector has indeed generated large money incomes and the intensified efforts to mobilise resources on a larger scale have been associated with a rise in interest rate in general and the bank deposit rate in particular. During the period, the precondition for deposit formation, namely, the exten-

sion of banking facilities to more and more unbanked centres has also been increasingly met.

Equations (1) and (2) wherein R_i alone appears besides the income variable, the coefficient of R_i has the correct sign although it turns out to be statistically insignificant. However, in equations (4) and (5) where it appears along with R_2 , the R_i coefficient becomes significant. This apart, the degree of reliability of the equations has improved in terms of (a) reduced standard errors associated with the regression coefficients of R_i and R_2 and (b) a small improvement in R . It can therefore, be safely concluded that the negative impact of substitution between time deposits and other types of investment is forcefully brought out only if the positive effect of a rise in bank deposit rate is

adequately taken into account.

Equation (7) is of the distributed lag type and yields a good fit to observed data. The speed of adjustment of demand for time deposits seems rather slow taking approximately four years to reach the 'desired' level. The short-run income elasticity coefficient is 0.40 whereas the corresponding long-run coefficient works out to 1.54.

Demand Deposits

In the case of demand deposits, the variables chosen are interest rate offered on bank deposits of three months' maturity (R_3) and income. R_3 is chosen to represent the opportunity cost of holding money as it corresponds to a typical short-term asset available for investment by households and having a maturity period comparable to that of treasury bills. From the fits obtained, it can be seen that although the co-

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efficient of R_3 has the expected negative sign, it is statistically not significant. The income elasticity coefficient ranges from 0.99 to 1.48.

The weak effect of interest rate obtained will have to be seen in the light of the significant changes in the growth and composition of demand deposits during the period studied. Data used in this regard are given in Table I. It may be observed from here that demand deposits held by households have grown faster since 1955-56 compared to the holdings of other sectors like corporate and co-operatives, other financial institutions, government and rest of the world. In fact after excluding savings deposits, the picture observed is that the share of households in current deposits has not shown any visible change except for a nominal decline. Thus the growth in demand deposits

is mainly brought about by the increased popularity of savings deposits among households. For most salaried and fixed income earning individuals, savings deposits equally serve those purposes which are met by current and fixed deposits. Besides, they also earn higher rates of interest, even higher than those offered on three monthly bank deposits. It is, therefore, to be expected that with a rise in both R_3 and savings deposit rate, such deposits held by households should increase weakening thereby the negative impact, if any, of a rise in interest rate on current deposits.

Equation (10) reveals that price elasticity of demand for demand deposits is 1.30 and significant. This evidence together with the interest inelasticity referred to above is a pointer to the fact that demand deposits are in the nature

of transaction balances. The long-run income elasticity coefficient is 1.80 as revealed by equation (11). Corresponding short-run elasticity is 0.54.

Currency

Currency as a mere function of time trend gives a good fit but this is not dependable for prediction purposes in view of the low DW statistic indicating the existence of positive serial correlation in error terms (equation not given).

The choice of an appropriate interest rate variable in explaining the demand for currency is unduly complicated because (a) there are no alternative forms of financial assets to keeping currency for most households in rural areas until recent years except money lending against promissory notes, mortgages etc. which is highly unorganised and (b) the aggregation of 'pure' households and

'enterprise' households into one sector; the former generally being the savers and the latter, borrowers (or investors). Now in analysing the effect of a change in interest rate on currency holding one has to necessarily take into account both the lending and borrowing aspects simultaneously. A rise in interest rate would mean diminished currency balances with savers in view of the increased cost of holding money but the implications of this change in interest rate from the borrowers' angle would be increased currency balances in view of higher cost of borrowing.⁸ The net effect, therefore, of any change in interest rate can be expected *a priori* to be small. These inferences have been drawn so far on the assumption that currency does not earn any income; but it is noteworthy that currency confers certain benefits such as tax-evasion

and concealment of wealth and so may be held even in the context of increased rates offered by banks. Also for most rural households, alternatives to holding currency are not really bank deposits but assets like gold, commodity stock, land and other investment in own-business. For these reasons the longterm profit rate ' R_i ' for the economy is preferred instead of bank-deposit rate which is relevant only for a part of the urban household sector.

The equation with income in nominal terms and R_i as the interest rate variable has yielded a satisfactory fit. R_i gets the negative sign; its effect, however is significant only at about 15 per cent level. As in the case of deposits, the results obtained for the distributed lag version of the demand equation

for currency are also presented in Table II⁹.

Money (M_{1dh})

From the foregoing discussion of results in respect of currency and demand deposits, alternatives to the selection of an appropriate interest rate variable are quite clear. Apart from the income and interest rate variables, some empirical studies include additional variables such as the rate of change of prices to represent yield on real assets especially for periods in which prices have risen substantially. Some trial runs carried out taking this variable did not achieve better result.¹⁰ Bazaar bill rate is not explicitly used because of its close correspondence with the movements in industrial securities yield over the period studied.¹¹ The empirical fits obtained

in respect of M_{1dh} using the income variable and alternative interest rates are presented in Table II.

It may be seen from the equations that the fits are on the whole quite satisfactory. The income variable has the predominant effect and the income elasticity of demand for money works out to be 1.04 in the linear case and 1.10 as per the double log equation. This compares favourably with the elasticity estimates referred to in other empirical studies.

In regard to the influence of interest rate on demand for money, the effect of the short-term interest rate which is sought to be represented by three-monthly bank deposit rate does get the expected negative sign.¹² The interest rate coefficient, however, is not statis-

tically significant. There are valid reasons for this weak effect observed, which could be properly understood with reference to what has been discussed in the case of currency and demand deposit equations.

Based on empirical results obtained for some of the developed countries it is contended that for demand equation in respect of M_{1dh} the long-term rate should be the relevant interest rate variable. This is based on the statistical reasoning that short-term interest rates are susceptible to larger fluctuations than the long-term ones which understate the true effect of interest rate on money demanded. Following this line of reasoning alternate formulation for M_{1dh} replacing the three monthly deposit rate (R_3) by the yield on variable dividend industrial securities (R_i)

TABLE II—EMPIRICAL RESULTS OBTAINED FOR THE PERIOD 1952-53 to 1967-68

Time Deposits (T_{dh})				R^2	D.W.	S.E.E.
1. $T_{dh} = -378.6617$	-11.5832 (24.1334) (-0.0888)	R_i	+0.0943 Y_{dh} (0.0039) (1.6064)	0.9522	2.0663	63.5226
2. $\log T_{dh} = -9.0902$	-0.2970 (0.2490)	$\log R_i$	+1.7113 $\log Y_{dh}$ (0.0954)	0.9126	1.1906	0.1168
3. $T_{dh} = -583.7226$	+300.6032 (83.9110) (0.5327)	$\log R_{12}$	+0.0743 Y_{dh} (0.0061) (1.2653)	0.9754	1.9794	45.4592
4. $T_{dh} = -368.9263$	-24.3397 (15.7570) (-0.1866)	R_i	+96.3996 R_{12} (21.8006) (0.5047)	0.9801	1.8757	40.7737
5. $\log T_{dh} = -2.3670$	-0.4510 (0.1191)	$\log R_i$	+0.8816 $\log R_{12}$ (0.1287)	0.9803	1.5985	0.0549
6. $\log T_{dh} = -7.9851$	-0.2663 (0.1714)	$\log R_i$	+0.7852 $\log R_{12}$ (0.1488)	0.9795	1.7951	0.0560
7. $T_{dh} = -265.2973$	-174.8570 (61.3664) (0.3098)	$\log R_{12}$	+0.0236 Y_{dh} (0.0122) (0.4027)	0.9896	1.5361	29.3730
Demand Deposits (D_{dh})						
8. $D_{dh} = -259.3772$	-24.5428 (37.7362) (-0.1083)	R_3	+0.0830 Y_{dh} (0.0041) (1.4793)	0.9316	1.8657	67.9467
9. $\log D_{dh} = -7.1624$	-0.0194 (0.1434)	$\log R_3$	+1.4523 $\log Y_{dh}$ (0.0697)	0.9343	1.9730	0.0857
10. $\log D_{dh} = -8.9168$	-0.0357 (0.1751)	$\log R_3$	+0.9892 $\log Y_{dh}$ (0.4454)	0.9139	1.6570	0.0983
11. $\log D_{dh} = -3.0388$	+0.5396 (0.3955)	$\log Y_{dh}$	+0.6952 $\log D_{dh}$ (t-1) (0.2978)	0.9534	2.0770	0.0720

TABLE II—EMPIRICAL RESULTS OBTAINED FOR THE PERIOD 1952-53 to 1967-68—(Contd.)

Currency (C_{dh})				R^2	D.W.	S.E.E.
12. $C_{dh} = 749.4149$	-96.8696 (63.0585) (-0.2590)	R_i	+0.1519 Y_{dh} (0.0101) (0.9019)	0.8789	1.3333	165.9788
13. $C_{dh} = 206.3940$	+36.7963 (14.4795) (0.1490)	t	+0.8008 C_{dh} (t-1) (0.1128) (0.7526)	0.9870	2.4406	53.3921
14. $\log C_{dh} = 0.8253$	+0.0630 (0.0214)	$\log t$	+0.8824 $\log C_{dh}$ (t-1) (0.0553)	0.9843	2.3016	0.0281
Money (M_{1dh}) = $C_{dh} + D_{dh}$						
15. $M_{1dh} = 238.1507$	-64.6315 (76.7482) (-0.1296)	R_i	+0.2344 Y_{dh} (0.0123) (1.0445)	0.9229	1.6835	202.0120
16. $\log M_{1dh} = -2.1433$	-0.1719 (0.1399)	$\log R_i$	+1.0996 $\log Y_{dh}$ (0.0536)	0.9322	1.6594	0.0656
Money (M_{2dh}) = $C_{dh} + D_{dh} + T_{dh}$						
17. $M_{2dh} = -140.5110$	-76.2147 (95.5018) (-0.1212)	R_i	+0.3287 Y_{dh} (0.0153) (1.1610)	0.9388	1.8321	251.3742
18. $\log M_{2dh} = -3.0217$	-0.1898 (0.1496)	$\log R_i$	+1.2199 $\log Y_{dh}$ (0.0573)	0.9368	1.6084	0.0702
19. $M_{2dh} = -780.1951$	+394.6630 (79.5775) (0.4283)	R_{12}	+0.2245 Y_{dh} (0.0225) (0.7928)	0.9775	1.9497	151.3927
20. $\log M_{2dh} = 0.0922$	+0.4564 (0.1155)	$\log R_{12}$	+0.7901 $\log Y_{dh}$ (0.1144)	0.9675	1.6673	0.0501
21. $M_{2dh} = -97.2546$	-132.8950 (47.2908) (-0.2112)	R_i	+428.3262 R_{12} (65.4292) (0.4648)	0.9853	2.8243	122.3721

Note: Figures in parentheses under the coefficients represent standard errors and elasticities respectively.

has been tried. It is seen that the income elasticity remains much the same as observed earlier whereas the interest elasticity is negatively signed though not highly significant. The negative coefficient of interest rate is a pointer to the prevalence of substitution between money on the one hand and long-term financial assets or physical assets on the other, however small this effect may be.

Monetary Resources (M_{2dh})

Demand equations for M_{2dh} have been fitted with income variable and alternate interest rate variables of R_1 and R_{12} (see Table II). As in the case of time deposits, the demand equation in respect of M_{2dh} wherein R_1 and R_{12} together appear, has yielded the best possible fit. Only in the presence of R_{12} the effect of R_1 assumes statistical significance whereas the coefficient of R_{12} is so with or without R_1 . Particularly in equation (21), the income and interest rate coefficients are all significant and have the expected signs. However, the inclusion of R_{12} variable is found to reduce substantially the income elasticity coefficient. Almost identical behaviours was observed in the case of time deposits and the explanation given may hold good in this case also.

PART III

Summary and Conclusions

(1) Time deposits are found to be highly interest elastic. There is evidence to show that significant substitution takes place between time deposits and other types of investment and corporate securities in particular. This substitution effect is brought out clearly only in the presence of a suitable interest rate offered on bank deposits.

(2) Demand deposits are price elastic and interest inelastic and are therefore, mostly in the nature of transactions balances of households in the Indian case.

(3) Households behaviour in regard to demand for currency has been the most difficult to explain. There is no gain-saying the fact that a substantial part of it represents transactions balances. However, the observed substitution effect

between currency and other assets, although weak, indicates that it contains 'idle' balances as well. Further, the interpretation of the interest rate effect gets complicated in view of (i) the aggregation of rural and urban households and (ii) the mixing up of 'pure' and 'enterprise' part of household economic activities, notably in rural areas.

(4) Income elasticities of demand for currency, demand deposits and time deposits, as revealed by the identical empirical fits attempted, show that they are in ascending order of magnitude. For instance they are 0.9 for currency, 1.5 for demand deposits and 1.6 for time deposits.

(5) Yield on variable dividend industrial securities appears to be the most appropriate interest rate variable in a study of the demand for money or its constituents in the Indian economy.

(6) In view of the diverse circumstances in which households are placed in regard to choice of assets, a disaggregated approach to the problem seems to be a better alternative. The disaggregation will have to be in terms of both instruments and sectors.

(7) Monetary resources (M_{2dh}) has an edge over money supply (M_{1dh}) from the point of view of 'stability' in the demand function. Even otherwise, M_{2dh} is preferred because it circumvents the element of arbitrariness involved in the allocation of savings deposits as between demand and time portions.

References :

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1. David E. W. Laidler — *The Demand for Money : Theories and Evidence*, 1969.

2. Goodhart, CAE; "The Importance of Money", Bank of England Quarterly Bulletin, June 1960.

3. To our knowledge there is only one study in the Indian case wherein

the income variable is adjusted to exclude the non-monetised part. See "Role of Money Supply in Developing Economy" Kanta Prasad, 1969. Others take care of this through indicators like share of non-agricultural income total income or a time trend; see "An Econometric Study of the Money Market in India" Thanipyan Mammen, 1967.

4. Vide article on "Seasonal changes in Liabilities and Assets of Scheduled Commercial Banks" by P. K. Pani, R.B.I. Bulletin, June 1970.

5. Redemption yield is assumed to be a better approximation to expected yield over the holder's planning period than the other. This need not always hold good because of opposite movements in expected and real yields on account of either extrapolative or regressive expectations; C.A.E. Goodhart, op. cit pp. 171.

6. This assumes that good performance on agricultural front implies a favourable outlook for the industrial sector and for the entire economy.

7. Estimated mean lag.

Symbols used

M_{1dh} = Money supply of households ($C_{dh} + D_{dh}$)

= Currency of households (C_{dh}) + Demand deposits of households (D_{dh})

M_{2dh} = Monetary Resources of households

= M_{1dh} + Time deposits of households (T_{dh})

C_{dh} = Currency of households.

D_{dh} = Demand deposits of households.

T_{dh} = Time deposits of households

Y_{dh} = Household (monetised) disposable income at current prices.

Y_{cdh} = Household (monetised) disposable income at constant prices.

R_3 = Rate offered by commercial banks on 3 monthly deposits.

R_{12} = Rate offered by commercial banks on 12 monthly deposits.

R_1 = Yield on variable dividend Industrial Securities

T = Trend

P_w = Index Number of wholesale prices.

8. R.T. Seldon, *Monetary Velocity in U.S.A.—Studies in quantity theory of Money*, ed. Friedman 1956. pp. 231.

9. In such equations tried with income and interest rate variables, it was observed that even the income effect did not turn out to be statistically significant. This would imply that currency stock at the beginning of the year explains most variations in current year's stock of currency. Furthermore, the speed of adjustment is found to be extremely slow so that additions to currency stock even in a remote year does influence the current stock of currency.

10. In another empirical study also, this variable has not proved to be useful. See D. V. Ramana, *Deficit financing & import substitution : India, 1951-1965*, paper read at the AID/University of Wisconsin Conference, Bangkok, Jan. '67 where he gets an insignificant coefficient when the variable, rate of change of prices, used at the aggregate level rather than for households.

11. The correlation coefficient works out to 0.85.

12. The equation is not presented in Table II.

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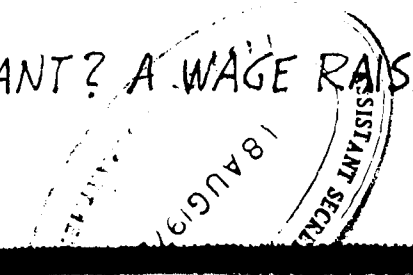
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The cabinet secretariat, the Planning Commission and presumably the Finance Ministry seem to be furiously at work concocting measures for holding the price line. This will not be the first time that the government may be stamped into reacting wrongly and in a hurry to problems which are of its own making and which it has been sleeping over far too long. Unnerved by rising concern among the people over the soaring cost of living—a mood to which the press and Parliament have been giving forceful expression—the government appears to be thinking in terms of resorting more and more to the apparatus of controls—commodity, credit and the rest—in the hope that this desperate remedy may perhaps work a cure for the inflationary pressures in the economy. It has been shown again and again, however, that credit control can do but little to alleviate the inflationary sins of fiscal profligacy. A rather relatively outspoken former Governor of the Reserve Bank of India had gone on record more than once to the effect that it was unfair of the government to except the central banking authority to compensate through credit controls for the excesses of the government's budgetary policies. Experience has in fact shown that credit restrictions are not only a poor substitute for fiscal discipline but are also an objectionable alternative to it in that they could do more harm by hampering production than good through checking the play of excessive money supply.

As for commodity controls, the outlook is even less promising for the simple reason that as the years have passed by, inefficiency and corruption in public administration or government-controlled economic activities have been going up by leaps and bounds. It would therefore be a fair expectation that any amplification of commodity controls would neither make economic sense nor make for equity. In any case the best short-term bet for the government appears to be to show a little more imagination and business efficiency in deploying government-held stocks of foodgrains as a means of dampening the current tendency of food prices to go up and up. The aim here should be rather to use the existing distribution channels in a more competent manner than to build up additional high-cost, but low-performance administrative networks.

It must however be frankly conceded that so far as the immediate future is concerned the deciding factor will be the behaviour of the southwest monsoon, or what remains of it. It is interesting to note how effective a postponement of the rains is in putting the fear of God into the politicians in power. Within a period of less than a month the government's attitude towards the price problem has changed from one of "the leader is right; the future is bright" to a laboured admission that complacency in high places has now been proved to be a betrayal of the people's interests. Unfortunately, even if the government has at last rediscovered its conscience, its power to influence proximate developments on the price front is very limited indeed. Should the monsoon fail to make good at least the major part of the losses of delay within this fortnight the year 1972 is bound to witness a large rise in the price level most of which is likely to become permanent.

In the industrial field again reports of immediate steps on the part of the government to encourage current production will have in the main a value which is only psychological. Even if past mistakes are rectified and no new ones are made by the government, the industrial production picture is unlikely to change substantially for the better before this year is out. Even then there is very little likelihood of industrial output playing an important price stabilizing role for some time to come. This is for the simple reason that, for a period of five years in the past, the government has been only playing politics with saving and investment and, consequently, the further industrialization of the country. Almost every element in government policy has been biased against the growth of industry, while all kinds of sterile pseudo-ideological controversies have been deliberately worked up with the purpose of fouling the economic climate for the growth of industry or commerce.

The direct consequence of all this is that there has been created a situation in which any further true economic progress has become impossible unless the whole range of government policies, particularly the fiscal and regulatory policies, are dramatically reversed and liberalised. The regimentation of business by politics has proceeded to an extent where the economy has become disabled and enfeebled in its potentiality for developing in accordance with the needs of the nation for supporting a growing population at improving levels of living. The people's poverty which the politicians have made into a propaganda against large sections of the people themselves, the unemployment in the nation which has been treated as grist to the mills of power politics and the current trend of inflation which the ministers are no longer able to wish away are all but symptoms, of varying degrees of dramatic impact, of the failure of the government in the last five years to allow the industrial economy of the country to develop

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its resources for expanding production in anticipation of the demands of the seventies.

Viewed in this perspective there is clearly no reason for any of us to be unduly impressed by newspaper accounts of feverish anti-inflationary efforts on the part of certain ministers who have been artificially stimulated by the recent changes in the cabinet. More than ever it has become necessary for the country to call for an end to slogan-mongering or Plan-peddling. The public is not interested in the debris of the fourth Plan or even in the anticipatory midwifery for a fifth Plan. On the contrary what the people need is the reassurance of a clear declaration by the government of the few basic policy decisions that are indicated for the revival of the dynamics of industrial expansion and economic growth.

STC: towards rising profiteering

THE CHAIRMAN of the State Trading Corporation (STC), Mr P. L. Tandon, who relinquished charge of this public sector institution on July 31, 1971, has emphasized, as is natural, the improvements he has been able to effect in its operations. He has shown how, within four years, he has rationalised and modernised its working through various management accounting techniques which minimised expenditure and maximized profits. Undoubtedly, he deserves to be congratulated on having reduced inventories even after almost doubling turnover in four years. In 1968-69, the STC had locked up Rs 70 crores of funds in "stocks and debtors" while the turnover was Rs 140 crores. In 1971-72, the turnover had increased to Rs 263 crores but the corresponding figure for stocks had been reduced to Rs 40 crores. This spells not only a narrow monetary gain but a distinct socio-economic benefit.

The highlight of the performance of the STC group—STC and its four associates—for 1971-72 is the sharp increase in profit before tax from Rs 7.2 crores to Rs 17.0 crores—a rise of 136 per cent in a year. Within the last four years, the STC has raised its dividend from Rs 20 lakhs to two crores of rupees. It may be recalled that the equity capital of the STC when Mr P. L. Tandon took it over in 1968 was only two crores of rupees and it is now being raised to Rs 10 crores. Surely it is no mean achievement to raise the value of dividend of the corpora-

Mr Mohan Kumara-

mangalam's is an interesting mind. It is in fact so interesting in itself that what it does is often much less significant than what it is. Its most remarkable attribute, of course, is its ape-like agility. Only an extraordinarily skilled intellectual gymnast can keep track of all its tricks or turns. When this minister nationalized colliery companies mining coking coal, his argument was that this industry was neglecting conservation as well as failing to invest sufficiently in modernization or expansion. When he took over the Indian Copper Corporation for the state, he explained simply that he wanted to 'grab' the technical personnel of the company for the development of the industry concerned under national auspices. More recently, when his ministry assumed control of the Indian Iron and Steel Company Ltd and the responsibility for its mana-

has been the suggestion that, wherever the private sector is found to be unable or unwilling to undertake strategically or socially important investment or production responsibilities, the public sector should step in and fill the gap. Lately it has also become a fashion to assert that the production of commodities of mass consumption, an increase in which has become necessary for the success of anti-poverty programmes, cannot be promoted fast enough unless the public sector undertakes large responsibilities in this area. Mr Kumaramangalam has now been able to add substantially to both the literature and the grammar on the subject—thanks to his very interesting mind.

Mr Mohan Dharja also has a mind which is interesting in its own way. The 'interest' in this case, however, lies wholly in the question what kind of mind it is that Mr Dharja has got.

WITHOUT CHARITY

gement, Mr Kumaramangalam's contention was that its affairs were being grossly mismanaged. Last week, in Rajya Sabha, when a question was put to him whether the government might consider taking over the non-coking coal mines, the minister replied that the government would certainly do so if the colliery owners failed to make investments for more production or pay proper wages for Labour.

The expansion of the public sector has been advocated over the years on a variety of grounds by those who seem to believe that the proper function of a government is to do everything but govern. There has been the familiar argument that the state should occupy the commanding heights of the economy in order to reduce inequalities of income or wealth, prevent concentration of economic power or build socialism generally. It has been pleaded, again, that, wherever there are possibilities of large manufacturing or trading profits being made, the government should enter the business so that the profits could be captured and used for the benefit of the community as a whole. Then there

There is a story told of a young beauty married to a man of great wealth. When she asked him more or less playfully where he had been when the good Lord was distributing beauty, the reply she got was that he had gone away to make his fortune since he always knew that, once he had got the money, he would be able to buy all the beauty he wanted. I wish it were true that once a politician has managed to become a minister, he would be able to acquire all the wisdom he needs. I am saying this because Mr Dharja is reported to have stated in Parliament last week that one of the major decisions to be taken in the fifth Plan might be a decision to nationalize some of the big business houses. The subject is well worth pursuing further with the Minister of State for Planning. It is very easy indeed to see that the government can nationalize individual industrial units or even whole industries, but could it be that the Law Minister Mr Gokhale, aided and abetted by the impressive legal acumen of his colleague the Minister for Steel, Mines and Metals, has already thought of a formula for enabling Mr Dharja to "nationalize" business

houses, big or small? It is true that the law makes an ass of itself occasionally. It is even more true that law-makers make asses of themselves rather more frequently. Even so, it would be a strange legislative happening indeed if "business houses" are "nationalized" by an Act of Parliament in tribute to Mr Dharja's radical heart which he seems to wear on his sleeve.

Talking of minds interesting and not so interesting, Mr T. A. Pai's problem seems to be that his brain-waves cannot even wait for him to settle down properly in a ministerial bungalow. The new Railway Minister, it appears, wants to do away with the third class on the Railways. His objection to the third class is not that, as matters stand, it makes travel a torture, but that the term 'third class' is derogatory to the dignity of the Indian citizen on the twentyfifth anniversary of the country's Independence. One can sympathise with Mr Pai that no easy alternative is open to him. For instance, the mere change of nomenclature from 'third class' to 'economy class' obviously won't do. Considering the continuous increase in third class rail fares in the context of the progressive deterioration in the quality of service or accommodation, it would be adding insult to the injury being suffered by the third class passenger to rechristen this class of travel as 'economy class'. For, the question will arise who has been economising and at whose cost.

Finally, there is the mind of the Speaker of the Lok Sabha which seems to be unduly sensitive on certain occasions. A report in *The Statesman* of August 5 says: "A member's reference to the House of Commons provoked Mr Dhillon to ask him not to refer to the Commons which did many things that the Lok Sabha did not; he recalled that nine Speakers of the Commons had been hanged including two in a day".

I was considerably amused by these observations of Mr Dhillon since, only a day earlier, I had chanced to read the following note in *The Spectator* (London) of July 29 (in the column *Corridors by 'Tom Puzzle'*):

"Puzzle met the Speaker of the Indian Parliament on a visit to Westminster. He explained that procedure was exactly the same with such obvious pride that it seems some of the claims in more pompous constitutional textbooks about our influence might be right after all—at least in India. Most surprising".

TOUCHSTONE

tion to the value of original equity capital within such a short period.

How has this turn in the working of the STC been brought about? According to Mr Tandon, besides other things, the secret lies in keeping expenditure under check. While the expenditure of the STC group was maintained in 1971-72 at the same level as in the preceding year, that of the STC, the holding company, was reduced by 4 per cent. Before Mr Tandon took charge of STC, the expenditure of the corporation used to increase at the rate of more than 20 per cent per annum.

But this is only a part of the explanation for its encouraging financial results. The bulk of its profits is due to profiteering on an extensive scale consequent upon a rapid advancement in canalisation of imports. The opportunities for growth (and consequently for increased profits) have virtually been offered to the corporation "on a plate" as conceded by Mr Tandon. The official policy of increasing diversion of imports to state agencies has inflated its operations at a breakneck speed. Imports of the STC group, for example, rose from Rs 154.0 crores in 1970-71 to Rs 221.8 crores in 1971-72. And most of the goods imported by the STC and its associates are in short supply in the country and the prices at which they are sold to consumers bring rich dividends to it because of its monopoly position. The chairman has stated that the prices of imported products are fixed in consultation with the relevant ministries but the fact remains that, taking advantage of the shortages in the economy, the sale prices are invariably hiked.

This can be illustrated with reference to the operations of STC's largest import division i.e. the Oils and Fats Imports Division. A major part of the increase in the profits of STC in 1971-72 has been contributed by this division which imports tallow, soybean oil, rape seed and copra. The trading profit on imported sales of this division in 1970-71 at Rs 57.3 crores came to Rs 8.1 crores; with increase in the value of imported sales in 1971-72 to Rs 75.3 crores, trading profit jumped up disproportionately to Rs 12.5 crores. The STC has ascribed this improved performance to "successful buying on the fluctuating world commodity markets", but has failed to explain why the advantage of its rare acumen to buy cheap has not been passed on to the consumer. Glibly the annual report for 1971-72, while discussing this aspect of the problem, states that "prices and allocation of imported materials are determined by the ministries concerned" implying that it had no hand in this profiteering or that it had the backing of the ministries concerned in this operation.

To refute the charge of profiteering, Mr Tandon has compared STC's rate of profit

before tax to turnover with the corresponding rate in the private sector industry and trade. It is not the overall rate of profitability of the STC which is resented. The consumers of industrial products who are dependent upon the STC due to canalisation of imports are forced to pay high prices; the rate of profitability on individual items of imports is excessive and the charge of profiteering relates to these transactions alone.

That the STC group increased its exports by more than 30 per cent in 1971-72 over the preceding year is without doubt satisfying but continued losses on this account are hard to justify. The Consumer Goods Export Division suffered a setback with increase in trading loss from Rs 0.8 crore to Rs 0.9 crore. The Development Exports Division with export sales of the order of two crores of rupees had a loss of Rs 0.1 crore. The Industrial Products Export Division and Leatherware Export Division had minor profits. A loss of Rs 1.6 crores was recorded by the Produce Export Division (rice, coffee, opium, jute, tobacco and dry fish). A real test of the efficiency of the STC lies in its performance in exports. The day it is able to export without loss, even with all the subsidies and drawbacks provided by the government, it will have justified itself as a business organisation.

The subsidiaries of STC have all shown encouraging results in 1971-72. The Projects & Equipments Corporation of India with a turnover of Rs 38.19 crores made a profit of Rs 0.47 crore. The Cashew Corporation of India with total sales of Rs 27.40 crores recorded a profit before tax of Rs 2.13 crores. The Handicrafts & Handlooms Exports Corporation of India Ltd, registered a profit of Rs 0.64 crore with turnover at Rs 4.34 crores. The Indian Motion Pictures Corporation had a nominal profit of Rs 5.38 lakhs. In other words, all the subsidiaries had intrinsic strength and none of them was a burden on the resources of the STC.

It is undesirable that 1971-72 was an exceptional year for the STC in more than one way. Sales rose sharply from Rs 217.83 crores to Rs 262.62 crores. Similarly, profit before tax increased steeply from Rs 6.43 crores to Rs 14.25 crores. However, prospects for 1972-73 do not look to be equally bright. Sales are expected to rise modestly to Rs 278.80 crores while trading profit is expected to drop to Rs 8.10 crores. The major reduction in turnover and profitability is anticipated because of the sharp fall in the imports of fats and oils. States the annual report for 1971-72: "Since the bulk of its purchases were made in the USA under PL-480 which has ceased, the division has lowered its target for next year to about half".

New approach to tea promotion

THE INDIAN Tea Association (ITA) and the United Planters Association of South India (UPASI) have recently submitted a joint memorandum to the government of India suggesting the need for a new approach to tea promotion. They have argued that India's tea promotional policy since 1952 has been confusing and ambivalent, that in the last twenty years after withdrawing from the International Tea Market Expansion Board, we have lost our share of the markets in all those countries from which we earned freely convertible currencies except West Germany, and that therefore a separate Tea Promotion Council should be set up with full autonomy to function in the specific area of tea market expansion. They have recommended that substantially larger resources should be made available for tea promotion and, if necessary, a separate levy may be introduced and the excise duty reduced to the extent. The proceeds of this levy are to be entrusted to the proposed promotion council.

The council is to consist of not more than seven members of which four would be nominees of the industry, one would be a non-official with specialised knowledge, and two officials one of whom will be the chairman of the Tea Board and other a representative of the government of India. It will implement an integrated promotional policy and not in terms of compartments as between generic and national, internal and export markets. It will work under the broad supervision of the Ministry of Foreign Trade and co-ordinate its efforts with any international body set up to promote tea in the world market by agreement reached through the Food and Agricultural Organisation (FAO). the council is estimated to need a fund of Rs 5 crores, the major share of which will be for an international generic campaign to promote tea in competition with the rival beverages.

The ITA and UPASI have advanced convincing arguments and statistics to

prove that the Tea Board has failed to promote tea exports in a dynamic way. It is stated that India's tea exports increased by only 2.4 million kg or by less than 1.2 per cent between 1951 and 1970 though production in this period rose by 136.4 million kg or 47.8 per cent. India's share of the world market dropped from 45.0 percent to 31.6 per cent between 1951 and 1970. And, significantly and surprisingly, a sharp fall in our tea exports has occurred precisely in those countries where we had spent most money such as the United Kingdom, Eire, the USA, Canada, Australia, New Zealand, and west Europe. This will be clear from the following table:

Indian Exports to Certain Countries where Tea Advisers have been located

Year	(in thousand kgs.)		
	UK & Eire	USA & Canada	Australia & New Zealand
1950-51	142,890	26,570	8,707
1955-56	136,344	19,369	3,239
1960-61	131,584	15,317	2,693
1965-66	110,413	11,090	5,228
1970-71	92,785	10,093	3,418

While the ITA and UPASI have effectively exposed the failure of the Tea Board, their case for a new promotion council does not seem to be quite convincing. It is not clear whether these two organisations have made this plea only on behalf of their own members or the entire tea industry in India. What, for example, are the views of the Tea Association of India on this subject? This association also has a large and influential membership. The government of India may not be inclined to consider a major proposal such as the formation of a separate tea promotion council unless it is backed unanimously by the country's tea industry.

The ITA and UPASI seem to underestimate the importance of our trade with the countries with whom we have bilateral agreements. They say: "Whereas in 1952, 86.4 per cent of India's exports went to countries which paid in freely convertible currencies and exports to bilateral trade countries were only about 4.66 per cent by 1970-71, when the total volume of exports remained more or less the same, our earnings of freely convertible currencies dropped to 56.3 per cent only." They add that "there is very little promotional activity which India could do to popularise tea drinking in countries with

a centralised economy and the rupee account countries." It is, of course, necessary that we should try to maximise our tea exports to countries which bring us free foreign exchange. But should not the bilateral countries also continue to receive our attention? The government of India has been attaching a great deal of importance to the promotion of our trade with these countries. Moreover, in most of them the per capita consumption of tea has been quite low, which therefore offers much scope for increasing our exports. It is not correct to suggest that countries with a centralised economy do not provide opportunity to undertake promotional activity for tea. They require different promotional techniques as compared to the western countries and our tea industry can hardly afford to remain indifferent to the development of the markets in them.

The ITA and UPASI point out that tea is not an essential of life and there are many other beverages which compete with it and which are being promoted with a great deal of vigour, imagination, and resources. They argue that if tea's future as a preferred beverage has to be maintained and increased in world markets where other beverages are more attractively, efficiently, and powerfully presented to the consuming public, it is necessary to display the same sophistication in appeal and pressure by advertising skills. "It cannot be done", they say, "without freedom and flexibility appropriate to each market situation and a decision making procedure quite different from that of public administration".

But is it not possible to improve the working of the Tea Board by providing it with more funds and more autonomy? Is not the Board's counterpart in Ceylon able to function more effectively because of the greater freedom it enjoys in undertaking promotional activities for its tea in foreign countries? The working of our Tea Board has often come in for scathing criticism by many parliamentary committees. But the Board seems to continue to work in its traditional way. It appears that organisations of Indian tea trade and industry have also not been effective in their criticism of the Board's working. Many of them are represented on the

Board. But somehow they have not been able to make their influence felt on the Board's administration. Incidentally, it is pertinent to enquire why the ITA, UPASI and similar organisations have not made their own efforts to undertake market surveys for our tea in various parts of the world, for which financial assistance is available from the government of India through the Market Development Fund?

The memorandum of the ITA and UPASI seems to have assumed that Indian tea can do better in the world markets merely by launching a "vigorous public relations campaign". But no less important is the imperative need to reduce our costs of production and sell our tea at competitive prices. The new producers like Kenya, for instance, have been able to achieve considerable success in many markets because of their ability to sell tea at more favourable prices than India.

The ITA and UPASI have argued the case for a new promotion council at a time when it has become the fashion for the government of India to take over industries and trades on some pretext or the other. New Delhi seems to be firmly convinced about the superiority of the public sector not only in developing industry but also in promoting foreign trade. In this background, is the government of India likely to listen favourably to the plea to divest the Tea Board of most of its functions? The memorandum of the ITA and UPASI is not consistent in its arguments. It has strongly attacked the government for its failure to expand the export of tea. It says that "a stop-go policy, with long gaps of uncertainty in decision and inadequate financial support can never succeed in the field of publicity". At the same time it says, in concluding its memorandum, that the "Government has been providing vigorous leadership in promoting exports".

Eastern Economist 25 Years Ago

AUGUST 15, 1947

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The next issue of *Eastern Economist*, dated August 18, will be the Independence Day Silver Jubilee Number. It will carry a number of articles on national affairs contributed specially for the occasion, besides a survey of developments in the states. Priced at Rs. 5 per copy (postage extra), copies of this special number will be on sale with leading booksellers or can be had direct from:

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Today is a great moment in the history of India. After over 1,000 years of successive subjugation and foreign rule, India becomes free and independent. British conquest and power was more complete and effective than any previous subjection and was also more alien, but India had ceased to be independent centuries before. The capacity for absorbing foreigners so often referred to by historians has not been as great and real as was often supposed, as Pakistan which has cut itself away proves to the hilt. The British brought about political unification under common subjection for nearly two hundred years but destroyed it in the process of withdrawal. The independence that India and Pakistan enjoy is unique and has had no counterpart in India's history. The period of Asoka and Sumundra Gupta was the nearest approach to an independent India but the quality of independence then was very different from that achieved at the present time.

We have said that today it is a great moment in the history of India. But in an equally significant sense it is a great moment in the history of Asia and the world. For India's slavery and dependence meant the slavery and dependence of nearly the whole of Asia; her liberation and freedom spell the liberation and freedom of the unliberated countries of Asia. Discerning historians have always known this. Hence it was that the freedom movement in India had a wide significance and was a symbol and portent. If Burma, Ceylon, Indonesia, Malaya and the Middle East are all near independence today, it is at least as much due to the struggle for freedom carried on in India as to their own efforts. But India's freedom is of world significance. The balance of political power will have altered and, its dispersion will be such as would enable India to share in it in due proportion.

The plague of power politics

R.V. Murthy

STATE ELECTRICITY boards are verily becoming a law unto themselves, as witness the utter irresponsibility of some of them in the matter of meeting the demands of its consumers even after their solemn commitments under written agreements. This has prompted some serious minded electricity interests, it is reliably understood, to approach the centre with a plea for the abolition of all state electricity boards and forming one central or national electricity board with a number of regional offices to cater for the needs of all users of electricity without importing parochial or political considerations into this vital public utility field. Some of these state electricity boards are also becoming growingly intolerant of the relatively more efficient working of electricity supply undertakings under the corporate sector and are alleged to be actually behind the latest campaign of some misguided political busybodies for taking over all privately run electricity undertakings, evidently with a view to eliminating the scope for any comparative study hereafter of working of electrical undertakings under the two sectors. These conclusions stem from the way in which the UP State Electricity Board is stalling the supply of electrical power to Hindalco and holding up both utilisation of installed capacity and higher production of Hindalco's aluminium plant at Renukoot, on the one hand, and the reported allegations against the licences in the corporate sector, on the other. It is, therefore, worth examining both these issues with a view to focussing public attention on the merits thereof.

assurance by govt.

To take the supply of power to Hindalco by the UP State Electricity Board (UPSEB) first. When the question of expanding the capacity of Hindalco from 60,000 tonnes to 120,000 tonnes came up, the Hindalco management took care to get assurances in writing from both the UP government and the UPSEB that until the power supply for this expansion on a long-term basis became available from the expansion of Hindalco's own captive

thermal power plant (and the installation of this was sanctioned in writing by both the UP government and the UPSEB), that is for an interim period, the UPSEB would supply the necessary power at 4.2 paise per unit (which is more than double the rate paid for power supply by manufacturers of aluminium in other states). This rate, it must be noted, was fixed by the UP government after prolonged deliberations and taking all relevant factors into account. And yet, for reasons best known to them, neither the UP government nor the UPSEB have cared to respond to Hindalco's frantic appeal for power to enable the corporation to start up the expansion by commissioning its first half potline in the first week of August, 1972. Even a cable sent on June 30, 1972, to the Chief Minister of UP, does not appear to have produced any result.

unreasonable demand

According to the terms of the clearance letter issued by the government of India, Hindalco is required to complete its expansion to 120,000 tonnes by December 31, 1973, and inquiries made with the Hindalco management show that their expansion schedule is 15,000 tonnes by August, 1972, 15,000 tonnes by end of 1972 and 10,000 tonnes by end of 1973, that is the completion date prescribed by the government of India. But, if the UP government and the UPSEB fail to supply additional power, Hindalco cannot be expected, in all conscience, to produce the extra tonnage of metal as per the schedule to which it has committed itself. Even to ensure maintenance of the supply as per an earlier agreement (this expired on December 31, 1971 and the UP government has yet to renew it) it is known, the corporation had to get a high court injunction after resorting to the extreme expedient of a writ petition.

At a time when every one from the Prime Minister to the new Minister for Industrial Development has been urging the optimum utilisation of installed capacity and the maximisation of production

by all industries, it is difficult to explain this positively unhelpful attitude of the UP government *vis-a-vis* Hindalco. The UP government, it is perhaps worth recalling here, has reason to be grateful to the Birlas, first, for agreeing to set up their aluminium plant here (they had the alternative site at Koyna then) and then for agreeing to take up the present expansion. Conscious though it was of the several disadvantages of locating an aluminium plant in this area, this firm still undertook to do so and to take up this expansion, bearing in mind the need for the industrialisation of this extremely backward area in the eastern region of UP and at the specific request of the UP government, as also the written directives of the government of India.

If this stalemate were to continue and the UP government does not make power available to Hindalco what would happen? The first reaction of the Hindalco management, not unnaturally, would be to give serious thought to the question of whether they should at all proceed with further expansion. Apart from the losses that Hindalco might suffer, (as it must when the huge capital investment in installation of the additional capacity remains idle and unproductive) there would be several other consequences, besides, that would affect the country and its economy generally.

overall loss

In the first place, the government of India would lose excise duty on the expected additional production of some 1,250 tonnes per month. This works out to a loss of Rs 15 lakhs per month or nearly two crores of rupees per year. Secondly, the union government would also be deprived of the income-tax on the profits accruing to Hindalco from this additional production. Thirdly, the government of India would have to expend badly needed foreign exchange to the tune of Rs 50 lakhs per month or Rs 6 crores per year on importing an equivalent quantity of aluminium from abroad. Next, the state government would lose sales tax estimated

at about Rs 30 lakhs per month. Finally, so many technicians and workers would be denied the opportunity of gainful employment.

Surely wiser counsels must still prevail somewhere in the UP government which should recognise the futility of this foolish pastime of cutting one's nose to spite one's face. If, as is believed, the main hitch with regard to the supply of power by the UPSEB is the rate, it could be settled across the table by Hindalco and the state government and, notwithstanding the earlier agreement, Hindalco is stated to be prepared to leave the decision even now to the UP government. Hindalco's only submission, however,—and no sensible person would take exception to this—is that, in fixing the rate, the UP government should keep in view the circumstances of the statutorily controlled selling rates for aluminium fixed by the government on a uniform basis for all the manufacturers (even this has put Hindalco at a disadvantage *vis-a-vis* other aluminium producers) and the commitment for export imposed on Hindalco in the industrial licence.

relative disadvantage

It could not have escaped the notice of the UP authorities that, in regard to cost of power, which is a very important component of costs in aluminum manufacture, Hindalco is at a relative disadvantage already. As determined by no less authoritative sources than the Tariff Commission and the Wanchoo Committee, the power cost (on the basis of which the present selling prices of aluminum have been fixed) of Hindalco is higher by over Rs 500 per tonne as compared to that of other aluminium manufacturers. And, yet the Delegated Legislative Committee of the UP, in a report submitted by it to the UP Assembly recently, attributes the losses incurred by the UP State Electricity Board to the supply of 50 MW power to Hindalco at a rate of two paise per unit. This is not understandable not only because the rates charged by other state governments to aluminum factories in their respective jurisdictions are lower than two paise per unit (Kerala charges only 1.24 paise per unit, Tamil Nadu 1.52 paise per unit and Mysore 1.90 paise per unit) but also because of the reported allegation made in the Kureel Committee that many of the licensee's tariffs are much higher than those of the state electricity boards which suggests that tariffs charged by the latter are reasonably cheaper.

It would, therefore, be interesting to

know the comparative rates charged by the UPSEB to other consumers and make a thorough study in the economics of power supply in the U P. Since, for obvious reasons, especially at the present juncture, UP government may not allow this, the government of India should appoint a committee to go into the economics of the whole electricity supply industry in the country, both in the private sector (manufacturing or supply or both) and in the public sector, with a specific term of reference *viz* to determine differential rates of supply that ought to be charged to different users depending upon the percentage that such rates bear to total costs of production in different industries, in particular those employing the electrolytic process.

premature acquisition

However, it is unfortunate that, instead of adopting some such straightforward approach the powers-that-be seem to be indirectly encouraging the cry for nationalisation of the electricity supply industry. There are reports in the daily press, for instance, that the Kureel Committee has already formulated recommendations for premature acquisition of electricity supply undertakings under the corporate sector. Whatever the Kureel Committee may have recommended, and however compelling the pressure of some politicians, one hopes the authorities would carefully weigh the pros and cons of the whole matter before taking any decision—either nationalisation, which is irrelevant in the case of this industry—as the licences under which various undertakings operate carry within themselves specific points of time when the Purchasing Authority could exercise the option to take them over or premature acquisition of these undertakings. They should, in particular, consider whether it is at all advisable to go in, at this stage, for any special legislation to modify the existing provisions of the Indian Electricity Act, 1910. There is also the important point that several government financial institutions have very large investments in these electricity undertakings, so much so that they actually participate in their day-to-day management. And, to this extent, they are semi-nationalised undertakings, or joint sector projects in the real sense.

One of the points often made by the protagonists of take-over of electricity supply undertakings is that these undertakings (licensees) act as "middlemen" with a profit motive. Whoever talks of

profit motive with reference to electricity supply undertakings must be blissfully unaware of the fact that all licensees (this term, by the way, does not include captive power plants such as the Renukoot thermal power plant of Hindalco) have to operate within the very strict provisions laid down under the Sixth Schedule to the Electricity (Supply) Act, which impose both price control and control on expenditure. In fact, no other industry in the country is controlled so rigidly. There is thus no profit element in so far as electricity undertakings are concerned beyond the modest reasonable return permissible under the Act. (7 per cent on the capital base up to 1965 and 2 per cent over the Reserve Bank rate thereafter). As for the appellation of "middlemen", even some electricity boards happen to fall under it, as, for example, the two electricity boards in western India, in that these import power from the Atomic Energy Authority. That apart, don't these "middlemen" carry out the important functions of distribution and consumer service, although consumer service may not at all exist in the dictionary of some state electricity boards?

rationalised tariff policy

Much is also made of the big surpluses generated by the licensees as compared to those of the state electricity boards. But the two are strictly not comparable for the simple reason that the method of determining the surplus is not the same in respect of either of these. Then, again, although the grid tariff is weighed against the licensees, (save for slightly enhanced charges dictated by a particular consumer's load pattern), many of the licensees actually charge lower tariffs than the state electricity boards. So, rather than recriminate against private electric supply undertakings with a view to gobbling them up, state electricity boards would do well to adopt a rationalised tariff policy.

What the country needs today is not nationalisation or take-over, but rationalisation. Let, therefore, our state electricity boards take in to account only electrical factors or circumstances in formulating tariffs and supplying power and not be influenced by extraneous considerations. The latter may satisfy the whims or fancies of a particular individual, but they will not serve the nation's interests or even the parochial interests of a particular state.

POINTS OF VIEW

Aid element in W. German and Japanese loans

S. Radhakrishnan
A.V.K. Iyengar
N. Venkatesan

INDIA HAS received external assistance from many countries and international institutions for its programmes of economic development. The assistance has taken various forms, that the aid spectrum consists of grants at one extreme and hard loans of strictly commercial type at the other. In between, there are soft loans, loans repayable in domestic currency and in foreign currency, commodity loans in the form of sale of agricultural products, suppliers' credits, loans for re-scheduling existing loans etc.

All these various forms of external assistance are euphemistically called 'aid', a misnomer, as all of them except grants are to be repaid with interest. They have different interest rates and maturity. Except in the case of hard loans (such as the IBRD loans) the other forms of assistance contain an element of aid or grant in them. The object of this article is to estimate the aid element in the foreign loans India has received from Japan and West Germany during 1960-1970.

important question

The first question that arises is what is aid element? Aid elements may be defined as "the difference between the face value of the loan and the present value of all future repayments (amortization and interest payments) discounted at a proper rate of interest".¹

An aid element is said to arise when a foreign loan contains concessionary terms. The terms include a concessionary rate of interest (i) [i.e. a rate less than that of the discount rate, (q)], a grace period (G) during which only interest is paid and a period of maturity (T). Thus, aid element is a function of i, G and T. Here is the critical variable; if the rate of interest is the same as the rate of discount, aid element will be zero. If the rate of interest is less than the rate of discount, aid element will be positive and if it is more than the rate of discount, aid element will be negative.

For the purpose of our study, we have

selected West Germany and Japan. The study being experimental in nature, the choice of the countries is rather arbitrary. The loans extended by these two countries are repayable in foreign currencies.

We have relied for our data upon the Finance Ministry publication "External Assistance—1968-69 and 1969-70."

We have chosen 6 per cent as the rate of discount to calculate the present value of the future payments. This rate represents approximately the average rate of the IBRD loans to India between 1960-70.

For the purpose of our study we have used the following formula.²

$$s = \left(1 - \frac{i}{q}\right) \left(1 - \frac{e^{-qG} - e^{-qT}}{q(T-G)}\right)$$

Where

s : grant element as a percentage of face value
i : interest rate
q : discount rate
G : grace period
T : maturity

The aid element and the loan element have been calculated for each individual

TABLE I
Aid and Loan Elements in 48 West German Loans (1960-1970)

S. No.	i	G	T	No. of loans	Loan amount in Rs (m)	Aid element %	Aid element in Rs (m)	Loan element in Rs (m)
1	1	7	25	1	24.6	49.85	12.22	12.34
2	2½	9	30	1	202.9	39.02	79.17	123.73
3	2½	8	30	1	30.7	38.3	11.76	18.94
4	3	11	25	1	6.2	32.52	2.02	4.18
5	3	9	25	7	256.8	31.28	80.33	176.47
6	3	8	25	15	890.0	30.6	272.3	617.7
7	3	6	25	1	368.8	29.19	107.65	261.15
8	3	8	20	6	989.6	27.9	276.1	713.5
9	3	4	25	1	120.2	27.6	33.18	87.02
10	3	7	15	1	59.3	23.91	14.18	45.12
11	3	3	10	1	127.0	15.89	20.18	106.82
12	4½	9	25	1	82.0	14.64	12.0	70.0
13	5½	10	25	1	11.0	5.32	0.59	10.41
14	5½	8	25	3	51.1	5.11	2.61	48.49
15	5½	6	20	1	122.9	4.4	5.41	117.49
16	5½	6	20	1	204.9	2.2	4.51	200.39
17	5½	4	13	1	471.3	3.27	15.41	455.89
18	5½	4	12	1	174.2	3.13	5.45	168.75
19	5½	1	16	1	184.4	3.16	5.83	178.57
20	5½	3	10	1	10.2	2.65	0.27	9.93
21	5½	4	13	1	125.8	1.64	2.06	123.74
					48	4513.9	963.27	3550.63
							21.33%	78.67%

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POINTS OF VIEW

tional relationship with grace period and maturity period.

Our results also show that the 48 West German loans have *on the whole* an aid element of 21.33 per cent and a loan element of 78.67 per cent, while the 13 Japanese loans have an aid element of 3.4 per cent and a loan element of 96.6 per cent. From the point of view of debt burden the West German loans are relatively less burdensome than Japanese loan.

References :

1. John A Pincus : The Cost of Foreign Aid *Review of Economics and Statistics*, XLV (1963); pp 360-367.
2. Goran Ghlin: *Foreign Aid Policies Reconsidered* : Development Centre of the O.C.E.D.; Paris (1966); pp. 101-104

TABLE II

Aid and Loan Elements in 13 Japanese Loans (1960-1970)

S. No.	i	G	T	No. of loans	Loan amount in Rs (m)	Aid element %	Aid element in Rs (m)	Loan element in Rs (m)
1	4	3	9	4	273.2	9.95	27.18	246.02
2	5 $\frac{1}{4}$	5	18	2	402.1	6.07	24.41	377.69
3	5 $\frac{1}{2}$	5	15	1	291.7	3.69	10.76	280.94
4	5 $\frac{3}{4}$	5	15	5	1778.2	1.85	32.9	1745.3
5	5 $\frac{3}{4}$	5	10	1	45.6	1.5	0.68	44.92
				13	2790.8		95.93	2694.87
							3.4%	96.6%

loan of the two countries. The results are given in Tables I (p. 258) and II below.

From the tables it is seen that there were 48 West German loans and 13 Japanese loans during 1960-1970, with varying terms. The West German loans carry interest rates ranging from one per cent to 5 $\frac{3}{4}$ per cent and the Japanese loans from 4 per cent to 5 $\frac{3}{4}$ per cent. The grace periods in the case of West German loans vary between one year and 11 years and in the case of Japanese loans from 3 to 5 years. The West German loans are repayable in 10 to 30 years, while the Japanese loans are repayable in 9 to 18 years.

Out of the 48 loans given by West Germany to India, 33 loans (about 69 per cent) carry an interest rate of 3 per cent per annum; 25 loans (about 51 per cent) have a grace period of 8 years; and 31 loans (about 64 per cent) are repayable in 25 years.

In the case of 13 Japanese loans, six of them are at 5 $\frac{3}{4}$ per cent or nine of them are at over five per cent; the grace period is five years for 10 loans (77 per cent) and eight loans (about 62 per cent) are repayable in 15-18 years.

The important point is that in the West German loans, the percentage of aid element declines from 49.85 to 1.64, as the interest rate rises from one per cent to 5 $\frac{3}{4}$ per cent. Similarly in the Japanese loans the aid element declines from 9.95 per cent to 1.5 per cent as the interest rate rises from 4 to 5 $\frac{3}{4}$ per cent. Thus, aid element is functionally related to the rate of interest (i). But two loans carrying the

Location as an exercise in political economy

Vijay K. Seth

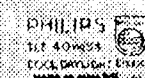
IN MODERN economic analysis it is a fashion to observe a distinction in human and material resources. Keeping this distinction in mind Hla Myint¹ has provided different connotations to the terms "backward" and "under-developed", by using the former for "backward masses" and latter to refer to "under-developed resources". The term "backward masses" may be defined as a group of people who are in some fashion or other unsuccessful in economic struggle. By economic struggle we mean here that continuous process of

mutual adaptation between wants, activities and environment. Further, the idea of "degree of backwardness" implies a comparison of different degrees of success in economic struggle. On the other hand, by "under-developed" countries and regions we mean, those which possess potential resources waiting to be developed.

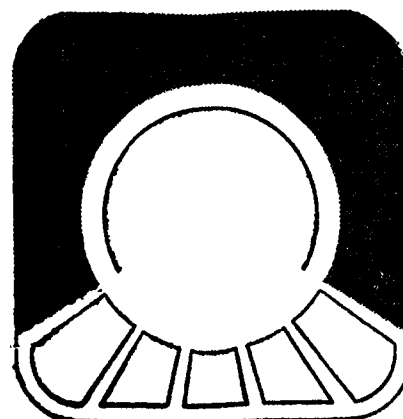
Economic history of developed countries reveals that different countries arranged in different sequences the reduction

of backwardness of masses and development of material resources. The arrangement of different sequences is the function of different patterns of growth and the economic system which the country has adopted for its socio-economic organisation. Those countries which believe in simultaneous process of reducing backwardness of masses and achieving development of material resources have followed planned economic development as a pattern of economic development. This choice has historical validity because i

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many countries material resources were developed as fully and rapidly as market conditions permitted while inhabitants have been left out being either unable or unwilling or both to participate in the process of development of natural resources. Our country has also adopted the pattern of planned economic development. My objective in this article is to demonstrate that since we have a different objective underlying our development planning we have to follow those policies which are consistent with our objective.

In every planning model, politicians provide to the planners a well defined objective function. Given this objective function planners evolve programming exercises to maximise or minimise this function. It is said "all planning is a political as well as an economic process. Though the political constraints often remain implicit in an economic programming, they constitute the boundaries within which the economists must work".²

In our country planning was based so far on the assumption that even keeping existing inequalities as they are, if we shall be able to achieve a reasonable rate of growth of national product, which will be distributed evenly among the masses, we shall be able to make everybody better off without making anybody worse off—a sort of pareto-improvement. Practically the gulf between the rich and the poor has increased.

neglected aspect

Because of this neglected aspect of planning, namely redistribution, A.J. Fanseca has said that "planning in India misses the parameters of distribution."³ One can say that so far planning had been an exercise in import substitution (in industrial sector) ignoring the problem of distribution. It is only during the last general election, that the ruling political party started a campaign against poverty. Elimination of poverty requires redistribution (redistribution of fruits of economic growth). The phenomenon of distribution has become so vital that Prof. K. N. Raj, recently said that "planning in India has now become an exercise in political economy"⁴ Since then there has emerged a number of studies dealing with the problem of distribution by B. S. Minhas,⁵ Pernob K. Bandhan⁶ and by Dandekar and Rath⁷, but their studies deal only with agricultural sector. My purpose here is to evolve an exercise to distribute the fruits of industrialisation, namely, new skills, new sources of income, new environment and mass-participation in

bringing about industrial revolution, accompanied with regional balance.

Redistribution can be made by two different approaches:⁸ (i) by redistributing means of production, and (ii) by redistributing incomes without redistributing means of production. The first approach is not feasible in our country which is undergoing a process of socialist transition in a free society. Moreover, our objective will not be satisfied simply by changing the ownership (nationalization) of industrial capital. Hence we are left with only the second alternative, to provide new sources of income, new environment and mass-participation. Now, how can we achieve our objective? The answer is, we can achieve our objective by using location as a policy instrument in planning exercises, because by locating industrial units in the industrially poor regions we can distribute fruits of industrialization. Since our objective is redistribution, we have to review the policies based on existing location theories to assess whether or not they are consistent with our objective.

factor endowment

The existing theories of locations rest on the idea as to why as a result of uneven distribution of different resources, some goods can be produced more cheaply in one region than another. One region may have plenty of iron and coal but have little land for wheat growing, while another has plenty of wheat land but scanty supply of mineral resources; clearly the former is adapted better to iron ore production and less to wheat growing than the latter. It is the factor endowment of the region which determines its fitness for specific industry. Variations in equipment of industrial activity, according to Ohlin,⁹ are the fundamental reason of inter-regional division of labour and trade just as varying individual abilities are the reason of individual exchange. On the basis of this factor endowments he propounded the hypothesis of comparative advantage.

Ohlin states at one place "industrial activity must be adapted to the varying supply of such factors in different places because only to a limited extent can the supply itself be adapted to the demand of various industries". This statement is no more valid these days because in the dynamic world today we find emergence of synthetic goods or substitutes of various natural resources. Emergence of these new substitutes enables the supply to reach near the source of demand. Moreover, different industries depends upon localized

raw materials with varying degrees. Hence movement of industries towards sources of demand is a function of the type of goods and the economic growth accompanied with scientific and technological advancement, which sets free industries from the problems about sources of raw materials. This argument carries historical validity that improvement in the means of transportation and communication and methods of production weakens the forces which work in locating units close to the sources of raw materials. For example industrial revolution in the western countries began where there was water power and after the invention of steam power where there were coal and iron. But as its scope extended industry tended to move close to market. These days industrially advance countries of Europe and Japan draw their material resources from the whole world.

simplifying assumptions

Weber¹⁰ starts with certain simplifying assumptions and on the basis of these simplifying assumptions, he establishes his hypothesis. Three simplifying assumptions on which Weber has developed his analysis are (i) absolutely even plain and equal transportation rates throughout, (ii) many consuming centres, scattered over the plain, finally (iii) equal cost of fuel and raw materials at all deposits assuming uneven distribution of such deposits. After classifying raw materials according to their geographical availability (localised and unquitors) and according to their nature (pure and weight loosing) he creates distinction between primary and secondary regional factors of cost; transportation costs and labour costs, ignoring that there exists multi-collinearity between these cost variables if we state that the locational changes are the function of these two variables because transportation cost is itself a function of labour cost. After analysing the pull of various factors which affect locational changes, he establishes his first hypothesis "the location of manufacturing industries is determined by ratio between the localised raw materials and the weight of product". This ratio according to the terminology of Weber is known as "material index".

The above hypothesis is based on the assumption of constant labour costs. After this assumption he provides another hypothesis: "when labour costs are varied an industry deviates from its transport location in proportion to the size of its labour coefficient". He has also provided the analysis of secondary factors (agglomerating and deglomerating forces) in his

study. Weber has ignored the interdependency between the location of different industries. This ignorance has resulted in partial equilibrium analysis of the forces which causes locational changes. Losch later on achieved in providing general equilibrium approach considering the interdependency of various locations.

A close look on the above analysis reveals that the locational theories from Weber to Losch were simply trying to analyse the various attributes which make a particular region suitable for particular industry. In this way these theories were exploring a least cost region for different industries. This can be termed as comparative advantage. The concept of comparative advantage is now believed to be a static concept. Moreover comparative advantage is itself the function of economic growth. These weaknesses of comparative advantage theories have compelled the under-developed countries to deviate from this principle. A thing which is not valid for international analysis cannot help in inter-regional analysis. These location theories explain the forces underlying the locational changes working via market mechanism. In under-developed countries where we observe market imperfections and have planning to supplement the role of market forces, these theories have little to explain.

different growth pattern

Finally, these theories emerged during take-off of western countries. Their growth pattern was different because they followed a different economic system. This difference suggests two things: (i) the role of state has been ignored in these theories. In a planned economy state is not only employer of BSF but an active instrument affecting all economic calculations (ii) these theories explain the suitability of a particular location in terms of private cost-benefit analysis. Our economy is in a phase of dynamic planned development. We should be careful in our application of essentially static theories which are not consistent with our objectives and economic system.

The location theories are based on three basic assumptions: (i) mobility of capital,

(ii) mobility of labour and finally, (iii) immobility of land. Capital is mobile which can be interpreted in the words of (Bagehot) that capital "runs everywhere it is wanted and as rate of interest tempts it"; but in planned economies not because of its sensitivity to the rate of interest but because in such economies state plays the leading role as entrepreneur.

nature of labour

The assumption of mobility of labour ignores the distinction between the nature of skilled and unskilled labour. In this way these location theories ignore what Adam Smith said, that "of all baggages man is most difficult to be transported". If we define land, not only as the "original and indestructible powers of soil" but inclusive of nature's, raw materials and forces of all kind including fuel and power then the assumption of immobility is no more valid. Power can be transported with the help of transmission lines. Fuel necessary for generating power can be transported, mineral certainly can. Even original and indestructible qualities of soil can be transported as chemical elements in the form of fertilizers. This suggests that the relative immobility of labour is an important force. Since, "most of the backward regions suffer from under-employment and unemployment. To ameliorate this, the planner must attract industries that requires labour inputs. A measure of labour intensity is essential".¹²

The above analysis reveals that capital entrepreneurship, fuels, raw material and even power are mobile but that it is only labour which is immobile. Hence, we have to take industries near to the labour and "backward masses" which live in the backward region, because with the help of this we can achieve the objective of simultaneous process of reducing "backwardness of masses" and development of material resources; side by side we will be able to distribute the fruits of industrialization to the backward masses of backward regions.

Some primary industries are bound to localise where basic materials and power costs are decisive. But our

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nation is planning to develop manufacturing and processing industries using the products produced by the primary industries. It is in the case of such industries where we have to abandon the narrow private cost benefit analysis and to consider social costs and benefits in regard to disposal, regional equality and the distribution of gains of industrialization that the case considering human as distinct from the material aspect of location policy is immensurably strengthened.

In the countries of Europe it was possible to choose between economic growth and distribution of its fruits and to arrange them in that sequence. But in our country if economic growth is pursued simply for its own sake, it will never obtain momentum. For the short run while enclaves of development and prosperity may emerge they will remain insecure. The developed region will soon reach the limits of expansion, if the backward region are set aside. Hence we have to mobilise industries in the backward regions, because there is no other way through which they can rise from the depths of backwardness and poverty in which they sink deeper and deeper year after year. To achieve this, society has to make a trade off between social cost and social justice.

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NOT UNEXPECTEDLY, the steep rise in prices during the past three months and the Simla parleys between President Z. A. Bhutto of Pakistan and Prime Minister Indira Gandhi dominated the proceedings in the two Houses of Parliament which reassembled on Monday for the "monsoon" session. With rains having given a slip this year over wide tracts of the country, resulting in severe drought conditions, to style the current session after the monsoons appears to be ironical. Perhaps the rain god will smile soon to justify this nomenclature.

The government, undoubtedly, faced a hostile opposition on the prices issue when it came up in the two Houses through calling attention notices. The efforts of the Finance Minister, Mr Y. B. Chavan, to play down the uptrend in prices in general, by stressing that the rise had been primarily in the prices of foodgrains, edible oils, sugar and allied products, apparently failed to satisfy the agitated members.

seasonal pressures ?

Mr Chavan attributed the spurt in the prices of these commodities between May 6 and July 15, 1972—by 8.9, 11.3 and 10 per cent, respectively—to seasonal pressures which, he added, had been accentuated because of the delay in the onset of monsoons and the current dry spell. Contrary to earlier expectations, the output of foodgrains in 1971-72, he further stated, had failed to rise; in particular, the production of coarse grains last year appeared to have declined significantly as a result of the damage caused by floods and drought. The result had been that over the year, the prices of jowar had gone up by 15.8 per cent, those of bajra by 39.4 per cent, of pulses by 25.3 per cent and of sugar and allied products by 28.3 per cent. In an effort to prove that other farm products had not been affected by the price rise, the Finance Minister pointed out that cotton prices had declined by 2.5 per cent, leading to a downtrend in the prices of cotton textiles. But he seemed to forget that cotton prices had scaled unprecedented heights last year and the slight fall in them this year still left them appreciably higher

than what they were in 1969-70, the previous year of normal cotton supply.

Mr Chavan did refer to the substantial increase in money supply last year as a contributory factor to the rise in prices, but he attributed this primarily to the expenditure incurred on refugees from Bangladesh and the confrontation with Pakistan. He only obliquely admitted that the mounting non-Plan expenditure, both at the centre and in the states, was also an important factor in the expansion of money supply. The impact of monetary expansion, he pointed out, had to be felt sooner or later.

monetary policy

Talking about the measures which were being taken by the government to arrest the uptrend in prices, the Finance Minister referred to the fairly restrictive monetary policy being followed by the government, the efforts at curtailing non-Plan expenditure, the open market operations which the Food Corporation of India had been directed to undertake, and the extension of the public distribution system (opening of fair price shops). With over nine million tonnes of foodgrains in stock, the present crisis, he thought, would be overcome. He, however, stressed the need for raising production, both in the agricultural and industrial sectors.

Although Mr Chavan expressed government's concern over the recent spurt in prices, many opposition members doubted that the government would be successful in arresting the uptrend. Their main argument was that the policies of the government were not attuned to this task. The Jana Sangh spokesman, Mr A. B. Vajpayee, in fact, thought that the government had completely failed in containing the prices spiral.

Ideological considerations continuing to dominate government thinking—a clear indication of this was available in the discussion on the prices issue in the Lok Sabha—it is doubtful that mere expansion of the public distribution system will be able to check inflationary tendencies. This system can cope with only a few commodities. But since the prices of

industrial raw materials too have started moving up, an upswing in the prices of many an industrial commodity in the near future cannot be ruled out. The rise in the cost of living index, resulting from the recent sharp rise in the prices of foodgrains, edible oils, sugar, etc., is also bound to be reflected in demands for higher wages, leading to a general increase in the cost of production in the industrial sector. It is further a moot point whether the government, despite its best efforts, will be able to contain its non-Plan expenditure and resist an upward revision in the dearness allowance of its employees. The measures being taken to step up production appear to be only half-hearted. Pious intentions cannot produce goods. What is needed is concerted action suitable to the circumstances prevalent today.

In the Lok Sabha, the discussion on the prices issue was prefaced by a walk-out by the entire opposition, except the CPI and a few independent members. The opposition took exception to the admission by the Speaker of the calling attention notice in preference to a move to censure the government for its inept handling of the situation.

drought situation

The drought in various parts of the country came up for a separate discussion also in the Lok Sabha. The major points made during this debate were: (i) the government is acting in a complacent manner in dealing with the situation which ought to be tackled on a war footing; (ii) measures should be undertaken immediately for digging wells and starting minor irrigation projects in the drought-affected areas; (iii) cattle and crop insurance should be introduced in the country; (iv) a high-powered committee ought to be set up to go into the failure of various developmental projects; and (v) the unsocial elements, who are taking undue advantage of the present situation, should be severely punished.

In his reply to this debate, the Minister for Food and Agriculture, Mr Fakhruddin Ali Ahmed, admitted that a very severe drought was stalking the country.

Inflation in three countries

But he assured the House that the government had sufficient food stocks with which it would be able to overcome all the difficulties on the food front. Arrangements for moving foodgrains to all the drought-affected areas were being made. The government was also looking into the question of inter-state movement of foodgrains. Mr Ahmed refuted the allegation of a CPM member, Mr Jyotirmoy Bosu, that a large number of starvation deaths had occurred in West Bengal and Tripura. He, however, agreed that the drought problem had to be met on war basis.

With a view to combating the drought, Mr Ahmed revealed that the government had drawn up a massive programme which included supply of pumpsets, bunding of streams, crash schemes for rural employment, diversion of power for agricultural purposes, etc. A committee was proposed to be set up to supervise the implementation of this programme. Mr Ahmed further stated that the government was also thinking of taking some austerity measures.

Simla pact

The endorsement by Parliament of the Simla pact between President Bhutto and Prime Minister Indira Gandhi was never in doubt as most of the opposition groups had already declared their approval of it. The only dissenting voice was that of the Jana Sangh. The ratification of the pact by President Giri just on the eve of the current session of Parliament, however, provided a handle to some opposition groups, besides the Jana Sangh, to assail the government. They alleged that nothing would have been lost if the ratification had followed the discussion in Parliament in consonance with democratic practices.

In his statement on the pact, the Minister for External Affairs, Mr Swaran Singh, stressed that it marked the first step towards the establishment of durable peace on the sub-continent. He underscored the provision in the agreement that India and Pakistan would now settle all their disputes without third party intervention. Another important feature of the pact, he pointed out, was that both sides had agreed that the basic issues and causes of the conflict which had bedevilled relations between the two countries during the last 25 years should be resolved by peaceful means and not through use of force.

The Jana Sangh spokesmen in the two Houses scathingly criticised the agreement by styling it as "betrayal of the nation by the government". They alleged that Mrs Gandhi had not stuck to her promise of having a package deal with

Pakistan. Instead, she had yielded to foreign pressures for piecemeal settlements of the disputes with Pakistan. The Simla pact, they further felt, had once again opened the Kashmir issue, although the government had all along been maintaining that Kashmir was not negotiable.

Intervening in this discussion in the Lok Sabha, the Prime Minister stoutly defended the Simla agreement and castigated the Jana Sangh for the allegation it had made that the understanding at the Simla summit had been reached at the instance of the Soviet Union.

The Lok Sabha has set its seal of approval on the bill seeking to nationalise the coking coal mines in the country, the management of which was taken over by the government last year. The quantum of compensation proposed to be paid to the original owners of the nationalised mines was a point of sharp controversy during the debate on this bill. While a majority of the participants in this discussion felt that the proposed compensation was too generous, the Swatantra group expressed the view that it was too small. The need for judicious utilisation of our limited coking coal resources was generally stressed both by the opposition and the treasury benches. The bill will now go to the Upper House for approval.

important bill

Another important bill that has been adopted by the Lower House relates to the payment of gratuity to employees of factories, mines, oilfields, plantations, ports, railway companies, shops and other establishments. Although initially the Minister for Labour, Mr R. K. Khadiolkar, had expressed himself against the inclusion of the period of "illegal strikes" in computing "continuous service", he later on resiled from this position and agreed to include this period in computing continuous service. The wage limit for the beneficiaries under this bill has been fixed at Rs 1,000 per month.

Three bills have been adopted by the Rajya Sabha. These are: (i) the Dentists (Amendment) Bill, which seeks to extend the parent act to the state of Jammu and Kashmir, besides vesting in the central government powers to fix qualifications for dentists and for making uniform rules of professional ethics in this line of activity; (ii) the Indian Telegraphs (Amendment) Bill, which provides for the interception of telegraphic messages on the occurrence of a public emergency or in the interest of public safety, the security of the state, friendly relations with foreign states, public order etc.; and (iii) the Rice Milling Industry (Regulation)

Amendment Bill, which aims at extending the Rice Milling Industry (Regulation) Act, 1958, to Jammu and Kashmir. The Adoption of Children Bill, which seeks to provide for a uniform law of adoption applicable to all communities, was referred by the Rajya Sabha to a joint select committee for detailed consideration.

The following information was provided by various ministers in the two houses during the question hour.

(1) The purchasing power of the rupee this year is just 42.4 per cent of what was in 1949.

(2) It will not be possible to bring the Newspapers (Diffusion of Ownership) Bill before Parliament during the current session. Attempts would be made to introduce this bill in the next session.

(3) There is no proposal under consideration of the government at present to impose a ceiling on urban and rural incomes through legislation.

(4) An ordnance factory is proposed to be set up in Madhya Pradesh at a cost of about Rs 67 crores. It will produce propellants for the armed forces.

(5) The government is not yet considering take-over of TISCO or TELCO.

(6) The first 235 MW unit of the fourth atomic power station at Narora, in Uttar Pradesh, will be completed in January 1980. The fifth and the sixth atomic power stations are proposed to be set up by 1982 and 1984. Sites for these two projects are yet to be selected. The setting up of an atomic power station in the eastern electricity region has been ruled out for the present because of the easy availability of coal and hydro-electric sources of power in this region.

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The United Kingdom

FOLLOWING THE introduction of reflationary measures, gross domestic product grew in the second half of 1971 at an annual rate of more than 4½ per cent. In January of this year, however, the miners' strike and consequent disruption to power supplies intervened, not only causing growth to be temporarily halted but also effectively concealing underlying economic trends (and the dockers' strike and flurry of unofficial strikes must further muddy the crystal).

Thus in the first three months of 1972 consumers' expenditure, which accounts

aim of which was to increase the growth GDP between the second half of 1971 and the first half of 1973 to an annual rate of about 5 per cent. (It seems unlikely, however, that government targets will be fully met without further stimulus).

To this end the Chancellor, primarily through increased personal allowances against income tax, reduced the government's tax revenue in the current financial year by some £1,200 million which, together with other measures, will cause an estimated public sector borrowing requirement of £3,360 million, nearly thrice the actual amount required in 1971-72. The direct tax concessions only became effective in May and thus the main stimulus to consumer spending has yet to

of the industry, particularly in sectors supplying consumer goods manufacturers and service industries. It is not expected, however, that heavy engineering will benefit markedly until next year.

In a bid to promote industrial expansion, measures were introduced in the budget which make initial depreciation allowances of 100 per cent for investment in plant and machinery and 40 per cent for new industrial buildings applicable throughout the country instead of in Development Areas alone. In addition, a new and more generous system of regional development grants has been proposed. Despite improved company liquidity and profitability, however, these measures are likely to be of limited significance until order books expand sufficiently to reduce existing spare capacity.

labour situation

The previous rise in unemployment eased in the opening months of 1972, while at the same time the number of adult vacancies began to rise. Further evidence of a change of trend was provided by figures for the two months to mid-June, the number of wholly unemployed (excluding school-leavers) in Britain then fell by 92,000 to 799,000 (seasonally adjusted) i.e. to 3.5 per cent of the working population. The comparable figure in June, 1971, was 722,000.

The reduction of unemployment is a top priority and lies behind the introduction of the Industry Bill, the most radical measure of which is the proposal to set up an Industrial Development Executive with powers to help companies and industries needing increased capital but unable to obtain adequate financial support from normal commercial sources. While the legislation will apply to the country as a whole, the major effort will be directed towards assisted areas with obsolescent industrial structures.

Increasing activity in manufacturing industry has not as yet been translated into significantly higher borrowing. Bank lending, however, continues to grow rapidly; total advances to UK residents in May were some 29 per cent higher than before credit restrictions were relaxed in

WINDOW ON THE WORLD

for more than two-thirds of national product, showed a fall of about half a per cent from the preceding quarter. Other major components of aggregate demand, with the exception of public sector expenditure (naturally!) on goods and services, also failed to grow; in particular, capital spending by manufacturers is estimated to have remained at the low level of the last quarter of 1971 with stocks being further run down, while the value of exports despite higher prices, declined by over 2 per cent.

Such figures do, however, overstate the underlying sluggishness of the economy, but nevertheless the desire to re-establish expansion, even at the risk of causing sectoral overheating and danger to the balance of payments, was predominant in the budget introduced in March, the

come, but retail sales already appear to be benefiting.

In terms of output growth, recovery has been slow; the index of industrial production stood at 124.3 in the last quarter of 1971, the same as at the beginning of the year. With firms making up for output lost at the time of the power shortages, the index in April reached 127.7 which supports the view that the long-awaited industrial expansion may be beginning. As in past months it is industries closest to the consumer, and especially the motor car industry, which are experiencing the most buoyant demand, but (prior to the July dock and other strikes) there were signs that brisker demand was working its way through to the depressed engineering trades. An improvement in enquiries and orders is reported at the lighter end

August last; over the period lending to personal customers increased by 66 per cent and to the financial sector by 82 per cent, while lending to manufacturing industry rose by under 2 per cent. As a result bank reserve asset ratios have fallen towards the 12½ per cent minimum; that of the London clearers stood in May at 13.8 per cent, compared with 17.5 per cent in January. Since other interest rates have already risen, several banks raised their base rates early in June; those of the "big four" now stand at 5 per cent, and further rises must be expected as the demand for credit grows.

Now that overseas capital inflows are no longer significant, the strong expansion of domestic credit was the major factor in the growth of the money stock in the first quarter; after seasonal adjustment the money stock increased at an annual rate of nearly 20 per cent.

The impact of excessive monetary expansion, on the one hand, and the inflationary pay awards on the other, have not yet been reflected in retail prices. Indeed, in May last the retail price index was only 6.1 per cent higher than twelve months earlier, whereas in the year ended August, 1971 it rose by 10.3 per cent. Against the background of a more modest improvement in the rate of wage inflation (wage rates were 12 per cent higher in the first quarter of 1972 than a year earlier) much of the credit for the deceleration in retail prices must go to the Confederation of British Industries' initiative to limit price increases of its members to 5 per cent, and also to the lowering of purchase tax.

It is apparent, however, that inflationary pressure is strengthening again; the government is opposed at present to direct intervention. The CBI has happily decide to continue voluntary price restraint.

balance of payments

In the past few months Britain's trading performance has deteriorated. Reflecting declining price competitiveness and the effects of both reflation and the miners' strike, visible trade was in deficit by an average £42 million a month between January and May, compared with an average surplus of £40 million in the preceding five months. Invisible earnings in the first quarter were lower as a result of falling tanker charter rates and increased aid disbursements but remained sufficient to keep the current account, after seasonal adjustment, in surplus. The net capital inflow, influenced by the trade deficit and the relative calm in international monetary relations, amounted to £54 million in the first quarter, well below the average quarterly inflow

of £465 million recorded in 1971. This flow and a £124 million allocation of SDRs have for the most part been added to the reserves, which at the end of May, 1972, stood at £2,744 million, compared with £1,468 million a year earlier. In addition, in April the remainder of the United Kingdom's outstanding debt to the IMF was repaid, thereby reconstructing the UK reserve position of £292 million in the IMF (the gold tranche) and freeing the nation of all official short and medium-term debt for the first time since May, 1964.

Poor trade returns and uncertainty over inflation caused a setback to sterling in mid-June. Heavy support was given by EEC central banks, the UK Bank Rate raised from 5 to 6 per cent, and on June 23 the foreign exchanges were closed for two working days and the pound allowed to float temporarily.

effect of the strikes

At the time of writing, the UK is plagued by a dock strike which has closed virtually all ports and by unofficial sympathetic strikes in a scattering of other industries. The cause of the dock strike is that transport by containers, which are filled inland all over the country, have reduced, and continue to reduce, employment in the docks. The dockers are understandably anxious but it is often forgotten that the latest recommendations for redundancy arrangements suggest for dockers lump sums from £4,000 upwards (depending on their length of service) and that since the total amount of work at present available is not enough to keep all of them employed, those not called (in rotation) to work receive wages simply for being on the register.

The dockers demand to be employed inland to fill containers and have been picketing transport companies to prevent lorries being loaded. This brought them into conflict with other fellow members of the Transport and General Workers Union who began picketing the docks. The law of the land does not allow picketing of companies (such as the inland transporters) not directly engaged in a dispute and five dockers were (on the complaint of a small company reduced to the verge of bankruptcy by the stoppage of its business) summoned to appear before the High Court. They refused and were arrested for contempt of court. There is a widespread belief among workers that the new Industrial Relations Act is responsible for their arrest. This is not so. The arrested men were defying the law as it stood before the new Act was introduced. How it will end is anyone's guess, but it should not be forgotten that, deplorable and wasteful though strikes are

their ultimate effect on production is usually less than the drama which envelops them suggests. Workers who have lost pay through strikes usually put their shoulders to the wheel on return to work and boost production through overtime. I am not suggesting that a nation which is not utilising its full capacity should encourage strikes in order to boost production, but simply that strike losses are rarely as bad as predicted.

II

Sweden

The economy experienced a period of stagnation, coupled with rising prices during 1971 when the Gross National Product expanded by only 0.3 per cent compared to an official forecast of 4 per cent. Recent indicators suggest that the downturn has ended but a general upswing is not yet apparent and a forecast annual growth rate of 3.5 per cent seems optimistic. Improved consumption is not inducing any significant expansion in production, and investment remains sluggish. Unemployment is relatively high and the rate of inflation continues to cause concern. Imports are recovering from last year's depressed level and this could detrimentally affect the trade account and the balance of payments, both of which moved from deficit into surplus in 1971.

Despite recent increases in retail sales and motor car purchases, a high level of stocks accumulated by manufacturers in 1971 has precluded any substantial upturn in industrial production which registered no increase last year. In contrast to signs of a recovery in demand for paper and pulp products, output of engineering goods, chemicals, textiles and clothing was stagnant in the first quarter of this year. Output of steel declined by some 4 per cent in 1971, reflecting a world recession in demand and the increasing penetration of European markets by low cost Japanese producers. However, greater co-operation between producers is contributing to more efficient production, particularly of specialised steels which account for just under 30 per cent of total output.

Construction is benefiting from a special injection of official funds into building projects at the end of 1971 as an attempt to alleviate unemployment. At the same time, tax concessions were granted for investment in machinery but capital expenditure declined by some 2.4 per cent for the year as a whole and there is still no sign of any significant revival in investment. In consequence, unemployment reached a postwar record of some 3.5 per cent in February last and, al-

though there are signs of a slight improvement, the level remains high.

Despite the low level of activity and the maintenance of a price freeze during 1971, the index of consumer prices rose by nearly 7.5 per cent for the year as a whole. To a large extent this reflected a liberal interpretation by the authorities of the price regulations. In most cases, manufacturers were allowed to increase their prices to compensate for higher costs of imported materials. In addition, if the Central Pay Settlement, which was concluded in June, 1971, and will grant wage increases of some 28 per cent between 1971 and 1973, eroded normal profit margins, the additional cost could be passed on in higher prices, which, of course was no fun and games for the workers in their capacity as consumers! An agreement on farm prices in 1971 further intensified the rate of inflation and food prices alone probably increased by about 12 per cent for the year as a whole. This resulted in outbreaks of public protest and the removal of the price freeze at the beginning of January is unlikely to bring joy to anyone.

needs of private sector

The government's realisation of the pressing need to switch resources into the private sector, specifically towards investment, coupled with a fear of overstimulating the economy, was reflected in the budget proposals for 1972-73. Expenditure is estimated to increase by some 4.5 per cent to Kronor 59,110 million compared to an expected rate of growth during the past fiscal year of 17 per cent. The deficit for 1972-73 is to be cut by Kronor 1,000 million, the target being Kronor 3,300 million.

Official fear of accentuating the rate of price increases was also reflected in recent attempts to shift emphasis from direct to indirect taxation. Initially the authorities intended to finance a reduction in income tax by raising value added tax and duty on spirits, tobacco and oil, but this evoked intense opposition within parliament. The suggested increases were applied only to wines, spirits and tobacco, and payroll tax was raised from 2 to 4 per cent. The additional revenue is estimated at Kronor 1,900 million per annum. In contrast, the reduction in the yield from income tax, which will become effective in January, 1973, should amount to Kronor 2,400 million and the resultant shortfall will add to the government's borrowing requirements — i.e. more inflation.

Credit has become progressively easier over the past twelve months and Bank Rate, currently standing at 5 per cent, was reduced on four occasions in 1971. However, the extensive financial needs of the

public sector (naturally!) have restricted the supply of credit and capital to private enterprise at a time when the self-financing ability of business is (equally naturally!) declining. In addition, savings banks and credit associations are increasing their participation in traditional banking activities and this is partly reflected in amalgamations between the leading commercial banks.

trade and payments

The depressed level of domestic demand favourably affected the external sector in 1971. Although exports expanded at a slower rate, stagnant imports reversed a traditional trade deficit and contributed to a surplus of some £63 million in the current account of the balance of payments compared to a deficit of £126 million in 1970. This favourable movement was achieved despite substantial increases in foreign aid and tourist expenditure abroad. The reserves benefited and amounted to \$1,355 million at the end of May last, a rise of \$423 million compared to a year earlier.

Despite continued low activity, imports expanded by some 4 per cent in the first four months of 1972 compared to the same in 1971 and this rate of growth is likely to accelerate once an upswing is sustained. In contrast, exports are rising at a slower rate than in 1971 and this, coupled with under-capitalisation in industry and continued increases in costs, could result in progressive deterioration in the balance of payments particularly in view of a continuing weakening in the invisible account.

In the long term, a significant redistribution of resources towards export and import-competing industries will be required but, in the short term, the negotiation of liberal trade arrangements with the EEC is vital, because the enlarged Community will account for some 70 per cent of Sweden's exports. The non-applicant EFTA countries, including Sweden, have been offered industrial free trade with the enlarged EEC through the progressive dismantling of tariffs and trade barriers over a five-year period beginning January, 1973. However, free trade in "sensitive" products such as paper and pulp would be achieved over a 12-year period, the *status quo* being retained in the first three years. Sweden is anxious to secure better terms, since paper and pulp products account for 15 per cent of foreign sales, and exports to Britain, Norway and Denmark, currently duty free under EFTA, would be subject initially to a tariff after enlargement of the Community in 1973.

An upturn in activity is possible in the latter part of 1972 once accumulated

stocks have been run down. Measures to stimulate investment particularly in export industries, may be introduced in a bid to improve industry's competitiveness within the proposed EFTA-EEC free trade area. However, policy will continue to reflect the need to restrain inflation and to prevent deterioration in the balance of payments on the resumption of expansion.

III

Turkey

The economy has recovered sharply from the 1970 slowdown and Gross National Product is estimated to have grown by over 9 per cent in volume during 1971 compared with 5.5 per cent during 1970. Much of the growth came from rebuilding of stocks, which rose by nearly a third after two years of decline, and from consumers' expenditure. Private investment grew by around 8 per cent in volume, the same rate as in 1970. In addition, there was a particularly good harvest, with a record wheat crop; as a result it may be possible to export more wheat for the first time for some years and this will help the trade balance. Moreover, because about 70 per cent of the population is in agriculture, the bumper harvests will have chain effects throughout the economy in the form of increased purchasing power.

The Turkish lira was devalued by 66 per cent in the summer of 1970. This drove the cost of imports up sharply, and prices have risen rapidly: the cost of living in Istanbul is estimated to have increased by 23 per cent between December, 1970, and December, 1971. In line with this, most wage settlements during 1971 produced increases averaging about 30 per cent.

In 1971 the government budget, like other sectors of the economy, was affected by the rise in costs; a personnel reform and salary increase in 1970 began to have a financial impact during the year, and pay increases deferred from 1970 were also due. As a result current expenditures voted in 1971 showed a rise of TL 5,800 million, whereas investment expenditures went up only nominally (implying a fall in real terms given the high rate of inflation). The total expenditure voted was thus TL 38,500 million, compared with 1970's out-turn of TL 32,200 million. However, expenditures rose much more rapidly than planned, and by the end of 1971 total outlays of TL 46,000 million were foreseen. With revenue inflows on target, this implied a sharp rise in the deficit: in the first eleven months of 1971 revenue collections fell short of expenditure by about TL 4,800 million, while in the corresponding period of 1970, the shortfall had been only TL 7 million.

manAge

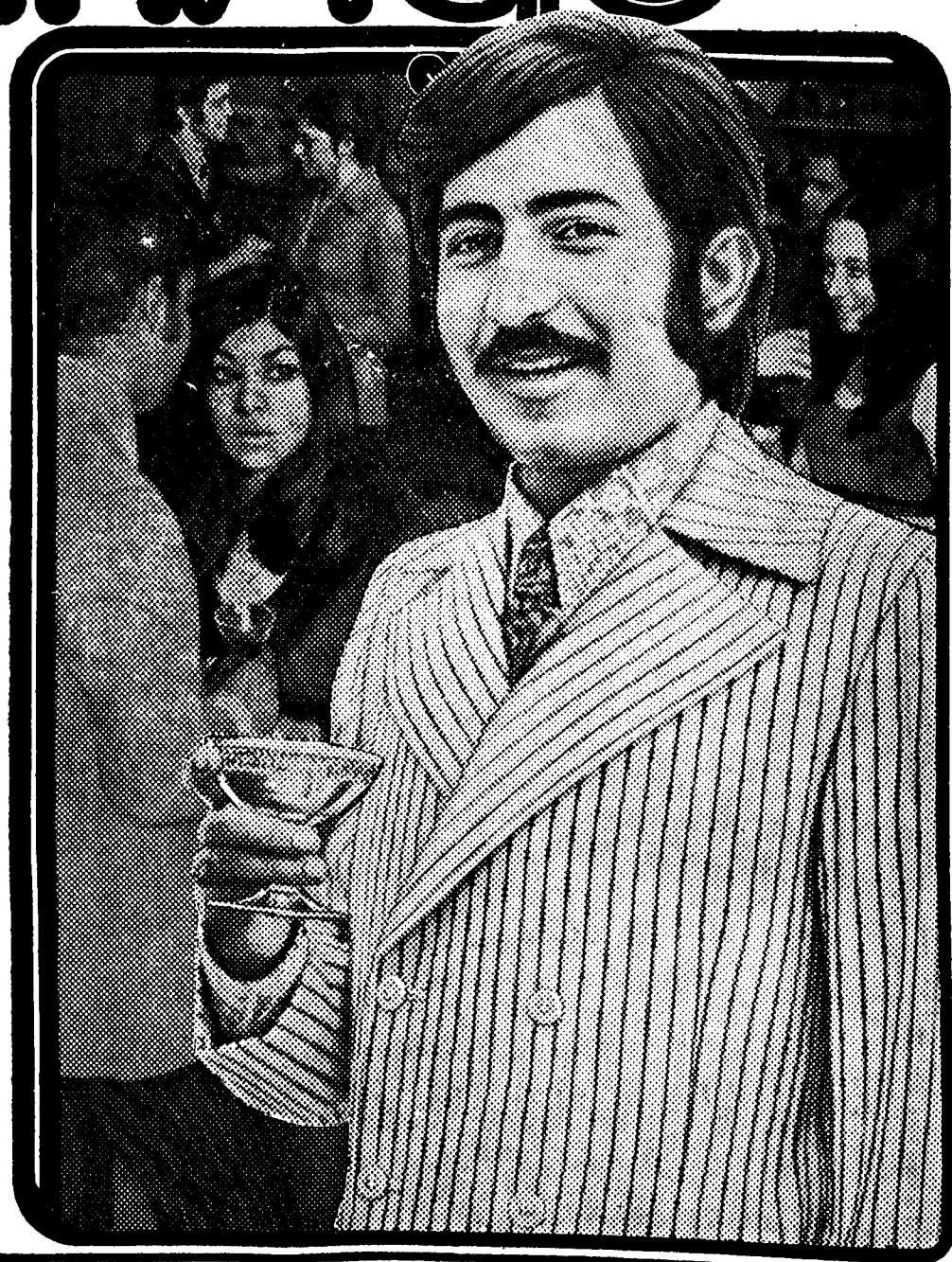
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Despite the increased deficit, however, the 1972 budget proposed expenditure of TL 51,900 million, plus a further TL 4,000 million to be spent by the state sector. Consequently the total expenditure proposal was around TL 55,900 million, an unprecedented figure amounting to about 30 per cent of GNP. Until the machinery for revenue collection is able to cope with the demands placed on it, it will be difficult to increase revenue inflows: it follows that a continuing expansion of the budget deficit appears likely, which will place a considerable strain on the central bank as a source to the government, i.e. the end of inflation is not in sight.

the problem

The growth of private consumption and government expenditure is a problem, because, if devaluation is to work, resources must be switched out of consumption into exports, and the impact of the parity change on Turkey's trade has so far been disappointing.

Trade deficit has actually widened substantially to \$387 million. This probably reflects a certain built-in slowness of response. At present the trade balance is financed almost entirely by workers' remittances from abroad, which were unexpectedly high last year (a record \$490 million). Reserves in April totalled \$897 million, more than double a year ago.

At the Washington agreement of parities in December last the lira was revalued slightly against the dollar, by 6.7 per cent. This may be marginal hindrance to exporters to the country, but benefit should be obtained from new import regulations issued at the beginning of 1972. Currency allocations for permitted imports, especially industrial raw materials, were increased; the allocation for private sector capital goods imports was raised from \$60 million to \$100 million, and has now been further expanded to \$260 million; in addition documentary formalities were reduced.

Agriculture is Turkey's principal source of export earnings, providing 90 per cent of the total; cotton accounts for nearly 30 per cent. In 1971 a particularly marked improvement in cotton production was achieved in the south and the tobacco harvest also improved by 14.3 per cent.

Agricultural production in total improved by 9.5 per cent in 1971 (compared with a 1.4 per cent increase during 1970). The record wheat output derived partly from good weather but probably also from the introduction of new hybrids. By 1975, almost the entire coastal region will be planted with Mexican wheat, and annual output from this is expected to run at over four million tonnes. As a result a substantial increase is expected on the present total harvest of 10-12 million metric tons. In addition, farmers gained from the devaluation of 1970 when floor prices for most products were raised by about 30 per cent, and from an increase in government support prices of around 15-20 per cent in 1971.

Despite this, however, incomes in agriculture are much lower than those in other sectors. This has led to migration into urban areas. A related feature has been a growth in unemployment, which, estimated at 1.83 million in 1971, reached the two million mark early in 1972. This is no less than 14 per cent of the labour force and, together with the rural underemployment which probably exists, is a very serious long-term problem.

political situation

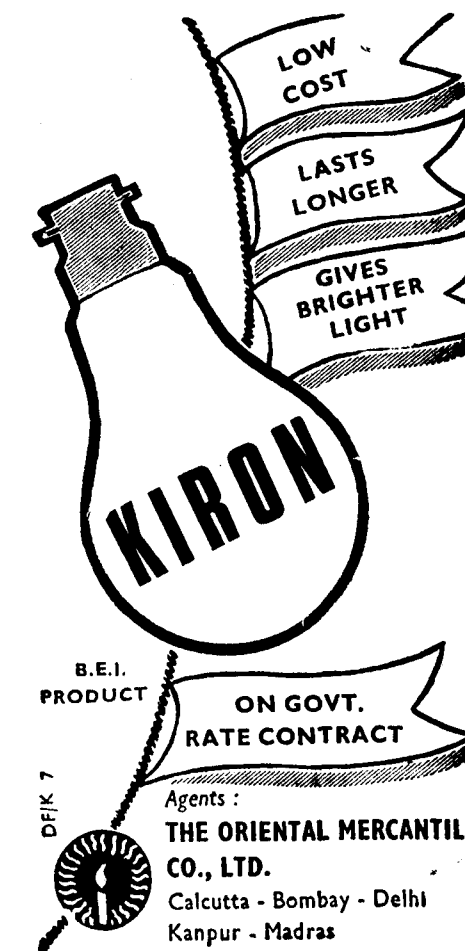
Economic progress has been achieved despite policies. The military-backed government formed by Dr Erim after army intervention in March, 1971, broke up in December when thirteen cabinet ministers resigned over the slow pace of reforms. These included land reform (the issue which hastened the collapse of Dr Erim's first ministry) and the nationalisation of various resources. Dr Erim then formed a new administration with a broader political base, still committed to nationalising the borax and lignite mines and to placing petroleum under state control, but with its land reform bill weakened (large holdings would nevertheless have been confiscated and redistributed). After an unsuccessful attempt to govern by decree, Dr Erim resigned. The acting Minister, Mr Ferit Melen, was eventually asked to form a government.

Mr Melen faces both left-wing violence and party dissension. The recent split in the Republic People's Party has strengthened its left wing and this could aggravate the situation, because, on the

one hand, the army insists that land and other social and economic reforms go through and, on the other, the majority Justice Party has been blocking their passage through Parliament. Collapse of the coalition would force a choice between the two parties.

Licences are required for all imports, which are divided into two lists subject to periodic revision; goods not included on either list are prohibited. The first list, divided into two parts, includes liberalised goods; licences for goods on the second list are allocated by global quotas. Imports can be made only to persons holding an Importers Certificate issued by the Ministry of Foreign Economic Relations.

Sources and acknowledgements: This article is based on reports kindly sent me on your behalf by Barclays Bank Economic Intelligence Department 54 Lombard St., London EC 3 P: 3AH, but the Bank is responsible neither for the emphasis of my summary nor for my interspersed comments.



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FABRIC

THE EAST MOORS Steel Works in Wales is an old sprawling structure built in 1936, when economy in land use was not a great virtue and labour was not all that dear. Going round the 'iron' section of the works, made up of the coke oven batteries, huge gas containers and four tall blast furnaces, I was told that the unit has gradually been renovated, keeping the basic structure intact. My guide admitted, however, that in this section the scope for modernisation was not as much as it was in the 'steel' making section.

In the second section, the molten iron from the blast furnaces travels nearly 200 yards to be converted into steel and gets cast into ingots. These slide while red hot through the half-mile long rolling mill to be given the specific saleable forms of billets, blooms etc.

One secret for the survival of this plant which was conceived on the processes and techniques of 1936 lies in some specific advantages. In the first place it uses coal from the mines which are less than ten miles away. Even iron ore reaches the works almost straight from the ship as the plant is situated adjacent to the port of Cardiff.

important factor

Another important factor which seems to have helped is the comparative high cost of new plants. In other words, even if the open hearth process is outdated, the replacement of this unit by a modern one is nearly prohibitive. The book value of the capital investment of the plant being low, it is able to yield profits, although according to an engineer on the plant, the labour cost per unit of steel at this plant is roughly twice that of the plant at Port Talbot nearby, which itself was set up over a decade ago.

The British Steel Corporation is therefore running the plant to make 900,000 tons of steel for the country and to provide jobs for nearly 5,000 workers. In the context of rising unemployment in the region, this does not seem to be a minor consideration.

This attitude of the British Steel Corporation was apparent when it expressed differences with the government over the projected capacity for 1980. The government recently published a report which carried the agreed figure of the capacity for 1980 at 28 to 36 million

tons, a wide range which comfortably embraces two opposing points of view. The British Steel Corporation (BSC) seemed to fight for a target of 40 million tons, keeping in view the possibility of an export of 7.5 million tons. The government on the other hand feels that by 1980 British steel will not be competitive enough to export over four million tons.

The report jointly prepared by the government and the representatives of the BSC had not talked about the important issue of redundancies, or for that matter the establishment of new plants. It was revealed, however, that the corporation did have its plans to gradually rationalise the industry.

obsolete capacity

The capacity of the corporation is around 28 million tons and a part of it is virtually obsolete. Lord Malchett, chairman of the corporation, stated therefore that the projected capacity of 28 to 36 million tons will give him the authority to go ahead with a new capacity of 11 or 12 million tons. This might allow the corporation to go ahead with a giant 10 million ton plant in the style of the Japanese steel plants costing around £1,000 million or a big development on an existing unit, but possibly not both. In that case the steel industry will have to choose a plant site to attract the labour force which will be released by the process of rationalisation in some plants. Such a site will also be considered advantageous because trained manpower will be available.

One estimate places the level of redundancy at around eight million tons and a list of steel plants whose future was in doubt was prepared. These include Shotton (1.6 m tons), Corby (1.2 m tons), Consett (1.1m tons), and Ebbw Vale (1.1m tons).

The example of Japan in the context of steel production is often cited in Britain with some kind of envy. Those who support the establishment of large plants with modern techniques argue that by 1975 there will be 12 plants in the world, with a capacity of 10 to 16 million tons each. Out of these seven will be in Japan. This is considered to be the main reason why 'Japanese steel after travelling thousands of miles from the Far East can be offered at prices five per cent cheaper than those of British steel'.

Views on new investments differ wide-

ly in Britain. Some experts are of the opinion that the Japanese have gone ahead of the western steel producers to an extent that the only hope for the latter to catch up is to evolve a new technology. Dr Robert H. Barnes, director of research and development of the BSC explained in this context that his job was to ensure that the BSC will be in a situation, when the time comes, to put in a different kind of technology. At the appropriate time, he stated, the BSC would be able to take the right decisions. It is as much concerned with improving the quality of steel that is being produced, as with research about the scale of operation, which has already become too cumbersome.

A possible glimpse into the future has been provided by Prof A.R.E. Singer, head of the department of metallurgy at the Swansea University in Wales. He observed that the giant modern steelworks are a 'vast anachronism' in the view of a chemical engineer. The present bulk steel works, he said, have three main sections: the blast furnace in which coke and iron ore are heated and coke smelts the ore into iron. Molten metal is carried into huge containers through which oxygen is blown at high pressure to convert iron into steel. Hot steel from the converter is cast into ingots which are then rolled to the required thickness.

bypassing blast furnace

Prof Singer's method aims to convert the ore directly into steel powder, which can be compressed and heated to the required thickness. In other words Prof Singer has attempted to bypass the blast furnace and the converter and to reduce high grade superconcentrated iron ore chemically into steel.

A laboratory plant has been built by him where the steel produced can equal the mechanical, if not the metallurgical properties of the conventional material. Prof Singer has stated that he may have a better solution which is effect will combine the powder-making and rolling into one.

To expand capacity on the basis of 'monster' steel plants or to wait for the new technological breakthrough is not an immediate issue. Even the optimists do not hope to translate the new process to commercial scale in the present decade. Till then, some of the plants like the East Moors Steel Works in Wales, can hope to survive.

Clouds and a silver lining

E. B. Brook

Vienna.

THE EUROPEANS and their parliaments are on their annual holidays with very uneasy minds, keenly conscious that when the sun and sea breezes have done their best for Europe's citizens the latter will return to a mass of most uncomfortable problems. The bogey everywhere is inflation which, quite briefly and brutally expressed, means that your money is worth continuously less and less. The man who, a generation ago had a few hundred pounds or a few thousand francs was better off than his son today with thousands of pounds and many tens of thousands of francs. It is significant that all the small coins—the British farthing, the penny, three penny bit—even now the shilling—and the French sou have, in some cases, long since, disappeared. Only bigger denominations are, in most places, of value in making purchases.

political timidity

The germ on which the disease of inflation feeds is political and big industrial timidity. Neither governments nor big industrial corporations will any longer stand up to stiff demands for wage and salary increases. In the case of governments which, in effect, means the most recently successful political party, the bogey of facing an electorate much of which it has denied the ability to live better is altogether too alarming for the political organisations. For the big industrial corporations it is easier to concede considerable and frequent wage increases and pass the burden on to consumers than it is to risk the loss of a long shut-down loss of production and a profitless period during which rivals from other countries will be making hay at their expense.

The result is that inflationary pressure is not only inevitable but continuous and the man with a fixed income is a disappearing integer because he will soon no longer be able to afford to exist. At present, until governments and big industry in Europe have learned how, and summoned up the courage, to operate their discovery, to control and live with inflation there will continue to be the series of strikes and acute class conflicts of which Britain is at present the worst example in Europe—although it should not be overlooked that very similar circumstances are frequent in Italy and Japan and that France and Germany are by no means without their internal conflicts.

The disease of inflation began, in fact,

to become increasingly difficult to control, not in Britain, but on the continent, particularly France which, for itself and through the Common Market resorted as a measure of industrial peace and content to the device of farm support prices which kept riotous French farmers quieter but made farm produce prices higher everywhere in the west of the continent. These farm support prices have been followed by the Common Market's protectionist trade policies and a mass of minor protective practices which help to keep the public peace and keep political parties relatively popular by sustaining small inefficient enterprises, old fashioned in their methods and financing at the cost of exerting ever upward pressure on prices.

The inflationary fever has become such that it fairly generally recognized that there will have to be an official intervention on prices and incomes, possibly on a continuing basis. But price stability in general will only be achieved in growing economies such as are all those in west Europe if prices in the most efficient industries can not only be contained but brought down. If these categories of prices cannot be brought down there will inevitably be claims for higher wages and higher prices from the less efficient and well-organised areas of the national economies.

instability of currencies

The second nightmare to which the European—and other—holidaymakers will return is the instability of international currencies. The London monetary conference of the Common Market on July 17-18 brought a little calm to crisis-plagued financial centres in Europe but the British industrial disputes since have done a good deal to ruffle that slight calm once again. The most reassuring event in this important sector was the intervention on July 19 by the New York Federal Reserve, with the approval of President Nixon and the US Treasury, to prop up the US dollar in world markets and its assurance to other nations that it would assume a share of the responsibility for maintaining current exchange rates.

This was the first time for eleven months that the US had taken such a step and it appeared to many in Europe as a most welcome end to the "Connally era" of US withdrawal and of adverse relationships with America's major financial and trading partners. One result of US "benign neglect" has been to make the

interim monetary system established at the Washington conference in December increasingly crisis-prone. Another result has been the speculative attack on the pound which forced its downward float as from June 23 and the subsequent attack on the dollar rate which made American intervention essential in American interest as well as other peoples'.

There is no likelihood of a return to the United States again taking up responsibility for supporting the exchange rate of the dollar but the weight of the USA in world trade and monetary transactions is too immense for Europe—that is, west Europe—to carry alone. There is no prospect of a satisfactory, flexible, permanent international monetary system unless there is a joint European-American effort.

prospect of collaboration

Fortunately there is some prospect of this. If only there can be even an assurance that the USA will stand beside Europe in defence of December's Washington new exchange rates speculative raids, such as have heavily damaged the pound, will probably begin to fade out. The form of this assurance now proposed by the US Federal Reserve Board is a return to currency swaps such as prevailed before President Nixon's fateful announcement of August 15 last year.

Even more reassuring than the US Federal Reserve Board's insistence that if more international monetary crises are to be avoided monetary reform negotiations must begin promptly is the statement by the US Treasury Secretary, Mr Shultz, that the UDA and other nations "are now in substantial agreement" over the formation of a new Group—the Group of Twenty instead of the group of Ten—to consider monetary reforms, international trade, investments and other issues. This group—which will give a voice not only to Europe and the USA and Japan, as before, but to others—will begin its work at the time of the International Monetary Fund meeting in Washington in September.

It gives a little hope that, as the Common Market, after ten years of bargaining, has agreed on terms on which it will trade with the remaining members of EFTA, a steadier and more reassured background will develop for the increasingly productive and profitable world commerce which suffers at present from uncertainty as to what really all its efforts are really worth.

At her last press conference

when a local journalist, who is rather fastidious about his socialism, asked the Prime Minister how some of her ministerial colleagues could reconcile their partiality for astrology with their professions of socialism, the Prime Minister reacted in a manner which suggested that she at least was above practising superstition. Can it be that Mrs Gandhi is mistaken in her claim? According to a report in *The Times of India*, she has admitted that she occasionally visits Anand Mai Ma, a saintly personage of Banaras. Mrs Gandhi's explanation is: "My mother was close to her and I have maintained the link". This tempts me to record a conversation I recently had with the socialist knight of the press to whom I had earlier referred. He very seriously told me that, although he himself did not believe in religion or rituals, he had to perform the funeral rites for his father for fear of hurting his mother's feelings. It is only too frequently the case that sentiment is made to serve as an *alibi* for superstition.

Whether Mrs Gandhi professes non-belief or disbelief in religion or God I do not know, but I did hear some time ago that, when she visited Tirupati, her behaviour before the *sanctum sanctorum* left nothing to be desired even from the point of view of the most zealous devotees. This, of course, could have been only a matter of culture or civilized behaviour. But an eye-witness account has it that her bearing and demeanour on that occasion exhibited every sign of her being lost in prayerful contemplation. The god at Tirupati is, of course, a special kind of god. He has, for one thing, vast properties, both immovable and movable and, indeed, some of the latter seem to be so easy to move that even god Venkateswara is not always able to keep track of where they go. The Prime Minister, however, is no worshipper of wealth, even when wealth is divinely owned. It must therefore be presumed that her act of homage at the Tirupati shrine was a deed of religious piety.

Her own father's attitude or attitudes towards religion or even belief in God were always vague. If I am not mistaken, he claimed at one time that he was simply a

pagan; nevertheless his last Will and Testament did give an impression that he had more than a touch of religious mysticism in him. His daughter's religious attitudes, so far as I know, have not been clearly spelt out either by her or on her behalf. Meanwhile there is certainly much gossip in New Delhi or elsewhere that a complex of astrologers, palmists, yogamen and other assorted varieties of soothsayers and fortune-tellers have grown around her establishment. Some time ago, a palmist in Madras claimed in a Tamil weekly that he had been privileged to read Mrs Gandhi's future for her on a number of times. He is on record that, when his daughter was married, Mrs Gandhi, who was then touring in Tamil Nadu, did him the honour of asking him to take the newly wedded couple to the airport in Madras so that she could give them her blessings. There is also a rumour that, somewhere on her august person, the Prime Minister wears an amulet which has been prescribed as a charm to ward off the evil spirits which a person in her position must presumably be on guard against. Normally the personal beliefs or the private activities of any individual, even a politician in the public eye, do not call for comment in the press. There are, however, exceptions to this rule. Our country and its people at large are no doubt a superstitious lot, but nobody has a right to sneer at their superstition unless the one who would turn up his or her nose has managed to keep it clean.

'The Times of India',

again, has another interesting note, this time on Mr Prakash Tandon who has left the chairmanship of the State Trading Corporation of India to become the Custodian of the Punjab National Bank. Mr Tandon, it appears, is 'sore' that the government of India had not acted on his proposal that a vice-chairman might be appointed in the STC so that he could have been groomed to take over as chairman in due course. The fact that the vacancy caused in the STC by Mr Tandon's departure is not being immediately filled up would lend substance to Mr Tandon's criticism. At the same time, I would like to put one or two questions to him. Would Mr Prakash Tandon have agreed to leave the chairmanship of Hindustan Lever and

join the STC as a vice-chairman under the then chairman, Mr B.P. Patel, in order that Mr Tandon might be groomed to take over from Mr Patel in due course? The point I am trying to make is that, if it is the government's policy to try at the chairmanship of the STC as a truly high-level appointment, the procedure which Mr Tandon recommends may not always be workable and in any case it would not have been able to secure the valuable services of Mr Tandon to the STC had it been in force at the relevant time.

More important still, is it not on balance a sound principle that the chairman should generally be selected from outside the organization? It seems to me that in these matters an ounce of new ideas is worth a ton of deputizing and indeed I am sure that Mr Tandon himself will concede that much of the progress of the STC under his stewardship was due not so much to his personal superiority over his predecessors as to the fact that he came with a background that happened to be appropriate to the needs of the STC at the time and with both ability and willingness to apply to his assignment the skills of his previous training. I would certainly allow that there are several other considerations which must also be taken into account before Mr Tandon's proposition is finally pronounced upon, but the case in its favour is certainly not as simple or as conclusive as Mr Tandon would have us believe.

In his statement at the sixteenth annual general meeting of the STC, which is in the nature of a swan-song, Mr Tandon has thrown a hint that the STC sometimes has to do business according to the bidding of the government acting under the influence of pressure groups. Even if he had not said this in so many words, he still deserves great credit for being fair to the public. It is of course no secret that, from its inception, the STC has been subject to the pulls and pushes of governmental influence or even interference. Quite possibly this kind of undesirable pressure on its functioning has been far less during Mr Tandon's tenure than at any time previously. Even so, it is not altogether a secret that not very long ago tobacco lobbies from Andhra Pradesh were trying to influence through the government STC's purchases of this commodity. Mr L. N. Mishra threatened the country that the government was planning to take over about 90 per cent of the import trade within the next two years. The prospects are not exactly reassuring especially in view of the fact that even a prestigious professional such as Mr Prakash Tandon has had to enter a caveat against the political manipulation of state trading.

V B

MOVING FINGER

275

AUGUST 11, 1972

TRADE WINDS

Minimum Pay for Managers

ACCORDING to the provisions made in the Finance Act, 1971, the payment of salary up to Rs 5,000 per month by a company to its executives including directors, is ordinarily allowed as an expense of the company. Payment in excess of Rs 5,000 per month is not only not allowed as an expense of the company but is subjected to tax as well, in its hands. Similarly, the Finance Act, 1971, has also placed a ceiling of Rs 1,000 per month or Rs 12,000 per annum on the taxable perquisites which would be allowed as deductible expense of the company. Here again, expenditure on taxable perquisites over and above Rs 12,000 per annum will be subject to tax. Thus the payment of any salary above Rs 5,000 per month and taxable perquisites above Rs 1,000 per month will bear an additional tax liability and be a financial burden on the company.

Keeping in view the larger interest of the shareholders and the companies, the central government has decided that where companies are not earning adequate profits or are incurring losses and the managing or whole-time directors or managers are paid their remuneration on a monthly basis and the central government is satisfied that for the efficient conduct of the company's business, the minimum remuneration of Rs 50,000 per annum stipulated in Section 198(4) will be insufficient, the minimum remuneration payable to any one of them with the sanction of the central government under the proviso to Section 198(4) read with the proviso to Section 309(3) of the Companies Act, 1956, shall not, ex-

cept for compelling reasons in public interest, exceed the aforesaid ceiling of salary and taxable perquisites specified in the Finance Act, 1971.

However, in cases where the managerial remuneration is paid as a percentage of the net profits, the maximum amount which could be paid as minimum remuneration in the event of inadequacy or absence of profits is Rs 50,000 per annum as per Section 198(4) of the Companies Act, 1956. In such cases the actual minimum remuneration which could be allowed in a given case within the aforesaid ceiling of Rs 50,000 per annum, will, as at present, continue to be decided having regard to the various factors, i.e., size of the company, nature of the industry, sales and turnover, its profitability and other relevant factors.

Export Design Improvement Meet

"How must I modify my products to sell them in industrialized countries?" This is the question that some 100 manufacturers from 16 Third World nations will have answered when they meet face-to-face with production, marketing and distribution experts from industrialized countries at a United Nations sponsored meeting to be held in New York from October 2 to 13. Details of the meeting, believed to be the first of its kind anywhere, were outlined at a press conference at United Nations Headquarters recently.

The meeting, which is not a trade fair but a product improvement clinic, has been organized by the United Nations Industrial Development Organization (UNIDO) in co-

operation with the World Trade Institute (WTI) and the United States Agency for International Development (USAID). Mr F. Abdel-Meguid of UNIDO, chairman of the programme's joint sponsoring committee, told the press conference that the October meeting was part of international efforts to boost exports of manufactured goods from developing to developed countries. The serious interest of developing countries was indicated by the fact that manufacturers were paying their way to the New York meeting, with the sponsoring organizations providing accommodation only, he said.

The range of products includes furniture, leather goods, plastic articles and giftware. The meeting will involve intensive private discussions between the manufacturers and the experts from industrialized nations. It will take place at the World Trade Centre—the world's tallest building.

"We're not just going to talk," Mr Abdel-Meguid emphasized. "UNIDO will finance a follow-up programme to implement the suggested changes. Technical experts will go to the developing countries to help manufacturers make the necessary changes at the factory and plant level."

The meeting follows successful product improvement programmes carried out in India and north Africa by UNIDO and New York department store specialists. The products involved are aimed not only at north American market, but also at European industrialized nations.

Manufacturers are coming to the meeting from Brazil, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, India, Iran, Ivory Coast, Mexico, Morocco, Nicaragua, Peru, Pakistan, Philippines and Tunisia.

Hoarding of Essential Goods

The Home Ministry has advised all the states and union territories to take strong action to check vigorously the tendency for hoarding and profit-

teering in essential goods and commodities. Strong action has become specially necessary on account of drought conditions in large parts of the country. The union Home Secretary has suggested to the chief secretaries of states and administrators of union territories that prominent cases caught should be dealt with severely. The Home Secretary also told the Administrations that the tendency towards the rise in prices has also to be checked by all available means including co-operation of consumer associations. It has to be ensured, according to the instructions, that stocks of essential commodities are available in all markets and consumers are not put to any trouble.

Bhel Training Centre Apprentices

Mr K. Murugan and Mr P.E.A. Abdul Kareem, apprentices of the training Centre of Bharat Heavy Electricals Ltd (Tiruchirapalli) have won the "President's Gold Medal" for the "Best Welder Apprentice" and "Best Turner Apprentice" respectively in the All-India Skills Competition for apprentices held at Madras and Bombay respectively in June, 1972.

The Award Scheme was introduced in 1968 to foster a spirit of healthy competition among the apprentices and also the establishments in the country which have been training apprentices under the Apprenticeship Act, 1961.

U.P. Ceiling on Property Ordinance

Recently, the Uttar Pradesh Ceiling on Property Ordinance, 1972, was promulgated by the Governor according to which no person could transfer any urban property or agricultural land for a period of three months beginning on July 11, 1972. The state government has already introduced the Uttar Pradesh Urban Property (Ceiling) Bill, 1972, and the Uttar Pradesh Imposition of Ceiling on Land Holdings (Amentment) Bill, 1972. Since the enactment of both of these bills is likely to take some time, the ordinance is

expected to prevent transfers of agricultural land and urban property in anticipation of the enactment of the bills as law.

Change in Banking Attitudes

The Finance Minister, Mr Y. B. Chavan, told a gathering of bankers in the capital on August 4, that apart from their traditional role, the banks have to undertake certain developmental functions which would call for a radical change in the attitude of a traditional banker.

Mr Chavan was addressing the Top Management Conference organised by the National Institute of Bank Management. He said whether it is the task of branch expansion, deposit mobilisation or credit extension, the banks should increasingly evaluate their activities in terms of their contribution to social and economic development. "We do not regard the banks," he said, "as a passive infra-structure facility. We should like them to serve as an important prime-mover in the development process."

The Finance Minister said it is important for a bank to understand the precise language of development and co-ordinate its activities with other developmental agencies. For this a banker has to get out of his traditional shell. The developmental task undertaken without a change in spirit and in the usual cold manner of a traditional banker will produce no development but only paper reports.

Mr Chavan referred to the success achieved in the programme of branch expansion and deposit mobilisation, but he said mere opening of new branches in the hitherto unbanked areas is not enough. One would judge the success of these branches in terms of business that they do in those areas, particularly the business of credit extension. The Finance Minister said that if the banks have to discharge their social responsibility adequately, they should be as aggressive towards deposit mobilisation. He declared: "It is not indiscrimi-

nate lending that is called for but lending with a social purpose—to enable all productive endeavours to get going and become viable."

Speaking of economic and social objectives, Mr Chavan said the main emphasis is on developing the economy along lines that will make life richer and better not only for a few but for all. In this national endeavour, he said, the banks have been assigned a definite role and one would judge their performance not in terms of their profitability rate but in terms of their positive contribution towards the nation's economic and social objectives.

Yarn Prices Reduced

The Foreign Trade Minister, Mr L. N. Mishra, announced in the Rajya Sabha on August 4, that following discussions with the representatives of the Indian Cotton Mills Federation and the South India Mill Owners' Associations, the textile industry has undertaken to reduce prices for cotton yarn of 60 counts and above. It has been further agreed that each mill will make available up to 60 per cent of its market deliveries within the regulated prices for meeting the requirements of co-operative societies and registered associations through the respective state governments.

The new scheme has been brought into effect accordingly by the Indian Cotton Mills Federation from August 1, 1972. A committee consisting of the Textile Commissioner, representatives of the consumers, state governments and the industry has also been formed to supervise the working of the scheme.

Cotton Yarn

Since January 1972, prices of cotton yarn of superfine counts have gone up considerably. Complaints have been received about the non-availability of superfine counts of cotton yarn at reasonable prices. The industry has agreed to a reduction in prices by each mill for counts of cotton yarn of 60s and above in hank and cone forms packed and delivered for civil consumption. The reduction in price will be calculated by

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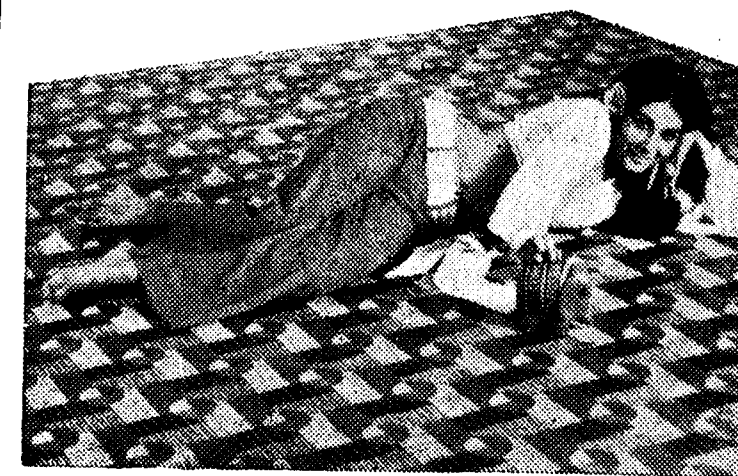
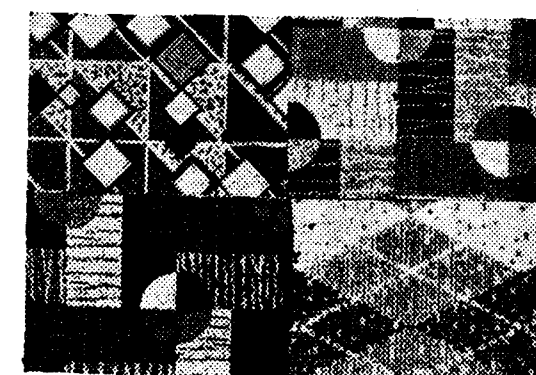
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taking the difference between the highest contract price as on June 1, 1972 (or in case of no sale on that date the nearest date of the sale contracted for) and the highest contract price for the relevant count and form of packing during January 1972 and allowing one-half of the difference to be reduced from the former price (i.e. from June 1972 price) to arrive at the regulated price. For instance, the highest contract price of, say, Rs 76 for 60s combed yarn in hanks per 4.54 kgs. in January 1972 and Rs 85 as on June 1, 1972 would work out to a difference of Rs 9 and one-half of the difference i.e. Rs 4.50 will be reduced from Rs 85 to arrive at the regulated price of Rs 80.50 per 4.54 kgs. Excise duty, sales tax and other incidents will be extra.

The industry has also agreed to deliver by each mill up to 50 per cent of the civil deliveries effected by it, of yarn of counts 60s and above within the regulated price for meeting the requirements placed by the co-operative societies/registered associations through the respective state directors of industries/handlooms. The quantum of yarn delivered for exports will be set off against the quantum delivered under the regulated scheme. The above scheme will come into effect immediately. The working of the scheme will be reviewed from time to time. It has also been decided to set up a Watchdog Committee to oversee the working of the scheme. The committee will comprise two representatives of the Indian Cotton Mills Federation and two representatives of the Textile Commissioner. The committee will meet once a month for the purpose.

Minimum Bonus

The memorandum submitted by the All-India Manufacturers' Organisation (AIMO) Bombay, to the Bonus Review Committee has focussed attention on two questions: (1) Is there a case for raising the minimum bonus (four per cent) and if so, to what level? and

(2) Whether the present minimum bonus of four per cent may continue but a provision be made for its being supplemented through suitable schemes of production/productivity?

As regards the question of raising the minimum bonus, the AIMO is of the definite view that there is no case for raising it. It will only aggravate the situation since the compulsory four per cent bonus has caused great hardship to those concerns which do not have any surplus. It has imposed an unjustifiable burden on concerns incurring losses. The AIMO has stressed the fact that wages in industry have increased considerably over the years and that there should not be any further increase in wages without corresponding increase in productivity. In addition, quantum-wise, employees have been getting higher amounts as ex-gratia payment under the caption of bonus since bonus now payable is inclusive of dearness allowance which in turn is linked with the cost of living index number.

With respect to the query whether the present minimum bonus of four per cent may continue, but a provision be made for it being supplemented through suitable schemes of production/productivity, the organisation has taken the reasonable stand that since the payment of four per cent as minimum has been the past practice and has been accepted as a part of the wage structure, it could be retained. However, any supplementing of this should be strictly in the form of a sharing in the prosperity of the concern, a principle already accepted by the Bonus Commission itself.

The AIMO has brought to the attention of the Bonus Review Committee that before making its recommendation, the committee should make a careful assessment of the likely impact of its recommendations on the national economy. The organisation has very strongly urged that there should be no interim report or recommendation and that only one single compre-

hensive report should be submitted after taking into account the totality of the situation and the impact of the recommendations on the national economy.

Shortage of Sugar

The Indian Sugar Mills Association (ISMA) has suggested that the government should import at least 200,000 tonnes of sugar to bring down prices effectively. The ISMA has expressed the fear that unless the additional quantity is procured from abroad it will not be possible to make any impact on prices. The sugar prices in international markets have been falling and it should be possible to arrange supplies within two to three months.

Another suggestion made by ISMA is that sugar factories should be provided incentive in the form of rebate on excise for starting crushing early next season. Since the sucrose recovery is less on the cane crushed earlier than the start of the season, ISMA wants a reduced rate of excise on the quantity crushed earlier.

The ISMA president, Mr M. L. Apte, said at a Press Conference in the capital on August 3 that the government should also ensure that factories were not subjected to unfair competition from gur manufacturers in purchase of cane. The government must effectively control prices of gur. Mr Apte said that a number of factors had combined to create the present situation. The production of sugar in the 1971-72 season was estimated to be not more than 3.1 million tonnes. The production next season is not likely to be more than 3.7 million tonnes because the cane crop had been affected by drought. But Mr Apte did not think that hoarding was responsible for the increase in sugar prices.

Central Ground Water Organisation

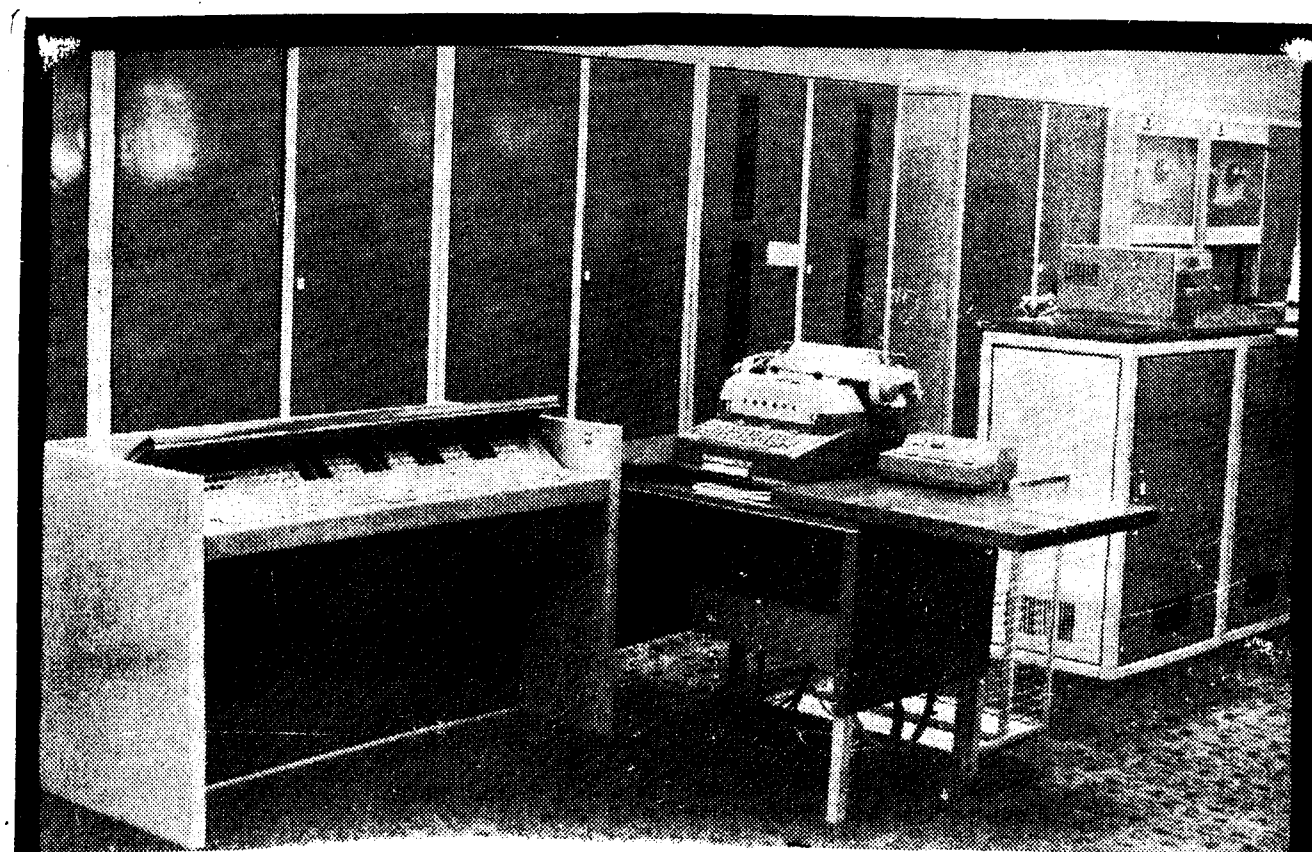
A unified Ground Water Organisation came into being on August 1, 1972, at the national level when the Ground Water Wing of the Geological Survey of India merged with the Central Ground Water

Board in the union Ministry of Agriculture. The new organisation will give a big push to the programmes of the ground water development, providing alternate source of irrigation to millions of farmers in the country, specially in the drought-prone areas and supplementary irrigation in areas with assured irrigation of rainfall for multiple cropping.

As a result of this merger, Central Ground Water Board acquires as many as 757 posts, including 225 geologists, 133 drilling personnel and 172 other technicians, besides a large fleet of rigs, vehicles and other equipment. And the unified Central Ground Water Board is now well poised to take up additional responsibilities by way of surveys and investigations in a number of typical situations in various parts of the country and to offer assistance and guidance to state Ground Water Board in technical matters.

Drilling at Surinsar

The next cement casing of the exploratory well being drilled by the Oil and Natural Gas Commission at Surinsar, 45 Kilometres from Jammu, is likely to be lowered towards the end of this month when a drilling depth of over 3,900 metres would have been reached. The well, according to the latest information available, has already been drilled to a depth of 3657 metres. Large quantities of steam and hot water have been coming out of the well for some days rendering normal drilling difficult. Such occurrences are not uncommon particularly in the case of deep wells where sometime during the process of drilling engineers come across huge reservoirs of water and steam trapped in subterranean hard zone rock formations. In such cases, the well is allowed to 'bleed' for sometime, followed by the use of high specific gravity mud which controlled the influx and permitted resumption of normal drilling. With the lowering of the next casing the project will complete the third phase of its drilling. The well, which is to be the deepest in Asia, is



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targeted to reach a depth of 6,000 metres.

National Awards for Inventors

Eighty-five persons received National Awards for meritorious inventions and import substitutes for 1971-72. The inventors got Rs 85,000 in cash for their 52 inventions. Besides, they also received cash totalling over Rs 1.28 lakhs, three gold shields, 16 silver shields and 28 bronze shields for their pioneering work in developing indigenous technology for nearly 70 items which were, hitherto, being imported. The awards were sponsored by the Inventions Promotion Board under the Ministry of Industrial Development.

Abortions

During the first quarter (April-June) after the Medical Termination of Pregnancy Act came in to force, 1594 abortions have been performed in the country. States of Haryana, Kerala, Punjab and Manipur did not report any abortion. In the union territory of Delhi alone 388 abortions were performed during this period.

Victims of Change in Political Climate

To the ranks of the educated unemployed in this country will be added shortly between 300 to 400 qualified persons who have held senior jobs in USAID Mission in the capital. In view of the stoppage of US aid to India, this wing of the American embassy has no work. Consequently, a decision has been taken by the US embassy to retrench almost all persons who have been engaged by the USAID Mission. Included in the list of the retrenched persons are accountants, auditors, financial analysts, writers, editors and librarians. This will no doubt cause hardship to a large number of families which have hitherto been placed comfortably. While the government may not come to the succour of these victims of change in political climate, the private sector companies, especially those which have received during the last 25 years liberal assistance from

various funds earmarked for development by the USAID Mission in this country, should take steps to absorb these talented persons so as to mitigate their misery.

Exchange Rate for Yen

Referring to domestic economic issues in his first press conference held on July 19, Prime Minister Kakuei Tanaka stated that his government was resolved to maintain the present exchange rate for the yen—the "central rate" set at ¥308 to the United States dollar under the "Smithsonian" agreement. He continued that the government would resort to every practicable means to ward off another revaluation of the yen by pushing ahead much more actively with the domestic measures of economic stimulation. Specifically, he said the government would reinforce the seven-point emergency economic programme formulated last May by the former Sato government, through the creation of a "Second Foreign Exchange Fund Special Account" for the more effective use of foreign currencies.

Speaking of the problem of price increases, the Prime Minister stressed the need for import liberalization through the introduction of a system of genuine competition and for elimination of an excessive concentration of population into the cities. He also called for a shift in the emphasis of economic activity in the period ahead from the hitherto high-rate economic growth to improvement in national welfare through the active use of economic growth.

Khadi and Village Industries

The Khadi and Village Industries Commission has drawn up an ambitious programme to celebrate the 25th anniversary of Independence. The programme envisages a national drive to register one lakh families pledged to the habitual wearing of khadi to the use of swadeshi articles, including the village industries products. To reinforce this campaign, a chain of khadi

and village industries exhibitions will be held in two hundred places in India stressing the value and reality of decentralised production of essential consumer goods. These exhibitions will also show the technological improvements effected in the tools and techniques of production as a result of efforts on applied research programme, which has helped to provide higher wages to the village artisans and produce better articles.

There will also be a nationwide programme of peoples' education through the audio-visual media of literature, seminars, symposia, lectures, newspapers, films, radio, television, etc. This will help to educate the people about the economics of khadi and village industries and their role in the national economy in generating employment opportunities and producing consumer goods. It is as well proposed to produce and sell during the year two crores of rupees worth of ready-made garments (Azadi Poshak) and also village industries products through nearly 4,000 khadi bhandars.

The one lakh families pledged to wearing of khadi would be given cards to enable them to purchase khadi. The cardholders will also affirm their faith in the use of Swadeshi articles, preferably gramodyog, abstinence from liquor and active support to prohibition, renunciation of casteism and communalism, donation of 1/20th of land (if the family has it) to the landless labourer and redressal of grievances through non-violent methods. The aim of this programme is not merely to produce and sell more khadi and village industries products, but also to revive the spirit and outlook of the Gandhian revolution and integrating khadi and village industries with the nation building activities.

Rural Electrification

The Committee of Members of Parliament on Rural Electrification in its final report, has recommended that outlays in the state plans for rural electrification should be specifi-

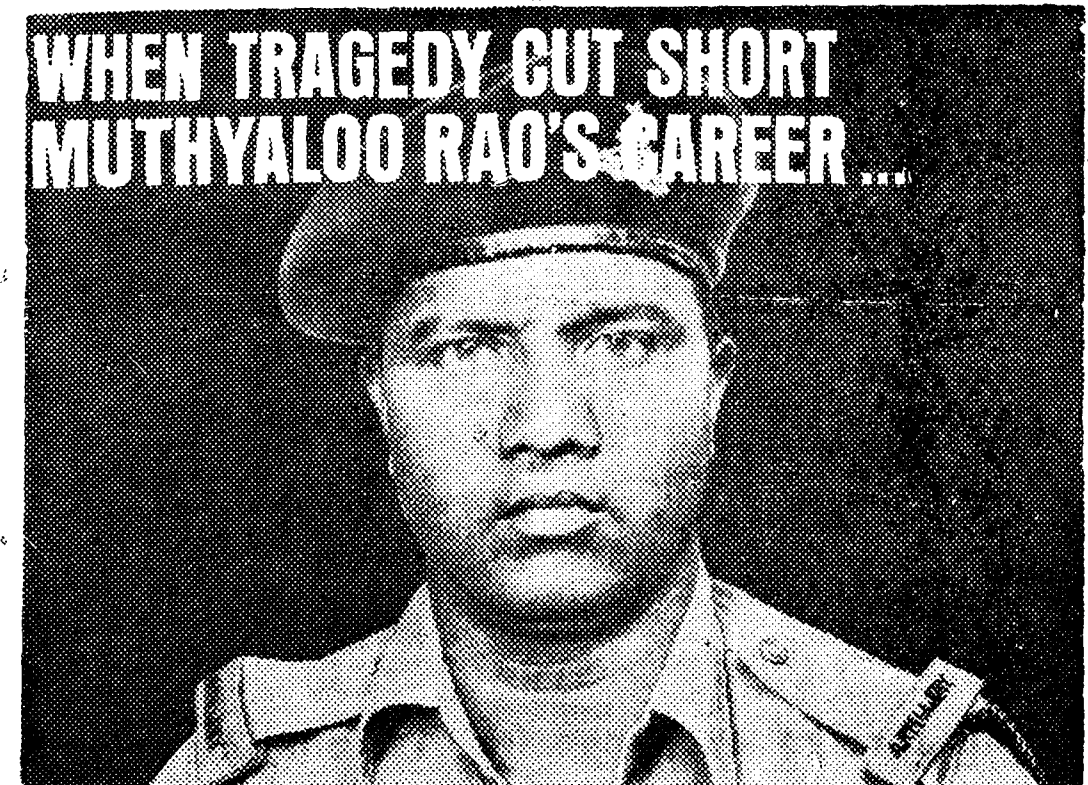
cally earmarked as was done in the third Plan. If this is done, the committee feels, two things could be ensured; firstly, that the states use their own resources for rural electrification, and secondly, the funds sanctioned by the Rural Electrification Corporation are in addition to and not in substitution of the state plan resources.

The committee was constituted in pursuance of a recommendation made by the Consultative Committee of Parliament for the Ministry of Irrigation and Power at its meeting in March 1968. Its terms of reference were to suggest measures for accelerating rural electrification in nine states where achievement in this sector was below the all-India average—with special reference to energisation of irrigation tube wells and pump-sets and electrification of villages with a population of over 2000. The states were: Assam, Bihar, Jammu & Kashmir, Madhya Pradesh, Nagaland, Orissa, Rajasthan, Uttar Pradesh and West Bengal.

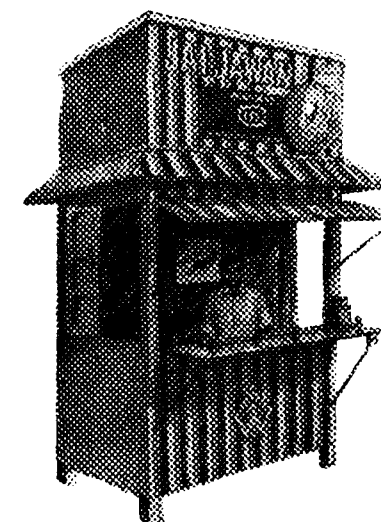
The committee submitted an interim report in September 1968. Mainly as a result of the recommendations in this report, the government of India set up the Rural Electrification Corporation in July 1969 with the primary objective of providing central assistance to state electricity boards for rural electrification schemes. The final report was presented recently to the Minister for Irrigation and Power, Dr K.L. Rao.

Besides recommending a change in the pattern of assistance by the Planning Commission, the committee has urged the strengthening of the technical organisations with the state electricity boards and co-ordination of planning and implementation of schemes with other departments and agencies connected with agriculture, irrigation, electricity and industry.

More weightage has to be given to backward states, says the committee, and for this purpose the agricultural context of the schemes sanctioned by the REC should be widened



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According to the committee, a contributory factor for the slow progress of rural electrification in backward states is lack of proper finance, planning and indenting of scarce raw materials like steel, aluminium and cement. It, therefore, recommends that the REC should set up a special wing to look after this work.

It has noted with satisfaction that, as a result of its recommendations, the fourth Plan has provided for resources for the electrification of 1.5 million irrigation pumpsets. Progress of work so far has been good but needs acceleration in backward states. On the basis of the present progress the committee recommends provision for further outlays for electrification of 1.8 million pumpsets and 87,000 villages.

Regarding provision of funds, it has been recommended that the REC's fourth Plan outlay should be increased from Rs 150 crores to Rs 260 crores. About Rs 21 crores should be provided for the construction of high tension transmission networks in backward areas. A further allocation of Rs 24 crores would have to be made for the provision of shunt capacitors to reduce energy losses, and stabilise voltage conditions in rural areas. A special central assistance of Rs 65 crores has also been recommended for rural electrification in backward states.

Names in the News

Mr Kisan Mehta was elected Chairman of the Processed Foods Export Promotion Council. Mr Mehta is on the Advisory Council for Trade of the Ministry of Foreign Trade as well as a Member of its Import-Export Advisory Council for Northern Region. He is also the Executive Member of Protein Foods Association of India; All India Food Pre-

servers Association; Indo-American Chamber of Commerce and the Nirodh Advisory Committee of the government of India. Mr Mehta is the Vice-President of COCA-COLA and a Director of Polson Limited.

Brigadier C. C. Uthup has taken over as Managing Director of Modern Bakeries (India) Ltd.

Mr M. L. Apte and Mr Pradeep Narang have been elected President and Vice-president

respectively of the Indian Sugar Mills Association.

Mr S. Narayanswamy has been elected President of the Southern India Chamber of Commerce and Industry, Madras, for 1972-73.

Readers' Roundtable

Performance of Nationalised Banks

SIR, Mr R.V. Murthy's article published in your esteemed journal seems to be a generally well-presented and fair assessment of the performance of nationalised banks. However, some observations may be pertinent for viewing the performance in right perspective. As pointed out by the writer, the deposit growth of these banks has improved markedly, particularly in the post-nationalisation period. However, their deposit growth during 1971 over that in 1970 appears to work out to 18.2 per cent compared to 20.6 per cent for all scheduled banks. Secondly, the deposit growth needs viewing in relation to the very considerable branch expansion to see whether it has kept pace commensurately with it. Also to be reckoned is the degree of inflation persisting markedly in the economy.

As regards advances made by the nationalised banks, the reference to the slight decline being mainly attributable to the "factors beyond the control of banks" and reflecting the "slack in the economy" seems plausible. The capacity of the different economic sectors to absorb credit productively is also a factor to be reckoned with. With greater emphasis on bank lending to priority sectors—consisting of the small farmers, the small industrialists, the retailers, the small self-employed, etc.—any significant growth in bank credit implies a more than proportionate increase in the borrowing accounts—a process, however, which is necessarily slow.

Sluggish growth of bank cre-

dit could also be due to the relative discount that has come to be placed on bank finance to medium and large industry and trade whose development is as important, if not more, as that of the small sector, for increasing much needed production. Some time ago, the chairman of a leading bank observed that the dilemma confronting the commercial banks was that "large and medium scale industries cannot be denied assistance without detriment to industrial production, and weaker sections of the community cannot be denied assistance without a serious setback in public policy". With the rapid growth in bank deposits, banks now seem to be in a happier position and "banking beyond means" could be a thing of the past. While meeting the legitimate productive needs of the small sector adequately, it would seem that they would do well to assist the medium and large sectors also, to the extent possible, in the interests of economic growth as much as of their own profitability. The banks could of course do this taking due precautions to prevent the organized large sector strangling the small and medium scale sectors.

The article contains a good review concerning the profits returned by nationalised banks to the government expressed as percentage of compensation paid to the erstwhile shareholders. However, while the table gives the percentages for 1970 and 1971, the review seems to be on the basis of 1970 figures only. The declining

trend in profitability is noteworthy and the main reasons appear to be the unprecedented increase in bank costs on account of large scale expansion of branches which are yet to prove economical, and the rapid increase in concessional lending to priority sectors.

As a corollary to this, the net profits of the 14 nationalised banks generally have recorded a decline in 1970. Expressed as a percentage of the compensation paid by government, returns to government by the nationalised banks together work out to 4.7 per cent. Nine out of the 14 returned to the government a percentage higher than 4.7 per cent, while the remaining 5 returned less. If the 5½ per cent paid by government on bonds held by ex-shareholders of the nationalised banks is adopted as the criterion, only 9 banks gave a return higher than 5½ per cent and the others gave less.

In the year 1971, the result is only marginally better. Returns to government by all the 14 together work out to 5.08 per cent. Ten of the 14 gave a return higher than this figure. The same 10 also gave a return higher than the government bond rate of 5½ per cent.

Our bank's return to government in 1970 was 7.7 per cent and in 1971, 8.6 per cent, the highest in both the years. In the context, however, of the problem generally experienced, of increasing advances commensurately with deposit growth, especially in rural areas, there is no room for complacency.

Yours etc.
Bangalore K.P.J. Prabhu

Custodian
Canara Bank

COMPANY AFFAIRS

Zenith Steel

ZENITH STEEL Pipes Ltd has maintained the equity dividend at Rs 1.20 per share for the year ended April 30, 1972. Although sales have gone up by about 17 per cent from Rs 8.06 crores in 1970-71 to Rs 9.42 crores, the net profit for the year, after adding excess provisions for earlier years, slumped to Rs 23.25 lakhs recording a decline of as much as Rs 43.53 lakhs over 1970-71. The steep fall in profitability is attributed to the substantial increase in the prices of steel and zinc, inadequate availability of steel during some months, depression in the price of steel pipes and higher incidence of power charges, salaries and wages. The prices of indigenous hot rolled strips was revised twice during the year, the increase being from Rs 1102 to Rs 1,268 per tonne. The price of imported zinc, released by MMTC, too has gone up, increasing from Rs 3,150 per metric ton in the first quarter of 1971-72 to as high as Rs 5,000 per metric ton in the fourth quarter of 1971-72. Obviously the cost of production has increased and is still increasing steadily and substantially.

The outlook for the current year too is not quite encouraging. The production of pipes has been suffering on account of acute shortage of both imported and indigenous steel. With the prices of steel in world markets having gone up, the company will not only face the problem of shortage but also of high prices of its raw materials such as steel and zinc, although the recent increase in the prices of pipes will partly neutralise the impact.

Meanwhile the government has endorsed its industrial licence for the manufacture of steel pipes and tubes on the

basis of 72,000 tonnes capacity per year with a view to permitting a fuller utilisation of the capacity. P.T. Zenith Steel, Indonesia, in which the company has an equity holding, is expected to start production in the first half of 1974.

Universal Cables

Significant rise in sales and gross profit has enabled the directors of Universal Cables Ltd to enhance the equity dividend to 14 per cent for the year ended March 31, 1972 as against 12 per cent declared for the preceding year. Sales during the year recorded a smart rise to Rs 10.05 crores registering an increase of as much as of Rs 2 crores over 1970-71. The full benefit, however, has not been attained because of the after effect of the labour trouble and rise in cost of production as well as fiscal levy. Gross profit too went up significantly during the year and it touched the high level of Rs 1.18 crores which was higher than the previous year's figure by Rs 0.17 crore. Out of the gross profit a sum of Rs 37.14 lakhs was earmarked for depreciation, Rs 7.85 lakhs for development rebate reserve, Rs 40.50 lakhs for taxation, as compared to Rs 31.82 lakhs, Rs 6.25 lakhs and Rs 16.40 lakhs respectively in 1970-71. This leaves a lower net profit of Rs 32.44 lakhs as compared to Rs 46.68 lakhs in the preceding year and the entire amount has been transferred to the general reserve. The dividend claiming Rs 17.58 lakhs will be paid out of the general reserve. The company has made an application to the income-tax department to determine the percentage of dividend which would be exempt from tax under Section 80 K of I.T. Act.

The company's application for expansion is still pending

with the government. This may necessitate fresh technical collaboration agreement with British Insulated Callender Cables Ltd, London, since the present agreement is expiring on February 1974.

Birla Jute

Birla Jute Manufacturing Company Ltd has enhanced the equity dividend to 12 per cent for the year ended March 31, 1972 as against 11 per cent paid for the preceding year. The dividends on preference shares will be paid at the stipulated rates of 7.5 per cent and 9.3 per cent. During the year the company earned a lower gross profit of Rs 4.35 crores as against Rs 4.57 crores in 1970-71. Out of the gross profit the directors have appropriated a sum of Rs 1.89 crores for depreciation, Rs 1.30 crores

for taxation and Rs 66.04 lakhs for development rebate reserve as against Rs 1.29 crores, Rs 1.41 crores and Rs 11.72 lakhs provided respectively in 1970-71. This leaves a net surplus of Rs 50.22 lakhs as compared to Rs 1.75 crores in the preceding year and the entire amount has been transferred to the general reserve. The dividends will absorb Rs 56.27 lakhs and will be paid out of the general reserve.

During the year the company incurred a capital expenditure of Rs 3.03 crores relating mainly to improvement and renovation of plant and equipment. Although the manufacturing costs have risen steeply in all divisions, the company has been able to achieve satisfactory working results mainly because of favourable trading conditions, especially by the jute mill division. The working of calcium carbide division had been satisfactory. The company's application for expansion is still pending with the government. Nevertheless the company has offered its technical know-how for setting up manufacturing units of calcium carbide as it is a pioneer in this field. The profitability

of the cement division was affected due to various adverse factors. There had been accumulation of stocks at Satna and Chittorgarh following shortages of wagons. The Durgapur slag cement project is likely to go into production in early 1974.

Larsen & Toubro

Larsen & Toubro Ltd proposes to acquire 23 per cent of the capital of Hindustan Brown Boveri Ltd from Brown, Boveri Ltd, a Swiss Concern which holds 50 per cent of the equity. The company, together with its subsidiary EEC, already holds four per cent of the equity capital of Hindustan Brown Boveri. With the proposed acquisition Larsen & Toubro and Brown Boveri will be equal partners of Hindustan Brown Boveri, each holding 27 per cent of the capital. The lines of manufacture of Hindustan Brown Boveri and the company are, in fact, complementary to each other and hence considerable advantages are expected to accrue to both the companies by streamlining their manufacturing, marketing and research activities. This is revealed in the Chairman Mr H. Holck-Larsen's annual statement circulated to the shareholders of the company.

The company is also entering the line of manufacturing high-speed bottling plant and the first few units have been installed. In the field of switchgear, the other major line of manufacture, several new products were added during the year. A new switchgear unit is being constructed to take up the manufacture of contactors, moulded case circuit breakers and additional new products, many of which have been developed by the company's own research and development wing.

Of the three joint ventures with reputed foreign concerns the company had planned, effective steps have been taken to commence production of tyre curing presses. In fact, the company L & T-McNeil Limited has already been registered and important initial orders have been received and steps have been taken to commence production. The two

other joint ventures, one in the field of electronic components and the other which is an integrated scheme for the manufacture of agricultural tractors and self-propelled harvester combines, have not yet been completely cleared by the government. Meanwhile one of the collaborators has informed the company that it is no longer prepared to continue holding funds earmarked for the scheme.

The future prospects of L and T and its subsidiary and associate companies are indeed quite bright. All the units are poised for expansion, increased sales and higher profits.

Shareholder's Seminar

The National Forum of Shareholders has decided to hold an all-India seminar on November 11 and 12, 1972, at Calcutta. The seminar will have four sessions dealing with (i) problems of shareholders, (ii) protection of shareholders under Company Law; (iii) the role of stock exchanges and institutional investors in promoting shareholders' interests, and (iv) how to make shareholders democracy effective and shareholding popular? Mr K. V. Raghunatha Reddy, the Minister of Company Affairs, has consented to inaugurate the seminar, which is expected to be attended by representatives of various shareholders' associations in the country, stock exchanges, concerned ministries, and financial and banking institutions. Several ministers, eminent public men and members of Parliament are being invited to address the seminar. Invitations have as well been extended to shareholders' organisations in the United States, the United Kingdom and other countries for participation in the seminar.

News and Notes

Expansion and Diversification

Garware Nylons has received bulk of the plant and equipment from foreign and indigenous sources required for the implementation of its expansion scheme which envisages an increase in nylon yarn capacity to 2000 tonnes per annum. The erection of the spinning

section is expected to be completed by the end August and trial production is expected to commence next month. The trial production of polymerisation section is expected to start by October or November. Meanwhile the company has received letters of intent to further expand the nylon yarn capacity to 3,840 tonnes per annum and also to manufacture polyester filament yarn with a capacity of 360 tonnes per annum. The company is awaiting the capital goods licence from the government for expansion of the nylon yarn capacity.

Bharat Bijlee proposes to diversify the company's activities in a small way with the existing facilities. One of the new lines to be taken up is the manufacture, installation, erection and maintenance of lifts which will not involve any fresh capital investment. The company is already manufacturing various types of electric motors and castings and has facilities for steel fabrication work. Moreover it is proposed to make a start as manufacturer, dealer and repairer of all types of machinery, equipment, apparatus, instruments, devices and parts thereof. Both, these lines are expected to enhance the company's profitability.

New Venture

Bharat Gears Ltd is setting up a Rs 4.60-crore project for the manufacture of automobile gears. The plant being set up near Thana, outside the Bombay-Thana industrial complex, will have an annual capacity of 1,000 tonnes. Land for the project has been acquired and the company has been allowed to import equipments valued at around Rs 1.53 crores against foreign exchange loans to be obtained from financial institutions. The project will be financed through the share capital of Rs 1.80 crores—Rs 1.35 crores in equity and Rs 45 lakhs in 9.5 per cent cumulative redeemable preference shares—and term loans amounting to Rs 2.80 crores from financial institutions. The company has already raised a capital of Rs 25 lakhs of which Rs 2.5 lakhs has been

subscribed by Bharat Steel Tubes. The directors of BST propose that their company may invest up to Rs 40 lakhs in the equity capital of this new venture by way of diversification of its activities.

New Issues

The Madras Modern Builders Ltd is offering 127,500 equity shares of Rs 10 each at par to the public for subscription. The subscription list opens on August 17 and will close at the discretion of the Board of Directors of the company but not before August 19. Application for shares must be for a minimum of 50 shares or multiples thereof. A sum of Rs 2.50 per share is payable on application and a like amount on allotment. The balance of Rs 5 has to be paid in two equal calls to be made as may be determined by the Board of Directors of the company with an interval of at least two months between the calls. As an overwhelming response to the issue is expected from the public no arrangements have been made to underwrite the issue.

The company has taken over all the existing activities of 'The Modern Builders' a partnership concern started in Madras in 1961 with a modest capital Rs 10,000. 'The Modern Builders' has completed many giant housing projects running into several crores of rupees, the latest one handled being the Sri Padmanabha Nagar-I stage in Adyar, Madras. In order to finance the big projects 'The Modern Builders' has transferred all its construction activities along with all its transport, experienced and qualified engineers, and its vast and varied experience in its various types of work to the new company—The Madras Modern Builders Ltd—which was incorporated on October 7, 1971 with an authorised capital of Rs 50 lakhs. The main objects of the new company are to undertake all types of civil works including mass construction of houses especially to the middle and low income groups. The company has already completed about 100 houses at Sri Pad-

NOTICE THE GWALIOR RAYON SILK MFG (WVG) CO. LTD. Registered Office: BIRLAGRAM, NAGDA, M.P.

NOTICE is hereby given that the Registers of Members and Transfer Books of the Equity and Preference Shares Series 'A' and 'C' will remain closed from Tuesday, the 22nd August 1972 to Monday, the 11th September, 1972 (both days inclusive) for the purpose of payment of dividends on Equity and Preference Shares of the Company.

The Dividends on Equity Shares and Preference Shares Series 'A', 'B' & 'C' when sanctioned by the Shareholders will be made payable to those shareholders, whose names stand on the Registers of Members of the Company as on 11th September, 1972, (and, in the case of Preference Shares of Series 'B' and such of the Preference Shares of Series 'A', which have been since redeemed, as on 31st March 1972), as under:—

- i) Dividend on Preference Shares ... On or after 22nd September, 1972.
- Series 'A', 'B' & 'C'
- ii) Dividend on Equity Shares ... On or after 30th September, 1972.

BY ORDER OF THE BOARD
B. N. PURANMALKA
Secretary
Birlagram, Nagda
Dated: 31st July 1972

manabha Nagar-I stage which were transferred from 'The Modern Builders'. Immediately it has taken on hand another prestigious scheme — the Sri Padmanabha Nagar-II stage — which is estimated to cost Rs 50 lakhs. About 12.5 acres in the adjoining area in Adyar has already been acquired and about 150 houses are proposed to be constructed in the new area. The present issue is mainly to finance this scheme. Barring unforeseen circumstances the directors are hopeful of declaring a maiden dividend in the very first year of its operations.

The company also proposes to undertake mass housing schemes to serve all categories of people in all income ranges with types of houses of A, B, C and Peoples flats.

Anil Steel and Industries Ltd will soon be offering for public subscription 3,20,000 equity shares of Rs 10 each and 15,000 preference shares of Rs 100 each for cash at par. The proceeds of the issue will be utilised for financing a part of the cost of the project which the company is setting up at Jaipur for manufacturing high carbon and low alloy steel strips. The plant will have a licensed capacity of about 3,600 tonnes per annum and it will involve a capital expenditure of Rs 2.22 crores but it has been so designed as to allow for expansion in future with some balancing equipment. During the initial stage the company will be engaged in hardening, tempering, grading, polishing and edge rounding of high carbon low alloy steel and this will be done for the first time in the country. On achieving the licensed capacity the company will be able to save foreign exchange to the tune of Rs 1 crore as the entire strips are now being imported. The present estimated indigenous demand for strips is about 5,000 tonnes and it is likely to rise to 6,000 tonnes by 1973-74 and to 10,000 tonnes by 1978-79. Also the company will be deriving the benefits of technical know-how from Hoeoch Werke Hohem limburg Schwerts A.G., a reputed German steel making firm, which will act as a consultant.

Vidarbha Glass Works will

be entering the capital market shortly with a public issue of Rs 6 lakhs, all in equity shares of Rs 10 each. The proceeds of the issue will provide part of the finance required for the implementation of the company's proposed glass project at Nagpur. Initially it proposes to manufacture 2,700 tonnes of glass bottles for the first two years, and 5,700 tonnes per annum thereafter. The plant is expected to go on stream by October 1972. The capital outlay on the project is estimated at Rs 25.55 lakhs and it will be financed through the share capital of Rs 8 lakhs, loan from the Maharashtra State Financial Corporation of Rs 8.40 lakhs, another loan from SICOM of Rs 4.20 lakhs, borrowings from banks for working capital requirements of Rs 4.50 lakhs and deferred payments to the tune of Rs 45,000.

New Registrations

A total of 229 companies were registered under the Companies Act, 1956 in different states and union territories during the month of February, 1972. Of these, only one was association not for profit, registered as guarantee company. The remaining comprised 20 public limited companies and 208 private limited companies having aggregate authorised capital of Rs 15.41 crores and Rs 19.61 crores respectively. They also included five government companies. Their names (with the name of state of registration and authorised capital in brackets) are as follows: Kerala Minerals and Metals Limited (Kerala; Rs 5 crores); Maharashtra State Powerloom Corporation Limited (Maharashtra; Rs 1 crore); Kichha Sugar Company Limited (Uttar Pradesh; Rs 2.5 crores); Cheran Transport Corporation Limited (Tamil Nadu; Rs 1 crore); and Cholan Roadways Corporation Limited (Tamil Nadu; Rs 3 crores). Nineteen of the total companies registered during the month were large-sized companies each having an authorised capital of Rs 50 lakhs or above.

The highest number of new registrations was reported from the state of Maharashtra while the state of West Bengal topped in the number of companies that had ceased function-

ing during the month under review. The state-wise distribution of new registrations (with figures for liquidations/struck off companies in brackets) was: Maharashtra 60 (7); Delhi 59 (7); West Bengal 29 (20); Gujarat 16 (—); Tamil Nadu 16 (—); Kerala 8 (—); Mysore 8 (—); Uttar Pradesh 7(1); Rajasthan 4 (1); Goa, Daman & Diu 4 (1); Assam 3 (—); Haryana 3 (—); Punjab 3 (—); Andhra Pradesh 2 (—); Bihar 2 (—); Madhya Pradesh 2(—); Himachal Pradesh 1 (—); Orissa 1 (—); and Jammu and Kashmir (—) (1). The industrial classification of the newly registered companies (with the classification of those ceased functioning in brackets) is as follows: Processing & Manufacture 127 (13); Commerce (Trade & Finance) 47 (16) and other activities 54 (9).

Company Meetings

Larsen & Toubro Ltd: Patkar Hall, S.N.D.T. Women's University, 1, Nathibai Thackersey Road, Bombay-20; August 31; 4.30 P.M.

The Tata Iron and Steel Company Ltd: Birla Matushri Sabhagar, New Marine Lines, Bombay-20; August 22; 4.30 P.M.

Wellman Incandescent India Ltd: Committee Room No. 2, Bengal Chamber of Commerce and Industry, India Exchange Place, 6 Netaji Subhas Road, Calcutta-1; August 23; 4 P.M.

The Amalgamated Electricity Company Ltd: Walchand Hiranand Hall, Lalji Naranji Memorial Indian Merchant's Chamber Building, 76, Veer Nariman Road, Churchgate, Fort, Bombay; September 4; 4.00 P.M.

India Tobacco Company Ltd: Hotel Hindustan International, 235/1, Acharya Jagadish Bose Road, Calcutta; August 10; 3.30 P.M.

Interim Dividends

Basf India Ltd has changed its accounting year from July-June to January-December. The company has declared an interim dividend of eight per cent for the 18-month period ending December 1972.

The directors of **Aruna Sugars Limited** have decided to pay an interim dividend of 15 per cent for the year ending September 30, 1972 as compared to 12 per cent paid for 1970-71.

Dividends			(Percent)
Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Hindustan Brown Boveri	April 30, 1972	8.0	Nil
Remington Rand	March 31, 1972	12.0	7.0
Bally Jute	March 31, 1972	14.0	10.0
India Steamship Co.	March 31, 1972	10.0	Nil
Same Dividend			
Andhra Cement	March 31, 1972	10.0	10.0
Testeels	March 31, 1972	Nil	Nil
Davangere Cotton Mills	March 31, 1972	12.0	12.0
Western India Plywoods	March 31, 1972	16.0	16.0
Aluminium Industries	March 31, 1972	Nil	Nil
Garware Nylons	March 31, 1972	11.0	11.0
Jayshree Chemicals	March 31, 1972	Nil	Nil
National Insulated Cables Co. of India	March 31, 1972	8.0	8.0
Facit Asia	March 31, 1972	15.0	15.0
Reduced Dividend			
Peninsular Plantations Ltd	February 29, 1972	8.0	10.0

THE MADRAS MODERN BUILDERS LIMITED

Incorporated on 7th October, 1971 under the Companies Act, 1956.

Registered office : 1-A, Rama Rao Street, T'Nagar, Madras-17.

Announcement regarding the issue of 1,27,500 Equity Shares of Rs. 10/- each at par.

All those who are interested in full details may obtain copies of the Prospectus and application forms from the Offices of the Brokers and Bankers to the issue mentioned hereunder, and from the Registered Office of the Company.

The subscription list will open at the commencement of banking hours on Thursday the 17th August, 1972, and will close at the discretion of the Board of Directors of the Company but not before the close of banking hours on Saturday the 19th August, 1972.

EXISTING AND PROPOSED ACTIVITIES OF THE COMPANY

The Company takes its origin from "The Modern Builders", a Partnership Firm, which was started in Madras in 1961, and expanded its activities and earned a good reputation all over India for its lay-out and house construction activities. It has to its credit several projects.

The firm has transferred all its construction activities to the new Company "The Madras Modern Builders Limited" which was incorporated on 7th October, 1971.

The main objects of the Company are, to undertake all civil works, to serve the basic social needs of the people by putting up mass construction of houses especially for the middle and low income groups, etc. The Company has completed about 100 houses at Sri Padmanabha Nagar, I Stage which were transferred from "The Modern Builders". The construction of 150 houses at Sri Padmanabha Nagar, II Stage which is likely to cost about Rs. 50 lakhs is in progress. Lay-out approval for this scheme has been granted by the Corporation of Madras in their letter No. U.D.C. No. G. 31/L.A. 230/70 dated 7.3.1972. The preliminary works are in progress. This locality is in Madras in the midst of highly developed colonies like Indira Nagar, Sastri Nagar, etc. with excellent facilities for education, trans-

port, shopping and evening beach resort.

With a view to tackle the colossal housing problem the Company proposes to put up mass housing scheme to serve all categories of people in all income ranges with types of houses of A, B, C and Peoples' Flats.

SHARE CAPITAL : Authorised :

	Rs.
4,50,000 Equity shares of Rs. 10/- each	45,00,000
50,000 Redeemable Preference shares of Rs. 10/- each	5,00,000
	50,00,000

Issued, subscribed and fully paid up

84,250 Equity shares of Rs. 10/- each	8,42,500
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Present issue offered for public subscription

1,27,500 Equity shares of Rs. 10/- each at par.	12,75,000
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UNDERWRITERS :

No underwriting arrangements are made in view of the fact that the present issue is expected to be fully subscribed by the public direct and through the Brokers.

BROKERS TO THE ISSUE : MADRAS :

- M/s. Chitra & Co., No. 322/323, Linghi Chetty Street, Madras-1.
- M/s. Kothari & Sons, "Kothari Buildings" Nungambakkam High Road, Madras-34.
- M/s. Maconochie & Co., P.B. No. 291, Mercantile Bank Buildings, Madras-1.
- M/s. Subramaniam & Co., No. 13/14, Second Line Beach, Madras-1.

- M/s. Dalal & Co., National Insurance Building, No. 362, N.S.C. Bose Road, Madras-1.
- M/s. Swastik Co., Room No. 15, Bombay Mutual Annexe, No. 322/323, Linghi Chetty Street, Madras-1.
- M/s. Paterson & Co., No. 11/12, Second Line Beach, Madras-1.

DELHI :

- M/s. Behari Lal & Co., No. 15, Stock Exchange Buildings, Asaf Ali Road, New Delhi.
- M/s. P. Roy & Co., No. 3/8, M.M. Road, J.N. Punchkuin Road, New Delhi-55.
- M/s. Amrit Lal Bajaj & Co., United India Life Building, "F" Block, Connaught Place, New Delhi-1.
- M/s. Jalan & Co., Stock Exchange Building, Asaf Ali Road, New Delhi-1.
- M/s. H. P. Mehta & Co., Akash Deep, 3rd Floor, Barakhamba Road, New Delhi-1.

AHMEDABAD :

- M/s. Chinubhai Chimanlal Dalal, Fatehbhas' Haveli, Ratnapole, Ahmedabad.

BANGALORE :

- M.L. Gopala Shetty The Bank of India Building, Block No. 2, First Floor, Kempegowda Road, Bangalore-9.

BOMBAY :

- Battivala & Karani, Share, Stock, Finance & Exchange Brokers, Union Bank Building, Dalal Street, Fort, Bombay-1.

- Champaklal Devidas, Bhupen Chambers, Dalal Street, Fort, Bombay-1.
- Dhirajlal Maganlal Sons, Stock Exchange Building, Apollo Street, Fort, Bombay-1.
- Jamdas Morarjee & Co., 5-A, Hamam Street, First floor Post Box No. 961, Bombay.
- Marwanjee Bomanjee Dalal, Allahabad Bank Building, Apollo Street, Bombay-1.
- R. R. Nabar & Co., G.P.O. Post Box No. 1498, 31, Dalal Street, Fort, Bombay-1.
- L. K. Panday, Maharashtra Bank Building, 45/47, Apollo Street, Bombay-1.
- Porecha Brothers, 19, Stock Exchange Bldg., Apollo Street, Fort, Bombay-1. (BR).
- Suresh F. Gundaria, 6, Dalal Street, Fort, Bombay-1. (BR)
- D. S. Purbhoodas & Co., Stock Exchange Bldg., Apollo Street, Fort, Bombay.

BANKERS TO THE ISSUE :

Indian Overseas Bank
 Madras — Bangalore — Bombay — Delhi — Ahmedabad.
 Application for shares may be made only by residents in India and must be for a minimum of 50 shares or multiples thereof. Terms of payment will be :
 1. On application Rs. 2.50 per share.
 2. On allotment Rs. 2.50 per share.

The balance of Rs. 5/- shall be payable in two equal calls to be made as may be determined by the Board of Directors of the company with an interval of at least two months between the calls.

RECORDS AND STATISTICS

Rates of power supply

In a statement presented to the Rajya Sabha on July 31, 1972 in answer to a question—Dr K. L. Rao gave details of the rates of power for domestic, commercial and agricultural power supply rates in different states and union

territories. He also said: "It is the aim of the government to ensure that there are uniform rates for each category of consumers within each state in the first instance and ultimately, on the establishment of an all India Grid to narrow the disparities in the rates to the extent feasible in the country as a whole. Uniform power tariff for each category of consumers have been introduced in the states of Andhra Pradesh, Assam, Bihar, Gujarat, Haryana, Kerala, Mysore, Punjab, West Bengal and Madhya Pradesh. The boards in the states of Maharashtra, Orissa

and Rajasthan and also taking steps in this direction. In Uttar Pradesh there is uniform tariff throughout the state, except in three major cities namely, Allahabad, Kanpur and Lucknow, where lower low tension tariff for domestic and commercial consumers is in force due to historical reasons. Although Tamil Nadu Board introduced uniform tariff, it has kept separate high tension tariffs for large and heavy industries in hydro and thermal areas. In the case of agricultural consumers the state electricity boards have adopted promotional tariffs. During fourth Plan central assistance to the states is being given in the form of block grants loans and there is no subsidy scheme in force for electricity rates to the agricultural consumers." The statement is given below:

Sl. No.	Supplier	Rate	Duty/Tax	Total
16.	West Bengal	36.00	—	36.00

Union Territories/State Government Electricity Departments :

1.	Andaman & Nicobar Islands	50.00	—	50.00
2.	Arunachal Pradesh	37.00	—	37.00
3.	Chandigarh	31.25	3.00	34.25
4.	Dadra & Nagar Haveli	35.00	—	35.00
5.	Delhi	18.00	2.00	20.00
6.	Goa, Daman & Diu	30.00	—	30.00
7.	Jammu & Kashmir	25.00	1.75	26.75
8.	Laccadives	60.00	—	60.00
9.	Manipur	35.00	—	35.00
10.	Nagaland	45.00	—	45.00
11.	Pondicherry	33.00	—	33.00
12.	Tripura	—	—	—
(a)	Agartala	44.00	—	44.00
(b)	Rest	50.00	—	50.00

II. Commercial Lights & Fans (50 kWh/month)

State Electricity Boards :

1.	Andhra Pradesh	45.00	—	45.00
2.	Assam	40.00	2.00	42.00
3.	Bihar	40.00	6.00	46.00
4.	Gujarat	30.04	10.00	40.04
5.	Haryana	25.20	8.80	34.00
6.	Himachal Pradesh	29.00	—	29.00
7.	Kerala	38.00	3.80	41.80
8.	Madhya Pradesh	28.00	6.00	34.00
9.	Maharashtra	28.60	10.00	38.60
10.	Mysore	40.00	4.50	44.50
11.	Orissa	—	—	—
(a)	Hydro	25.00	4.20	29.20
(b)	Diesel	44.00	—	44.00
12.	Punjab	23.75	8.80	32.55
13.	Rajasthan	—	—	—
(a)	Hydro & Steam	43.00	5.00	48.00
(b)	Diesel	57.95	—	57.95
14.	Tamil Nadu	45.00	—	45.00
15.	Uttar Pradesh	—	—	—
(a)	Lucknow, Allahabad & Kanpur	27.00	6.00	33.00
(b)	Rest	38.00	2.00	40.00
16.	West Bengal	36.00	3.00	39.00

Union Territories/State Government Electricity Departments :

1.	Andaman & Nicobar Islands	50.00	—	50.00
2.	Arunachal Pradesh	37.00	—	37.00

Sl. No.	Supplier	Rate	Duty/Tax	Total
3.	Chandigarh	23.75	8.80	32.55
4.	Dadra & Nagar Haveli	31.88	—	31.88
5.	Delhi	22.00	2.00	24.00
6.	Goa, Daman, Diu	38.00	—	38.00
7.	Jammu & Kashmir	35.00	3.57	38.57
8.	Laccadives	60.00	—	60.00
9.	Manipur	35.00	—	35.00
10.	Nagaland	45.00	—	45.00
11.	Pondicherry	39.95	—	39.95
12.	Tripura	—	—	—
(a)	Agartala	44.00	—	44.00
(b)	Rest	50.00	—	50.00

III. Agricultural 5 H.P., 10% L.F. (272 kWh/month)

State Electricity Boards :

1.	Andhra Pradesh	11.68	—	11.68
2.	Assam	14.00	1.00	15.00
3.	Bihar	18.00	1.00	19.00
4.	Gujarat	15.81	1.20	17.01
5.	Haryana	15.00	—	15.00
6.	Himachal Pradesh	9.92	—	9.92
7.	Kerala	9.00	0.90	9.90
8.	Madhya Pradesh	13.00	—	13.00
9.	Maharashtra	18.00	—	18.00
10.	Mysore	11.00	1.00	12.00
11.	Orissa	—	—	—
(a)	Hydro	10.00	1.80	11.80
(b)	Diesel	22.00	3.75	25.75
12.	Punjab	12.87	—	12.87
13.	Rajasthan	13.30	—	13.30
14.	Tamil Nadu	12.00	—	12.00
15.	Uttar Pradesh	23.51	—	23.51
16.	West Bengal	16.00	3.00	19.00

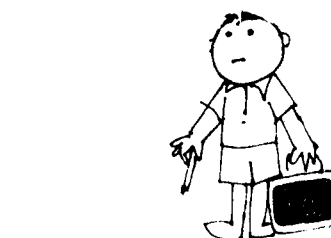
Union Territories/State Government Electricity Departments :

1.	Andaman & Nicobar Islands	31.00	—	31.00
2.	Arunachal Pradesh	—	—	—
3.	Chandigarh	12.87	—	12.87
4.	Dadra & Nagar Haveli	21.42	—	21.42
5.	Delhi	15.00	1.00	16.00
6.	Goa, Daman & Diu	12.00	—	12.00
7.	Jammu & Kashmir	10.00	1.50	11.50

RATES OF POWER SUPPLY SENT OUT

(in Paise/kWh sent out)

Serial Number	Name of Board	1970-71
1.	Andhra Pradesh	8.2
2.	Bihar	8.45
3.	Gujarat	8.83
4.	Kerala	2.81
5.	Maharashtra	—
(i)	Vidarbha Thermal Grid	9.2
(ii)	Tata Koyna Hydro Grid	2.5
6.	Mysore	1.43
7.	Tamil Nadu	4.26
8.	West Bengal	6.96



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Development of irrigation

DR K. L. RAO, the Minister for Irrigation and Power, stated in the Rajya Sabha, on July 31, 1972, in answer to a question asked by four members, that "irrigation facilities are provided in the country from major and medium irri-

gation projects, as well as from minor irrigation works like small tanks, wells and deep tube-wells. A general assessment at present has indicated that it is possible to bring 45.6 million hectares under major and medium irrigation and

36.4 million hectares under minor projects, thus providing irrigation facilities to about 50 per cent of the cropped area. Further investigations are expected to show possibilities of irrigation of additional area. In particular, the construction of a National Water Grid to transfer water from water surplus areas to water scarce areas would add significantly to the possibilities of irri-

gation of additional areas in the country".

A statement showing the ultimate irrigation potential as assessed at present the development in 1970-71 and the development which would have been achieved on completion of the various major and medium projects in hand is given below:—

Development of Irrigation

(Thousand hectares)

State	Total cropped area in 1968-69	Ultimate irrigation potential			Development up to 1970-71			Development on completion of all major and medium projects under construction
		Major & medium	Minor	Total	Major & medium	Minor	Total	
Andhra Pradesh	12,456	6,475	3,846	10,321	2,539	1,690	4,229	4,995
Assam	2,962*	971	1,204	2,185	98	670	768	826
Bihar	10,898	4,290	3,644	7,934	1,588	1,778	3,366	5,266
Gujarat	10,420	2,145	1,701	3,846	513	907	1,420	2,350
Haryana	4,054	@	850	850	937	488	985	1,868
Himachal Pradesh	899	N.A.	—	—	—	1**	1	1
Jammu & Kashmir	815	98	466	564	65	239	304	327
Kerala	2,853	624	911	1,535	352	262	614	870
Nagaland	49	Not yet assessed.	40	40	—	8	8	8
Madhya Pradesh	20,001	5,625	2,429	8,054	942	691	1,635	25,81
Maharashtra	19,367	2,347	2,227	4,574	689	1,258	1,947	2,887
Manipur	188	Not yet assessed.	—	—	—	—	—	—
Meghalaya	—	—	—	—	—	—	—	—
Mysore	10,555	1,781	1,620	3,401	816	700	1,516	2,328
Orissa	7,446	2,428	1,620	4,048	1,172	1,018	2,190	2,553
Punjab	5,287	4,140	2,024	6,164	2,361	1,710	4,017	4,476
Rajasthan	14,257	3,157	1,822	4,979	1,118	1,442	2,560	3,056
Tamil Nadu	6,914	1,561	2,126	3,687	1,363	1,694	3,057	3,284
Tripura	335	—	—	—	—	—	—	—
Uttar Pradesh	22,360	7,608	7,490	15,098	3,149	4,747	7,896	9,357
West Bengal	6,653	2,308	2,025	4,333	1,175	916	2,091	2,365
Union Territories	391	—	385	—	—	—	—	—
All India	159,160	45,557	36,440	81,997	18,877	20,092	38,969	49,271

@ included under Punjab.

* the date of Assam includes that of Meghalaya also.

** For fourth Plan only.

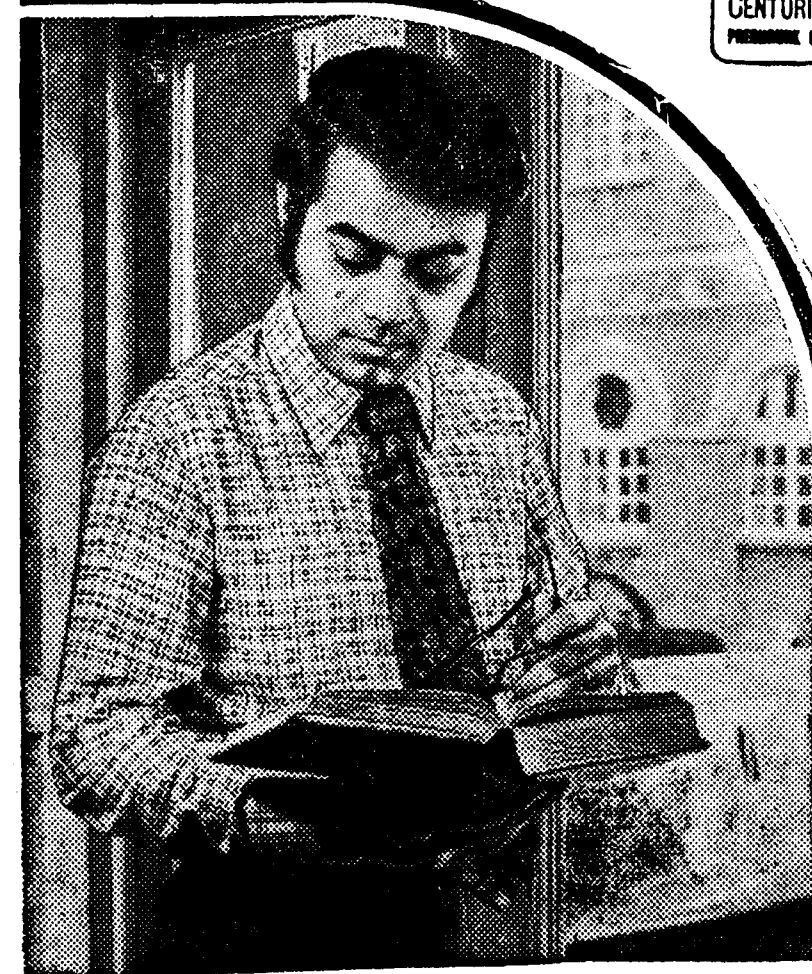
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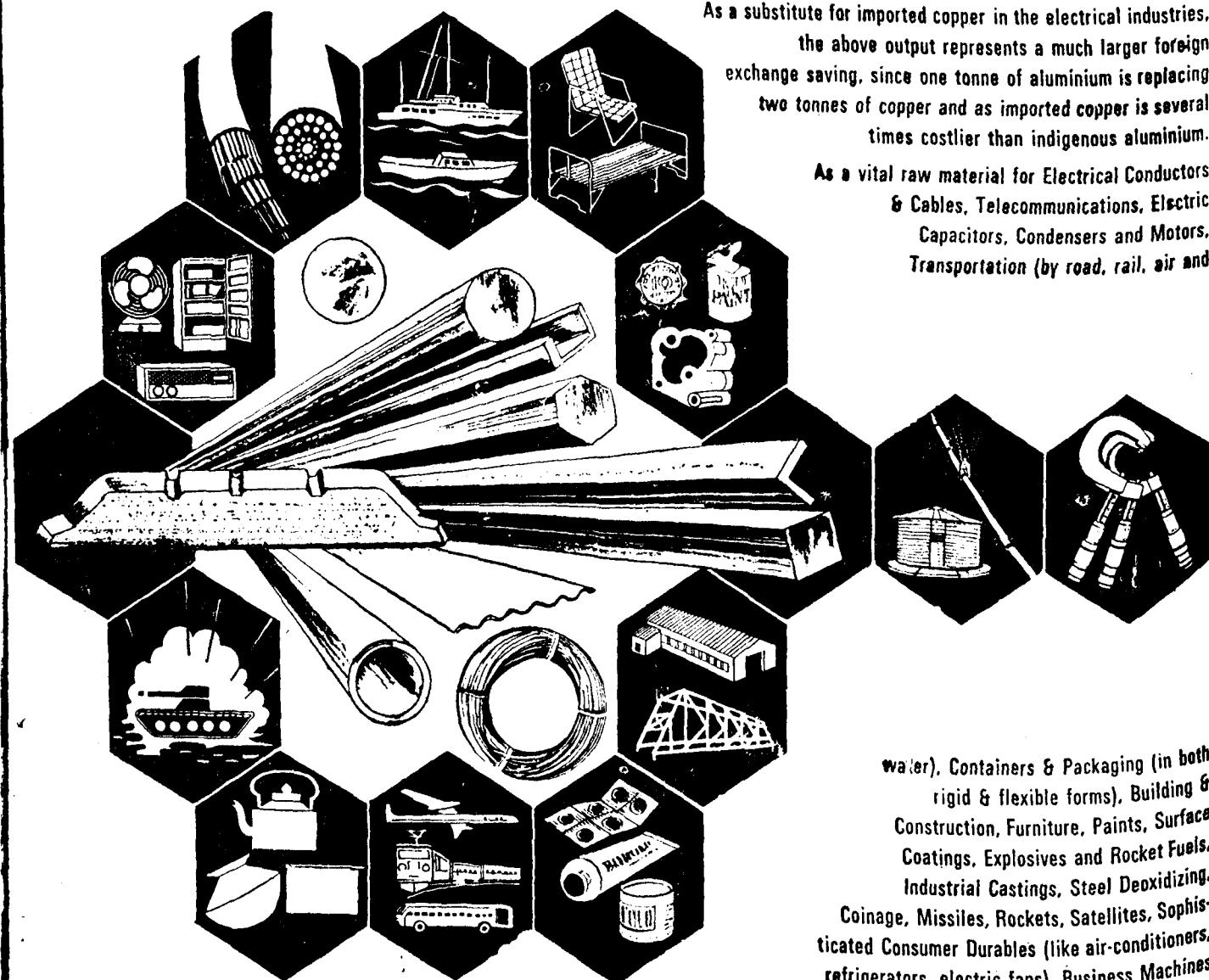
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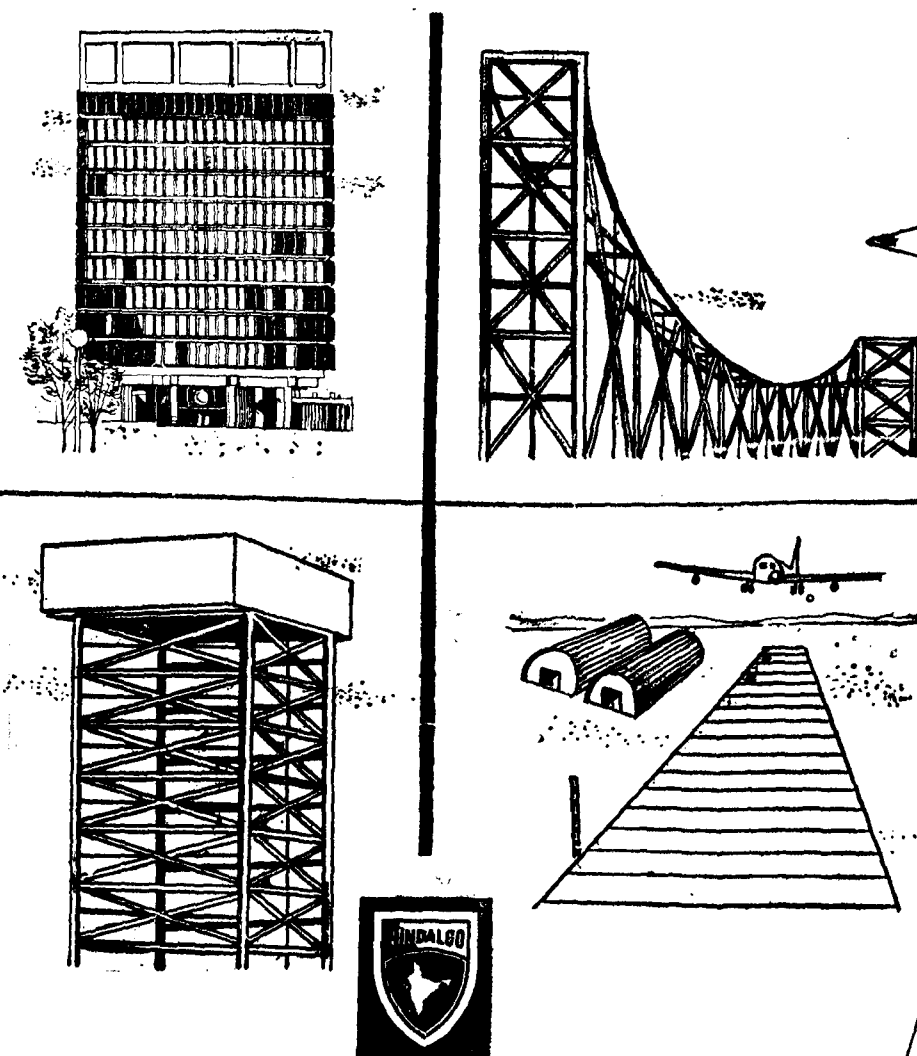
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All hands to the wheel

THE PRIME Minister, Mrs Indira Gandhi, is reported to have said—in an interview to the editor of "Nilachal", an Assamese weekly—that the government and the people must make a major effort to increase production and that all those who had the interest of the country at heart must help in this process. "If workers and employees think merely of their sectional interests, whatever they may gain through trade union action will be lost because of inflationary pressures which develop from under-production", she added. For once, her analysis of the economic situation in this country is not only correct, it is also refreshingly realistic. At last she seems to have realized that the only way to provide content and meaning to the slogan of "Garibi Hatao" is to harness all the forces which will stimulate the productive machinery and increase the flow of consumer goods in the market which, in turn, would match the supply of money with the people to keep prices under restraint.

After having diagnosed the malady correctly, the Prime Minister must now summon sufficient courage to take the steps needed to achieve the objective of increased production. The Tata memorandum has been with her for more than three months. The suggestions given therein can bring about a big change in the industrial climate.

One of the main causes for the current slowdown in industrial output is the continued shortage of raw materials, fuels, power and rail transport. What steps has the government taken to maintain their uninterrupted availability to industry? Perhaps short-term measures can relieve the pressure somewhat, but it is the long-term plans alone which can ensure ready supply of these materials to industry. Rightly has the Tata memorandum stated that "in the formulation of the next and subsequent plans, the Planning Commission and government allot the highest priority to providing funds and taking action to ensure that materials, products and services essential to industrial growth are never in short supply".

Labour unrest has also been a big factor in slowing the pace of industrial growth. The man-days lost by industry in 1968 were nearly 17.2 millions which increased to 19.0 millions in 1969 and further to 20.6 millions in 1970. Thanks to some improvement in employer-employee relations in 1971 in West Bengal the man-days lost fell to 15.0 millions, though lately reports have been received of increase in tension in that state again. With the massive mandate provided to Mrs Indira Gandhi's government at the centre and to her party in most of the states, it should certainly be possible to harmonise the employer-employee relations. Recently, the public sector undertakings and the nationalized banks are increasingly becoming victims of inter-union rivalry which tends to slow down their work. What is more, the morale in any organization should not be allowed to deteriorate. The government can certainly use its influence with trade unions to put a moratorium on all strikes till we are able to put our industrial machinery in order.

The industry in this country has also suffered because of "inadequate controlled prices, high taxation, and much high cost of new equipment than the original cost for which depreciation was provided". All these subjects have been discussed in the columns of this journal a number of times. Rigidity in approach to these problems has caused a high degree of obsolescence in machinery which again needs a long-term plan for the replacement and modernisation of old and sick industrial units. Taking them over for control by the state is no solution.

Besides these factors, the licensing policy needs to be changed drastically. The limitations put on the expansion of the companies managed by the "larger houses" need to be removed. The Tata memorandum has specifically pleaded the cases of those companies which, though belonging to the larger houses, have a good record in regard to quality of products, prices charged, labour policies, use of profits, professional competence of management, help to small-scale industries, expenditure on research, etc. In other words, it has recommended that the "socially responsible houses" should be treated differently from other "larger houses". On this question there is bound to be difference of opinion among the larger houses themselves and also between the business community and the government because the criteria listed are not comprehensive enough. Perhaps this is not the time to split hairs on this issue. This is the time to use all available resources in the country to achieve the objective of increased production without debarring any one from participation in the war against want and poverty.

That the government is currently thinking out ways and means of utilising the capabilities of the larger business houses was clear from the informal discussions which Mr C. Subramaniam, the Minister for Industrial Development, had recently with members of the Forum of Financial Writers. He stated that the new industrial policy which was being evolved by the government would lay down a role for the larger industrial houses and foreign-controlled firms. He also opined that these concerns had a wealth of management talent and expertise and it would not be wise for the country to waste it. "Without assigning a definite role to them we will not be using the manpower available there", added Mr Subramaniam. Besides manpower and

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management expertise, the larger houses also possess substantial financial resources for which they are not finding adequate avenues for investment in view of the unhelpful attitude adopted by the government. In a study published in the July, 1972, issue of the Reserve Bank of India Monthly Bulletin, it was clearly demonstrated that 290 large companies (with

paid-up capital of more than one crore of rupees), which mostly belong to the larger business houses, had increased their retained profits year after year and were finding it hard to make full use of them. It is to be hoped that the revised industrial policy will attempt to use the resources of the larger business houses fully.

Mopping up liquid funds

IN A bid to restrict the quantum of deficit financing to the minimum extent and to take advantage of the improved liquidity of the banking system, the Reserve Bank has thought it desirable to raise as large amounts as possible through the issue of loans and bonds of the central and state governments and the statutory corporations and electricity boards. While the new strategy was clearly indicated by the monetary authorities some time back, even the record borrowing of the governments and public bodies last year, when a big effort was made to mobilise resources for meeting the emergency and maintaining the tempo of Plan implementation, is proposed to be surpassed. The union Finance Minister could have well decided to fix a higher target for net borrowing in 1972-73 having regard to the strident growth in deposits and the absence of a keen demand for funds from industry and trade. But it was then explained that the target had intentionally been fixed low because of the need for expanding credit sizeably for procurement purposes.

These intentions however have now to be changed because the budgetary position has been badly affected by the compulsion on the part of the central government to spend large amounts on relief operations in the drought and flood-affected areas. It may also be necessary to spend additionally Rs 150 crores towards food subsidies. A position has thus emerged in which the government has to garner resources in the same frantic manner as it did in 1971-72 and the earlier hopes of a fairly comfortable financial position may not materialise.

Luckily the scheduled commercial banks have been gathering large deposits without finding much use for them while the Life Insurance Corporation and provident funds are also adding to their assets at a faster rate than ever before. The scheduled commercial banks alone may be increasing their deposits in 1972-73 by nearly Rs 1400 crores. Even allowing for a growth in advances to the extent of Rs 650 crores and the wiping out of earlier borrowings from the central banking institution of Rs 100 crores, the investible surplus will be of the order of Rs 650

crores. It is now proposed that the central government should borrow additionally Rs 108 crores as compared to 1971-72 taking the total to Rs 323 crores. The state governments for their part are needing an extra amount of Rs 32 crores or an aggregate net amount of Rs 133 crores. The state electricity boards alone will be raising Rs 25 crores more or a total of Rs 108 crores. When taking into account the likelihood of the statutory corporations issuing their bonds for Rs 50 crores, the aggregate borrowing will be only Rs 614 crores which the banking system and other institutions are in a position to find easily.

There will however be concentrated borrowing in September as the state governments have asked for a record notified amount of Rs 197.25 crores. It had been generally expected that the states would be borrowing much larger amounts as their recourse to unauthorised overdrafts had been prevented and additional expenditure on Plan schemes could be incurred only if there were the required resources. The state governments will thus be raising a net amount of Rs 133 crores in 1972-73 against Rs 101 crores in 1971-72 which was in itself a record. The new feature of this year is the emergence of Himachal Pradesh, Meghalaya, Manipur, Nagaland and Jammu and Kashmir as borrowers in the open market for the first time. All these governments except Jammu and Kashmir are requiring Rs 1 crore each while J & K will be issuing a loan for Rs 2 crores.

Andhra Pradesh will be asking for Rs 20.50 crores against Rs 12.75 crores in 1971, Bihar for Rs 12 crores (Rs 6.25 crores), Haryana Rs 7.50 crores (Rs 5.50 crores), Punjab Rs 6.25 crores (Rs 6 crores), Madhya Pradesh Rs 9 crores (Rs 10 crores), Maharashtra Rs 19.75 crores (Rs 18 crores), Mysore Rs 14.25 crores (Rs 10 crores), Orissa Rs 8.50 crores (Rs 7 crores), Rajasthan Rs 16.75 crores (Rs 7.25 crores), Tamil Nadu Rs 20 crores (Rs 19.50 crores), and Uttar Pradesh Rs 19.75 crores (Rs 15.50 crores). Kerala will be raising a smaller amount of Rs 7 crores (Rs 7.75 crores), Gujarat Rs 12.50 crores (Rs 12.75 crores), and West Bengal Rs 13 crores (Rs 14.25 crores). Assam also is raising a smaller amount of Rs 4.50 crores (Rs 6.25 crores) presumably because, Meghalaya is coming out with a separate loan. As stated earlier Himachal Pradesh, Manipur and Nagaland will be offering

loans for Rs 1 crore each and Jammu and Kashmir for Rs 2 crores.

The subscription lists opened on September 4 and will close on September 9 or earlier if the loans are over-subscribed. All the state governments have reserved their right to accept subscriptions up to 10 per cent in excess of the notified amount. There is no change in the terms of the loans as the interest rate will be unchanged at 5½ per cent. The issue price has been fixed at par in all cases thus avoiding again earlier invidious distinctions. The new loans will mature after 12 years in 1984. On the last occasion there was oversubscription in all cases and the net amount borrowed was Rs 101 crores with gross subscriptions amounting to Rs 175.15 crores against the notified amount of Rs 158.75 crores. While there are maturing loans now for Rs 84.22 crores there were maturing loans in 1971-72 for Rs 72.71 crores. There is no doubt that all the lists will be closed in one or two days as the commercial banks have the required resources and their borrowings from the central banking institution during the week ended August 18, 1972 amounted to only Rs 2.24 crores.

The central government will be opening the lists for its loans on September 15 barely 11 days after the opening date of the state loans. This crowded borrowing will be possible only because of the extremely slack conditions in the money market. Three loans issued in July are to be re-issued for Rs 215 crores. The terms are unchanged with the 4½ per cent 1979 and 5½ per cent 2002 being offered at par. The medium dated 5 per cent 1983 loan will be available at a discount of ¼ per cent as before. The gross amount of applications will surely be Rs 236.5 crores. There are no conversion terms for the loans that will mature in October and November and it is perhaps the intention of the government to redeem these loans by paying cash on the due dates. Net borrowing is therefore expected to be of the order of Rs 323 crores in two stages against Rs 295 crores in three stages in 1971-72. This could even be Rs 375 crores if the government felt compelled to effect fresh reissues later.

There would have been a slowing down in the rate of growth of deposits if there was a big decline in the output of food and cash crops with severe drought conditions in several areas. The latest reports however indicate that the shortfall in kharif crops may not be so serious as at first feared and with the increasing monetisation of the economy the increase in deposits of the scheduled commercial banks alone can be easily Rs 120 crores every month. As the banking system will not have any borrowing from the Reserve Bank on the eve of the next busy season the position can be reviewed later in the year for effecting fresh reissues. The

government however must make it a point to use fruitfully available resources and not fritter them away unproductively simply because the banks and other ins-

titutions are in a position to extend liberal support to new loans and bonds. There should be no misuse or misapplication of available resources.

Power crisis in West Bengal

ALTHOUGH power shortage has prevailed in many parts of our country during recent months, nowhere does it seem to be felt more acutely and persistently than in West Bengal. When Mr Siddhartha Shankar Ray formed his ministry in March this year, it was expected that he would give top priority to this problem. This hope was further encouraged when soon after assuming office, Mr Ray announced his intention to electrify 10,000 villages by the end of 1973. This was an ambitious target since West Bengal had less than ten per cent of its villages electrified. But the chief minister did not seem to have considered carefully the implications of this proposal. Nor has the government given sufficient thought to the availability of power in order to revive the state's economy. At present power scarcity has assumed serious proportions and no one seems to have any idea as to how soon the situation is likely to improve.

The crisis has developed due largely to the absence of proper planning in regard to the state's requirements of power, lack of regular maintenance of the public sector power plants, and the unco-operative attitude of certain sections of labour. When the government announced in August 1971 a comprehensive scheme for developing the state's economy, known as the 16-point programme, it did not appear to have given thought as to how it was going to provide power to all the closed units that were to be opened, for the existing industries for expansion, and for the new industries to be set up. This aspect was ignored with the result that even at this current low level of economic activity in the state, there is not enough power. What is more unfortunate is the fact that industrial units have complained of damage being done to their costly machines by the sharp and sudden cuts in power supply. Such industries as jute manufactures had pleaded that they should be exempted from load-shedding because of their important role in export promotion. But this plea has not been heeded. The jute industry lost production valued at over seven crores of rupees in 1971 and in the current year also the loss continues to be substantial. According to the Indian Jute Mills Association, from January

1972 till August 25, this year, the industry's total loss from power cut was 23,000 tonnes valued at Rs 8.5 crores, including Rs 5 crores in foreign exchange. "The industry", said the IJMA, "is extremely concerned at the deterioration in the power supply position"; and it added that in less than eight months this year the jute mills in West Bengal have suffered a bigger production loss compared to 20,000 tonnes for the whole of 1971.

The maintenance of the power plants in the public sector has been sadly neglected because of the indifference of the administration. For instance, the thermal power station at Bandel under the state electricity board has four generators each with a capacity of 85 MW, making a total of 330 MW. But its capacity has been derated to 300 MW on account of the lack of proper maintenance. Though the turbo-generator of the No. 2 unit of this power station was installed in 1965, its first overhauling is reported to have been done only in 1970. Inadequate supply of water is also said to be a cause for the defective working of the cooling plant of this power station.

Has labour any responsibility in causing and perpetuating the power crisis? It is difficult to prove this point definitely though it is obvious that disturbed labour relations due to inter-union rivalry have prevented the power plants from maximising their production. Mr Ray some time ago hinted at the possibility of sabotage but this was promptly and angrily denied by the trade unions. They asserted that "the most criminal negligence and gross inefficiency of the administration, leading to the power crisis, was sought to be covered up by transferring the blame on the workers of the electricity generating units."

Whoever is really responsible for the current crisis, it is high time that the state government took some immediate steps to deal with it effectively. Mr Ray has been the chief minister now for about six months and he has given much evidence of his earnestness and determination to provide a new deal to the people of West Bengal. But unless he is able to do something to ensure the supply of power regularly and adequately especially to the industrial consumers, all programmes to revive the economy and create employment are bound to fail. The state government has in the recent weeks held discussions on many occasions with the representatives of industrial organisations on

the power problem. But these talks do not seem to have produced any concrete result. For example, in the last week of July this year, the government and industry agreed on certain proposals like the working of factories running three shifts on all the days of the week with the grant of weekly rest days on a rotational basis instead of Sundays, realignment of shifts where factories were running on two shifts to avoid working during the peak hours between 5 p.m. and 10 p.m., and readjustment of the working hours of factories where they were working only one shift. It was also agreed that the plants working on a continuous basis would be assured of power supply without interruption.

However, the government has not been able to enforce these or other arrangements in order to ensure that the available supply of power is distributed in such a manner as to cause the least dislocation to industrial production. The trade unions also do not seem to be in a co-operative mood. In a recent memorandum to the government, some organisations of the trade unions strongly opposed the proposal to alter the working hours of factories. They said, inter alia, "The holiday on Sunday is an accepted and established right of the workers and there is no reason for its being changed. For any exigency if the workers are to work on Sundays, they are paid double wages. The workers' right in this regard cannot be surrendered." The trade unions added that the spread-over of shifts would mean that workers would have to remain waiting 24 hours and they would work as and when power is available and that this arrangement would run contrary to the interests of the workers.

Among the other suggestions made by the industrial organisations in Calcutta to meet the power crisis, the more important are that five or six gas turbine generators of 20 MW each may be installed in the industrial areas and attached to the generating system of the Calcutta Electric Supply Corporation, that arrangements be made for the import of power from Bihar and Orissa through a power grid, and to permit and encourage, with official financial assistance the industrial units in the private sector to set up their own plants with 5 MW or more. Though these suggestions have been made many months ago, the government of West Bengal does not appear to have given them serious consideration. Mr B. S. Raghavan, the state's Power Commissioner, recently disclosed that the Chief Minister was personally looking into the problems of power shortage, that he was keeping in close touch with the authorities of the Durgapur projects in order to ensure better production, and he was also in correspondence with Mrs Indira Gandhi on this subject. But, despite Mr Ray's interest and initia-

tive, the power shortage has become more acute and reports suggest that some improvement is possible only with the onset of winter. But, surely, the situation ought not to drift indefinitely. The central government should immediately and effectively intervene and bring about

Canalisation of textile exports

SURELY NO ONE was taken by surprise when on August 22, Mr L. N. Mishra, Minister of Foreign Trade, announced in Parliament that the government had decided to take over the textile export trade. The Sword of Damocles has been hanging over the head of this trade almost since the last general election. "In organising the basic policies of the Ministry of Foreign Trade", Mr Mishra had told the Lok Sabha over three months ago—on May 12 to be precise—"I have been primarily guided by the programme outlined in the Election Manifesto of my party. . . . An important plank of our policy is to extend the role of the public sector in critical sectors . . . if national interests demand, we shall not hesitate to canalise the exports or imports of a number of other commodities, including traditional items through the public sector agencies. . . For years, we have witnessed the depressing failure on the part of the textile industry to meet its export obligations by failing to fulfil the textile quotas in a number of important markets like the UK and the member-countries of the European Economic Community. We were convinced that, short of canalising the exports of textiles through the public sector there was no other workable remedy. In principle, therefore, we have decided to canalise the exports of textiles through the public sector agencies".

Even earlier, that is about 15 months ago, Mr Mishra had made known this pet fad of his and proceeded to give it concrete shape by appointing a committee of experts to advise the government on the institutional framework for this purpose consisting of Mr K. Kishore, the then Textile Commissioner, Mr S. R. Damani, MP, Dr C.B. Nath, Director, State Trading Corporation of India, and Dr Manmohan Singh, Economic Adviser, Ministry of Foreign Trade. This committee submitted its report in April last. Mr Mishra informed the Lok Sabha on May 12 that the government had received the recommendations and that the details of the scheme would be announced shortly.

If at all any one was taken by surprise,

some improvement. The centre has enough data to understand why the crisis has occurred and why it continues to persist. It is high time that New Delhi did something to save West Bengal's economy which is threatened with serious dislocation due to the power crisis.

therefore, it must have been the textile industry itself which had been nursing its great hope of creating a record in textile exports during 1972. And the hope, far from being utopian, seems to be perfectly feasible of fulfilment, considering that, in the first seven months of this year (1972), textile exports have been earning valuable foreign exchange at a monthly rate of Rs 11 crores or an annual rate of Rs 132 crores, as against the peak established in recent years (1969, 1970 and 1971) of Rs 117 crores in 1970. There is nothing to suggest that this tempo has since slackened or is likely to slacken in the near future. For the industry has only recently taken measures to step up exports still further and its export target this year is believed to be Rs 145 crores which the industry is quite confident of achieving. May be the all round export performance of the industry has not been spectacular. Textile exports to the UK, for instance, the industry itself admits, has not been very good, but this is due to special difficulties not unknown to the authorities. Incidentally, it is not clear why the Foreign Trade Minister has decided to take the industry to task for not fulfilling its quota of exports to the UK only and not to the socialist countries where the public sector agencies are involved.

According to the information given by the Foreign Trade Ministry itself on the floor of the Lok Sabha, the other day, exports of cotton textiles to these countries during the year 1971-72 show a decline. Of course the ministry quickly explained the decline as being largely due to high cotton prices which were reflected in the production of cotton textiles, in particular yarn, exported during 1971-72. There were other explanations besides, namely, that the prices offered by some of the socialist countries were too low to be accepted and contracting with some of these countries accordingly got delayed and that currency difficulties of some of the importing socialist countries were also responsible for the decline. The irresistible conclusion is that what is sauce for the goose is not sauce for the gander.

Obstacles in the way of exports to any destination are more or less similar. Developing countries especially have been experiencing a variety of these obstacles more acutely even when they can command export surpluses and are able

to offer quality goods at competitive prices promptly on the delivery date, as Mr S. Jagannathan, Governor, Reserve Bank of India, told the All-India Exporters' Chamber at Bombay recently. Said Mr Jagannathan:

"I am conscious of the fact that even export surpluses with competitive prices and even with competitive quality and delivery dates would not suffice to break into the international markets. This market is very competitive and, to some extent, it is a very choosy market especially affecting newcomers. Even if our goods and services are competitive internationally, it is difficult to sell them without earning a reputation for our ability to manufacture complex and sophisticated goods".

This means that more than ordinary efforts are needed to push our exports in relentlessly competitive international markets. It cannot be said that textile exporters have not been making all-out efforts to augment the country's textile exports. For instance, the industry has taken the unique step of accepting voluntary obligation for every composite mill to export to the UK a stipulated percentage of its production on pain of a penalty of 25 paise per sq. metre for any shortfall in this percentage. Again, with a view to carrying out a number of special export promotion measures, the industry has been, of its own accord, collecting spindle levies.

It is ironical that just when the textile exporting interests are feeling that they are more efficient than ever before and that they are justifying their existence more than any time in the past, they should be charged with having failed the country and condemned so cavalierly by the Foreign Trade Minister. Giving a dog a bad name and hanging it is an age-old pastime of politicians such as Mr Mishra. The question is not whether he or the government can or cannot take over the textile export trade. But will the decision, if and when implemented, be to the best interests of the country? Prudence and past experience suggest it will not. Textile export is a highly personalised business calling for immense capacity continually to adjust and improvise. Before taking on yet another important item of export such as cotton textiles, let the public sector agencies demonstrate that they are able to deliver the goods in respect of these which they have already taken over. In any case, if eventually the textile industry itself is going to be nationalised as the President of the political party to which Mr Mishra belongs seems to be never tired of threatening, the authorities could well afford to be patient and let sleeping dogs lie.

Rural electrification in India

C. R. Ekambaram

RURAL ELECTRIFICATION, from many points of view, is not only a vital but a gigantic task. Over 80 per cent of our people live in 5,67,000 villages in the country engaged mainly in agriculture which is the backbone of our economy.

So far only a little over a fifth of these villages have been electrified in the purely technical sense of the word. In the first stage of this electrification covering the first five decades up to the start of the first five-year Plan only 3558 villages or 0.6 per cent of the total number had been electrified, and only 18,709 agricultural pumpsets had been energised. The second stage covers the first three five-year Plans from 1951 to 1966. By the end of this period, the number of electrified villages rose to 45,806 constituting 8.1 per cent of the villages in the country, and the number of energised pumps rose to 5,12,920. The third phase is the period since the end of the third five-year Plan (1965-66). As a result of severe drought experienced in different parts of the country during 1965-66, it was decided to accord the highest priority to the provision of assured irrigation in the villages through the exploitation of underground water resources.

adjunct to irrigation

It was brought home to planners, policy makers and administrators alike that rural electrification was a necessary adjunct to irrigation and was complementary to the construction of wells and installation of pumpsets envisaged in a number of all-India and state programmes. The success of the new agricultural strategy, which aimed at attaining self-sufficiency in food production depended to a large extent on success in irrigation. It was against this background that the emphasis of rural electrification was shifted from village electrification to pumpset energisation.

It was in recognition of the importance of rural electrification in quickening the pace of agricultural development that the government of India decided to set up a specialised body, namely the Rural Electri-

fication Corporation (REC) with the objective of promoting and financing rural electrification projects in the country. The formation of such a corporation had been recommended by the All-India Rural Credit Review committee, headed by Mr B. Venkatappiah, in 1969. This committee, in the course of a comprehensive review of all sources of rural credit in the context of the growing needs of agriculture came to the conclusion that for the modernisation of agriculture in India, a massive programme of rural electrification was essential as farm mechanism and adoption of improved practices would depend very largely on the availability of assured irrigation through the use of electricity.

policy directives

The Rural Electrification Corporation came into existence in July 1969 specifically:

- (1) to finance rural electrification schemes in the country;
- (2) to subscribe to special rural electrification bonds that may be issued by the state electricity boards on conditions to be stipulated from time to time;
- (3) to promote and finance rural electric co-operatives in the country; and
- (4) to administer the money received from time to time from the government of India and other sources as grants or otherwise for the purposes of financing rural electrification in the country in general.

In carrying out these objectives, the Rural Electrification Corporation is guided by certain directives given by the government of India, of which the more important are that:

- (i) the corporation may consider schemes for financing on the basis of a project approach;
- (ii) it should provide financial assistance for schemes which satisfy criteria of economic viability, and in particular help increase agricultural production;
- (iii) in financing projects, the corpora-

tion should give special consideration to the requirements of relatively backward areas and may offer preferential terms and conditions of loans for such areas; and

(iv) the corporation should help to promote some pilot rural electric co-operative projects and generally try to promote the co-operative method of distribution of electricity in the rural areas.

The principal borrowers of the Rural Electrification Corporation are the state electricity boards of which there are 17 today. These boards have been vested with the responsibility for generation, transmission and distribution of power within their respective states. Apart from the state electricity boards, the Rural Electrification Corporation has, at present, five borrowers in the co-operative sector, viz., five pilot rural electric co-operative societies set up in the five states of Andhra Pradesh, Gujarat, Maharashtra, Mysore and Uttar Pradesh.

In determining the eligibility of any scheme for financial assistance, the Rural Electrification Corporation takes into consideration the following factors:

- (a) the project concept;
- (b) economic viability with special reference to increasing agricultural production; and
- (c) the special needs of co-operative projects.

project concept

The project concept arises from the shift in emphasis from villages electrification to energisation of pumpsets which has recently taken place in our country. Electrification of rural areas is recognised as a key factor in stimulating the economic development of the rural areas. This implies that rural electrification is not an end in itself but is a means to activating other forces for rural development as part of an integrated rural development programme.

The economic activities likely to be stimulated by rural electrification in India

are primarily agriculture and, secondarily, rural industries. Therefore, one would have to take into account the plans for agricultural development in the given area and the extent to which other agencies have created conditions for the use of electricity for irrigation as a profitable proposition for the farmers. Similarly, one would have to look into the potential for the growth of village or rural industries in terms of the availability of raw material, entrepreneurship and credit. Credit is an important aspect in agriculture as well as rural industries. The state of communications and the availability of market for agricultural as well as industrial products will be additional considerations.

Another very important factor to be taken into account is the availability of ground-water resources for the operation of electrified pumpsets. When pumpsets are fitted with electric motors, the consumption of water for irrigation will be appreciably increased. It would be necessary, therefore, to ascertain from experts whether the ground-water resources in the region will be able to sustain the operation of electrified pumpsets for the number of hours per year likely to be required for agricultural operations.

The project approach, therefore, really means that whenever a scheme comes up for consideration the Rural Electrification Corporation looks into it not just as a project aimed at extension of electric lines to certain villages and provision of service connections to certain points, but as an essential component in the integrated plan of economic development for the area.

economic viability

The next important consideration is that of economic viability. The considerations which arise in assessment of economic viability are connected with the project approach. Economic viability has to be spelt out in concrete terms. Criteria for economic viability have been evolved by the Rural Electrification Corporation on the basis of classification of areas from the point of view of economic development achieved and the potential for future development.

Areas which are classified as economically backward are allowed an additional period of five years to reach the level of viability as compared to areas which are classified as advanced. The achievement of the prescribed level of viability is expected both for advanced as well as back-

ward areas, over a period of time, the period for advanced areas being 10 years and that for backward areas 15 years. A project to be viable should be capable of a net return of 3.5 per cent on the capital investment involved in the project by the tenth year or the fifteenth year of the commencement of the project, depending on whether the area is classified as advanced or backward.

under-developed areas

There are, however, certain exceptional areas like under-developed hill regions in some states of the Indian union, which call for special treatment in the matter of rural electrification. A rural electrification project in such an under-developed area may not be able to achieve the prescribed level of viability even in fifteen years. Recently the category of specially under-developed areas has been extended to include tribal areas and desert regions.

In such exceptional cases an additional period of five years is allowed for reaching the level of viability. The periods of loan and the rates of interest are suitably adjusted to meet the requirements of advanced, backward and specially under-developed areas. According to the present policy decisions of the Rural Electrification Corporation, a loan for a project in an advanced area is repayable over 20 years; a loan for a backward area is repayable over 25 years; and a loan for specially under developed hill regions is repayable over 30 years.

In addition, in order to correct imbalances in rural electrification, special category loans are being made available for extension of high tension transmission lines and connected sub-stations in states which are backward in rural electrification, i.e., below the all-India average of rural electrification. These loans are subject to certain norms to ensure that the lines primarily cater for rural loads.

More recently, the Rural Electrification Corporation has evolved a new category of special loans. The loans are specifically for systems improvement in areas covered by projects sanctioned by the corporation.

The corporation has also been entrusted with administering a special fund specifically designed to extend electricity mainly for public and street lighting in areas inhabited by Harijans adjoining villages which are already electrified. In the projects sanctioned for loans by REC

POINTS OF VIEW

also provision is made for the inclusion of Harijan basties in the rural electrification project areas.

Since the Rural Electrification Corporation started sanctioning loans in March 1970 until the end of July 1972 it had approved 264 projects including pilot rural electric co-operatives. These projects which will help spread the benefits of electricity to about twenty-five thousand villages have been sanctioned in all loans amounting to Rs 160 crores. One hundred of these projects are for areas which are economically backward and six for specially under-developed areas in the hilly regions. Six are for special transmission lines. One hundred and forty seven projects are for advanced areas and five for Rural Electric Co-operatives. Nearly three and a half lakh agricultural pumpsets will be energised and connections provided for a little less than ten lakh agro-industries and light and cottage industries. The villages and the adjoining hamlets will be provided with several thousand domestic and commercial connections and street lights.

In addition, the Rural Electrification Corporation has approved about Rs 56 lakhs specially for the electrification of hamlets inhabited by Harijans adjoining villages which are already electrified.

rural electric co-operatives

At present there are five pilot rural electric co-operative projects each covering on an average 160 villages. These projects are somewhat different from the projects of state electricity boards financed by the corporation. A project sponsored by a state electricity board is a scheme for extension of power to a certain number of consumers of different classes. The economics of the scheme can be judged with reference to the economic benefits to be derived by the consumers as well as the return on the capital investment made by the state electricity board. But a rural electric co-operative project is a scheme of area coverage under which the co-operative society takes a distributing licence. Under the law it is obliged to provide connection to any consumer within the area of its operation. Some of the areas covered by co-operative projects are also urban or semi-urban in character and sometimes the co-operative societies have to cater for bulk consumers also. Moreover, the co-operative societies have to take over the existing assets and installations within the project area from the

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state electricity board and they have to lay out further distribution lines.

The Rural Electrification Corporation has agreed to provide loans to these societies to meet the cost of taking over existing assets from electricity boards as well as of construction of new lines and service connections within the project period not exceeding five years. Specially concessional rates of interest have been allowed to these pilot co-operatives. It is expected that these co-operatives, being organisations of consumers, will be able to pay close attention to the needs of the rural areas within their coverage, and their functioning, being consumer-oriented, will be conducive to economy. After these five pilot projects have functioned successfully for some time, similar projects are likely to be set up in

other areas also. Feasibility studies for such new projects have already been undertaken.

The REC has also initiated certain special measures to bring about economies in rural electrification. It has established a special cell with expert staff to study this problem, in continuation of the work already done in this field by the Central Water & Power Commission, the Indian Standards Institution and other expert bodies. It has held consultations with manufacturers, research organisations and the state electricity boards. As a result, it has been possible to evolve standards in respect of conductors, distribution transformers and other items which constitute a significant proportion of the total cost in rural electrification. It is estimated that with the adoption of the standards

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evolved, construction cost can be economised to a considerable extent.

The overall emphasis in the Rural Electrification Corporation's approach is on stimulating the use of electricity in rural areas for productive purposes such as energisation of pumpsets for agriculture and provision of electricity for small and cottage industries as well as for domestic purposes street lighting, and for community institutions such as village recreation centres, libraries, etc. The Rural Electrification Corporation also seeks to lay stress on the inter-relationship of electrification of rural areas with other developmental activities in order that the load growth is hastened and at the same time the community as a whole can derive the optimum benefits from electrification.

Industrialisation of Uttar Pradesh

S. K. Ray

IN THE industrial geography of the sub-continent, Uttar Pradesh unfortunately does not find as yet a place of importance. There are several reasons for this, and the one commonly advanced is that the province is backward in its possession of industrial raw material. Other reasons include paucity of surplus industrial capital as also of effective industrial entrepreneurship. While these reasons are partially correct, they do not wholly explain the halting progress of industrialisation even in post-independence era.

In Uttar Pradesh, strictly speaking, there is only one industrial pocket, in and around Kanpur, and only recently an industrial area is opening up in the Garhwa-Singrauli valley where several industrial complexes have been started. Besides, a diesel locomotive works has been functioning at Varanasi for some time and there are spot industrial organisations here and there and a few industrial estates. The sum total of all these, however, does not amount to very much compared to the industrial development of a truncated state like West Bengal and, for that matter, states like Maharashtra, Gujarat or Tamil Nadu.

It is true that basic industrial raw material is scarce in the major part of Uttar Pradesh and there is only a fringe of min-

ing wealth along Chopan-Garhwa-Singrauli sector. Industrialisation in the country so far had taken place in and around important mining belts where iron, manganese and such other ores are available in plenty, and where, above everything else, coal is available.

If meaningful steps towards industrialisation were to be taken in Uttar Pradesh, the emphasis should be the development of *white coal*, i.e., electricity, and on the development of agriculture as an industry. Other industries like diesel locomotive works at Varanasi, the aeronautics factory coming up near Lucknow, the scooter industry at Lucknow, the textile mills in Kanpur area, can add to spot industrial development in different areas, as a sequel to industrial policy decisions of the governments at the centre and in Uttar Pradesh; but a wave of industrialisation which can sweep over the length and breadth of the province can come up only in the directions mentioned above, and mainly by industrialising agriculture.

There is no gainsaying that Uttar Pradesh, which is situated in the fertile alluvial belt of the Ganga, the Yamuna and a net of other tributaries, and has easily the largest agricultural land for any single state in the country, has one of the poorest

systems of agriculture. Industrialisation does not necessarily mean raising up of huge factories producing ingots of steel; contrarily it can also take shape in ventures where a large number of men are employed, where output is turned out on scientific lines, the economies of scale are realised, and the rate of productivity is larger than the rate of investment.

Industrialisation in Uttar Pradesh, therefore, must flow from agriculture. In this state the settlement systems are still disorganised, holdings are uneconomic, fallow lands are extensive and the output per unit is dismally low. There should be an attempt at *wholesale industrialisation*, so to say, of agriculture in the state.

For this, the barriers of uneconomic holdings should be broken up, modern methods of farming should be introduced on a *collective* basis, centralised farming should be organised, godowns and silos should be set up for storage and to function as bargaining counters, and factories on small and medium scales should be set up in districts based on and sustaining agricultural output. Here, one has to think very seriously about the need for introducing collective farming and organising agriculture on modern techniques in the state.

To what extent nationalisation of agri-

culture (even though not of holdings) is a necessity, would have to be seriously investigated. It will be necessary, to begin with, for the government to take over and arrange cultivation on modern methods of the very large areas of cultivable lands in the state, which have not so far come under any tractor wheels. Then the programme may be extended in phases to other lands.

The Irrigation system in Uttar Pradesh is very backward and does not compare at all with the facilities already created in Punjab and Haryana. This has to be vastly improved and, if that can be done, cultivation will prosper and agriculture will bring affluence all around the countryside. There has to be far-reaching revision in the land settlement systems and the *ryotwari bandobast*.

There will then be money to spare for future investment into small and medium-scale industrial enterprises and for a ring of mills and factories which can be based on agricultural products and by-products, and which themselves will further the development of a modernised industry of agriculture. Since there is no investment readily available for this purpose in the state today, (which itself is a bit of a paradox), the small and medium industries even when they are being sponsored partially in the state should not prove much of a success, unless sufficient industrial surplus is generated for investment and the flow of capital becomes spontaneous and ceases to be reluctant. It has to be repeated that the basic fact of industrialisation in the context of Uttar Pradesh has to be understood in this background. There is no need to set up by the dozen mills and factories in Uttar Pradesh, which have to depend on coal, iron ore or manganese ore. In this state there are many turbulent rivers which can be permanently harnessed and from which any amount of electricity can be generated.

industrial projects

The major industrial enterprises which can be set up should, therefore, be based on consumption of electricity, and should not be dependent on materials which have to be transported from distant areas, because the productivity of such industries will be severely limited by the economics of location, which is a very important factor in industrial economics.

It is, therefore, that before wholesale industrialisation of large areas in the usual sense can take place, there needs to be a

fast and sponsored development of hydel power.

In any programme of industrialisation of Uttar Pradesh transportation will not be a major problem. The state is already linked up with criss-cross railway lines, both on broad and metre gauges, and there will be railhead services for any industry that may come up or that which already exists.

Planned development of the railways will also take into account any programme for industrialisation in any part of the state, as elsewhere. This, today, will never be a problem, provided there is material to be moved into the state or material to be moved out of the state.

In fact, when all on a sudden, a *green revolution* started in Punjab and Haryana, it was the railways which came to the rescue of the states by moving any amount of wheat to the deficit states, thus preventing uneconomic gluts in the home markets, and thereby sustaining the productivity and profitability of agriculture and marketing enterprises. The railways also have later participated in the revolution by suggesting to the state governments and Food Corporation of India to create sufficient storage facilities in the states.

arterial roads

Contrarily, in Uttar Pradesh, where last year there was a comparatively successful harvest, it is common knowledge that there was difficulty in bringing the procurable surplus to the railways for movement for want of arterial and feeder roads and also for lack of adequate storage capacity in the countryside.

If agriculture in Uttar Pradesh has to be industrialised, rail transport network will certainly give it a big hand. In order, however, to take full advantage of the railways the state government will have to develop a larger network of feeder road and storage services, including godowns and silos, both in the countryside and at the major railheads.

There are many areas in Uttar Pradesh where the hinterlands for the major railheads for dispersal of industrial and agricultural output need to be opened up. Such hinterlands extend over the large non-urban agricultural and semi-agricultural areas and over distant industrial estates, like the one slowly developing in the wake of Rihand Dam project. The whole area is beyond the Chopan river bridge and a number of hillocks, and connected by a good highway, making it more suitable and profitable for road

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transport to link up the area with the nearest railheads, such as Robertsganj, Chopan and Churk, and other points on the Garhwa-Singrauli links.

Under the five-year plans, India has projected, and to a large extent worked out, a mammoth extension of railway services, all over the country, including Uttar Pradesh. Yet, considered from the viewpoints of the necessities of developing industrial and agronomical economic sectors, Uttar Pradesh, like most other states, will have to depend for a long time on the roads in addition to whatever further development in the railway system may be achieved in the near future. It is necessary to have an extensive network of arterial and feeder roads to open up the hinterland for the railheads.

anachronistic farming

The per capita income in Uttar Pradesh is low. This is because industry has made no meaningful progress, and because the system of agriculture is anachronistic. Mineral resources are scarce. Potential for development of hydel power is enormous. Labour is mainly unskilled and agrarian. Agricultural land already under cultivation (but in an uneconomic way), arable lands not under cultivation and lands which are not arable but can be brought under cultivation by dint of irrigation and investment, are all vast and extensive.

A large number of large-scale industries also can be set up in the state which will draw their sustenance from agriculture, and will be run on electricity which should be available in plenty in the state if the rivers are properly harnessed.

As far as rail transport is concerned, the facilities already available can attend to the increased industrial requirements. If more facilities are required to be created, these will certainly be developed and offered to the state. In fact, a state gets such railway networks as it deserves. If Uttar Pradesh takes progressive steps in industrialisation of its ventures, there will be no dearth of adequate rail movement capacity.

But this alone will not be enough. It will be necessary for the state itself to develop a large network of arterial and feeder road systems, which now are more or less primitive, so that these can link up the agricultural holdings and the village-level industries with the silos and godowns in the markets and the factories in the towns and cities and all of them with the nearest railheads.

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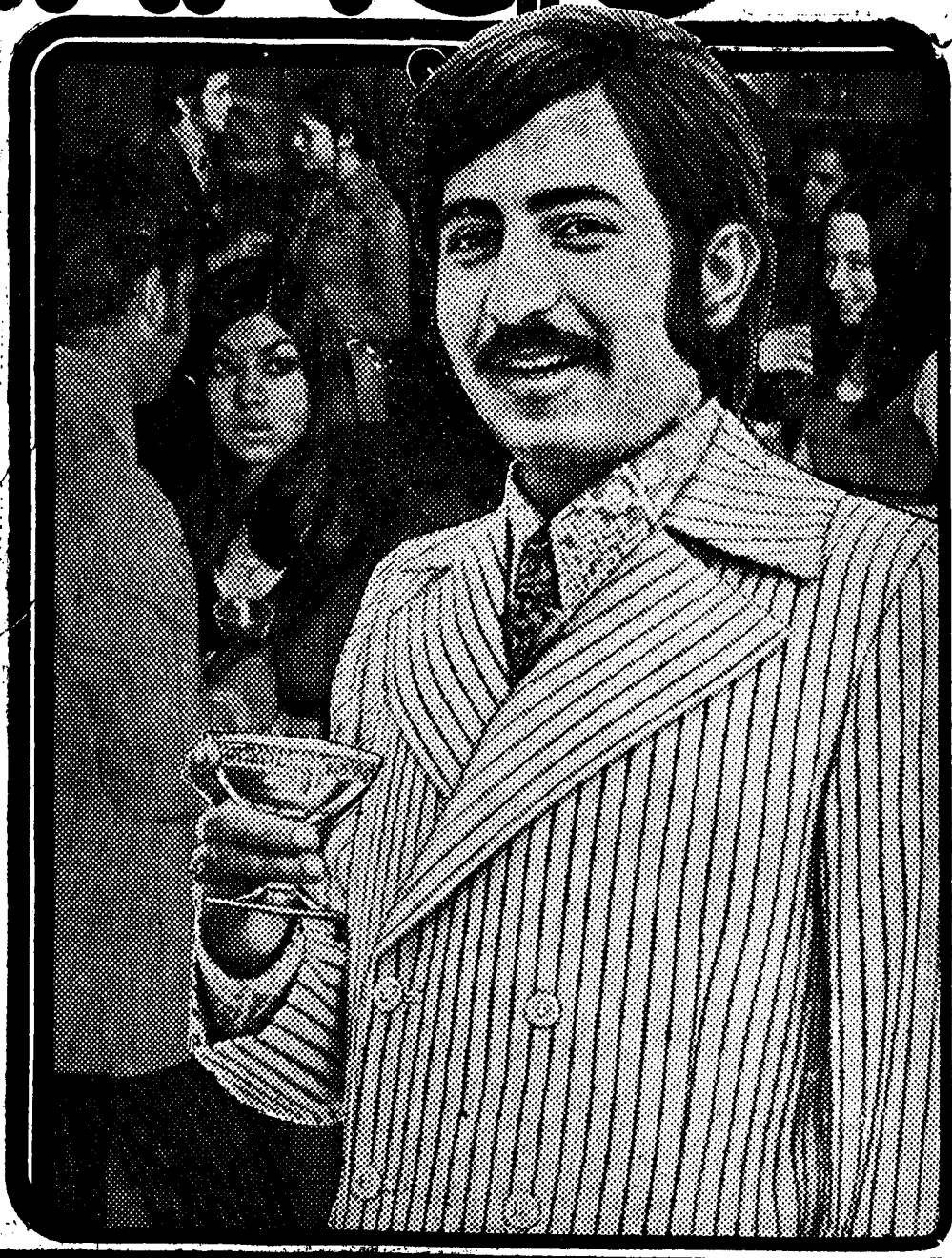
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POINTS OF VIEW

M. V. V. Peri Sastry

Instability in agricultural prices

THE FOURTH five-year Plan has outlined two objectives for fulfilment, namely, to provide the conditions necessary for a sustained increase in agricultural production of about five per cent per annum over the next decade and to enable as large a section of the rural population as possible, including the small cultivator, the farmer in dry areas and the agricultural labourer to participate in development and share its benefits. These objectives imply attainment of self-sufficiency in foodgrains and remedying imbalances in the agricultural economy with social justice. In addition, there is also an urgent need for stepping up the exports of some of our cash crops and for making sustained efforts for exporting even foodgrains in future to meet the foreign exchange payments for our increasing imports for exporting even foodgrains in future development, debt servicing in the face of an uncertain climate of foreign aid and so on. To achieve these objectives, it is necessary that the grower is not only assured of certain minimum returns but also of some incentives to grow more. For this the basic requirement is to see that the cultivator is ensured of getting a certain minimum price for his product under all circumstances. As the late Dr P.S. Deshmukh put it "all efforts at increasing agricultural production will be of little avail if increased production were to continue as in the past to result in abnormal lowering of farm incomes. For sustained high level of production, it is absolutely necessary that the grower should be given a reasonable price for his produce."

price checks

It is also equally desirable to ensure that the prices of agricultural commodities do not shoot up causing much hardship to the consumer. Abnormal rise in the price level may also divert the flow of goods to consuming centres within the country thereby cutting into exportable surpluses and in some cases may even result in our products being priced out of international markets. It is, therefore, obvious that undue fluctuations in agricultural prices which cause considerable hardship to the grower and consumer alike and affect our export trade are cur-

bed in the interest of our economy.

In our country where there is no cropping regulations, it is largely the level of prices that determines the use and availability of resources and the acreage under different crops. In other words, agricultural production cannot be regulated according to the consumers' demand. The problem of sudden surpluses or deficits of agricultural commodities is the outcome of this peculiarity. This inherent uncontrolled mechanism in the agricultural sector disturbs the price equilibrium. Secondly agricultural commodities, whose elasticity of demand is somewhat low, are prone to react to a small increase or decrease in their supply with a disproportionate rise or fall in prices. More specifically, agricultural prices are affected by the following short term and long term factors:

difficult storage

1. Agricultural commodities are generally speaking voluminous and in some cases perishable rendering their long term storage difficult and risky.

2. The harvest period which is limited to a few weeks is followed by a glut in

the market as the Indian farmers' holding capacity of stocks is low.

3. Apart from the temporal fluctuations in prices there will be, at a point of time, wide regional disparities in price levels (of even comparable qualities/varieties of the crops grown) stemming from the existence of pockets of surplus or deficit that are separate by long distances in our country. Inadequate storage and transport facilities aggravate the position.

4. Sometimes, strong varietal preferences by consumers lead to substantial differences in the price level in regions producing different varieties of the same commodity.

long-term factors

1. The rate of investment in the economy has a direct impact and on the price level, subject of course, to the increase in volume of production brought about by such investment. That is to say, any step-up in investment unaccompanied by a corresponding growth in production would tend to push up the prices.

2. The rate of growth in population is another secular factor that will have a direct influence on the price level.

In the context of the need for stabilis-

TABLE I
Seasonal Indices for Prices of Chillies in Five Different Centres

(Based on monthly prices from 1965-66 to 1970-71)

Month	Bombay	Guntur	Nizama- bad	Patna	Virudhu- nagar
January	102.15	106.89	88.25	97.19	132.26
February	98.56	90.13	93.66	92.02	96.93
March	97.37	92.99	96.51	96.85	83.22
April	96.19	84.24	87.48	85.47	74.39
May	98.90	83.42	95.26	91.53	74.34
June	95.78	88.44	97.67	94.53	83.57
July	98.12	91.42	107.45	94.82	86.28
August	93.89	97.62	97.87	95.30	89.87
September	92.71	104.44	95.45	96.53	93.74
October	115.41	131.84	124.28	117.62	119.42
November	110.45	116.89	109.83	120.32	123.39
December	100.51	116.64	106.37	117.81	142.53

POINTS OF VIEW

TABLE II

Analysis of Variance

Source of variation	Sum of squares	Degrees of freedom	Mean sum of squares	F. Value	remarks
Total	8,339,172	359			
Year(Y)	5,373,012	5	1,074,602	479.9	Highly significant at 1% level.
Month (M)	258,992	11	23,545	10.5	Significant at 1% level.
Centre (C)	402,781	4	100,695	45.0	do.
Interaction (YM)	1,424,245	55	25,895	11.6	do.
Interaction (MC)	178,381	44	4,054	1.8	Not significant.
Interaction (YC)	209,251	20	10,463	4.7	Significant at 1% level.
Interaction (YMC) (Error)	492,510	220	2,239		

APPENDIX

Monthly Prices of Chillies in Different Centres in India, (1965-66 to 1970-71)

(Prices in Rs per quintal)

Month	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
BOMBAY						
April	212.50	370.85	365.52	178.12	295.63	600.0
May	181.25	413.75	409.37	156.33	318.40	622.0
June	185.62	428.00	305.00	140.62	337.50	662.0
July	192.50	485.50	356.25	150.00	337.50	605.0
August	195.62	537.50	318.75	199.25	312.50	493.0
September	194.73	480.00	264.37	233.50	384.38	493.0
October	202.90	483.75	299.00	153.12	475.00	545.0
November	278.12	481.25	212.00	180.00	479.25	480.0
December	282.70	340.00	212.80	203.12	487.50	440.0
January	255.70	336.25	206.25	182.00	552.50	512.0
February	219.37	381.25	290.25	195.83	484.38	437.0
March	231.50	375.00	193.00	300.00	484.38	418.0
GUNTUR						
April	170.00	322.00	330.00	164.25	285.00	495.0
May	180.00	322.00	320.00	155.00	313.80	481.0
June	168.00	396.25	295.00	148.25	393.75	495.0
July	182.00	454.00	305.00	140.50	446.25	449.0
August	202.50	525.00	305.00	177.00	417.50	497.0
September	192.50	566.00	305.00	197.50	472.50	550.0
October	230.00	723.33	305.00	193.75	511.00	557.0
November	245.00	643.33	155.60	168.75	582.25	476.0
December	265.00	537.50	155.75	163.75	650.00	431.0
January	265.00	300.00	155.00	189.20	768.75	462.0
February	257.50	355.00	155.00	230.00	490.00	342.0
March	272.50	358.00	150.00	291.25	455.00	391.0

(Cont)

ing agricultural prices, which by and large have been subject to considerable fluctuations in our country, it would be beneficial to carry out an objective price analysis before any measures for remedial action are contemplated. Such analysis consists in studying how the prices behave over time, finding out how much of the variability is ascribable to known sources of variation and testing whether the effect of each source of variation is significant or not. In what follows, the prices of dry chillies which are grown in many states of India and which are also an important foreign exchange earner among Indian spices have been considered for price analysis as outlined above.

Monthly average wholesale prices of five different centres, viz. Bombay, Guntur, Nizamabad, Patna and Virudhunagar for a period of six years from 1965-66 to 1970-71 (see Appendix) have been considered for studying the seasonal variation in the prices of chillies. The seasonal indices of chillies for these five centres worked out after eliminating the random or irregular fluctuations by means of a 12 monthly moving average are given in the Table I (p. 555). The graph on page 558 depicts the movement of prices month after month in the five different markets:

seasonality in prices

These seasonal indices show when the prices are generally easy and when they are likely to harden up. It would be apparent from the table and the graph that prices of red chillies in all the centres are very low during April-May in the year with the exception of Bombay where the price level is the lowest in August-September, and rise high during October-January. The seasonal indices will also facilitate comparison of price levels in different centres at the same point of time. Such indices, if made available to the producers—sellers will prove to be of immense use in helping them to choose the market for the disposal of their produce at a specified time. For instance, in the month of December or January, it may be advantageous for a seller in Nizamabad to shift his stocks to a place like Guntur or Virudhunagar for disposal subject to the consumers' preferences and the freight charges involved in transporting the stocks from Nizamabad to Guntur or Virudhunagar. If the price differential is wide enough to more than compensate the freight charge and other incidental expenses, it would be advisable for one in Nizamabad to sell off his stocks in Guntur or Virudhunagar in December-January.

In the same way with such information regarding price movements on hand, buyers also can choose the market from where to purchase their requirements. Besides being of much use to the producer and consumer in regard to the sale or purchase of the produce as the case may be, the indices of seasonal variation can be an important tool for the policy maker to adopt measures and timing them properly for curbing the extreme fluctuations in prices.

analysis of fluctuations

Seasonal indices give an idea of how the prices vary and the extent to which shifts in price movements take place in the year. However, the variation in prices apart from season, may be due to a multiplicity of factors such as the place, trade-cycle and other long-term and secular forces at work.

Analysis of variance is a device by which the total variation (in price) is compartmentalised into several parts, each part being attributable to a single factor bringing about the variation. It also aids in determining on a scientific basis, whether the quantum of variation attributable to individual factors is significant or not, by the application of statistical tests of significance. In order to carry out the analysis of variance, the monthly price of chillies in the five different centres of Bombay, Guntur, Nizamabad, Patna and Virudhunagar for the six-year period 1965-71 have been tabulated in the form of a three-way classification and the variance analysed. Table I (p. 555) shows the results of the test to verify the significance or otherwise of the variation due to month, year and the centre as also the variation due to the interaction between year and month, month and centre, and year and centre.

These results show that except for the variation due to the interaction of month and centre, the effect of all other sources of variation is significant, the effect of the year being highly pronounced. The variation in prices of chillies between months in a year and between centres is also quite high.

What is true in regard to the prices of chillies is broadly true in the case of prices of all agricultural commodities in general except those fixed or controlled by the government such as foodgrains, sugar, cotton, jute etc. As emphasised earlier it is essential that the fluctuations in agricultural prices are evened out and towards the end an effective price stabilisation policy followed. The steps outlined below may help realise this aim.

1. Adoption and extension of uniform

Monthly Prices of Chillies in different Centres in India, 1965-66 to 1970-71

(Prices in Rs per quintal)

Month	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
NIZAMABAD						
April	160.00	253.00	288.25	140.33	393.00	395.66
May	181.00	341.00	316.00	156.33	349.00	460.75
June	173.50	425.25	257.20	166.00	364.67	490.00
July	176.25	443.90	272.25	166.00	360.00	470.00
August	190.00	467.00	213.50	182.00	380.00	470.00
September	191.50	467.00	196.40	195.50	361.00	477.67
October	210.35	467.00	240.00	195.50	460.00	523.33
November	273.00	235.00	202.50	160.00	460.00	550.53
December	266.40	235.00	182.50	160.00	460.00	550.33
January	238.50	235.00	175.00	129.00	350.00	433.60
February	234.00	235.00	149.00	176.75	531.00	355.00
March	218.25	350.00	144.60	299.62	437.67	308.00
PATNA						
April	222.37	278.64	435.37	207.64	375.00	597.50
May	237.78	388.49	401.88	217.02	381.75	620.80
June	233.10	454.46	409.98	214.34	431.50	616.00
July	233.09	513.37	415.58	200.94	469.00	559.80
August	254.53	544.79	377.57	227.74	488.20	521.25
September	230.99	589.24	281.32	267.92	560.00	528.50
October	219.70	669.80	276.55	271.27	631.80	587.00
November	241.13	643.01	281.32	262.57	621.25	656.00
December	254.53	643.01	227.73	254.77	657.25	656.00
January	254.53	471.41	207.64	315.25	638.00	375.00
February	261.23	442.07	209.87	232.00	648.00	375.00
March	267.92	468.86	219.75	316.33	616.00	420.25
VIRUDHUNAGAR						
April	192.80	293.00	322.00	192.75	314.50	477.50
May	192.50	352.50	315.50	169.60	348.20	444.00
June	176.75	426.25	392.00	159.00	433.50	465.00
July	198.00	496.50	304.50	163.13	511.00	462.00
August	198.00	546.75	286.25	225.20	485.60	496.25
September	198.00	604.00	295.20	236.25	492.75	520.00
October	198.00	730.50	301.25	295.00	562.00	574.00
November	383.00	641.50	261.25	266.00	675.00	557.25
December	352.00	588.00	198.60	260.00	801.25	530.00
January	341.75	355.00	182.50	255.00	912.00	523.00
February	298.25	418.75	190.25	285.33	655.00	422.33
March	258.75	342.60	197.20	325.25	470.75	380.00

POINTS OF VIEW

grades and standards for as many agricultural commodities as possible which would facilitate the sale and purchase of goods at standard prices all over the country. National grades and standards are important not only to the farmer and consumer within this country, but also to the manufacturer, exporter and foreign buyer. Grading and standardisation are equally important from the point of view of cutting down the packing and transport charges incurred in moving unwanted foreign maker from producing to consuming centres.

2. Extension of regulation of markets to states where it is not practised today and to tighten the regulation where it is

loose. In a regulated market the farmer enjoys the benefit of open bids, standardised market practices and predetermined market charges. Incidentally, it is inherent in the system of regulation that all information on arrivals, prices etc. should be recorded so that this may simplify the task of collection of reliable and comprehensive market intelligence.

3. Organisation of market intelligence which would not only help the farmer in the orderly marketing of his produce but also aid the government in formulating sound food and agricultural policy. Market intelligence connotes not merely price data but also information regarding seasonality in prices, market arrivals, mar-

ketable surplus, likely demand and other allied information.

4. Timely dissemination of market information by organising an efficient Market News Service and evolution of a system of price broadcast that will bring to an increasing number of persons, the timely, accurate and comprehensive interpretation of factors influencing the market. It would be useful to include in the broadcast from one state the market news of other states. This would enable farmers to keep in touch with the price movements in the neighbouring states.

5. Adoption of suitable fiscal and monetary policies by the government in regard

to extension of credit, imposition of levies and the like.

6. Improvement in government warehousing facilities and promoting scientific methods of storage in godowns owned by private individuals through energetic extension work.

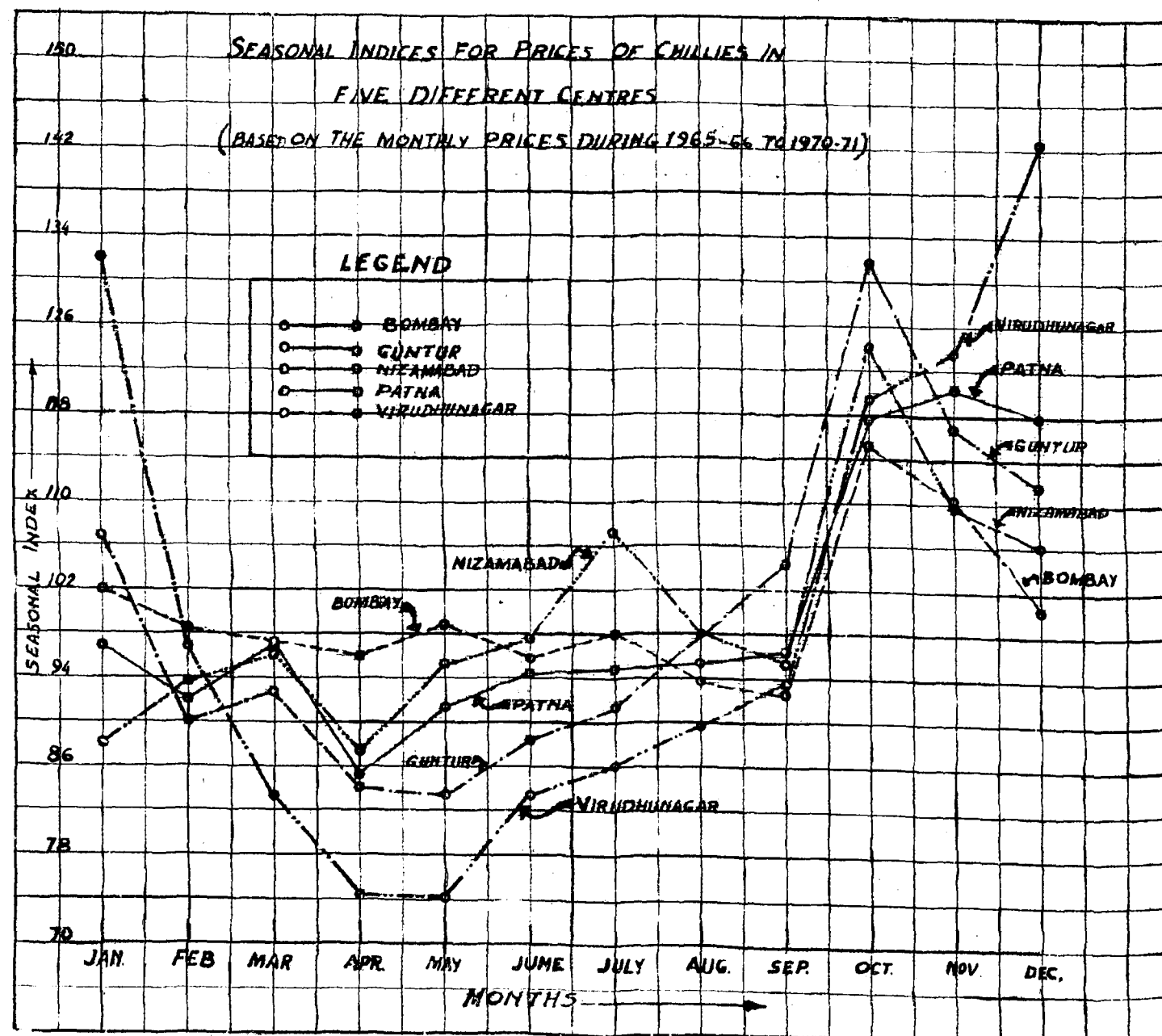
7. Ensuring that the institutional credit advanced by banks and other financial institutions really reaches the needy far-

mer on easy terms which alone can improve his holding power after harvesting his crop and his bargaining power vis-a-vis the trader or the middleman.

8. State intervention to curb extreme fluctuations by open market operations. Strengthening the Food Corporation of India (FCI) and extend its activities to cover a wide range of other agricultural commodities or, if need be, setting up of

another corporation on the lines of the FCI is a proposal worthy of consideration.

9. And finally organising an efficient network of public distribution through fair price shops, departmental stores and agmark emporia to ward off any price spiral in times of scarcity. The price spiral is bound to hit the poorest section of the hardest just as any crash in price is bound to hit the small farmer.



POINTS OF VIEW

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FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi.

THE BEHAVIOUR of the ruling party in the Lok Sabha on Saturday, when the House was scheduled to discuss the affairs of the Food Corporation of India, did little credit to it. It, indeed, was an unseemly attempt to stall the discussion on the issue which had assumed great significance in the recent past because of the agitation by a section of the officials of the FCI. One fails to understand why the deputy whip of the government started taking the Congress party members out from the House when with its overwhelming majority, the ruling party could squarely face the debate. Presumably, the effort was designed to get the House adjourned sine die without the operations of the FCI being discussed on the plea that there was no quorum. The alert opposition, however, foiled this attempt and forced the Speaker to extend the sitting of the House by a day — on Monday.

As stressed in this column earlier on several occasions, it is true that both the treasury benches and the opposition have responsibility to maintain quorum in the House so that proceedings can go on smoothly. But in view of the setback suffered by the opposition at the last parliamentary election the responsibility of the ruling party to keep quorum has assumed heightened significance. Any recurrence of the last Saturday's happening can do a great harm to the faith of the people in democracy. Could it be hoped that a serious note would be taken of the matter by the union government and a thorough probe will be instituted to find out the reasons for the attempt of the deputy whip at carefully emptying the House just before an important debate was to be held?

refreshing change

When the matter was taken up on Monday, it was, of course, refreshing to note that not only the opposition members were exercised over the working of the FCI but many Congress members also expressed their deep concern over the affairs of this biggest public sector undertaking, whose turnover aggregates to about Rs 1,600 crores per annum. The FCI chief, Mr Iqbal Singh, was the main target of the Opposition. Mr Pilo Mody (Swatantra), who had raised the discus-

sion, alleged that Mr Iqbal Singh was tempering with official records to forestall a fair inquiry against him. He, along with several other opposition members, called for the suspension of Mr Singh and the constitution of a high-powered commission of inquiry to investigate the various charges against him, some of which were being looked into by the Central Bureau of Investigation. The charges, as mentioned in the House, included (i) purchase of mustard oil by the FCI at prices higher than those prevailing in the market, (ii) the supply of maize to starch manufacturers through negotiable tenders and not through open tenders, (iii) the disposal of gunny bags, (iv) transportation of foodgrains to some parts of the country, and (v) pulses deals. According to Mr Mody, the working of the FCI under Mr Iqbal Singh was a story of "swindle and leakage of crores of rupees of public sector money".

reeking corruption

Some of the Congress members who participated in the debate, expressed the view that the CBI inquiry ought to have been directed not only against the Chairman of the FCI but also against bureaucrats so that the whole truth could come out. They felt that Mr Iqbal Singh was being victimised by officials who did not like certain actions of his. Some other Congress members, however, agreed with the opposition and demanded the exit of Mr Iqbal Singh. Mr S. S. Mahapatra (Congress) alleged that there was reeking corruption in practically every branch of the FCI.

Replying to the debate, the Minister for Agriculture, Mr Fakhruddin Ali Ahmed, assured the House that the government would carefully examine the allegations made by members. He, however, preferred not to say anything on the demand for the constitution of a high-powered commission of inquiry. He also rejected the plea for the suspension of Mr Iqbal Singh. It would not be proper to punish a man till he was found guilty, he stressed. Mr Ahmed disclosed that Mr Iqbal Singh had sent to him a 200-page explanation which he was studying. The government would take action only if a prima facie case was established

against the FCI chairman. The Agriculture Minister admitted that the CBI was inquiring into some charges against Mr Iqbal Singh, but he pointed out that he had not referred any case to the CBI except the one relating to a deal in pulses. The CBI, of course, had taken up the inquiry into the other charges on its own.

Wanchoo committee report

Another important subject which came up for discussion during this terminal week of the monsoon session of Parliament was Wanchoo Committee's Report on Direct Taxes. The government was assailed for not taking effective steps to check the growth of "black money", which, it was stressed, was playing havoc with the economy. Mr Jyotirmoy Bosu thought that the ruling party was not interested in curbing the growth of black money because it was dependent on it. He also alleged that at one time the government had decided to demonetise currency, but at the last minute the proposal had been abandoned because the Prime Minister did not give clearance to it.

Intervening in this debate, the Minister of State for Finance, Mr K. R. Ganesh, promised that a comprehensive legislation would be brought forth during the winter session of Parliament (of course, if the Finance Ministry's processing of the Wanchoo Committee's report was completed in time) to mount a determined attack on the citadels of black money. The government, Mr Ganesh added, had already acted on some of the recommendations of the committee.

Another highlight of the proceedings of Parliament this week was the discussion on the notice served by the Uganda government on Asian settlers to leave that country within a stipulated period. All the sections of the House expressed concern over the developments in Uganda. The opposition members demanded that the issue of Asian settlers there should be taken to international forums. The Minister for External Affairs, Mr Swaran Singh, however, did not agree with this proposal. He expressed the view that it was better to rely on bilateral approaches, both at the political and official levels, which had already been made by the go-

vernment. He expressed dissatisfaction with the curbs placed on the departing Asians taking away with them all their cash and movables. "We consider that the present facilities for the repatriation of cash and movables are wholly inadequate in relation to their (Asians') long residence in Uganda as well as for starting a new life", he observed.

Mr Swaran Singh rejected the suggestion that India should accept all persons of Indian origin in Uganda. It would be wrong, he said, to let the British who had accepted full responsibility for all British passport holders to get away from that responsibility. The provision of temporary transit facilities to British passport holders agreed to by India, he pointed out, was being done on humanitarian grounds. He assured members that government would shoulder full responsibility for the re-settlement of Indian passport holders. The stateless, he stressed, however, would have to be the responsibility of Uganda, where these people have lived for long.

Lipa posts

Clarifying the recent parleys between a Pakistani delegation and the government of India on the delineation of the new ceasefire line in Jammu and Kashmir, prior to the repatriation of Pakistani prisoners of war, Mr Swaran Singh assured members that Pakistan would have to quit the two Lipa Valley posts which it had occupied after the cessation of hostilities between India and Pakistan in December last.

In a statement made in the Lok Sabha this week, the government announced its sugar and sugarcane policy for 1972-73. The policy envisages stepping up of the statutory minimum price of sugarcane from Rs 7.3 per quintal for 9.4 per cent sucrose content to Rs 8 for 8.5 per cent sugar recovery and increase in the quantum of levy sugar from 60 to 70 per cent of production. The export quota henceforth will be met out of the free-sale sugar; hitherto, it was to be made available by mills at the levy prices, along with 60 per cent of their output to be distributed through fair-price shops.

The government also announced in this statement its intention to have a uniform issue price for levy sugar throughout the country by means of pooling the widely different levy rates for mills in different parts of the country based on the statutory minimum prices of sugarcane. The pooling scheme is to be worked out soon by the Department of Food.

The statement as well described as government's aim the achievement, in a few years, of a balance between the supply

and demand of sugar by raising the production of sugarcane adequately to meet the requirements of the manufacturers of sugar, khandasari and gur, and the creation of a buffer stock to provide against fluctuations in production. This aim is proposed to be achieved through "a well-conceived and properly integrated long-range policy" by both "qualitative and quantitative" improvement in sugarcane production to enable mills to work for nearly 200 days in a year. The imposition of a small extra central cess on sugar would be considered for the purpose.

sugar distribution

Later on, replying to a discussion on the policy in the Rajya Sabha, the Minister of State for Agriculture, Mr Sher Singh, indicated that the government could not take over the entire production of sugar for supply through the public distribution system—this demand had been made in the House by several members, belonging both to the ruling party and the opposition. The reason the Minister gave for this was that if all the stocks were taken over by the state, the mills would not be in a position to pay to cultivators more than the minimum price fixed for cane supplies. He explained that the minimum price for cane, which had been fixed by the government, was only notional. The mills would be able to pay more than the minimum price out of the higher proceeds from the sale of non-levy sugar.

In view of the fall in production and poor carry-over stocks, the government, Mr Sher Singh added, desired that output of sugar during the next crushing season should go up; it could contain sugar prices and build up a buffer stock only if there was an increase in production.

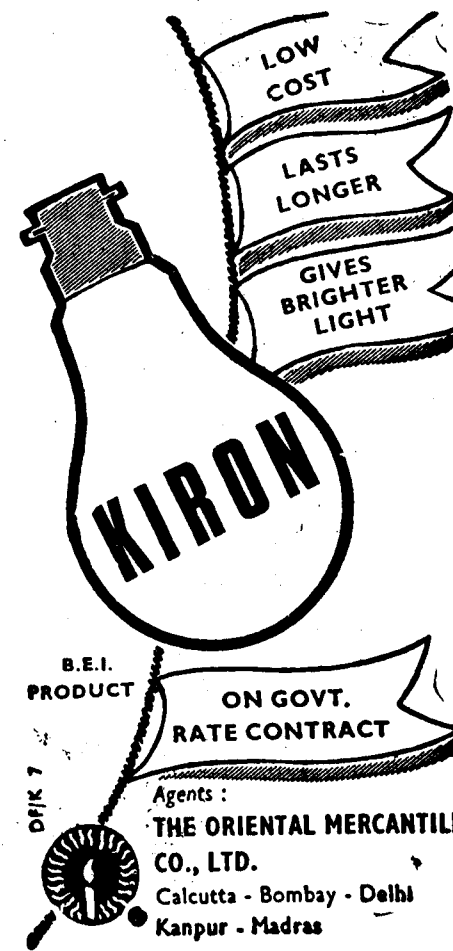
Several members called for the nationalisation of sugar industry. The minister's reply to this demand, however, was that only the interim report had yet been received by the government from the Sugar Inquiry Commission. The Commission had been asked to expedite its final report. The issue of nationalisation could be decided upon only after considering the final report. Some members thought that the increased minimum price for sugarcane too was not sufficient. They wanted it to be raised further.

Several important bills were adopted by the two Houses of Parliament this week. These included: (i) the Mines and Minerals (Regulation and Development) Amendment Bill; (ii) the Rulers of Indian States (Abolition of Privileges) Bill, (iii) the General Insurance Business (Nationalisation) Bill; (iv) the Delhi University (Amendment) Bill; (v) the Former Secretary of State Service Officers (Conditions

of Service) Bill and (vi) the Indian Copper Corporation (Acquisition of Undertaking) Bill.

The Mines and Minerals (Regulation and Development) Amendment Bill sought to amend the parent act in the light of the recommendations of the Mineral Advisory Board. It also aimed at vesting in the government some additional powers in respect of terminating a mining lease in consultation with the state government concerned if the public interest demanded so. During the discussion of this bill, the Minister of State for Steel and Mines, Mr Shah Nawaz Khan, assured members that the government did not propose to take over the entire coal industry. It wanted to give an opportunity to the private sector to play its role in a fair and honest manner. He, however, made it clear that if the private sector did not play its part, the government would not hesitate to step in.

The Rulers of Indian State (Abolition of Privileges) Bill, which sought to abolish a number of privileges which were enjoyed by the erstwhile rulers of Indian states and which empowered the government to pay the former rulers tax-free transitional grants and certain tax exemptions to enable them to adjust progressively to



the changed circumstances after the abolition of privy purses, was generally welcomed by members in both the Houses. Even the exemption granted by the bill from wealth tax to the official residence and heirloom jewellery for the lifetime of the beneficiaries did not attract any adverse comment. Some criticism, however, was voiced against the ex-gratia payment of Rs 10.75 crores to the former rulers.

The General Insurance Business (Nationalisation) Bill, which provided for the nationalisation of the general insurance companies whose management was taken over by government last year, came in for a good deal of criticism. While some members with rightist leanings continued to feel that even the revised compensation amounts fixed by the Joint Select Committee were inadequate and were likely to give a jolt to the investment climate in the country, those with leftist leanings reiterated their objection to the very principle of paying compensation to the shareholders of the acquired companies. The waiving of a rule by the presiding officers of the two Houses by virtue of which the passage of the bill was allowed to be effected on the same day on which discussion on it took place, though a number of changes had been made in the bill by the Joint Select Committee, was seriously objected to by the opposition. In the Lok Sabha, the bill was passed after the entire opposition had staged a walkout. In the Upper House, the proceedings were held up for quite some time.

college councils

The Delhi University (Amendment) Bill, which provided, among other things for the institution of college administration councils, came in for sharp criticism following a strike by the teachers of the university. The government, however, did not yield and got the bill passed. A significant point made by the Minister for Education, Mr Nurul Hasan was that the provision for college administrative councils was only an enabling clause. Perhaps this would help in the restoration of normalcy in the Delhi University.

The Former Secretary of State Service Officers (Conditions of Service) Bill, which aimed at ending the special privileges enjoyed by the members of this service, including the drawing of pension in sterling, and sought to reduce their retirement age from 60 to 58 years, had an easy passage as the number of members affected is now very small. Some members questioned the wisdom of this enactment on the above ground.

The Upper House also passed four other

bills as adopted earlier by the Lok Sabha. These were: (i) the Wild Life Protection Bill; (ii) the Indian Iron and Steel Company (Taking-Over of Management) Bill, (iii) the Antiquities and Art Treasures Bill; and (iv) the Insecticides (Amendment) Bill. The Lok Sabha adopted the Indian Copper Corporation (Acquisition of Undertaking) Bill.

The following information was provided by government spokesmen in the two Houses of Parliament during the question hour:

(i) Some industrial houses whose units were the subject of inquiry by the Sarkar Commission investigating the circumstances which led to production by some industries in excess of licensed capacity, were not barred from applying for expansion or new capacity in respect of the other units they controlled.

(ii) The proposed manufacture of stainless steel at the Salem steel plant would in no way affect the Durgapur Alloy Steel Project. The installed capacity of the Durgapur plant in this line of manufacture was originally thought to be 18,000 tonnes per annum. Due to defects in equipment, the actual capacity, however was only 13,000 tonnes. The actual production during 1970 and 1971 had been just around 3,000 tonnes.

(iii) The government has decided to build up a buffer stock of seven million tonnes of foodgrains by the end of the fourth Plan period, as against the earlier decision of building up a five million tonnes stock. A crash agricultural production programme is being launched by the state governments for the rabi crops to make up the loss in production of kharif crops due to the recent drought and floods.

(iv) There were 120 American companies at work in India as on March 31, 1971. Of these, 68 were companies as defined under section 591 of the Companies Act, 1956, and 32 were Indian subsidiaries of American companies. Of the total, 76 companies had been working in India since 1960 or earlier.

(v) The government proposes to import fish worth Rs 1.5 crores per month during the remaining term of the trade agreement with Bangladesh. About 70 per cent of the imported fish is proposed to be utilised for supply to Calcutta. Contracts have already been entered into with Bangladesh for the export of coal, tobacco and cement and for the import of furnace oil, newsprint and some jute. Regular trade in these items and in fish and textiles between the two countries is

expected to gather momentum in the coming months.

(vi) The government has agreed to make an inquiry into the allegation of exorbitant prices having been paid to a foreign firm for the import of tool and alloy steel through the State Trading Corporation. An Austrian firm was named by a member in this connection. It was alleged by him that the STC had purchased tool and alloy steel from this firm worth about Rs 1.12 crores. The prices paid were more than twice the quotations from the Japanese suppliers. It was further alleged that they were even higher than the prices prevailing in Austria itself.

(vii) India would purchase crude oil from Iraq at the rate of seven to eight lakhs tonnes per annum up to 1974-75. This crude would be processed at the Barauni refinery. The Oil and Natural Gas Commission has put in a bid for prospecting and development of oil in some areas of Iraq.

(viii) The government has written to the Pay Commission drawing its attention to the increase in the cost of living index to 237.08 in July and the possible need to revise upwards the dearness allowance of government employees.

(ix) The first blast furnace of Bokaro Steelworks is expected to be commissioned this month. The commissioning of the blast furnace had been delayed by about a month due to some mechanical trouble.

(x) The government of India has no scheme for the entertainment of claims for compensation from those who suffered losses during the hostilities in December last. The border states, however, have been authorized to provide ex-gratia relief to these sufferers.

The two Houses adjourned *sine die* on Monday to re-assemble on November 13, for the winter session which would last till December 22.

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A Marshall Plan for the USA

Josselyn Hennessy

London.

Face to Face with Gold

I HAVE had the privilege of the acquaintance of M. Jacques Rueff, France's "Grand Old Man of Economics" — now hale, hearty and intellectually as vigorous as ever in his seventysixth year — since I met him in 1928 when I was a departmental chief at the headquarters of the International Chamber of Commerce in Paris and he was a brilliant young member of the Secretariat of the League of Nations. He reached the peak of his active career when as President de Gaulle's financial adviser, he was appointed President of the Committee for the Reform of the French Financial Situation in 1958.

As the old hands, who regularly tie a

price was \$61 per ounce. Today it hovers between \$65 and \$70 — surely undoubted evidence of M. Rueff's prescience. An official revaluation of gold is regarded in France as only a matter of time. Everyone now accepts M. Rueff's view that the official price is laughably unrealistic. It has led to acute complications in Italy in applying the Basel Agreement on the narrowing margins of fluctuation and payment of current debts between member countries of the EEC in gold or foreign currency.

The Italian government obtained a concession that for three months until September 30 it could settle its debts in inconvertible dollars which no one wants. In Tuscany, some way round the difficulty, possibly in the form of a book-keeping

with some interspersed comments from me, is the case which you must answer.

II

M. Rueff's Case for Gold

The rise in the price of gold in dollars from a theoretical parity of \$35 an ounce until December 18, 1971, and thereafter of \$38, until it reached more than \$61 on June 21, 1972 — profoundly modifies the world monetary problem.

The solution of doubling the price at \$70 per ounce, that M. Jacques Rueff proposed in 1961 as a means of re-establishing convertibility, is now, in fact, three-quarters realised. The increase in value of the gold stocks — although only "virtual" as long as the bullion has not been officially revalued — creates a reserve of available funds to contribute to the repayment of the existing dollar balances.

It is certain that the USA will not hold out indefinitely against this bonus and that sooner rather than later then will do exactly what President Roosevelt did in 1934 and what France has done several times (notably in 1958 under M. Rueff's auspices), i.e. re-value their gold reserves at a rate close to that of the market.

M. Rueff is confident that gold will be revalued despite all the vigorous denials trumpeted abroad. It is, he says, certain that the USA will gather the ripe fruit hanging over the garden wall offered them by the rise in the market price of gold.

But the change in the official price of gold in dollars — i.e. the legal parity of the currency — can come about in different ways:

—Either unilaterally in the USA, with the Americans as sole debtors of huge dollar-balances;

—Or simultaneously in all western countries.

There is a vast difference between these alternatives.

III

Alternative I: Unilateral US Change in Legal Parity

To analyse the consequences of a change in the price of gold close to the market

WINDOW ON THE WORLD

wet bandage round their heads before tackling this column every week, will know, M. Rueff has for years proclaimed that gold, which Keynes dismissed as a barbaric relic, continues to be the only acceptable basis for international trade. Before anyone exclaims in disgust that M. Rueff wants to "crucify us on a cross of gold," let him read the following article, which M. Rueff has kindly allowed me to translate from the original French, published in the Paris newspaper *Le Figaro*. Note that for several years past M. Rueff has been advocating that the price of gold should be doubled. And all the while that people have been scoffing at him for this the price of gold on the free market has been creeping up. When he published this article on June 21, the

revaluation of gold reserves of central banks to take account of the market price, was discussed.

The French government is concerned lest the Basle Agreement should be gradually undermined by the reluctance of all central banks to surrender gold at the present official price. But such a revaluation, even if merely a book-keeping one for internal European settlements, raises political difficulties. It would lead to the creation of a European monetary block distinct from the United States.

If you agree with those who favour Special Drawing Rights and the relegation of gold to the limbo of lost causes, here,

price, M. Rueff starts by assuming that the price of gold fixed in 1934 is doubled, which would take the official price of an ounce of gold in the USA to \$70.

The nominal value of the US gold reserves — \$10,206 millions at the end of 1971 — would become about \$20,000 millions.

Of this total, a weight of gold representing \$10,000 million at the new exchange rate could be deducted to repay proportionately certain dollar balances held outside the USA. Such a deduction would leave the USA with a gold reserve of a value in dollars equal to that which they had before the deduction. But note that the liquidity of a balance appreciates not in its weight in gold but in monetary units.

As to the liquidities of the USA's creditors, they would gain the amount of repayments paid in gold by the USA but would lose the amount — exactly the same — of balances repaid. For them, there would be no change in the total of resources necessary to ensure the convertibility of their currencies. Thus there would be neither inflation nor deflation either inside the USA or in the rest of the world — the global situation would remain virtually unchanged.

repayments decrease

On the other hand, the repayment of the dollar balances would proportionately decrease the total of these balances, which is actually about \$50,000 to 60,000 millions. The weight of American sight liabilities held abroad would only fall by a small amount: a fifth or sixth of their total.

Even if the repayment operation were completed by the appropriate funding on the part of holders of dollar balances, it is improbable that the decrease in this minimal proportion of the sight liabilities, which burden American currency, would allow the gold convertibility of the dollar to be restored.

If gold convertibility is desired, other resources must be found.

A decrease in the gold parity of the dollar would involve a lowering of the dollar's exchange rate relative to the currencies of those countries which had not carried out a similar adjustment.

The competitiveness of American products would be increased by the same proportion.

Such a shift would cause profound disturbances in world trade. Above all it would evoke screams for protection

against what would be called American "monetary dumping". We should see a world-wide revival of discriminatory customs duties and import quotas. Inevitably the USA would seek to defend themselves by counter measures. Their isolationist tendencies would be vastly reinforced. Under this double influence we should see the world split up into the economic blocs from which we suffered in 1931-33. The progress won by the liberalisation of the exchanges achieved in the last ten years would be lost. The economic expansion and the improvements in living standards that followed would be gravely, perhaps irredeemably, compromised.

IV

Alternative II : Simultaneous Changes in Gold Parities

If the change in the price of gold were effected simultaneously in the USA and in the principal western currencies, the parities of exchange would not be affected. There would therefore be nothing to fear from the new conditions of international competition. No grievances, no counter measures. World trade would be the same the day after the change as the evening before.

The extension, however, to all the most important countries of the west of a revaluation of their reserves in terms of the market price of gold would set free resources fossilised in the present gold reserves not only of the USA but in all the participating countries.

The non-American states would have available the surplus of the nominal values given to their reserves, without modifying their international liquidity, and thus without loss of any kind. It would be open to them to offer these surpluses to the USA in the form of long-term loans at very low rates of interest.

Strengthened by these additional resources, the USA could use them to repay the dollar balances which would have survived the repayments effected by levy on their own duly revalued gold reserves. Thus the revaluation of the reserves of the non-American countries would have caused neither inflation nor deflation since the amount of the resources loaned to the USA would be gained by the countries whose dollar balances had been repaid.

At the end of 1971, the gold held by the non-American countries of the west represented \$25,904 millions in 1934 dollars, to which should be added \$5,097

millions held by the international institutions (the IMF, World Bank, EEC etc.), i.e. a total of \$31,000 millions. The revaluation of this total at the rate of \$70 to the ounce would put at the disposal of the USA, as explained above, a like addition to their resources. Added to the disposable funds that the USA would have realised by the revaluation of their own bullion (about \$10,000 million), these resources would enable the total of the dollar balances to be reduced by about \$41,000 millions. It is certain that such a reduction, added to the fundings (which could be agreed to both by the central banks and the international institutions) and to the dollar reserves which the non-American countries would keep for their current needs would make it possible to re-establish immediately and totally the gold convertibility of the US currency.

The present system of reserve currencies would have practically disappeared. Nothing would any longer hinder the USA from pursuing an adequate credit policy to ensure the speedy elimination of the deficit on their balance of payments. At the same time, the chief source of international inflation — the US payments deficit — would have been dried up.

Bharata Natyam

All the precedents suggest that such an operation would ensure in a very short time throughout the world the disgorging of a vast proportion of resources at present hoarded outside the market and I add (although M. Rueff does not mention it) not least in India. I can see the Minister of Finance in New Delhi, and the Governor of the Reserve Bank doing some joyous Bharata Natyam with Mrs Gandhi and the editor of *Eastern Economist* — all friends together for once — on the maidan outside the Rashtrapati Bhavan, and telling each other that the long term rate of interest was now plummeting downwards and enormously increased investment opportunities were opening up.

It would be, in M. Rueff's view, certain that the morrow of such an operation would see the beginning of an era of prosperity unique in the history of the world.

But if the solution is so simple, why has it not been recognised long ago?

The solution, which M. Rueff offers, is simple because the problem to be resolved is of itself simple, but in present conditions it is entirely beyond the comprehension of the average man.

The gold stocks held are insufficient to restore monetary convertibility to the currencies of the west because their value

s calculated at the price fixed by President Roosevelt in 1934 whereas all American prices have more than doubled since then. The present absurd valuation conceals more than half the real value of the reserves in gold.

It is in substitute for these hidden values, stupidly buried beneath piles of fraudulent balance figures — those of central banks, whose chief asset is artificially undervalued — that the experts have dreamed up all the drawing rights on the international monetary funds, swap agreements, SDRs, Euro-dollars and whatnot. The repayment of these fallacious assets by using the product of revaluation of the gold reserves would of itself disperse all the evils that a fictive exchange rate has spread.

But if the problem can be so easily solved, why is American opinion so hostile to any solution implying recognition of a rise in the dollar price of gold?

Those who ask this overlook that all solutions involving currency devaluation — i.e. a return to the currency's true price — have always been resisted to the last possible moment. When one remembers the absurd opposition to all France's devaluations — that, for example, proposed by Prime Minister Paul Reynaud in 1935, and that achieved by M. Rueff at the last moment in 1958 (devaluations whose

necessity is now apparent to all)—there is no need to be surprised that American opinion is as hostile to the monetary adjustment as was European opinion.

What, on the other hand, is astonishing is the blindness of the non-American experts in the face of a solution proposed more than ten years ago, the adoption of which would have spared the world all the monetary crises, and a large part of the inflation, which have not ceased to shake the political and social structures of the west. Instead, we have experienced in all circumstances the narrow conformism of politicians and their timidity before the intransigence of ill-informed public opinion, especially when it is that of a country as rich and powerful as the great American republic.

V

Need For Policy Decision

M. Rueff's suggested currency operation, summarised above, requires an international convention by which the participating states would agree to modify simultaneously the legal parities of their currencies in order to raise in each one of them the official price of gold by the desired percentage.

To the USA, the reform would present itself as a Marshall Plan in reverse, a just recognition of their own generous

contribution to the reconstruction of post-World War II Europe.

For the non-American holders of dollar balances the operation would transform an uncertain asset into a weight of gold of the same value while procuring for them unchallengeable international liquidity.

It seems difficult to believe, urges M. Rueff, that such an operation should not be regarded enthusiastically by a world longing for stability.

But the negotiation of an international convention assuring simultaneity in the changes of parity raises difficult political problems, similar, indeed, to those solved in December, 1971, by the Washington Smithsonian agreement which was only possible because it was preceded by the Franco-American initiative of the Azores.

A new international initiative at the highest level is now essential. M. Rueff believes that the summit envisaged by President Pompidou for this autumn offer such an occasion.

The statesman who will raise from the ruins of Bretton Woods an effectively reconstructed international monetary system will have warded off the basic threat which at present overshadows all the non-totalitarian countries. He will indeed have saved democratic civilisation.

E.B. Brook

Implications of rising prices

THE REPORT of the twenty executive directors of the International Monetary Fund completed recently is likely to be no more than an uncertain opening salvo in the coming lengthy and contentious discussions on world monetary reform. The document is to be made public shortly but enough is known of its contents to indicate that, as might be expected, it continues the clashes between already well-known national attitudes.

Of itself, this report may not be of great importance, valuable chiefly in restating and concentrating the various points of view on this complex and vital subject. The IMF's new committee of twenty from 11 industrial or semi-industrial states and nine from less advanced industrial states will have this report before them when they meet later in Sep-

tember. They will have before them no clear recommendation on the future role of gold or on how currencies should be convertible into monetary reserve assets.

Whatever happens at the IMF meeting it is increasingly clear that the most effective negotiations will take place within the enlarged European Common Market and between it and the United States. The only effect so far of what has leaked of the IMF report is a further rise in the speculative price of gold encouraged by the belief that a small minority led by the French favours emphasizing the role of gold and possibly increasing its official price. This speculative sentiment has been further encouraged by the Governor of the South Africa Reserve Bank who suggested that South Africa would be supplying less

metal to the free gold market. This move upwards in the price of gold will certainly be opposed by the US Administration. West Germany will also oppose it for Common Market banking transactions. The Germans prefer a gradual phasing out of gold as the financial staple and its replacement by Special Drawing Rights from the IMF as the international reserve medium.

The IMF's committee of twenty and, later, the Common Market's leaders will meet when it has become abundantly and repeatedly clear that no national currency and no national reserves are adequate to fight off the effects of speculative capital movements. The heavy loss in British reserves before London decided to float the £ was the most recent sharp reiteration of this fact. It is not reassuring to

reflect that Britain intends still to revert to a fixed rate for the £ as soon as possible. A fixed rate regime, despite Common Market and, especially, French insistence on it, is ultimately doomed to recurring crises arising from these frequent massive movements of capital.

Equally dubious is Britain's apparent intention, if a voluntary prices and incomes policy cannot be devised in a way to make it work, to introduce statutory controls. Holland's experience has already shown that such statutory controls do not work and that when they are abandoned the result is very sharp wage and price increases. In a continent plagued with inflation, Holland, as a result of this experiment, is very near the top of the group of countries with high inflation rates. The West Germans, as a result, will not consider prices and incomes regulation.

Inflation is currently the Common Market's biggest worry, beset though that organisation is with problems of enlargement and economics. In the last six months living has become 4.4 per cent more expensive in Holland, 3.2 per cent in West Germany, 2.8 per cent in Italy and 2.7 per cent in France and Belgium.

Outside the Market the cost of living has risen also just as steeply in EFTA's Sweden, Austria and Switzerland and the introduction of the Market's value-added-tax there next year is regarded as certain to make the price rise still steeper as it will also be in the UK and other new Market countries.

With a very delicate general election before him Herr Willy Brandt appears set to emerge as the leader in Europe intent on creating a "Community of Stability" and he is likely to make this the central issue at the Market summit meeting in Paris in October. Across Europe civil servants are now working on suggestions of ways in which inflation in Europe can be fought. Brandt has recently in a number of pre-elections speeches stressed the need for joint Common Market action to fight inflation; he realizes that West Germany cannot much longer remain an island of relative stability in a European sea of inflation. His chief disadvantage in this role is the fact that, with an eye on not losing votes in Germany's December elections, his own Finance Minister is preparing a budget which risks inflation by avoiding both tax increases and cuts in public spending. This will be a consi-

derable weakening of Brandt's position in the Paris talks; his chief advantage will be that European governments are beginning to realize they cannot any longer act in isolation in the monetary and budgetary policies and must, in any case, keep themselves far better informed about one another's fiscal policies.

There are still doubts whether the Paris summit will take place — the tour this week by the French Foreign Minister to London and Bonn has increased these doubts — but, if it takes place the Paris meeting will, like the IMF meeting next month, be unlikely to be able to do more than produce a set of general guidelines, leaving it to individual members and countries to work out their own means of keeping prices and incomes in their own areas within the guideline limits.

As Market enlargement approaches and ministers return reinvigorated from holidays the period of in-fighting and bully-boy methods in Market discussions and manoeuvrings is approaching; the risk is the menace of inflation may momentarily move out of sight as the Ten jockey for position.

Australia: new dimensions in foreign trade

Hardev Singh

MINING AND minerals processing industries have given a new dimension to Australian foreign trade. Also, the discovery of large deposits of several minerals including iron ore, bauxite, nickel, uranium, coal and natural gas has greatly improved Australia's prospects for industrial growth. As the Australian domestic market is relatively small, most of the minerals are expected to enter the export markets. The value of mineral exports has already increased from \$A 543 million in 1968 to over \$A 1,000 million in 1971 and it has been envisaged that a further doubling is possible in the second half of the seventies.

The pastoral and agricultural products continue to be Australia's main source of exports at present but they are passing through troubled times because of low prices and problems in marketing. For instance wool, which contributed 40 per cent of Australia's export revenue in the early sixties, had dropped now to less than 20 per cent. On the other hand the total

contribution of minerals to exports has increased from about seven per cent in the early sixties to more than 24 per cent at present. Recently Australian News and Information Bureau in Canberra released projections of export incomes from selected mineral products (see table on p. 567) which show that even after allowing for fluctuations in prices of metals, minerals would contribute about 40 per cent to Australia's export trade.

These projections have been supported substantially by the developments in mineral industries in the recent past. The scale of the discoveries of iron ore in the Pilbara region of north-western Australia and the speed with which large mining schemes have been established to work the deposits have given a new status to iron ore. The shortage of iron ore at one time was considered to be the main limitation on Australia's future industrial growth. Today, in the state of

Western Australia alone reserves of iron ore with iron content of more than 50 per cent are estimated at 18,000 million tonnes. Iron ore has now become the most important item in the export of minerals, in spite of a recent set-back following a decline in demand from Japan which had brought about a revision in the long-term contract. Australia, however, hopes to expand iron ore exports and has increased its investments in Paraburdoo mines.

There have been impressive gains in the production of non-ferrous minerals too, particularly in aluminium and nickel. When Australia's first aluminium smelter plant began operations at Bell Bay, in Tasmania, in 1955, Australia had no known deposits of bauxite of sufficient size or quality to justify commercial mining. Today Australia is one of the main world sources of bauxite, with reserves estimated at 4500 million tonnes. If all current plans come to fruition, capital expenditure of about \$A 2,000 million

will be needed to develop new mining, alumina and aluminium capacity over the next decade.

Most of the principal international aluminium groups are now represented in Australia. The largest operator is Comalco Ltd, a combine owned 45 per cent by Conzinc Riotinto of Australia Ltd, 45 per cent by Kaiser Aluminium and Chemical Corporation of the United States and 10 per cent by the Australian public. Comalco's operations are based on the rich Weipa bauxite deposits discovered in 1955 on Cape York Peninsula in northern Queensland. Weipa bauxite reserves, estimated at about 2,500 million tonnes, far outrank other Australian deposits.

A second Australian integrated bauxite-alumina-aluminium scheme has been established by Alcoa of Australia Ltd, based on bauxite deposits in the Darling Ranges near Perth, the capital of Western Australia. Alcoa is owned 51 per cent by the Aluminium Company of America and the remaining shares are held by a group of Australian mining companies. Alcoa has expanded rapidly since mining began in 1963. The company has an alumina refinery at Kwinana, south of Perth, while a second is being built at Pinjarra with an initial capacity of 425,000 tonnes of alumina a year. Alcoa has an aluminium refinery at Geelong in the state of Victoria, which is close to the markets of the eastern states.

a major project

The next major project to come into operation will be at Gove in the Northern Territory where Nabalco (Pt) Ltd is building an alumina plant with an initial output of 500,000 tonnes a year, rising to 1,000,000 tonnes by the middle of 1973. All the production of this plant is likely to be exported.

In fact all the new projects are almost exclusively export schemes and are based on the export of alumina, rather than bauxite. The Australian Bureau of Mineral Resources has predicted that exports of bauxite, alumina and aluminium will increase sharply to about \$A 600 million by the mid-seventies and then level off in the range \$A 600 to 700 million in the later part of the decade.

Three companies are producing nickel ore in Australia and the largest mine is operated by Western Mining Corporation, a diversified minerals group with interests that also include iron ore and gold. Western Mining in the 1970-71 financial year produced 32,000 tonnes of nickel in concentrates from ore at its mine at Kambalda, south of the gold mining centre

of Kalgoorlie in Western Australia. The company has a nickel refinery at Kwinana and is building a \$A 30 million smelter at Kalgoorlie.

Until the Kambalda mine came into production in June 1967, Australia was not a commercial nickel producer. Estimates within the Australian industry reveal that by 1975 Australia could be supplying up to 20 per cent of total world demand. Nickel would then rank as one of Australia's most valuable mineral exports, after iron ore, coal and the aluminium-alumina group. Although the market has tightened considerably and nickel stocks have lost some of their glamour, there is strong exploration interest in Australian nickel. By 1975 eight companies are expected to produce ore or concentrates and at least three will be refining or smelting metal. Investment in this industry by then will exceed \$A 500 million.

These mineral products in Australia are likely to have increased significance for India too in the years to come. This fact has been supported by the Indian Trade

and Economic Delegation which visited Australia from May 14 to May 24, 1972. It stated that Australia is ideally situated both by virtue of "geographical proximity to India and the sizeable production it has of non-ferrous metals to supply these to us in larger quantities" It has also been suggested that the recent shifts in the international aid programmes might make it incumbent on this country to look for some of these commodities in countries other than those from which we had been getting them earlier. Australia appeared to the delegation as "the most natural source", provided we worked out a systematic programme of exporting to that country goods which it required and which we could supply.

It may be added that already our imports of zinc, lead, ore concentrates of non-ferrous metals from Australia have increased during the recent years. In the event of our improved trade with Australia, which has been predicted by the delegation, it has been considered likely that we would rely upon Australia for minerals and metals to an increased extent.

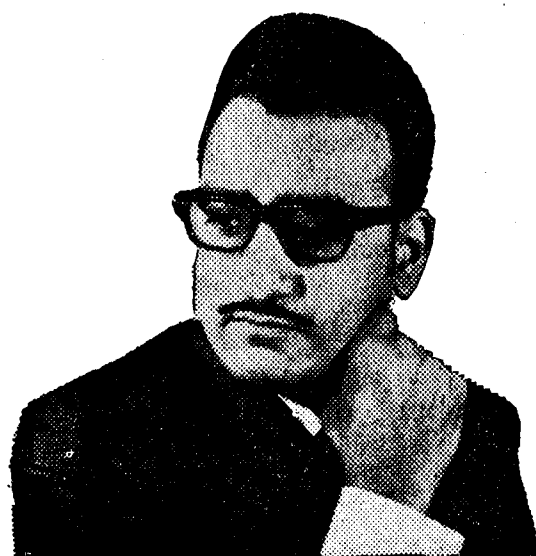
Projection of Export Income from Selected Mineral Products

(Financial years ending June 30)

(Value in \$A million)

Commodity	1971-72	1974-75	1977-78	1980-81
Aluminium (a)	222	462	752	822
Iron (b)	493	775	797	822
Coal (c)	269	400	570	720
Lead (d)	97	116	121	158
Zinc (e)	73	99	103	18
Nickel (f)	44	134	227	301
Copper (g)	112	179	185	173
Manganese (h)	17	23	26	27
Mineral Sands (i)	73	78	86	87
Tin (j)	14	19	15	11

(a) Includes bauxite, alumina and primary refined metal; (b) includes ores, pellets, metallised agglomerates and pig iron, but excludes steel; (c) black coal only; (d) includes concentrates, bullion and primary refined metal; (e) includes concentrates and primary refined metal; (f) unwrought nickel metal only; (g) includes concentrates and primary refined metal; (h) includes ore only; (i) includes rutile, zircon, leucoxene and ilmenite concentrates and beneficiated ilmenite; (j) includes concentrates and primary refined metal.



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TRADE WINDS

ONGC'S Operations

ONE of the major issues that the government will have to decide while considering the Malaviya Committee Report on the Oil and Natural Gas Commission (ONGC), is the administrative control on a public sector unit, particularly a scientific and technically-oriented project. The decision has to be taken not only on the control to be exercised by the Ministry concerned but also by the administrative set-up in the organisation itself. In the case of the ONGC, the committee says: "Administration, instead of being a service, has become the master of scientific/technical departments". The Directorate of Administration is a super-Directorate; it has a say over all other directorates in matters of creation of posts, recruitment, promotion or posting. The power of the Director of Administration is much higher than that of the directors of scientific and technical departments. The rate of promotion in the Directorate of Administration has been higher than the same in the scientific directorates. This has created utter demoralisation among the scientists and technologists possessing much higher qualifications".

Regarding the inter-relationship between the ONGC and the Ministry of Petroleum and Chemicals, the committee has prefaced its remarks by citing its own experience. It says that although it was designated as a high-power body, "in its own work (involving small expenditure) it felt greatly inconvenienced by the way things are processed in the government." It thus had "a taste of the disadvantages that organisations like ONGC have

to suffer from. Certain government procedures, allegedly in response to some earlier audit objections, are patently illogical, derogatory to people outside the Ministry and inimical to speedy completion of any work".

The strange mixture of the commission - cum - subordinate office that the ONGC has become now, the committee feels, has proved detrimental to its operations. The control of the Ministry over the ONGC has retarded the work of the latter in various ways. Two pertinent examples of this, which have been given by the committee, are: (i) full one-year delay in the clearance by the Ministry of an expenditure of Rs 60 lakhs in foreign exchange for the purchase of four digital recording units and one data processing unit; and (ii) the rejection of the ONGC's proposal to purchase the Telex-IV vessel. The latter purchase, the committee says, could have saved the country most of the money that is now being spent on the survey in the Bombay High area by a French firm, besides yielding the benefit of surveying many more areas of our continental shelf.

The Ministry, the committee further points out, also failed to appreciate that ONGC's operations abroad were necessary to build up quality leadership in the organisation and were also in the overall interest of the country. The two official members of the committee, Mr M. S. Pathak and Dr G. Ramaswamy, of course, have differed from the above views of the other members.

Among the other shortcomings of the ONGC, which the committee has pertinently commented upon, are: (i) the

rapid expansion of ONGC projects and a more rapid increase in its pay roll have contributed to a certain extent to a deterioration in the working of the organisation—some persons were promoted without preparing them for high responsibilities; (ii) there has not been sufficient differentiation between the "basic function" of the ONGC, which is to explore oil, and the "service functions" connected with the production of oil; (iii) the financial control exercised over the ONGC is also out of tune with the objective with which the organisation had been set up; (iv) there is a lack of balance in the operations of the various departments of the organisation; (v) the ONGC leadership has been following "a penny-wise pound-foolish policy" in as much as inadequate efforts have been made to acquire the most modern exploration aids which would not have cost much in comparison to the overall operations and expenditure of the organisation; (vi) the incentive scheme, which was introduced a few years ago to step up the drilling operations, has led to many distortions in ONGC's operations; (vii) the various disciplines of the organisation are busy in finding fault with—and, to a certain extent, even jamming—one another—no discipline is looking inward to improve itself. The tendency in the ONGC to develop jacks of all trades, instead of specialists in particular fields, the committee recommends, ought to be checked. There is also need for better co-ordination between the ONGC, the Geological survey of India and universities.

Exploration Expenses

The above shortcomings, according to the committee, however, do not imply that the ONGC lacks competence to handle the job of oil exploration in the country or abroad. In fact, the committee feels that a reservoir of competence has been built in the ONGC and there are numerous instances of enough expertise in the organisation.

A very significant recommendation of the committee is that the exploration expendi-

ture of the ONGC ought to be treated as research and development expenditure, instead of being subjected to commercial norms. The financing of this expenditure should, therefore, be through grants and not loans from the government which impose on the ONGC an increasing interest burden and repayment obligations.

Foreign Participation

Equally pertinent are the observations of the committee on foreign participation in oil exploration in the country. The committee is of the view that the ONGC personnel should be exposed to the newest geological and geophysical concepts developed elsewhere in the world. Its observations on foreign participation in oil exploration in India emanate from this suggestion. The committee says:

"Since Indian Business Houses have not come up to the stage where they would take entrepreneurial initiative in a high-risk business like oil exploration, the issue was naturally limited to foreign private participation. Till a decade back, the foreign private companies were not interested in joint enterprises with the host country's state companies. In a situation of world surplus, their policy was mainly to preempt the leases. Even if they found oil, they did not develop the fields until their global interest demanded. With the development of the "minor majors" among the oil companies, there is now a change in this rigid attitude. Due to a much greater awareness in the host countries, mere pre-emption or 'sitting tight' is no longer possible. Relinquishment of acreage after a certain period is now forced on the companies everywhere. There is, moreover, a deep change in the whole set of relationships between the host countries, producing companies and the consuming nations. With the emergence of the Organization of Petroleum Exporting Countries, the companies have lost much of their freedom, and the scales are turned decisively against the importing countries. The rising world-wide demand for oil, the increasing

cost of oil finds in the USA, and the growing competition in the world oil industry together created the economic base for OPEC's dominance, while the new world situation created its political basis. In the context of the power block rivalry, it was no longer possible for the parent governments of international companies to take the exporting countries for granted.

"In this situation, it is possible to conceive of a pattern where ONGC becomes a holding company overseeing several subsidiaries with varying percentages of foreign participation. Such partnership can help not only by sharing in the investment burden but also by collaboration in foreign prospects. The principle that should guide any partnership is the reciprocity of rights in oil exploration venture, which means that the foreign partners must be prepared to associate India in their ventures outside the country."

The committee has also discussed the question of equity participation by foreigners on specific projects and concluded that while it cannot be entirely ruled out, it is beset with many problems. "This country," it says, "must not rush to share a high prospect with a collaborator who is not based in India and will possibly demand payment in hard currency for the oil in its share. Rating of the prospect should be the decisive criterion in all such questions. We do not consider it necessary to enter into equity participation with a foreign company merely on the ground that the cost of offshore field development will be huge. After oil has been found in any area, the finance needed for the development of the field can be borrowed even from the international banks, without any collaboration."

Relinquishment

The committee has also reviewed the advantages of enforcing relinquishment after a stipulated period. "Provision for relinquishment", it says, "is always a spur to a more thorough and scientific investigation. Even a national exploration company can be given a

deadline, and if failure is reported on its expiry, it should be open to the government to invite partnerships." However, the committee thinks that such a course would not normally be necessary if its re-organisation proposal, which provides for a machinery for continual review, is accepted.

Crude from Iraq

The union Minister for Law & Justice and Petroleum & Chemicals, Mr H. R. Gokhale, informed recently members of the Parliamentary Consultative Committee of the Ministry of Petroleum & Chemicals that arrangements had recently been made for import of crude from Iraq and that a protocol covering these imports had been signed by the two countries during the Iraqi Foreign Minister's visit to India in the third week of August. He told members that India expected to import from Iraq 4,25,000 tonnes of crude oil by March 1973. The imported crude oil was meant for use in the Barauni refinery. The Minister also told the committee that relations between India and Iraq were very cordial and that future progress in many directions was anticipated.

Dock at Haldia

A new Dock system under construction at Haldia was expected to be commissioned by the end of 1973 when it would be possible to handle larger ships and provide fast loading and unloading facilities for bulk cargo. This information was given by Mr Raj Bahadur, Minister for Parliamentary Affairs, Transport and Shipping in Rajya Sabha recently.

Petrochemical Complex

The Minister for Petroleum and Chemicals informed recently that Aromatics Project of the IPCL was expected to be completed by the end of this year. As for the Naphtha Cracker Plant of the Olefins Project, inaugurated only in January this year, steady progress was being made and orders for equipment and machinery etc. were being placed. Regarding the downstream

units of the Naphtha Cracker, Mr Gokhale said that process licensing had been approved for all of them. While it was too early to say when exactly these units would be ready, the expectation was that they would be completed between the second half of 1974 and the third quarter of 1975 and that it might be possible to commission all downstream units in the public sector by the end of 1975.

Coastal Shipping

Arrangements have been finalised to obtain 10 dry cargo liners from Romania, 3 tankers from Russia and 2 tankers from Yugoslavia which would considerably help in the coastal movement of cargo and oil during the fifth Plan period, stated Mr Raj Bahadur, Minister of Shipping, Transport and Parliamentary Affairs, while addressing the members of the National Shipping Board meeting recently. Most of the 43 dry cargo liners on coastal fleet, he said, had become due for scrapping within the next few years. At present there were 43 dry cargo liners of which 17 were over 20 years' old and 13 in the age group of 16-20 years. In the case of 4 tankers, 3 had become due for scrapping. In other words, he said, "the bulk of our coastal shipping consisted of old and obsolete vessels." When the orders placed for the cargo liners and tankers were carried out it would greatly help in the coastal shipping.

The Minister regretted that while in 1962 the movement of coal by coastal shipping accounted for 1.98 million tons, it had shrunk to 250,000 tons in 1970. It had since picked up slightly in the neighbourhood of 500,000 tons in 1971.

Fertilizers Imports

The Minerals & Metals Trading Corporation of India Ltd have recently concluded contracts with Romania and Bulgaria for supply of nitrogenous fertilizers during October 1972 to June 1973. The contract concluded with Romania is for supply of 80,000 tonnes of nitrogenous fertilizers during 1972 and 75,000 tonnes during

January to June 1973. The contract with Bulgaria is for 30,000 tonnes of nitrogenous fertilizers for supply during the current year. With the contract now concluded with Romania, the total shipments during the year 1972 will work out to about 238,000 tonnes of nitrogenous fertilizers. Romania will thus, be the largest single supplier of nitrogenous fertilizers to this country during the year 1972.

LIC Board

The Board of the Life Insurance Corporation has been re-constituted from September 1. Mr K. R. Puri, Managing Director LIC, Bombay, will be the Chairman of the Board. The other members are: Mr V.V. Chari, Deputy Governor, Reserve Bank of India, Bombay; Mr A. Rajagopalan, Officer on Special Duty & Ex-Officio Additional Secretary to the Government of India, New Delhi; Dr K.K. Datey, Bombay; Dr P.V. Kurian, Anand; Mrs Asoka Gupta, Calcutta; Mr Khalil Ahmed, Patna; Mr P. L. Tandon, Kanpur; Mr R. P. Tamta, Almora, Dr N.L. Hingorani, Udaipur; Mr R. Kanakasa-bhai, Madras; and Mr R. M. Mehta, Managing Director, Life Insurance Corporation of India, Bombay.

Sugarcane Prices

Mr M.L. Apte, President, Indian Sugar Mills Association has expressed disappointment at the government's decision to increase the minimum cane price from Rs 7.37 to Rs 8.00 per quintal, which he felt would not meet the needs of increased production of sugarcane. He, however welcomed the government's decision to reduce the basic recovery from 9.4 per cent to 8.5 per cent which was a step in the right direction in that it would cover almost 90 per cent of the cane crushed in the country and growers in low recovery areas too would have the necessary incentive to improve the quality of cane. The ISMA Chief while appreciating the government's anxiety to plug leakages of levy sugar into open market, expressed serious concern over the government's decision to raise the proportion of levy sugar from 63.5 per cent

to 70 per cent. Its impact on next year's output would be quite significant. Reduced proportion of free sugar would on the one hand help maintain higher gur and khandsari prices and on the other it would seriously impair the industry's capacity to compete with gur and khandsari. As a result, diversion of cane from factory areas to gur and khandsari will be accentuated with consequent adverse effect on sugar production.

Colloquium on Exports

The union Minister for Finance, Mr Y.B. Chavan, while inaugurating a three-day colloquium on exports organised by Hindustan Chamber of Commerce at Madras recently, stated that the development of export markets and the adaptation of product to the requirements of potential foreign buyers must constitute the integral part of the long term plans of well endowed and experienced industrial firms and units. He warned that if they failed in their export effort, they would be plagued with acute shortages of all manner of inputs and materials and the country's industrial structure would, for the lack of adequate replacement and modernisation of equipment, soon begin to show symptoms of arterior hardening.

Mr P.A. Narielwala, President, Federation of Indian Export Organisations, called for the setting up of a new Fiscal Commission to find out whether the government's fiscal policies in the last few years were not directly and indirectly responsible for the high cost economy that had been generated. Mr Narielwala who presided over the Business Session of the Colloquium on Exports said that a study of our failure to offer competitive rates and good quality products would show that our fiscal levies called for drastic reorganisation.

Mr D.C. Kothari, speaking on Production and Pricing said that with the advent of the

European Economic Community, there was going to be a tremendous market outlet and he was not sure if the government and trade in the country had realised the implications of this development. Both production and pricing determined the quantum of exports and unless we paid attention to these aspects it would be difficult to succeed in our export efforts. It had to be realised that 75 per cent of the total exports consisted of prime commodities and agrobased industries. Enough attention had not been paid to potentialities of agricultural production, especially cash crops.

Ban on Exports to Sudan Lifted

Indo-Sudanese mid-term trade review talks were held in New Delhi from August 29 to September 1, 1972. The Sudanese Delegation was led by Mr Sayed Ibrahim Moneim Mansour, Minister of Economic & Trade assisted by Mr Mohamed Abdelmagid Ahmed, Permanent Under Secretary of Economic & Trade. The Indian Delegation was led by Mr L. N. Mishra, Minister of Foreign Trade, assisted by Mr Mohammed Yunus, Special Secretary in the Ministry of Foreign Trade. As a result of these talks, it was decided that during the remaining period of the current trade plan which expires on December 31, 1972, this country will be exporting to Sudan a variety of goods worth about Rs 17 crores.

These exports will consist of jute manufactures, tea, spare parts, chemicals, machines and some essential oils etc. In return, India will be importing additional 100,000 bales of Sudanese long staple cotton during the same period. It was proposed to earmark Rs 4.5 crores for goods which were manufactured for Sudan prior to the difficulties which had recently cropped up in the working of the current trade plan, as a result of which the government in mid-July had to put a temporary halt on further Indian exports to Sudan. This temporary ban on

exports to Sudan will now be lifted.

Trade with Zambia

The Minister of Industry and Trade of Zambia, Mr A.J. Soko, MP and Minister of Finance of Zambia, Mr J. M. Mwanakatwe, held discussions re-

cently with the Minister of Foreign Trade, Mr L. N. Mishra on issues relating to expansion of trade and economic co-operation between India and Zambia. It was understood that following these discussions a trade agreement between the two countries was likely to be signed in November this

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ear. Mr L. N. Mishra was expected to go to Zambia in this connection in response to an invitation from the Zambian ministers. It was also decided that three teams of Indian experts should leave for Zambia a fortnight's time to assist and advise the Zambian authorities on their programmes of industrialisation and development of infrastructure. These discussions also centered round the possibilities of expanding the trade relations between the

two countries. In 1970-71, imports into India from Zambia amounted to over Rs 27 crores while exports to Zambia from India totalled only about Rs 3 crores.

Economic Co-operation with EEC

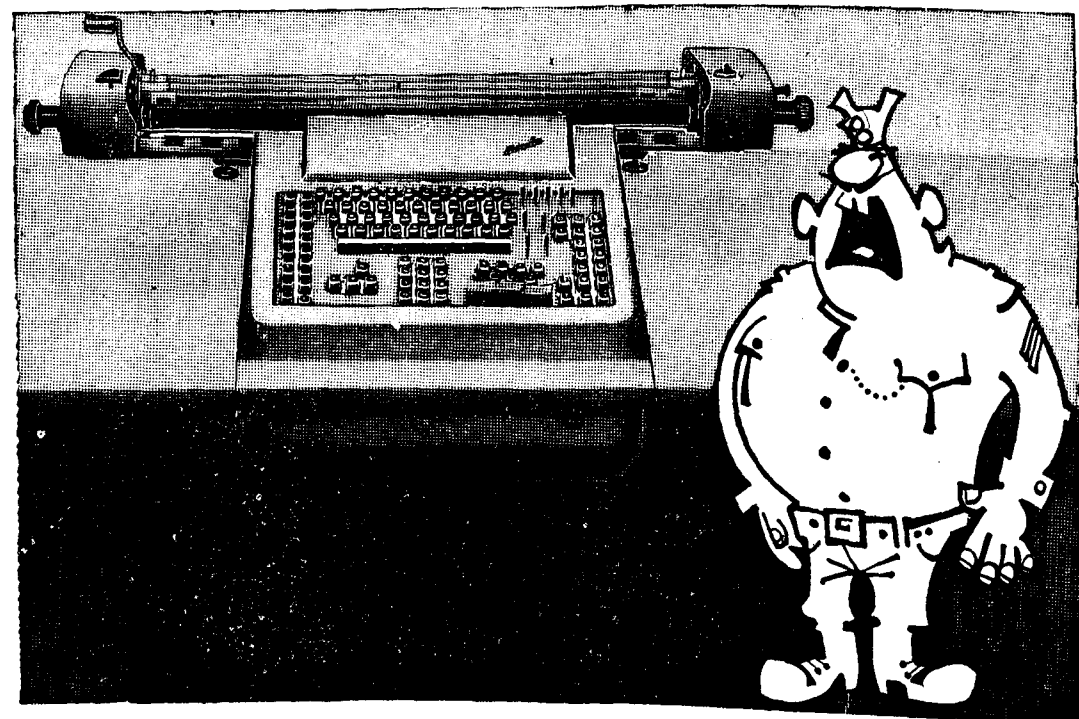
The Foreign Trade Minister, Mr L. N. Mishra, stated recently that as a result of some recent developments, he was more hopeful "than ever" be-

fore" that it would be possible for the European Economic Community to conclude a Commercial Co-operation Agreement with India, which would safeguard India's essential trading interests. Addressing the meeting of the Board of Trade on September 1 Mr Mishra said, "I am leaving for Europe tomorrow and will be personally impressing upon the Foreign and Foreign Trade Ministers of the Member-States of EEC the need for their

support when this matter comes up before the Council of Ministers of the EEC."

Tariff Value for Sugar

The union government has decided to revise the tariff value for sugar produced in the vacuum pan sugar factories from Rs 210 per quintal to Rs 235 per quintal with effect from September 1, 1972. This tariff value will apply only to sugar sold in the open market.



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COMPANY AFFAIRS

Goodyear

WITH THE commissioning of the new plant for bicycle tyres and tubes and the new automotive tyres and tubes plant the Goodyear India Ltd has doubled its production capacity and its full impact will be reflected in the company's operations in 1972. Meanwhile the company has submitted a scheme to the government for expansion of capacity by another 250,000 tyres annually and the matter is being actively pursued. Acting on the letter of intent for flat belting and V belts granted to the company it has applied to the government for capital goods and it is the company's intention to implement this project as speedily as possible. This was revealed by the Managing Director Mr Parks Chrestman while addressing the annual general meeting of the company.

Dealing with the company's outlook, Mr Chrestman said that the company's sales and profits were very satisfactory in the first quarter of 1972. The performance in the second quarter was reasonably good but in the third quarter production is expected to be affected by the power cut imposed in August. But this will be only a temporary setback and some definite improvement in profit and considerably higher sales are expected in 1972 than in 1971.

Referring to the difficulties faced by the company in the field of exports Mr Chrestman said that the world markets for exports were rapidly shrinking as a result of one country after another installing its own tyre factories. Moreover several countries were having excess tyre manufacturing capacities thereby creating a low price competition for the available markets. At this critical juncture when price element has

become so important, it is tragic that the government of India has effected substantial cuts in duty drawback rates, with the result export costs have gone up by as much as eight to ten per cent. The managing director therefore pleaded for an export-support programme besides suggesting for an increased cash subsidy to offset the heavy losses incurred by the company on all exports.

The tyre industry the world over has made phenomenal progress in recent years. New designs, new rubbers, polymers, carbon blacks, rubber chemicals and tyre fabrics are under constant improvement and development which are having a tremendous effect on tyre performance. But the company is kept fully informed of these latest developments and technological innovations by its associates, the Goodyear Tire and Rubber Company, USA, for which the company is paying a service fee of a small percentage out of its net sales. In brief, the progressive modifications in tyre designs and components and the continuous improvements in technical innovations have almost revolutionised tyre technology so much that the tyres built by Goodyear in 1980's will be radically different from those that are built today as today's tyres differ from those built in the 1960's.

Jay Engineering

Over the years a momentum has been generated by the Jay Engineering Works Ltd that it can be confidently said that the company is heading in the right direction. But considering the capital facilities and the operating inputs, the profit earned by the company is still inadequate and has indeed not yet reached even the level where

a reasonable dividend return can be paid to equity shareholders. The principal reason for the disappointing improvement in profit position has been largely due to the poor performance of the sewing machine factory at Calcutta. The operations of this factory has resulted in a substantial loss but what is more unfortunate is that no reversal trend is in sight in the near future. Over the past several years the local markets for the upper price bracketed sewing machines, to which the company's products belong, have remained almost stagnant and the major expansion has been in low-priced machines. The company being a high cost unit is unable to compete effectively with the machines produced in the small industry sector. On the other hand the costs keep going as a result of wage increases, government levies and general inflation and these can neither be recovered by commensurate increase in prices nor absorbed by increased production. This vicious circle tends to make the sewing machine factory a veritable millstone for the company. These observations are contained in the Chairman, Lala Charat Ram's statement circulated to the shareholders of the company.

The chairman denounced the government for subjecting private initiative to bureaucratic and political control. It is but natural that the designers of engines aim at minimising internal utilisation of the power generated by the engine so that the power transmitted for productive use would be maximum. If business management was conceived of as an engine, it would be a shocking experience when one thinks of the proportion of the power that was used up internally in overcoming the friction arising

from restrictive regulations with the result the energy available to real productive work was proportionately rather less than the energy absorbed internally just to stay alive.

The chairman welcomed certain government measures which were aimed at preventing economic abuses, but the disapproval of the government's interference with healthy marketing practices, disturbing of normal relationship between manufacturers and the trade and the forbidding of self-discipline in pricing and distribution. Elaborating the chairman said that the provisions regarding unscrupulous take-over bids was bound to have a salutary effect. But provisions such as further administrative controls, dividends and deposits on the other hand would further hamstring company managements. The danger of such regulations, in the chairman's opinion, was that though they were aimed at unscrupulous elements, they in fact would affect the scrupulous just because the unscrupulous always find a way to be a step ahead of the regulations.

Estrela Batteries

Estrela Batteries has reported encouraging working results during the year ended March 31, 1972. The company earned during the year a gross profit of Rs 33.70 lakhs as compared to a loss of Rs 2.01 lakhs in 1970-71. While net sales have gone up to Rs 6.29 crores, recording an appreciable rise of Rs 1.38 crores over the preceding year. These results have been achieved in spite of a substantial loss in exports and marked increase in the employees emoluments and prices of raw materials. Out of the gross profits the directors have earmarked a sum of Rs 15.69 lakhs towards depreciation, as against Rs 7.90 lakhs while an amount of Rs 8.13 lakhs was appropriated to development rebate reserve as compared to Rs 40,635 in the previous year. This leaves a net profit of Rs 9.88 lakhs as against a net loss of Rs 10.31 lakhs in 1970-71. After adjustments a sum

of Rs 10.80 lakhs has been transferred to the general reserve. The board has recommended the payment of an unchanged dividend of 12 per cent on the enlarged capital of which dividend on new equity shares is payable on proportionate basis. This together with the usual payment on preference shares will absorb Rs 6.14 lakhs and it will be paid out of the general reserve.

To finance the cost of replacement and balancing equipment planned by the company as well as for the expansion programme, a loan of one crore rupees has been obtained from the IFCI. Out of this the company has availed of the loan to the extent of Rs 79 lakhs. Of the additional capacity of 60 million cells licensed by the government, the company has implemented two thirds of the expansion. The entire programme is expected to be completed during the current year. The project for the manufacture of plastic jackets has been abandoned. The company has submitted the second phase of the replacement and balancing equipment programme costing Rs 22 lakhs to IFCI for approval.

Vickers Sperry

Vickers Sperry of India has received the governments' approval for expansion of its capacity. The expansion will cost Rs 50 lakhs and it will be financed by the issue of capital and from internal sources. The company will offer at par shares worth about Rs 9 lakhs to its foreign collaborators for the supplies of machinery and a similar amount to the Indian shareholders. For meeting the capital expenditure the company will issue fresh capital to the tune of about Rs 32 lakhs. The shares will be offered at that time—may be at a premium—presumably to reduce the collaborators' holding in the company's equity from the present level of 50 per cent to about 45 per cent. On completion, of its expansion the company's turnover is expected to be doubled. Its profits are also

expected to show a corresponding improvement.

Mahindra and Mahindra

The Board of Directors of Mahindra and Mahindra had allotted 12,42,825 equity shares of Rs 10 each and 12,51,227 convertible bonds of Rs 6 each to the shareholders of the Union of Bank of India Ltd pursuant to the bank's scheme of merger with the company which has been sanctioned by the Bombay High Court. The shares now issued will qualify for dividend from May 1971, in respect of the company's year ended October 31, 1971.

Larsen & Toubro

A marine unloader is soon to be installed at Kandla port for rapid unloading of raw materials for the fertiliser industry. The marine loader which is of Buhler design will have a unloading capacity of 150 tons per hour and it will be supplied, erected and commissioned by Larsen & Toubro Ltd. Incorporating advanced technology it will be the first of its kind in the country. More such loaders are expected to be set up at major Indian ports. With such installation the ships will not have to wait in the harbour for prolonged periods up to a month while they are being unloaded. This will save the country considerable amounts of foreign exchange.

Unit Trust

The sale and repurchase prices of a unit of the Unit Trust of India were raised by five paise each to Rs 10.60 and Rs 10.30 respectively with effect from August 30.

News and Notes

Expansion and Diversification

Encouraged by the success of acrylic emulsion introduced a year ago **Blundell Eomite Paints** will soon be introducing in the market two new products — Eomite Universal Stainer and 'Super Bluncem' decorative waterproof coating. The former is suitable for use with any type of paint, emulsion or enamel and the latter is a low-cost waterproof cement paint which can be

applied to new walls without waiting for the usual curing period. Both of them will be available in various shades. With the assistance from its UK associates, **Blundell — Permoglaze**, the company is engaged in developing new formulations to meet specific situations. It is also enlarging and strengthening its technical servicing capacity to render more useful services to the consumers. Meanwhile the company has established in July last a new sales depot in Chandigarh. This depot is equipped to extend Eomite service more intensely to Punjab, Haryana, Himachal Pradesh and Jammu and Kashmir while the Delhi office is now concentrating on extending the comparatively under developed markets of Uttar Pradesh and Rajasthan. The current year holds out promise of more encouraging performance for **Blundell Eomite**. It has planned an elaborate development programme and is launching on a sustained campaign for the use of selected decorative items on a national scale.

Seshasayee Paper and Boards has received a letter of intent to increase its capacity from 35,000 tonnes to 50,000 tonnes of pulp and paper per annum. The company has submitted an application for the issue of an import licence which is still pending with the government. Meanwhile the company has finalised the terms of renewal with the Tamil Nadu government for the supply of bamboo from the government sources. Under the agreement the company has to pay higher seigniorage effective from April 1, 1970. The extra incidence of expenditure on this account will work out to nearly Rs 2.05 lakhs per year. Besides the company has to supply to the state government annually 1500 tonnes of printing paper at market rates. The agreement will be in force up to April 10, 1978. The rate of seigniorage payable, however, is subject to review on April 1, 1975.

Jagatjit Industries Ltd is entering the protein field in a big way by setting up plants in Maharashtra with assistance of SICOM for the manufacture

of soya flour, soya protein concentrates, isolates, formulated products and soya milk beverages. It is also proposed to promote a separate company for setting up a composite milk plant in Andhra Pradesh for the manufacture of processed milk foods. The project is being planned to process about one lakh litres of fluid milk per day and is expected to turn out a complete range of milk products. Steps to secure an industrial licence and to complete other formalities are in progress. Meanwhile the company has received a letter of intent for the expansion in the industrial licence for the manufacture of glass containers and miscellaneous wares from 12,000 to 18,000 tonnes per annum. Land measuring 20 acres have already been acquired in Sahibabad near Delhi, and negotiations are under way with financial institutions for getting foreign exchange and rupee loans for this project.

The company's application for grant of industrial licence for the manufacture of a whole range of milk products at the milk processing plant at Bahadurgarh, Patiala, is still pending with the government. In the meantime the company is carrying on negotiations with machinery manufacturers for the supply of plant and equipment for implementing this project. The expansion at the malted milk food plant for 'Viva' is progressing well. The new plant installed for the production of malt extract has recently gone into production. The expansion in the distillery are proceeding as planned and the company has introduced in the market new varieties of Indian-made foreign spirits such as "Bonnie Scot" sales of which are picking up.

In an effort to diversify its activities **Dawn Mills** has established in February 1972 a subsidiary company styled **Dawn Apparels Ltd** for the manufacture of ladies garments. The new company has an authorised capital of Rs 10 lakhs of which Rs 2.50 lakhs has been issued and fully subscribed by **Dawn Mills**. To begin with the subsidiary company has

taken up the manufacture of brassiers and in some cases matching panties for ladies. Since it has worked for only one month during the year ended March 31, 1972 its accounts show a loss of Rs 68,711. When the company reaches its optimum production it is hoped that it will be able to produce 20,000 dozen brassiers per annum with the present machinery. The company hopes to earn a reasonable profit considering the response to its products.

Cellulose Products of India Ltd has been denied permission for expansion under the MRTP Act. The company is now taking up a new project for the manufacture of 500 tonnes per year of polyvinyl alcohol (PVA) at its Kathwada factory. The cost of the project is expected to be around Rs 50 lakhs and it is proposed to be financed partly by way of long-term borrowings from financial institutions and partly from the internal sources of the company. The PVA project is expected to go on stream before the end of the current year.

Joint Venture

The **Standard Batteries Ltd** has entered into a collaboration agreement with the government of Sudan for setting up a battery manufacturing plant with a capacity of 50,000 batteries per annum. The factory in Sudan will be working under the company's technical direction and guidance. The assembly portion of the machinery manufactured by the engineering division of the company has already been shipped and is under erection. The manufacture of components will be taken up in stages and the requisite machinery will be supplied by the company on a turn-key basis. The terms of know-how fees and the percentage of royalty on sales payable to the company are under negotiation with the government of Sudan. This encouraging development has prompted the company to entertain a similar project for the manufacture of batteries in Indonesia with the assistance and co-operation of Messrs **Tata Exports Ltd**. The pro-

ject envisages the establishment of a factory in Indonesia with an initial capacity of 150,000 units of six volts and 12 volts batteries per year. The promoters of the company will be: **Indonesia State Railways**, **Messrs Tata Exports Ltd** and **the Standard Batteries Ltd**. The **Indonesia State Railways** will invest 35 per cent of the share capital whereas the balance of 65 per cent will be shared between **Standard Batteries** and **Tata Exports Ltd**. This factory, like its counterpart in Sudan, will start with the assembly of components, which will be supplied by the company from India and will take up the manufacture of other components by stages during a period of five years. The company has agreed to make available to the new Indonesian enterprise complete technical know-how for the manufacture of storage batteries on terms and conditions which are at present under negotiation.

New Issues

India Engineering and Construction Company is setting up a plant in a backward region of UP for the manufacture of steel tubular poles with a capacity of 39,00 tonnes a year. The **Organa Walzewerk** technik of West Germany will be providing the technical know-how, designs and drawings for this project and if all goes as planned the project is expected to be completed by the end of this year. According to current indications the plant is expected to reach the rated capacity by 1974-75. The company has also a proposal to set up a strip mill plant near the tube mill.

To raise part of the resources required for the implementation of this scheme the company will be entering the capital market shortly with a public issue of Rs 30.70 lakhs consisting of Rs 25.70 lakhs in equity shares of Rs 10 each and Rs 5 lakhs in 9.5 per cent cumulative redeemable preference shares of Rs 100 each.

The 5.75 per cent bonds 1984 (second series) issued by the **Industrial Development**

Bank of India for Rs 15 crores which opened for subscription on August 29 were closed within a short while after opening on being oversubscribed. This is the second time that the **IDBI** has entered the market for borrowings. The first series of bonds for Rs 11.50 crores issued on March 20 was also oversubscribed.

Company Meetings

Seshasayee Paper and Boards Ltd: Registered Office, Palli-

palayam, Salem District; September 23; 10.45 A.M.

The Tata Power Company Ltd: Registered Office, Bombay House, 24, Bruce Street Fort, Bombay; September 21; 4.00 P.M.

Hindustan Ferodo Ltd: Gateway Room, Taj Mahal Hotel, Bombay; September 15; 3.30 P.M.

Licences and Letters of Intent

The following licences and

Name of the Company	Year ended	Dividends (Per cent)	
		Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Ratnakar Shipping Company	March 31, 1972	6.0	5.0
Binani Metal Works	March 31, 1972	10.0	Nil
Tiffins Barytes, Asbestos & Paints	March 31, 1972	5.0	Nil
Reliance Jute and Industries	March 31, 1972	7.5	Nil
Dawn Mills Company	March 31, 1972	14.0	12.0
Kalasa Tea and Produce Co.	March 31, 1972	16.0	15.0
Dalhousie Jute Company	March 31, 1972	10.0	Nil
Hada Textiles	March 31, 1972	10.0	8.0
Same Dividend			
Mysore Coffee Estates	March 31, 1972	6.0	6.0
Malankara Rubber	March 31, 1972	30.0	30.0
Indian Rubber Regenerating Company	March 31, 1972	12.0	12.0
Vayitri Plantations	March 31, 1972	6.0	6.0
Periakaramalai Tea and Products	March 31, 1972	15.0	15.0
Chembra Peak Estates	March 31, 1972	12.5	12.5
Kemp and Co.	March 31, 1972	5.0	5.0
East India Hotels	March 31, 1972	10.0	10.0
National Electric Industries	March 31, 1972	Nil	Nil
Jardine Henderson	March 31, 1972	Nil	Nil
Hindoostan Spinning & Weaving Mills	March 31, 1972	14.0	14.0
Reduced Dividend			
Emerald Valley Estates	March 31, 1972	6.0	8.0
Kalpetta Estates	April 30, 1972	12.5	14.0
Dyes Distributors India	March 31, 1972	18.0	20.0

letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the four weeks ended June 3, 1972. The list contains the names and addresses of the licensees, articles of manufacture, types of licences viz.—New Undertaking (NU); New Article (NA); Substantial Expansion (SE); Carry on Business (COB); Shifting—and annual installed capacity.

Licences Issued

Metallurgical Industries (Ferrous)

Shree Hanuman Industries, 178, Mahatma Gandhi Road, P.B. No. 6771, Calcutta-7. (Liluah-Howrah-West Bengal)—Steel Pipes and Tubes—24,000 tonnes (after expansion)—(S.E.); Shri Anand Prakash Khandelwal, C/o Ramji Lal Ram Saroop, Mirza Ismail Road, Jaipur (Rajasthan) (Alwar-Rajasthan)—Grinding Media—4000 tonnes; Mn-Steel and Alloy Steel castings—4,000 tonnes; Ni-Hard and other Castings—2,000 tonnes—(N.U.).

Metallurgical Industries (Non-Ferrous)

M/s Shri Mahesh Metal Works, Madangan, Kishangarh, Rajasthan. (Madangan, Kishangarh, Rajasthan)—Hot and cold rolled brass copper, zinc and aluminium sheets/strips/circles/coils/plates—210 tonnes—(C.O.B.); M/s Braloc Metal Industries Pvt Ltd, Gupta Mills Estate, Reay Road, Darukhana, Bombay-10. (Darukhana, Bombay-Maharashtra)—Non-ferrous semis (copper and copper alloys of all kinds and aluminium alloys) including sheets, strips, and foils—4100 tonnes—(C.O.B.).

Telecommunications

M/s Murphy India Ltd, Dr. Shirodhar Road, Parel, Bombay-12. (Thana-Maharashtra)—Loudspeakers and cones for loudspeakers.—Expansion from 0.3 million Nos. to 1.0 Nos.—(S.E.).

Transportation

M/s Sri Ramdas Motor Transport Pvt Ltd, Subhas

Road, (P.O.B. No. 42), Kikina (South India), (Kikina-Andhra Pradesh)—Piston Pins—1,80,000 Nos.—(S.E.).

Industrial Machinery

M/s Cutfast Abrasive Tools Pvt Ltd, Pallikaranai, P.O. Medavakkam, Madras-15. (Medavakkam - Madras - Tamil Nadu)—Coated Abrasive Products—36,000 reams—(C.O.B.); M/s Interstate Equipments (India) Pvt Ltd, E. 24, N.D.S.E. II, Ring Road, New Delhi. (Bhaga-Distt. Dhanbad-Bihar)—Aerial Ropeways—Rs 10 Million (N.U.); M/s Buckau-Wolf New India Engineering Works Ltd, 16, Nirmal, Nariman Point, Bombay-20. (Pimpri - Poona - Maharashtra)—Plant and Machinery for Breweries and Malteries Industries. Rs One crore licensed capacity for the mfg. of sugar Machinery and Steam Tube Calciner Plants—(N.A.).

Machine Tools

M/s Triveni Engineering Works Ltd, National Insurance Building, 1st Floor, 5, Parliament Street, New Delhi-1. (Naini-Allahabad-Uttar Pradesh)—Hydraulic Presses (20 tons to 5000 tons capacity) such as Baling Presses, Multi Platen, Compaction, Extraction, Forming and Moulding and Radial Punching Presses—Worth Rs. 25 Lakhs—(N.A.).

Agricultural Machinery

M/s Indequip Engineering Ltd, Reid Road, Ahmedabad-2. (Tahsil Naroda, Distt. Ahmedabad-Gujarat)—Power Tillers 'Iseki' (k-48c) (6.5 H.P.)—10,000 Nos.—(N.A.); The Managing Director, The Kerala Agro-Industries Corp. Ltd, General Hospital Road, Tri-vandrum (S. India) (Alwaye-Distt. Ernakulam Kerala)—'KUBOTA' Power Tillers (Model KMB-200) with engine ER-90N. (9-12 HP Diesel)—12,000 Nos.; 'KUBOTA' Diesel engine Model ER 40 (4-5-HP)—5,000 Nos.; 'KUBOTA' Diesel Engine Model ER-6.5 (6.5-8HP)—5,000 Nos.—(N.U.).

Engineering Industries

M/s Secals Ltd, Nungambakkam High Road, Madras-34. (Ambattur-Tamil

Nadu)—Cast tools for forging Industry—70 tonnes; Cast tools for plastics mould and rubber mould Ind.—25 tonnes; Cast cutting tools—25 tonnes; Cast tools for other industries—25 tonnes—(N.U.).

Chemicals

The Managing Director, Punjab State Industrial Dev. Corp. Ltd, United Commercial Bank Building, 3rd Floor, Sector 17-B, P.B. No. 81, Chandigarh, (Rajpura-Punjab)—Synthetic Detergents—10,000 tonnes only—(N.U.); M/s Haryana Industrial Gases Corp., A-30 N.D.S.E., Part II, New Delhi. (Faridabad-Haryana)—Oxygen Gas—0.45 million cu. metres—(N.U.); The Indian Petro-chemicals Corp. Ltd, P.O. Jawahar Nagar, Distt. Baroda, Gujarat. (Koyali, Baroda-Gujarat)—Ethylene (polymer grade)—1,30,000 tonnes; Propylene (polymer-grade)—35,000 tonnes; Propylene (Chemical-grade)—43,300 tonnes; Butadiene—22,000 tonnes; Benzene—23,600 tonnes; Light Pyrolysis gasoline—29,300 tonnes; Heavy Pyrolysis gasoline—34,600 tonnes; Raffinate—8200 tons; Carbon Black feedstock—17,900 tonnes—(S.E.); M/s Pacific Chemicals Hindustan Ltd, 14, Golf Links, New Delhi-3. (Bulandshahr Road-Ghaziabad-Uttar Pradesh)—Dalapon, Dowpon, Dowpon, Dursban, Dinoseb, Zectran—Solid 1700 tonnes; Liquid 1320 K.L.—(N.U.).

Sugar

M/s Pravara Sahakari Sakhar Karkhana Ltd, Pravaranagar, Distt. Ahmednagar-Maharashtra. (Pravaranagar-Ahmednagar - Maharashtra)—Sugar 1,000 tonnes of sugarcane per day—(S.E.); The Chairman, M/s Sri Mahadeswara, Sahakara Sakhar Karkhana Ltd, Kollegal, Distt. Mysore, Mysore. (Kunthur - Taluk Kollegal - Distt. Mysore-Mysore)—Sugar—1,250 tonnes per day—(N.U.); M/s The Vellore Co-operative Sugar Mills Ltd, No. D.S. 2, Vellore, Distt. North Arcot, Tamil Nadu. (Thiruvallam-Ammundi Village - Gudiyatham Taluk-Distt. North

Arcot, Tamil Nadu)—Sugar 1,250 tonnes per day—(N.U.);

Letters of Intent

Metallurgical Industries (Ferrous)

M/s La Precis in Spring and Engineering Co. Pvt. Ltd, 1-Suyojana House Society, Koregaon Park, Poona-1 (Poona-Maharashtra)—Metallic Precision Springs such as coil springs, flat springs and formed springs—600 tonnes—(N.U.).

Metallurgical Industries (Non-Ferrous)

M/s Saru Smelting Pvt Ltd, Sarunagar, Sardhana Road, Meerut-U.P. (Uttar Pradesh)—Beryllium copper alloys, wires rods and flats—50 tonnes—(N.A.).

Electrical Equipment

M/s Jaipur Metal & Electricals Ltd, Near Railway Station Jaipur-6. (Jaipur-Rajasthan)—Electrical Steel stampings and Laminations—12,000 tonnes—(N.A.); Shri Krishan Lal, M-132, Connaught Circus, New Delhi. (Uttar Pradesh/Jammu & Kashmir/Haryana)—Winding wires upto 41 swg (Thicker Gauges)—300 tonnes; Winding wires 42 SWG and thinner—50 tonnes—(N.U.); M/s Chandra Electrical Industries, E-25, Himalaya House, 2nd Floor, 23, Kasturba Gandhi Marg, New Delhi (Delhi)—Winding wires upto 41 SWG—440 tonnes; Winding wires 42 and thinner—50 tonnes—(S.E.); M/s Jayant Metal Mfg. Co., Post Box No. 7009, 16, Sayani Road, Bombay-25DD. (Bombay-Maharashtra)—Winding wires upto 41 SWG (thicker gauges)—300 tonnes—(S.E.); M/s Haryana Wires, C/o M/s Bombay Premier Trading Co., H.O. 230 D. N. Road, Fort, Bombay-1 (Haryana)—Enamelled winding wires upto 41 SWG—300 tonnes; Enamelled winding wires upto 42 SWG. and above—50 tonnes—(N.U.); M/s Ashok Brothers, C/o Shri H. C. Gupta, 26/28, Shakti Nagar, New Delhi-7. (Sonapat-Haryana)—Glass covered wire (42 SWG. and above)—100 tonnes; Synthetic Enamelled

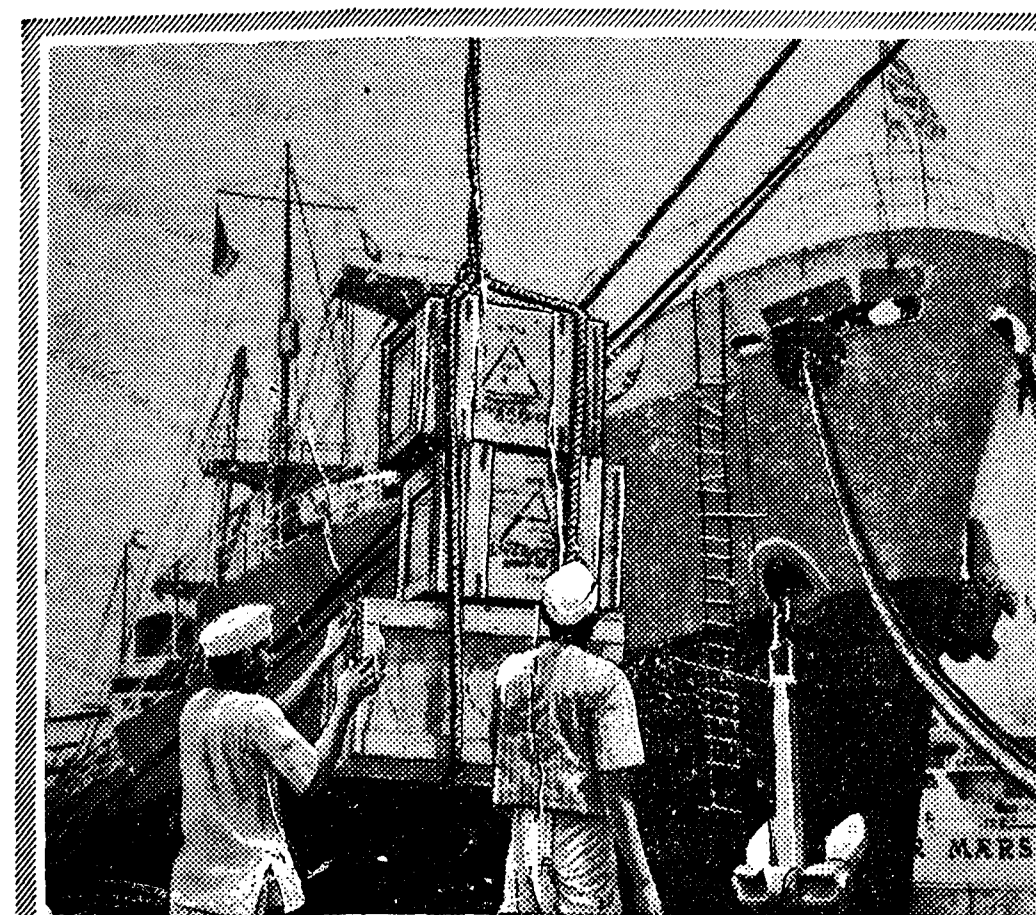
wires (42 SWG and above)—50 tonnes; Aluminium winding wires—300 tonnes—(N.U.); M/s Victor Cable corp., 802, Joshi Road, New Delhi. (G.T. Road-Sahibabad-Uttar Pradesh)—Winding wires upto 41 SWG. (thicker gauges)—200 tonnes; Winding Wires upto 42 to 44 SWG (thinner gauges)—(N.A./S.E.); Shri A. P. Mehta Managing Director, Deepak Insulated Cable Corp. Ltd, 4th Floor, 1-Vindhana Veedhi, Bangalore-1 (Bangalore-Mysore)—Winding Wires upto 41 SWG—556 tonnes; Winding wires 42 SWG and thinner—50 tonnes—(S.E.); M/s N.G.E.F. Ltd, Post Box No. 5384, Bangalore-1 (Bangalore-Mysore)—E.H.V. Power Transformer upto 400 KV/400 MVA—2500 MVA—(N.A.); M/s Electronics Corp. of India Ltd, Industrial Dev. Area, Cherlapalli, Hyderabad-40. (Andhra Pradesh)—New articles: Antennas with feed (of various sizes)—250 Nos; Electronic Equip. instruments and components for indicating recording and controlling vacuum and temperature.—45,000 Nos; Items for which expansion of capacity has been approved—Nuclear and allied Instruments: Nuclear Instruments and systems—Expansion from 640 Nos. to 1200 Nos.; Medical Instruments and systems Radio logical and Health—Expansion from 730 Nos. to 1000 Nos.; Electronic Text and Measuring Equip.—Expansion from 725 Nos. to 1200 Nos.; Industrial and Agricultural Instruments—Expansion from 170 to 500 Nos.; Resistors and capacitors: Carbon Metal oxide Film Resistors Grade I and II—Expansion from 3.5 millions to 30 millions Nos; Potentiometers—Expansion from 12,000 Nos. to 30,000 Nos.; Tantalum Capacitors—Expansion from 0.26 million to 1 million Nos.; Servo Controls: Synchro-expansion from 2000 to 2500 Nos. Power Reactor instrumentation: Instrumentation and controls for Nuclear and other power Stations—Expansions from the value of Rs 7.8 million to the value of Rs 23 million; Computers: Digital computers for real time and scientific application.—Expansion from 10 Nos. to 50 Nos; Analog computers—Expansion from 10 to 100 Nos.—

(N.A./S.E.); Shri S. K. Sarangi 5 Lower Rawdon Street Calcutta-20. (Faridabad-Haryana)—Nickel Cadmium Cells—2,00,000 Nos—(N.U.); M/s Khatau Junker Ltd, Laxmi Building, 6 Ballard Road, Bombay-1. (Maharashtra)—Power Factor Correction capacitors—2,00,000 KVAR—(S.E.).

Transportation

Shri Ranjit Singh Sahni, 4/32, Western Extension Area, Karol Bagh, New Delhi-5. (Haryana)—Contacts sets—10 lacs Nos; Distributor Assemblies—40,000 Nos; Condensers—40,000 Nos; Rotors—40,000 Nos; Distributor caps—40,000 Nos; Ignition coils—40,000 Nos.; Ignition Swit-

ches—40,000 Nos—(N.U.); M/s Victor Gaskets India Ltd, B-88, Defence colony, New Delhi. (Bombay - Maharashtra)—Piston Ring—3,00,00,000 Nos—(N.A.); M/s Virinder Singh, 5/9, Kirti Nagar Industrial Area, New Delhi-15. (Haryana/Uttar Pradesh)—Propeller Shafts—30,000 pcs; Teeth and Yokes—75,000 pcs; U.J. Crosses—



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1,50,000 pcs; Flangs—1,00,000 pcs; Cross Holders — 60,000 pds — (NU); Shri Suresh K. Mehta, 104/5, Himalaya House, 79, Palton Road, Bombay-1) Belapur - Maharashtra (Ahmedabad-Gujarat) — Inlet and Exhaust Valves—10,00,000 Nos; Valve Guides—3,00,000 Nos; Push Rods—3,00,000 Nos—(N.U.); M/s Laxmi, Chand Bhagaji, Ltd., 79, Apollo Road, Bombay-1. (Gujarat) — Thin Walled bearings and bushings — 15 lakhs Nos; and 10 lakhs nos resp—(N.U.).

Industrial Machinery

M/s Tamil Nadu Industries Dev Corpn. Ltd, 150-A, Mount Road, Madras-2. (Octacumund, Kodaikanal or Mettupalayam Tamil Nadu) — Ball Bearings—25,00,000 Nos.; Cylindrical Roller Bearings — 7,00,000 Nos; Needle Roller Bearings—4,00,000 Nos; Spherical Roller Bearings—2,00,000 Nos; Tapered Roller Bearings —10,00,000 Nos; Ball Thrust Bearings—2,00,000 Nos — (N.U.).

Machine Tools

M/s Praga Tools Ltd, Kavadi-guda Road, Secunderabad-3. (Andhra Pradesh) Secunderabad-Andhra Pradesh) — Rock Drills—1800 Nos. (N.A.); M/s Praga Tools Ltd, Kavadi-guda Road, Secunderabad-3. Andhra Pradesh. (Secunderabad-A.P.) —Threading Rolling Machines —Expansion from 20 Nos. to 120 Nos—(S.E.).

Earth Moving Machinery

M/s Lynx Machinery Ltd, Dakshineswar, 7th Floor, 25 — 26, Apartment, 10, Hailey Road, New Delhi-1. (Haryana) —Road Roller of 8-10 ton including viabratory type road roller.—500 Nos—(N.A.).

Engineering Industries

M/s Hindustan Wire Products Ltd, Factory Area, Patiala, Punjab. (Patiala-Punjab) —Diamond wire Drawing Dies —4,000 Nos. — (N.A.).

Industrial Instruments

M/s J. Stone & Co. (India) Private Ltd, 16, Taratella Road, Calcutta-53. (Thana-Maharashtra) — Bottle cleanliness

inspectors and bottle level inspectors — (N.U.).

Chemicals

Shri Dinesh Chand Garg, 382, Kishan Bhavan, Hanuman Gate, Jagadhri. (Jagadhri-Haryana) — Nitrous Oxide gas — 100 million litres; (N.U.); M/s Durgapur Chemicals Ltd, 6, Little Russell Street, Calcutta-16. (West Bengal)—Phthalic Anhydride —9000 tonnes — (S.E.); M/s Ciba of India Ltd, 14, J. Tata Road, Bombay-20 (BR) (Corlin-Goa) — Monorotophos — 300 tonnes; Formulations — 750 tonnes; (within the existing capacity of 1296 tonnes of technical pesticides and 189 tonnes of formulations)—N.A.); M/s Hico Products Ltd, 771, Mogal Land Mahim, Bombay-16 DD (Thana-Maharashtra) — Fatty alcohol & Chlorides — 160 tonnes; Fatty amines — 25 tonnes; Amine oxides — 100 Tonnes—(N.A.); M/s Tata Chemicals Ltd, Bombay House, Bruce Street, Fort, Bombay-1 (Gujarat)—Soda Ash — 1,40,000 tonnes (capacity after expansion 5,00,000 tonnes — (S.E.); Shri S. S. Kohli, 2, Club Road, Civil Lines, Delhi-6. (Ghaziabad-U.P.) — Nitrous Oxide Gas — 160 million liters — (N.U.); Shri H. V. Navani, 354, Saket Colony, Indore-MP (Dewas-MP) — Nitrous Oxide — 120 million Ltrs. —(N.U.); The Chairman and Managing Director, Indian Petrochemicals Corpn Ltd, P.O. Jawahar Nagar, Distt Baroda, Gujarat. (Gujarat)—

Ethylene Glycol — 20,000 tonnes; Bye-products Polyethylene Glycol — 2,400 tonnes—(N.U.); The Chairman and Managing Director, Indian Petrochemicals Corpn Ltd, P.O. Jawahar Nagar, Distt Baroda. (Gujarat) — Polypropylene Resins—30,000 tonnes; Bye-products : Atactic Polymer—3,000 tonnes (N.U.); M/s Sturdia Chemicals Ltd, Neville House, Graham Road, Ballard Estate, Bombay-1 (Rishikesh-UP) — Calcium Carbonate — Expansion from 11,000 tonnes to 20,000 tonnes —(S.E.).

Drugs and Pharmaceuticals

M/s German Remedies Pvt Ltd, Shiv Sagar Estate A, Block, Dr Annie Besant Road, Worli, Bombay-18. (Maharashtra) — Injections—Expansion from 10,088 to 18,000 litres; Capsules in (thousands) —Expansion from 3000 to 12,000; Ointment—Expansion from 1800 Kgs to 6000 Kgs; (Suppositories in (thousands) expansion from 408 to 600—(S.E.).

Textiles

M/s Modi Spining and Weaving Mills Ltd, Thread Division, Modi Nagar-U.P. (Modinagar-U.P.) — Synthetic sewing threads—300 tonnes (x.E.). — (S.E.).

Paper and Pulp

M/s Senapathy Whiteley (P) Ltd, 14, Tannery Road, Bangalore-5. (Ramanagaram-Mysore) — Stereo Flangs and

Matrix Boards — 500 tonnes; Filter Paper Gasket and Jointing — 1000 tonnes; Mica Paper—300 tonnes — (N.A.).

Sugar

M/s Shree Khedut Sahakare Khand Udyog Mandli Ltd, Babon, Bardoli, Distt. Surat, Gujarat. (Babon-Bardoli-Distt Surat-Gujarat) — Sugar — Expansion from 3000 tonnes cane to 5000 tonnes cane per day—(S.E.).

Food Processing Industries

Shri Raj Kumar Tiwari, 4/281, Parwati Bagla Road, Kanpur. (Allahabad or Varanasi-UP) — Soft Drinks other than coca cola etc. — 31.2 million bottles—(N.U.); M/s Kailash Roller Flour Mills, 89, Water Works Road, Sakhi Bazar, Jamshedpur, Bihar. (Jamshedpur-Bihar) — Wheat Products — 45,000 tonnes — (N.U.); Shri M. D. Kanoi & O.P. Kanoi, 13/2, Ballygunge, Park Road, Calcutta-19. (Madhya Pradesh) — Dehydrated Fruits and Vegetables—For a annual combined capacity of 450 tonnes — (N.U.).

Rubber Goods

M/s Ronald Steel & Rubber Industries Projects, 5, T.T. Nagar, New Market, Post Box No. 49, Bhopal. (Itarsi-M.P.) —Fabric Duck Rubber conveyor Belts—36,000 metres; Steel Cord Rubber conveyor belts— 36,000 — (N.U.).

Glass

M/s Haldyn Glass Works

Pvt Ltd, off Western Express, Highway, Goregaon East, Bombay-63. (Nasik-Maharashtra)—Glass Containers — 6000 tonnes — (S.E.); M/s Empire Dyeings & Mfg. Co Ltd, Vitrium Glass Division 414, Tulsi Pipe Road; Bombay-13. (Vikholi-Maharashtra) — Glass Containers — 6,000 tonnes (from 12,000 tonnes to 18,000 tonnes (S.E.).

Ceramics

M/s Carbourundum Universal, 11/12, North Beach Road, 1 B. No. 1677, Madras-1 (Tamil Nadu)—Electrocast, Fusel Cast Refractories—3000 tonnes—(N.U.).

Cement

M/s Panyam Cement & Mineral Industries Ltd, Cement Nagar P.O., Bugganipalli R.S., Distt. Kurnool, Andhra Pradesh. (Tornagulla-Taluk Bellary Distt.-Mysore) — Portland Cement — One Lakh tonnes — (N.U.).

Change in Names Owners/Undertakings

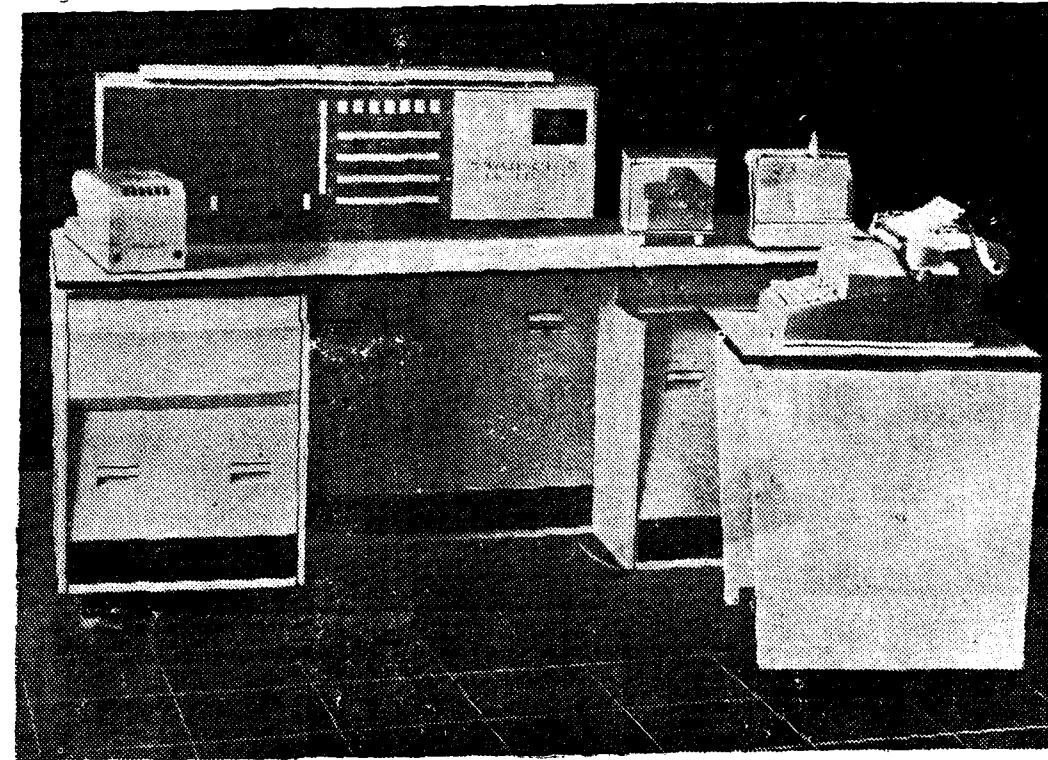
(Information pertains to particular licences only)

From Radhika Mills Ltd Combatore. to M/s Madhu Spg. and Wvg. Mills Pvt Ltd, Coimbatore. (Tamil Nadu); from M/s Garlic & Co Pvt Ltd, Bombay to Empire Dyeing Manufacturing Co Ltd, Bombay; from M/s Garlic and Co Pvt Ltd, Bombay to The Empire Dyeing & Manufacturing Co Ltd, Bombay; from M/s Garlic & Co Pvt Ltd, to M/s The Empire Dyeing & Manufacturing Co Ltd, Bombay; from M/s Amaschmeirjir Jr (India) (P) Ltd, to M/s Maschmerjir Aromatics (India) (P) Ltd, Madras.

Licences Revoked or Surrendered

(Information pertains to particular licences only)

M/s Harbans Lal Malhotra & Sons Pvt Ltd, Bombay.—Industrial Furnaces.



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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.

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RECORDS AND STATISTICS

Power Development

IT HAS been known for some time that the power supply position has been turning critical in some states. Industries in Maharashtra, Gujarat, Punjab, Haryana and Uttar Pradesh have suffered in a grievous manner in recent months due to the shortage of power. This has resulted not only in slowing down the pace of industrial growth but also in reducing our capacity to earn foreign exchange through increased exports. In order to focus attention on this problem, the Federation of Indian Chambers of Commerce and Industry (FICCI), New Delhi, has arranged a seminar which will be held in the Capital on September 8 and 9. The FICCI has prepared a special background paper for discussion at the seminar; this paper is given below in full:—

There has been considerable shortage of power supply in various parts of the country during the last few years. Of late, the position has aggravated considerably and we are virtually on the threshold of a perennial power crisis. Since the beginning of the year, the shortage has been felt particularly in the western region including Maharashtra and Gujarat. In March last, the power cut in Gujarat was 25 per cent. Punjab, Haryana and UP are also affected by power cuts for the last few months. In Punjab, the power cut was about 30 per cent and factories had to resort to five-day working. Now Andhra Pradesh is also in the throes of a

power crisis. Both West Bengal and Bihar have been passing through a period of considerable power shortage affecting the operation of industrial plants and coal mines. The jute industry's loss of production due to power shortage since January last is valued at Rs. 8.5 crores of which the loss of foreign exchange is five crores.

2. There are various factors which have contributed to the power shortages such as delay in the construction of power stations, shortage of rainfall in the catchment areas for some hydro-electric stations, low capacity utilisation due to lack of maintainance, non-availability of coal, lack of transmission facilities, leakage in transmission, labour trouble, etc. The leakage in transmission is said to be abnormally high particularly due to lack of maintenance and proper equipment. The point to note is that the power shortage is not localised, nor are the factors responsible for the shortage of a temporary nature. The Minister of Irrigation & Power himself stated recently in Parliament that the country should be prepared for a power shortage of 2-3 million kW by 1973-74, even after the completion of some power projects in Haryana.

3. Shortage of power has severe repercussions not only on industrial production but also on general economic growth. Out of the total consumption of electricity, industrial sector accounts for more than 70 per cent. The persistent deficit in power supply may prove to be a roadblock in the acceleration of industrial production which has been lagging behind at 3-4 per cent, a rate of growth much below the Plan target. A considerable quantity of power is also

necessary for providing irrigation facilities to agriculture. Besides, development of backward areas and rural electrification, which are being given greater emphasis recently, will give a further spurt to the demand for power. It is, therefore, essential that timely steps are taken to plan power development in such a way that not only the malaise of periodic power shortages are removed but also a firm basis is laid for development of the basic infrastructure by planning power supply well ahead of likely demand.

4. The Seminar proposes to discuss the short-term and long-term issues concerning power development, the impact the present shortage is having on industrial production and development and the steps that should be initiated to being about a rapid increase in the power generating capacity and its transmission and distribution in the years that lie ahead. The Paper is divided into the following sections:—

- Power Shortages and Potentials
- Problems of Transmission and Distribution of Power
- Rationalisation of Electricity Tariffs

Power shortages and potentials

5. It is almost axiomatic that to increase standards of living from whatever starting point requires energy consumption. Those countries with the greatest consumption of power per capita have also the highest standard of living. Electric power occupies a key position as a stimulant to industrial and agricultural expansion and modernisation. Availability of adequate and reliable power supply has necessarily to be an important aim of planning and development.

6. In the successive five year Plans, beginning from the first Plan in 1951, power development made considerable strides. As much as Rs 3500 crores were invested during the period 1961 to 1971 on electricity generation and transmission. There,

has been substantial progress in terms of capacity for power generation, the number of villages electrified and the number of pump-sets energised.

Year	In-stalled generating capacity (mill. kW)	No of electrified villages (000)	No. of pump-sets energised (000)
1950-51	2.31	3.5	19
1955-56	3.42	9.6	58
1960-61	5.65	26.0	192
1965-66	10.17	48.0	513
1969-70	15.50	84.0	1370
1970-71	16.40	105.0	1600
1971-72	17.70	123.0	1926
1973-74 (Target)	23.00	166.0	2310

7. Despite nearly an eight-fold increase in generating capacity, the availability of power has become a major constraint in development of both industry and agriculture. What could be the reason for this anomaly? Has the demand been outstripping supply? Or, has the supply of power for various reasons fallen short of Plan targets which are based on estimates of requirements of power for various uses? Possibly, both those factors have been responsible for widening the gap between demand and supply of power. One thing, however, is clear that the shortage in supply of power has contributed more in increasing the gap in as much as from beginning of the first Plan, installation of power generating capacity has always been falling short of the Plan targets.

8. The shortfalls in physical targets in respect of power generation during the successive five year Plans are shown in Table II on page 581.

It is stated that out of the total projected outlay of Rs 2500 crores on power development during the fourth Plan, in the first three years of the Plan, the anticipated outlay was about Rs 1200 crores representing over 60% whereas upto

now the physical achievement has been 37% less than the target.

Was the physical achievement commensurate with the capital expenditure? If not how the efficiency of investment can be improved?

9. The short-fall in the achievement in the second Plan was ascribed to foreign exchange deficiencies and also to delay in the execution of some of the more important projects. For the fourth Plan, against a target of generating capacity of 23 million kW the total may come to slightly above 20 million kW by the end of the fourth Plan, which is even lower than that envisaged in the Mid-Term Appraisal.

10. The Seventh Annual Electric Survey which is based upon an assessment of the power potential that is likely to be available as a result of the commissioning of new plants forecasts, as the table III shows, power shortages in the northern, Western and southern regions of the country by 1973-74 which among them account for about 80 per cent of the total estimated all India requirements of electric power.

11. The deficit is endemic in the northern region and is developing in the western and Southern regions. Even in the Eastern region in which the Electric Survey has forecast a surplus, the position is far from comfortable and the West Bengal industrial complex is now severely affected by power shortages, fluctuations in supply and voltage dips. In these and other regions, the problem has been not merely one of shortage due to inadequacy of generating

capacity but also of insufficient transmission facilities and the low level of efficiency of operation and maintenance of power plants.

12. It is important to note that not only is the supply of power quantitatively short of requirements but its quality has deteriorated. There are frequent stoppages, unscheduled shut-downs, trippings and wide fluctuations in voltage of power supply. All these cause serious dislocations in the production schedule of industry, particularly those in which power inputs are comparatively high. Besides, these are likely to cause serious damage to the installed machinery and equipment, and reduce their life. This also adds to the cost of industrial output.

13. A variety of factors have contributed to the present situation in respect of power supply:

- Delay in the implementation of power projects;
- Low utilisation of power generating capacity already installed,
- Lack of transmission facilities,
- Low financial provisions,
- Labour troubles.

(i) Delay in the Implementation of Power Projects

14. Execution of power projects has suffered serious setbacks, due to a number of factors such as (a) delay in delivery of equipment, (b) shortage of essential construction materials like cement and steel, (c) labour troubles. The major cause, however,

is the delay in delivery of power generating equipment by the public sector heavy electrical plants viz. Bharat Heavy Electricals Ltd. (BHEL) and Heavy Electricals Ltd. (HEL). It is to be noted that the third five-year Plan document also ascribed the shortfalls in power development to the same factors. For one reason or the other, it appears that there has been persistent delays in the supply of equipment. As against a projected target of installation of generating capacity of 2 million kW in 1972-73, a shortfall of 25% is envisaged in a recent assessment, mainly on account of delay in the supply of equipment. Similarly, keeping in view the present progress of civil works at site and the latest indications of delivery of equipment by (BHEL) and (HEL), some of the major projects that were to be commissioned by 1973-74 may spill over to the fifth Plan. What is even more significant is that the public sector plants which are expected to produce the heavy generating equipment are, at present, operating at 30-40% of their capacity. The

public sector plants are in some cases, shifting the responsibility for the delay in fabrication and delivery of some essential components to the Heavy Engineering Corporation. Also the delay in the delivery of power generating equipment is ascribed by the BHEL and HEL to the delay in the placing of orders by the state electricity boards. State electricity boards, on the other hand, complain of inadequate resources for advance orders. The question, however, remains whether it is possible for the producers of power generating equipment to manufacture some units of power generating equipment in anticipation of the likely demand. The fact also remains that there are many complaints about the delay in procuring the electrical equipment from the indigenous manufacturers as well as their quality.

How can these problems be overcome?

(ii) Low Utilisation of Power Generating Capacity Already Installed

15. Another contributing factor to the present difficulties in

TABLE II
Shortfall in Physical Targets

Period	Planned addition Mill. kW.	Achievement Mill. kW.	Shortfall Percentage
First Plan (1950-55)	1.40	1.12	20
Second Plan (1956-61)	3.48	2.23	36
Third Plan (1961-66)	7.04	4.52	35
Three Annual Plans 1966-69)	6.68	4.12	38
Fourth Plan (1969-72) (first three years)	4.13	2.60	37

TABLE III
Estimated Surplus/Deficit — Statewise

Regionwise	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
Northern Region	1132	549	582	—1766	—1473	—411	2027
Western Region	908	1155	1658	1091	412	—164	—1536
Southern Region	3890	2841	2327	1927	1278	—136	—192
Eastern Region	2187	2837	3071	2400	1873	2525	2577
North Eastern Region	313	241	240	183	176	226	470
All India	8430	7623	7879	3835	2266	2040	3346

power supply is that even the generating capacity already installed could not be utilised to the full or to the best advantage for a variety of factors.

(a) Efficiency of operations and maintenance of power plants has been low as admitted by the union Minister for Power recently in Lok Sabha. Both technical and non-technical factors were responsible for this. Lack of sufficiently trained and experienced men, lack of proper equipment, appointment of personnel on non-technical considerations leading to inefficiency in management, shortage of components for replacement and their delayed delivery have all contributed to the low efficiency of maintenance and operations at the plant level.

(b) Non-availability of coal in time to thermal plants has led to under-utilisation of power plants in some instance. Sometimes inferior quality of coal has been a factor.

(c) For many hydro-electric plants, low storage levels in reservoirs has been the cause for trouble due to lack of rains in the catchment areas. The question arises whether there are sufficient inter-connections with thermal stations to make up for deficiencies arising on such occasions.

(iii) Lack of Transmission Facilities

16. A significant feature of the power situation today is that while there are a few areas with surplus power, there are others which are deficit or may be in temporary difficulties due to the break-down of important supply centres like Tarapur Atomic Power Plant. Lack of adequate transmission facilities from one state to the neighbouring states has prevented supply of power from surplus to deficit areas. There are complaints of insufficient transmission lines even with uncertain states. The subject is being more fully discussed in the next section.

(iv) Low Financial Provision

17. As stated by the union Minister for Irrigation and Power recently in Parliament, power development has suffered

due to inadequate financial provisions made for power generation during the Plans.

(v) Labour Troubles

18. Frequent labour troubles in power plants at least in some areas like West Bengal have been the cause of dislocation of power supply in a number of instances.

A number of questions arise:

1. Are there any practical remedies for removing these difficulties?

2. Which are the organisations that need more attention and call for gearing up to meet the current exigencies of power supply e.g. power service organisations like Central Electricity Authority, State Electricity Boards, etc. or producers of power generating equipment, or also other public sector organisations like the HEC?

3. Has the private industry any role in the supply of power generating equipment?

4. How to speed up implementation of power projects?

The answers to these questions would be useful guides in planning for power development in the fifth Plan and after.

Planning for Power Development

19. Planning for power is very crucial especially in the context of the long gestation period required to instal power plants. There are limitations in indigenous supply of plants and designing capabilities making for expeditious delivery of equipment. Setting up power plants involves heavy initial investments and foreign exchange, and both have proved to be serious constraints. Power affects production and growth if it falls short. It is equally true that capacity that is installed should be used to the maximum extent, and what is produced should be also be utilised. This means there has to be a well co-ordinated programme of power development correlated with the growth of industry, agriculture and other sectors which consume it.

20. For the successful planning and implementation of power development, firstly, it is necessary to have a long range plan

extending over a period of 10 to 15 years and based upon a realistic estimate of demand. Secondly, a scientific selection of projects has to be made after a comparison of advantages of the alternative sources of energy/fuel, hydro, thermal, nuclear and a combination of them, within each region, depending upon the feasibility. Thirdly, an assessment of the indigenous machine building and designing capacities and the time required for fabrication and delivery should be made with a view to planning for imports, wherever indigenous capacity is not sufficient. Fourthly, there should be a definite implementation schedule feasible to be achieved. Finally, the state electricity boards should be required to place their orders with indigenous equipment manufacturers sufficiently in advance.

21. Demand: There are varying estimates of demand. The Seventh Annual Electric Survey (1972) has estimated the annual growth rate at 12.4 per cent in demand, but according to official estimates, actual consumption has been increasing by 20 per cent or more in some areas. The power development programme during the fifth Plan (1974-75 to 1978/79) envisages increasing generating capacity to 41.5 million kW after allowing for retirement of some obsolete plants. This means an addition of 21.8 million kW of generating capacity during the fifth Plan. The requirements of power upto 1980-81 has also been projected by the Ministry of Irrigation and Power. The estimated requirement in 1980-81 involves the creation of a generating capacity of 48 million kW, at the present given levels of efficiency in use. Some margin has also to be kept to meet contingencies. A total generating capacity of 52 million kW has been suggested by 1980-81. The seasonal spurts in demand due to conditions of drought cannot be quantified but the number of pumps energised is an indication of the growth of demand. There has been a three-fold increase in energisation of pumps. A much larger rate of increase has been visualised in rural electrification. In the case of industry a growth rate of 8 to 10 per cent is the minimum required against the present

growth of 3 to 4 per cent. Even at this sluggish rate, the supply position of power has been remaining unsatisfactory. The fifth Plan projection, be it noted, is based on an assumption of 8-10 per cent growth of industry. The question arises whether the fifth Plan target of 41.8 million kW of generating capacity would meet the criterion of planning power supply well ahead of demand by providing for a margin for accelerated demand for power.

22. Selection of Projects: There are several sources of energy — coal, water, oil, gas, nuclear fuel etc. What should be an ideal mix? Of the total targeted addition of 21.8 million kW in fifth Plan, 11.8 million kW will be in thermal plant, 1.4 million kW in nuclear plant and the balance of 8.6 million kW in Hydro electric units. During the last few years frequent power cuts have been a recurrent phenomenon in areas fed mainly by hydro-electric power stations because of erratic or delayed monsoons. A suggestion, is made that there should be a reduction in the dependence on hydro-electric energy. But then the question arises as to the availability of the basic resources/fuels required for thermal development.

23. Equipment needs: In launching a programme of creating an additional 20.8 million kW of power generating capacity in the fifth Plan the machinery fabrication potential will have to be considerably geared up. This would mean an average annual rate of delivery of about 4 million kW p.r annum. Is it practicable to realise this magnitude of production by the existing indigenous manufacturers of electrical equipment plants in the Fifth Plan period? It is understood that the two public sector plants BHEL and HEL have a capacity of 7.8 plants of 200 mW and 8 plants of 100 mW respectively. Even as it is, the programmes of the heavy electrical plants are stated to have suffered due to various bottlenecks such as difficulties in importing castings, forgings and some finished components. Other limitations stated to be

faced by these plants are inadequacy of testing facilities for turbo generators; and lack of capacity for manufacturing blades to suit different types of turbines which have to be imported. The question arises whether for ensuring timely and smooth implementation of the programme of power development of the magnitude envisaged it will be feasible to rely on the existing plants, and to what extent? Considering the long gestation period of such plants will it not be advisable to plan from now? Will not the private sector of the electrical equipment industry be allowed to play a role? The largest single turbine produced in India have a much lower capacity of about 200 mW against 1000 mW in United States and Soviet union and 750 mW in Britain and West Germany. What are the constraints, if any in designing and fabrication of turbines of higher ranges of say 500 mW especially since the heavy electrical plants have collaboration with competent authorities abroad?

What are the ways of improving the design sections and technical capabilities of the heavy electrical plants?

The following are some other issues concerning power development which may also be discussed:

Can the shortfalls in power development be attributed to lack of long term planning, taking into account the long period of gestation of power projects to materialise? Was the demand for power much in excess of anticipations or was the supply also short of planned targets? Or have maintenance and operational problems of existing plants aggravated the shortages?

24. Implementation Schedule: It is said that the emphasis during the last 25 years was on setting up large units based on energy resource availability. Is there a need to optimise the location of generating stations by providing for transport of fuel to the station? What is the economics of locating thermal stations away from the sources of fuel? On the basis of the time

that will be required for completing civil works, fabrication and supply of indigenous equipment and delivery period of imported equipment, realistic implementation schedules can be worked out. It is stated that the present policy of not importing heavy electrical plants has been a cause for delay in implementation of power projects due to uncertain delivery periods of equipment by the public sector plants. Whether allowing more imports will ensure expeditious implementation is a point to be discussed?

II Problems of Transmission and Distribution

25. After electricity is generated in power stations, it is to be distributed to consumers through transmission lines erected for the purpose. It is not as easy to describe the transmission systems statistically as the generating systems. But, as the Energy Survey Committee (1965) had put it, it can be said that the rapid growth of demand for electric power had led to infinite improvisations to enable an inadequate system of distribution to carry as much load as possible. In most of the cities which are also centres of industry, the distribution system is not only outdated but very seriously overloaded.

25. The fourth Plan describes the progress on transmission schemes as shown in Table IV below.

27. While additions made in the third Plan nearly doubled the length of transmission lines, these were admittedly not commensurate with the requirements arising out of the increase in generating capacity.

28. In the industrially advanced countries, investment in transmission and distribution is about equal to that of generation. In India total investment in transmission upto the end of annual plans in 1968-69 was about Rs 920 crores as against about Rs 2204 crores on generation; besides, Rs. 420 crores were spent on rural electrification. The fourth Plan was expected to strengthen the transmission and distribution system appreciably.

But the proposed investment on the latter head was only Rs. 722 crores whereas generation schemes got an allotment of Rs 1255 crores. Only by adding the proposed investment on rural electrification the two amounts come nearer to the desired levels. The question is whether financial provision itself is sufficient for installation of an adequate transmission system?

29. The transmission system consists of transmission lines and various other equipment required for transport of electricity from the generating stations to the consuming centres and individual consumers. The significant point to note is that transmission of electricity involves the capital cost of transmission equipment as also some transmission losses and the cost of what is called reactive compensation.

30. The first issue is the economics of transport of electricity. This is of some practical significance in Indian conditions where, as observed by the Energy Survey Committee, in future a large share of power will have to be obtained from by-product coking coals from the iron and steel industry. The question is whether it is economical to carry the coal to instal power stations near consuming centres or to carry electricity through transmission lines to those centres through high-voltage transmission lines. From investigations carried out in India and elsewhere the general principle is clear. For a reasonably high load factor, electrical transmission is cheaper but for low load factors cost of coal transport is cheaper. Therefore, for a peakload plant, the site should be selected as near the load centre as

possible. The Energy Survey Committee studied this problem in depth and came to the conclusion that the relative costs of rail transport and electrical transmission depend on a number of complex factors, and each case should be considered on its own merit. This, is, no doubt, a techno-economic problem on which the Seminar is expected to throw some light. One thing, however, is clear. Electrical transmission to long distances requires high voltage transmission lines which are currently much below requirements in the present system.

31. Then, an integral part of any transmission system is a network of inter-connections joining one power station or generating system to another. Such inter-connections may be required to connect power generating stations within a state or may cross state boundaries to connect those located in neighbouring states. Regional and national grids may be formed out of such inter-connections.

32. The advantages and economies of such inter-connections are well-known. In India as elsewhere power generation may be based on thermal, hydro or nuclear plants. Sizes of plants also may differ due to individual circumstances. The full and effective use of large thermal and nuclear stations and their integration with the hydro system can be possible only through inter-connections. Even within the overall shortage of power some states and regions are better off than others. Even within the same state, there may be areas of shortages and comparative surpluses. Supply of electricity from surplus to defi-

TABLE IV
Progress of Transmission Schemes
(Circuit Km)

	Above 500 V 11/15 KV	Above 11/15 KV to 66/67 KV	110 KV and above	Total
1960-61	102027	41960	13901	157888
1965-66	185969	76358	28491	290818
1968-69 (est.)	291000	—	194200	495200

cit areas is possible only by proper integration through inter-connections.

33. Energy losses in transmission in India, particularly in some regions like the Southern and the Northern, are very high. The all-India average loss in transmission has been estimated to be as high as 16 per cent as against 8-10 per cent in Europe. Inter-connections make it possible to substantially reduce wastage of power due to transmission losses. It is understood that for 1 per cent reduction of losses, the revenue benefit may be of the order of Rs. 5 crores. Moreover, in developing countries like India where the rate of growth of power demand is high, precise load forecasts are not easy despite the technical competence of the forecasting personnel, and may be much below the potential demand which should form basis for planning future development programmes. The result, as observed in India over the past few years, is that there are surplus in certain systems side by side with deficit in others. In such a situation, inter-connections will reduce wastage of power and enable the surplus power to be utilised in deficit areas. There are instances in Indian conditions where the absence of inter-connections has involved avoidable interruptions of supplies. Potential economies, specially of stand-by equipment, inherent integrated systems have also not been available in their absence.

34. Some other benefits of inter-connections are: mutual assistance between power generating stations-systems in case of break-down, lower requirements of total installed capacity for generation due to diversity of load, economy in capital outlay and operating costs by siting large size plants in appropriate locations, low overall production cost, exchange of power between systems to mutual advantage as in case of peak demands occurring at different times, enabling facilities to be scheduled for maintenance, closure of some stations at times of low system

demands and taking over their load, etc.

35. Not only are the advantages of inter-connections already known, but systematic efforts are, no doubt, being made in the country for some years past for evolving a co-ordinated transmission system and forming regional grid systems out of inter-connections, with the ultimate objective an all-India grid. For this purpose, the country has been subdivided into 5 regions with appropriate regional agencies operating since 1964-65. Some planning and work has also been made in installing high-voltage transmission lines, state/regional load despatch centres, etc. which are urgently required for a co-ordinated grid system to be built out of inter-connections. But for various reasons the progress has been very slow indeed.

36. One of the main prerequisites for co-ordinated operation of state and regional power systems is to ensure that strong inter-state links are established. Upto the end of the third five-year Plan, only 31 inter/state inter-Regional links were in existence. The progress during the first three five year Plans apparently had been slow due to the reluctance on the part of the state governments to implement inter-state transmission links. In the fourth Plan, with a view to stimulating implementation of inter-state links, government decided to provide 100% loan assistance to states to implement programmes of inter-state transmission links. Under this arrangement while funds are advanced by the centre, the executing authorities are the state electricity boards within their respective areas of supply. However, even this scheme has not apparently proved to be very effective. Only 3 out of the 38 inter-state links approved during the fourth Plan have so far been completed. It is estimated that another 5 lines may be completed within the fourth Plan period spilling over the balance of 31 schemes to fifth five-year Plan period.

What are the major impediments in the progress of

establishment of inter-State and inter-Regional transmission links? Is it because of the deficiencies in the execution of the projects by the state electricity boards? Can this problem be resolved by assigning the responsibility for executing the programmes of Regional Electricity Boards under Central control? To what extent the transmission linkage programmes between states and Regions have suffered on account of the shortage of steel and other raw materials required for fabricating transmission equipment? Has the programme of establishing inter-state and inter-Regional links suffered on account of paucity of finance, and if so, what steps are needed to meet the financial requirements in full?

Transmission Equipment

37. Transmission equipment comprises a number of items such as cables and wires, transmission towers, transformers for sending and receiving ends, switch-gear, lightning arrester, voltage control gears etc. The most significant fact in the supply of transmission equipment is that manufacturing capacity exists almost for all the items so that investment on transmission has a high indigenous content. In fact some of the producers as those of cable and wires have a large capacity installed but utilised only in part. There is no doubt a shortage of some essential raw materials like steel, copper etc. But once a firm decision is taken to gear up the transmission system to the current needs and to quickly implement the programmes, the supply of required raw materials can be arranged through imports. The issues before the Seminar therefore are:

Is there any shortage in the capacity for any item of transmission equipment? If so, which is that item and what is the extent of shortage? What are the short-term and long-term measures required to step up the availability of the equip-

ment required for transmission of electricity?

38. According to the Ministry of Irrigation and Power, 30 new inter-State linkage schemes will be taken up in the fifth Plan over and above those spilled over from the fourth Plan. A capital outlay of the order of Rs 125-150 crores might be required financing schemes.

How the material requirements of a programme of this magnitude can be fully met? To what extent availability of such items as transformers, switch-gear, control gear, steel, zinc, etc. for terminal equipment and lines have to be stepped up? Whether there is scope for increasing the capacity installed for transmission equipment in the country considering the importance of achieving self-reliance and at the same time-bound implementation?

Rural Electrification

39. Rural electrification is another important aspect of the distribution of power. In the first year of the fourth Plan, about 16,000 villages were electrified and about 2.66 lakh pumpsets were energised; in the second year of the Plan, 17,000 villages were electrified and 2.7 lakh pumpsets energised; in the third year upto December, 1971, the total number of villages electrified stood at 114,573 and the pumpsets energised about 18 lakhs. The fourth Plan provided for an outlay of Rs 294 crores for rural electrification. In addition, an outlay of Rs 150 crores has been provided in the Central sector for the Rural Electrification Corporation. Against the planned expenditure of Rs 93 crores in the first two years of the Plan, the actual expenditure on rural electrification amounted to Rs 144 crores.

40. The concept of rural electrification has to be understood from a wider perspective instead of restricting it simply to the number of villages electrified or the number of pumpsets energised. For its success, rural electrification has to be dovetailed with a well co-ordi-

nated programme of progressive industrialisation of the rural areas. It is necessary to develop the countryside by the establishment of medium and small scale industrial complexes through various incentives and wide spread growth of the infrastructure by transport, medical and other facilities so as to attract talents from the urban to the rural area.

The issues can be put as follows:

What is the objective of rural electrification? Can this be met by extension of electricity supply to rural areas without adequate provision of the required transmission lines? Does this cause any strain on the transmission lines elsewhere or effect the supply of electricity elsewhere either quantitatively or qualitatively? What is the role of progressive industrialisation of rural areas in relation to rural electrification, and what should be the priorities?

III

RATIONALISATION OF ELECTRICITY TARIFFS

41. The electricity supply undertakings being utilities will have to play a promotional role, and cannot be strictly compared to commercial undertakings in the proper sense. Their performance cannot, therefore, be measured strictly in terms of the return or profits they earn.

42. The question arises as to what price should be charged from the consumers of power. For promoting industrial growth, provision of cheap power has to be an essential ingredient of governmental policy. It is in fact so in most countries. Even the TVA in USA produced power at a very low rate of return and could not for a long time pay back the principal of the loan it had taken from US government nor the interest there of. An element of subsidy in pricing electricity is implicitly accepted every-

Save with grace

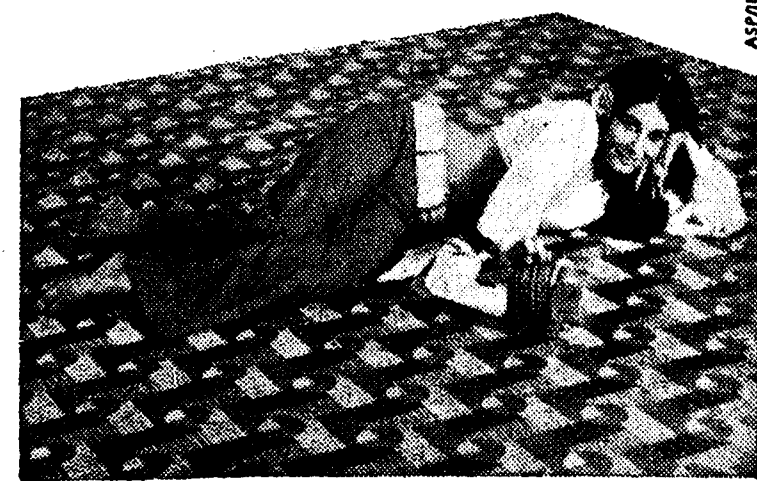
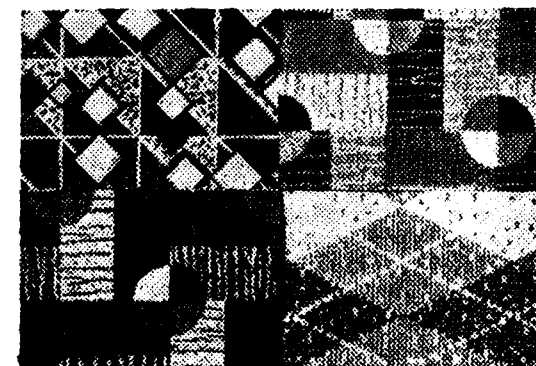
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where. Since electricity has to be sufficiently cheap as to be a stimulant to development, the tariffs be high. Power development is capital intensive and power projects have a long period of construction of as much as ten years, and capital-output ratio is as high as 5:1 according to some estimates. It is of considerable importance to economise the use of capital by placing emphasis on increasing the efficacy of operation, maintenance and capital construction. Electricity supplying units will be able to improve efficiency of electricity supply undertakings if they are to fully serve their socio-economic objectives. The Energy Survey Committee (1965) observed that while it was important the electricity undertakings earned a return on their investments, it was equally significant to ensure that tariffs fixed at higher levels did not create an atmosphere of "relaxation and lack of effort to push up efficiency".

43. It may be pointed out that there are other ways than price adjustments to enable electric supply undertakings to increase earnings. For example, considerable cost reductions can be ensured by higher thermal efficiency, larger plants, better maintenance, fuller utilisation and improved transmission and distribution facilities. What is the present pattern of tariffs obtaining in India? To what extent the existing tariffs are based upon considerations of efficiency and economy in the services rendered? What role tariffs can be made to play in the matter of promoting development of industry?

44. Annexure III gives the state-wise and consumer-wise tariffs on electricity supplied by electricity boards, DVC and private licences. The all-India tariff structure given in the Annexure shows that tariffs are not uniform and differ widely as between different states and even within the same state, depending upon whether the supply is made from hydro-electric or thermal stations.

45. As far as industrial supplies are concerned, there

is a two-part tariff system under which a fixed monthly charge is levied on the basis of a maximum demand, supplemented by a charge per kilowatt hour of energy actually consumed. This device favours high load use because the fixed monthly charge does not vary with the load factor.

46. The industrial tariff, however, is not a single rate for all. The rates charged to different industrial consumers like large, medium and heavy industries vary widely. Many of the industrial tariffs attempt in various ways, to provide incentives to high load and off-peak use of electricity. Industrial tariffs, in some cases, particularly in respect of power intensive industries are subject to long term agreements between the state governments/ electricity undertakings and the concerned industrial undertakings. But to what extent the need to keep electricity tariffs as a means of attracting industries and investment is recognised. Availability of cheap power is as significant a consideration in the location of industries, especially those which are power intensive, as the regularity, efficiency and quality of power supply.

47. It is felt in some quarters that as the conditions regarding power development as also the costs of generation vary from state to state, it is not practicable nor feasible to formulate any uniform pattern of tariffs for various classes of consumers throughout the country. There is another school of thought which favours pooling of uniform tariffs for region as a whole. The pooling of tariffs may be of particular advantage to the State which are deficient in power resources.

48. The rates charged on agriculture are subsidised so also differential rates are admitted as means of attracting industries to certain backward areas. There are political and social considerations besides purely economic which have gone into the formulation of present tariffs. Tariffs on the whole are more the result of historical factors than any

predetermined criteria. Is there a need to fix the tariffs on a more scientific basis? Is it necessary that certain uses are subsidised by charging a higher rate of tariffs on certain other uses in a situation of overall scarcity of power?

49. It is stated that in formulating tariff structure of any electricity supply undertaking, the cost both at high tension and low tension ends should be arrived at by taking into account all items of operation and interest charges payable on the capital investment as also the transmission and distribution losses. Further the end cost so arrived at should normally be kept in view when farming the tariff rates as a whole so that the net relations does not fall short of the cost. What are the merits of this suggestion? To what extent the fixation of tariffs at a level sufficient to cover cost including a normal return, of say 10 per cent, can be reconciled to the equally important principle of the 'capacity of the consumers to pay'?

50. What should be the attitude of the industry which is the largest consumer of electric power? Increases in electricity rates add to cost. What should be the criteria to be followed by suppliers in increasing tariffs? If the rates in neighbouring states are more favourable, the question that industry asks is whether the various suppliers are comparable with regard to efficiency of operations. Just as the industrial units are presumed to be working with maximum possible efficiency, can we make similar presumptions about the working of the electricity undertaking?

51. It must be noted that in the case of some industries like aluminium, cement electrolytic production of caustic soda, nitrogenous fertilizers, copper, etc. the cost of power as a percentage of total cost of power is very high. Taking the present tariff rates into constitution, the power cost constitution 20 to 30 per cent

of the cost of production in electrometallurgical processes. It is equally high in electrochemical processes. It is important that power is made available at cheap rates to these industries, if they are to develop on sound lines. Perhaps it may be useful to reserve some capacity, at least where power is cheaper, for supplying power at lower rates to power intensive industries. This will help such power stations to improve their load factor. Another suggestion is to locate the power-intensive industries in areas of low-cost power. It has also been advocated in some quarters that as a measure of attracting industries to certain backward areas or for promoting heavy investment industries like aluminium, it may be feasible to have a long term contract for supply of power at concessional rates, say for a period of 20 to 25 years with provision for renewal of the agreements. What are the merits of these suggestions?

52. It is agreed on all hands that a major prerequisite for power development is the availability of funds. Even if loans are given to the electricity undertakings to finance expansion, replacement and modernisation, the loans have to be repaid and interest payment also has to be made. There are two ways of improving the finances of electricity undertakings. First, by increasing tariffs and the second by reducing costs by technical improvements, larger plants, better maintenance etc. The latter is more acceptable of the two alternatives. What are the ways of reducing the cost of generation and supply of electricity.

53. There is a regular system of collecting electricity duty on power supplied in various states. The rates of duty are not uniform and the variations cause distortions in cost of production. Is there a case to give duty exemptions on power supplied to specific categories like bulk industrial consumers? And with regard to others, is it desirable to have a uniform rate of duty?

How to buy steel

What every steel user should know

Steel is in short supply. This makes the users of steel vulnerable to exploitation by speculators. To prevent this and to ensure need-based distribution of steel products, the Government has constituted what is known as the Billet Re-rollers' Committee. This Committee controls the price, production and distribution of round bars, Torsteel, wire rods, flats, squares, angles, tees and hexagons rolled out of billets supplied by the main steel plants of the country. The rules and procedures laid down by this committee eliminate possibilities of profiteering and speculation in the buying and selling of steel products.

BRC controls steel prices:

Prices for each and every individual section and shape are determined and published. Extras chargeable, even of a very minor nature—like bending charges, bundling charges, etc., are also similarly determined and published. Therefore, every individual invoice is backed up by a pre-determined list of prices which an individual user of steel has to pay. No more, no less. He pays over the counter and gets a full receipt.

BRC controls production:

In each quarter the main producers indicate to the Committee the availability of billets. To this is added the likely quantum of imports. This total availability of billets is then divided among the re-rollers. Meanwhile the Committee

has received information on the requirements of individual consumers. These requirements are screened and the total demand is broken up on the basis of size and priority. The Committee then draws up the rolling programme for each individual re-roller.

BRC controls distribution:

The following categories of consumers are recognised as eligible for direct distribution through the Billet Re-rollers' Committee: Government Departments, Public Sector Units, Wire Drawing Units, Electrode Manufacturers, Manufacturers of Fasteners on DGTD list and Contractors building multi-storied structures. A consumer under any of these categories has to fill in a prescribed form which must reach the Billet Re-rollers' Committee 45 days before the commencement of a quarter.

The Committee then allots him the steel, if it is available, and asks any of the various re-rollers to convert it to the sizes or sections required by the consumer. The terms and conditions of sale are fixed by the Committee, i.e. price, terms of payment, mode of lifting and all other commercial formalities. Each consumer is given 21 days to complete the commercial formalities, failing which his allotment will lapse. If he fails to lift the material on time as specified by the Committee he may again lose his allotment.

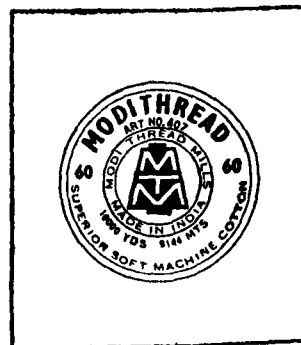
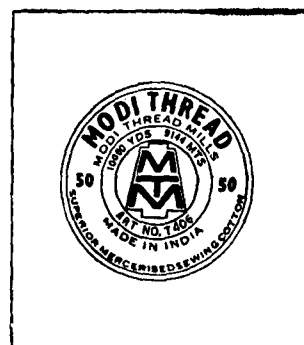
These then are the procedures laid down to ensure need-based distribution of steel at a controlled price. This approach, we believe, would be fully shared by those who do not wish to encourage undesirable practices.



Issued in the interest of steel users by MUKAND IRON & STEEL WORKS LIMITED.

GARMENT MANUFACTURERS

**CHECK YOUR TICKETS BEFORE YOU
TAKE-OFF !!!**



THIS IS IT ..

A Travel Ticket to all Garment-manufacturers taking off for a safe and successful cruise .. to the increased marketing outlets, conscious buyers and connoisseurs with impeccable taste in garments. Ticket No. 50 and 60 are the Code-Tickets detailing all vital specifications to meet the various requirements of modern Garment-manufacturers .. these tickets are for our quality threads specially made for high-speed sewing machines .. threads which are adequately lubricated to facilitate efficient operation, uniform stitching and minimum breakages .. they are balanced to meet the exact requirements of the fabric to be stitched .. threads that give a perfect sewing to cuffs, collars, seams and cut a fine figure cut of every buyer's personality.

Modi Thread Mills produce finest threads on sophisticated machinery, with latest technical advancements from choicest raw material.

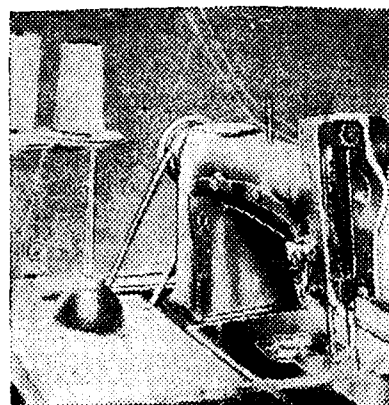
Remember, these tickets are your guarantee to progressive Garment-manufacturing.



MODI THREAD MILLS
MODINAGAR (U. P.)



INTERADS



(Annexure I)

Installed Generating Capacity, Demand for Actual Supply of Electricity in 1970-71 (Actual)

	Installed Capacity mW	Electricity Consumption Mill. kWh	Energy Required Mill. kWh	Surplus or Deficit (—) Mill. kWh
Northern Region				
Punjab	682	2529	2674	—145
Haryana	498	1149	1343	—194
J & K	44	269	220	49
HP	54	312	156	156
Rajasthan	517	1670	1169	501
UP	1537	6563	6563	—
Delhi	201	1416	1181	235
Chandigarh	1.4	70	90	20
	3634	13978	13396	582
Western Region				
Gujarat	882	4036	3884	202
MP	713	3051	2234	817
Maharashtra	2064	9505	8866	639
Goa Daman & Diu	2	91	91	—
	3661	16733	15075	1658
Southern Region				
AP	600	2760	2860	—100
Kerala	547	2404	1782	612
Mysore	877	3995	3728	267
Tamil Nadu	2025	7828	6260	1568
Pondicherry	—	97	97	—
	4049	17034	14757	2277
Eastern Region				
DVC (Bihar CESC)	1061	4004	3452	552
Bihar (ex DVC)	497	1789	1167	622
W. Bengal (ex DVC)	1203	4775	3737	1038
Orissa	554	2516	1742	774
Andaman & Nic. Is.	3	3.8	3.8	—
	4049	17084	14757	2327
North-Eastern Region				
Assam, Meghalaya, Mizoram	157	589	349	240
Others (Manipur, Tripura, Nagaland, Arunachal Pr.)	12	25	25	—
	169	614	374	240
Total (All-India)	14831	61497	53618	7879

(Annexure III)

Average Electricity Rates and Duties in India

(As on 31st March, 1972)

Average Rate in P/kWh

Supplier	Agriculture (10 HP, 15% L.F.) 817 kWh/month			Small Industry (10 kW, 20% L.F.) 1460 kWh/month			Medium Industry (50 kW, 30% L.F.) 10950 kWh/month		
	Rate	Duty	Total	Rate	Duty	Total	Rate	Duty	Total
	1	2	3	4	5	6	7	8	9

A. State Electricity Boards

1. Andhra Pradesh	10.45	—	10.45	20.68	—	20.68	20.09	—	20.09
2. Assam	14.00	1.00	15.00	17.00	1.00	17.00	15.35	1.00	16.35
3. Bihar	18.00	1.00	19.00	20.00	1.00	21.00	20.00	1.00	21.00
4. Gujarat	15.21	1.20	16.41	16.86	1.60	18.46	16.41	1.60	18.01

(Continued)

(Annexure II)

Potentials of Generating Capacity, Requirements and Supply of Electricity by the end of Fourth Plan in 1973-74

	Installed Capacity mW	Electricity Potential Mill. kWh	Electricity Required Mill. kWh	Surplus or Deficit (—) Mill. kWh
Northern Region				
Haryana	538	1263	2394	—1131
HP	55	316	251	61
J & K	104	520	425	95
Punjab	960	3508	4536	—1028
Rajasthan	785	3167	1917	1250
UP	2352	8952	8977	—25
Delhi	397	1995	1596	399
Chandigarh	1.2	69	135	—66
	5192	19820	20231	—411
Western Region				
Gujarat	1349	6136	5661	475
MP	745	3510	3251	259
Maharashtra	2419	11284	12111	—827
Goa, Daman & Diu	—	113	184	—71
	4513	21043	21207	—164
Southern Region				
AP	883	3745	4407	—662
Kerala	622	2967	2283	684
Mysore	1055	4961	3208	—247
Tamil Nadu	2244	8657	8568	89
Pondicherry	—	120	120	—
	4804	20450	20586	136
Eastern Region				
DVC (Bihar, Cal)	1301	4911	4465	446
Bihar (ex DVC)	593	2855	2091	764
W. Bengal (ex DVC)	1373	5302	4989	313
Orissa	674	3041	2089	1002
Andaman & Nic. Is.	4.5	6.3	6.3	—
	3941	16109	13584	2525
North-Eastern Region				
Assam, Meghalaya, Mizoram	216	779	604	175
Others (Manipur, Tripura, Nagaland, Arunachal Pr.)	27	104	53	51
	243	883	657	226
Total (All-India)	18697	78311	76271	2040

	1	2	3	4	5	6	7	8	9
5. Haryana	15.00	—	15.00	12.80	1.60	14.40	11.04	1.38	12.42
6. Himachal Pradesh	9.61	—	9.61	10.34	—	10.34	9.92	—	9.92
7. Kerala	9.00	0.90	9.90	15.00	1.50	16.50	14.18	1.42	15.60
8. Madhya Pradesh	13.00	—	13.00	15.00	1.00	16.50	15.50	1.00	16.50
9. Maharashtra	18.00	—	18.00	18.00	1.00	19.00	18.00	1.00	19.00
10. Mysore	11.00	1.00	12.00	12.00	4.50	16.50	12.50	4.50	16.50
11. Orissa: (a) Hydro	10.00	1.80	11.80	14.00	2.10	16.10	14.00	2.10	16.10
(b) Diesel	22.00	3.75	25.75	22.00	3.30	25.30	22.00	3.30	25.30
12. Punjab	9.79	—	9.79	10.67	2.13	12.80	9.20	2.30	11.60
13. Rajasthan	13.30	—	13.30	14.53	1.00	15.53	14.53	1.00	15.53
14. Tamil Nadu	12.00	—	12.00	18.00	—	18.00	18.00	—	18.00
15. Uttar Pradesh	21.67	—	21.67	13.00	1.00	19.00	17.01	1.00	18.01
16. West Bengal	15.22	3.00	18.22	18.00	1.50	19.50	15.92*	1.50	17.42
B. Union Territories/State Govt. Electricity Departments									
17. Delhi	15.00	1.00	16.00	15.00	1.00	16.00	15.00	1.00	16.00
18. Jammu & Kashmir:	10.00	1.50	11.50						
(a) Jammu				9.67	1.45	11.12	8.15	1.22	9.37
(b) Kashmir				7.67	1.15	8.82	8.15	0.92	7.07
C. Places Served by Licencees									
19. Ahmedabad	15.20	1.20	16.40	12.78	1.60	14.38	16.16*	1.60	17.76
20. Bombay: (a) B.E.S.T.	—	—	—	14.00	1.00	15.00	14.00	1.00	15.00
(b) Tatas	(No Low Tension Tariffs)			(No Low Tension Tariffs)			(No Low Tension Tariffs)		
21. Calcutta	—	—	—	15.58	1.50	17.80	14.83	1.50	16.33
D. Damodar Valley Corporation									
(a) Bihar Area	(No Low Tension Tariffs)			(No Low Tension Tariffs)			(No Low Tension Tariffs)		
(b) West Bengal Area	" "			" "			" "		

Supplier	Large Industry (250 kW, 40% L.F. 73,000 kWh/month)			Large Industry (1000 kW, 50% L.F.) 365,000 kWh/month)			Heavy Industry (5000 kW, 60% L.F.) 2,190,000 kWh/month)		
	Rate	Duty	Total	Rate	Duty	Total	Rate	Duty	Total
A. State Electricity Boards									
1. Andhra Pradesh	17.38	—	17.38	15.49	—	15.49	12.17	—	12.17
2. Assam	13.50	0.38	13.88	10.17	0.08	10.26	8.33	10.0	8.34
3. Bihar	15.09*	1.00	16.09	13.96*	1.00	14.96	13.21*	1.00	14.21
4. Gujarat	14.23	1.60	15.83	12.95	1.60	14.55	10.72*	1.60	12.32
5. Haryana	9.14	1.52	10.66	7.91	1.32	9.23	6.72	1.12	7.84
6. Himachal Pradesh	8.12	—	8.12	7.38	—	7.38	6.68	—	6.68
7. Kerala	11.35	2.27	13.62	8.30	1.66	9.96	8.10	1.62	9.72
8. Madhya Pradesh	13.06*	1.00	14.06	12.10*	1.00	13.10	10.95*	1.00	11.95
9. Maharashtra: (a) Hydro	10.59	1.00	11.59	9.63	1.00	10.63	8.41	1.00	9.41
(b) Steam	12.67*	1.00	13.67	11.41*	1.00	12.41	9.59	1.00	10.59
10. Mysore	7.93	2.25	10.18	6.79	2.25	9.04	5.76	2.25	8.01
11. Orissa (Hydro)	10.00	1.50	11.50	10.00	1.50	11.50	9.79	1.47	11.26
12. Punjab	7.62	1.91	9.53	6.59	1.65	8.24	5.60	1.40	7.00
13. Rajasthan (Hydro & Steam)	10.24*	1.00	11.24	9.29*	1.00	10.29	8.40*	1.00	9.40
14. Tamil Nadu	17.51	0.19	17.70	16.17	0.18	16.35	14.63	0.16	14.79
15. Uttar Pradesh	13.72*	1.00	14.72	12.25*	1.00	13.25	10.69*	1.00	11.69
16. West Bengal	13.15*	1.50	14.65	11.62*	1.50	13.12	10.80*	1.50	12.30
B. Union Territories/State Govt. Electricity Departments									
17. Delhi	14.02*	1.00	15.02	12.85*	1.00	13.85	11.49	1.00	12.49
18. J & K: (a) Jammu	5.61	0.84	6.45	5.29	0.79	6.08	5.08	0.76	5.84
(b) Kashmir	4.11	0.62	4.73	3.79	0.57	4.36	3.68	0.54	4.12
C. Places Served by Licencees									
19. Ahmedabad	13.29*	1.60	14.89	12.42*	1.60	14.02	11.69*	1.60	13.29
20. Bombay: (a) B.E.S.T.	10.28*	1.00	11.28	9.49*	1.00	10.49	8.56	1.00	9.56
(b) Tatas	10.18*	1.00	11.18	9.27*	1.00	10.27	8.23	1.00	9.23
21. Calcutta	13.63*	1.50	15.13	12.56*	1.50	14.06	11.42*	1.50	12.92
D. Damodar Valley Corporation									
(a) Bihar Area	9.13*	1.00	10.13	8.36*	1.00	9.36	7.84*	1.00	8.84
(b) West Bengal Area	9.13*	1.50	10.63	8.36*	1.50	9.86	7.84*	1.50	9.34

*including fuel surcharge

Wholesale prices

THE WHOLESALE prices as measured by the official index (with the year ended March, 1962-100) rose by 0.5 per cent to 193.2 in May, 1972 as against 192.3 for April, 1972. The index for May, 1972 was higher by 6.2 per cent when compared to 181.9 for May, 1971. During the month under review food articles advanced by 1.2 per cent to 219.1, liquor & tobacco by 0.6 per cent to 217.8, fuel, power, light & lubricants by 0.2 per cent to 178.1, chemicals by 0.6 per cent to 200.0 and machinery & transport equipment by 0.3 per cent to 165.9 as compared to 165.4 for the previous month. The index for 'industrial raw materials' and 'manufactures' however, declined by 1.3 and 0.1 per cent to 173.5 and 173.2 respectively.

Food Articles

The index for 'cereals' sub-group moved up by 1.1 per cent to 211.4 due to a rise in the prices of all the cereals (except wheat and ragi which declined). Enhanced prices of arhar, masur and urad pushed up the sub-group index for 'pulses' by 0.9 per cent to 231.9. The prices of gram and moong, however, fell. On the whole the index for foodgrains rose by 1.2 per cent to 224.3. At this level the index for 'food grains' was also higher by 11.6 per cent when compared to that of a year ago.

Liquor & Tobacco

The index for 'liquor & tobacco' moved up by 0.6 per cent to 217.8 due to an increase in the prices of tobacco raw.

Fuel Power Light & Lubricants

The index for this group went up by 0.2 per cent to 178.1 due to a rise in the prices of kerosene oil and lubricating oil.

Industrial Raw Materials

Lower prices of cotton raw, wool raw and silk raw brought down the sub-group index for fibres by 0.9 per cent to 151.6 although the prices of jute raw & mesta, hemp raw and coir fibre advanced. A fall of 2.6 per cent to 191.1 in the sub-group index for 'oil seeds' was caused by a fall in

the prices of all the oil seeds except castor seed which moved up. The sub-group index for 'minerals' remained unchanged at its last month's level of 141.5. The sub-group index for 'other industrial raw materials', advanced by 1.3 per cent to 177.4 due to an increase in the prices of hides, raw, skins raw, tanning materials and lac.

Chemicals

The index for 'chemicals' group registered a rise of 0.6 per cent to 200.0 on account of an increase in the prices of calcium carbide.

Machinery & Transport Equipment

The sub-group index for 'electrical machinery' stood stationary at its last month's level of 170.0. The sub-group

index for non-electrical machinery moved up from 173.4 in the last month to 173.7 in the current month. The sub-group index for transport equipment rose by 0.9 per cent to 148.2 as against 146.9 in the earlier month due to an increase in the prices of vehicles. The prices of cycles however, declined slightly.

Intermediate Products

The index for 'intermediate products' declined by 0.5 per cent to 204.2 due to a fall in the prices of cotton yarn, rayon yarn and copper sheets. The prices of aluminium sheets, zinc, brass sheets, tin and lead, however, advanced.

Finished Products

Lower prices of cotton manu-

factures (—0.1 per cent to 164.4). jute manufactures (—1.6 per cent to 199.4), and Silk & rayon manufactures (—0.2 per cent to 131.9) brought down the sub-group index for 'textiles' by 0.2 per cent to 170.8. The indices for woollen manufactures and coir mats and mattings however, advanced by 9.4 and 2.8 per cent to 212.6 and 187.8 respectively. The sub-group index for 'metal products' stood at 191.0 as against 190.9 for the previous month. The sub-group index for 'oilcakes' went up by 2.2 per cent to 182.1. On the whole the index for 'finished products' worked out at 165.7 as against 165.6 for the previous month.

Index Number of Wholesale Prices by Groups & Sub-groups of Commodities

(Base: 1961-62-100)

Group and Sub-Group	May 1972	April 1972	May 1971	Percentage Change	
				May '72	May '71
				April '71	May '71
Food Articles	219.1	216.4	203.3	+1.2	+7.8
Foodgrains	224.3	221.7	201.0	+1.2	+11.6
Cereals	211.4	209.0	194.6	+1.1	+8.6
Pulses	281.9	279.4	230.0	+0.9	+22.6
Fruits & vegetables	213.1	193.4	245.2	+10.2	—13.1
Milk & milk products	226.4	221.9	216.9	+2.0	+4.4
Edible oils	190.4	196.2	220.5	—3.0	—5.0
Fish, eggs & meat	262.4	257.1	221.3	+2.1	+18.6
Sugar & allied products	249.3	247.6	196.1	+0.7	+27.1
Others	163.1	160.8	174.2	+1.4	+6.4
Liquor & tobacco	217.8	216.5	180.4	+0.6	+20.7
Fuel Power, light & lubricants	178.1	177.7	162.3	+0.2	+9.7
Industrial raw materials	173.5	175.8	186.7	—1.3	—7.1
Fibres	151.6	153.0	184.8	—0.9	—18.0
Oilseeds	191.1	196.3	198.7	—2.6	—3.8
Minerals	141.5	141.5	141.4	Nil	+0.1
Others	177.4	175.1	170.1	+1.3	+4.3
Chemicals	200.0	198.8	190.6	+0.6	+4.9
Machinery & transport equipment	165.9	165.4	153.7	+0.3	+7.9
Electrical machinery	170.0	170.0	149.9	Nil	+13.4
Non-electrical machinery	173.7	173.4	162.6	+0.2	+6.8
Transport equipment	148.2	146.9	141.0	+0.9	+5.1
Manufactures	173.2	173.4	161.5	+0.1	+7.2
Intermediate products	204.2	205.3	187.2	—0.5	+9.1
Finished products	165.7	165.6	155.2	+0.1	+6.8
Textiles	170.8	171.8	162.2	—0.2	+5.3
Cotton mfrs.	164.4	164.6	159.1	—0.1	+3.3
Jute mfrs.	199.4	202.7	182.2	—1.6	+9.4
Silk & rayon mfrs.	131.9	132.1	123.7	—0.2	+6.6
Woollen mfrs.	212.6	194.4	183.2	+9.4	+16.0
Coir mats and mattings	187.8	183.0	175.8	+2.6	+6.8
Metal products	191.0	190.9	166.7	+0.1	+14.6
Non-metallic products	156.9	156.1	146.9	+0.5	+6.8
Chemical products	154.2	153.4	148.9	+0.5	+3.6
Leather products	98.0	98.0	92.1	Nil	+6.4
Rubber products	159.3	139.3	156.5	Nil	+1.8
Paper products	136.3	136.3	124.7	Nil	+9.3
Oilcakes	182.1	178.1	171.6	+2.2	+6.1
Misc products	124.2	124.2	123.4	Nil	+0.6
All commodities	193.2	192.3	181.9	+0.5	+6.2

Source: Office of the Economic Adviser, Ministry of Industrial Development.
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Factors Affecting Money Supply

(Rs crores)

Reserve Bank of India (Rs crores)					Scheduled Commercial Banks (Rs crores)				
	August 11, 1972	A week ago	A month ago	A year ago		August 1972	A week ago	A month ago	A year ago
Issue Department					1. Demand depo- sits*	3296.69	3302.94	3381.88	2741.06
Notes held in banking department	40.79	27.75	25.80	25.80	2. Time deposits*	4333.00	4316.59	4301.37	3638.98
Notes in circulation	4,759.66	4,722.51	4,870.31	3,365.26	3. Aggregate depo- sits*	7629.09	7619.53	7683.25	6380.04
Total notes issued	4,800.45	4,750.27	4,896.11	4,391.05	4. Cash	195.48	194.99	199.39	164.79
Gold coin and bullion	182.53	182.53	182.53	182.53	5. Balances with Reserve Bank	251.96	247.78	290.45	219.13
Foreign Securities	211.65	211.65	211.65	223.42	6. Cash and ba- lances with Re- serve Bank	447.44	442.77	489.84	383.93
Rupee Coin	31.96	31.78	27.62	42.15	7. Borrowing from Reserve Bank	5.77	2.77	2.10	104.91
Government of India rupee securities	4,374.30	4,374.30	4,474.30	3,942.95	8. Investment in government securities	1937.76	1933.62	1715.43	1429.17
Banking Department					9. Advances	4253.20	4251.76	4307.38	3822.33
Deposits of central government	51.77	54.82	53.11	51.74	10. Bills purchased and discounted	1082.76	1065.33	1088.96	998.84
Deposits of state governments	13.78	15.99	13.51	4.21	Inland bills	877.69	865.01	886.69	790.99
Deposits of banks	285.89	272.45	316.18	224.92	Foreign bills	205.07	200.32	202.27	207.85
Other deposits	241.03	206.43	213.81	181.82	11. Total bank credit	5335.96	5317.09	5396.34	4821.16
Other liabilities	908.58	927.06	925.57	702.89	12. Percentage of				
Total liabilities or assets	1,501.04	1,476.75	1,522.20	1,165.58	(6) to (3)	5.86	5.81	6.38	6.02
Notes and coins	40.88	27.84	25.85	25.86	(8) to (3)	25.40	25.38	22.33	22.40
Balances held abroad	145.39	149.27	173.96	144.08	(11) to (3)	69.94	69.78	70.24	75.57
Loans and Advances					*Excluding inter-bank borrowing's				
State governments	63.99	60.38	71.21	169.91	Source: Reserve Bank of India				
Scheduled com- mercial banks	5.77	2.77	2.10	104.91					
State co-operative banks	217.76	217.14	207.51	248.95					
Other loans and advances	103.41	103.23	103.26	58.96					
Bills purchased and discounted	409.96	410.37	379.08	50.55					
Investments	477.26	465.73	495.63	299.41					
Other assets	36.62	40.03	63.60	33.25					

Money Supply with the Public (Rs lakhs)						
Last Friday	Money supply with the public		Deposit money with the public		Total variations in money supply	
	Total	Net demand deposits of banks*	Total	Other deposits with Reserve Bank		
1951-52	1,848.18	1,285.51	562.67	544.85	7.82	-160.03
1955-56	2,216.95	1,571.01	645.94	336.90	9.04	+262.16
1960-61	2,868.61	2,098.05	770.56	757.10	13.46	+199.11
1965-66	4,529.39	3,034.28	1,495.10	1,478.38	16.72	+449.11
1966-67	4,949.96	3,196.80	1,753.16	1,711.75	41.41	+420.57
1967-68*	5,350.07	3,376.08	1,973.99	1,917.66	56.32	+400.11
1968-69*	5,779.25	3,681.97	2,097.28	2,016.41	83.88	+429.18
1969-70*	6,386.54	4,010.34	2,376.20	2,318.30	57.90	+607.29
1970-71*	7,136.32	4,379.67	2,756.65	2,712.82	43.83	+749.78
1971-72	8,042.00	4,806.00	2,236.00	3,156.00	80.00	+905.68
January 1971	6,946.31	4,259.01	2,687.29	2,628.46	58.83	+151.88
October 1971	7,446.34	4,470.98	2,975.36	2,926.06	49.30	+44.32
November 1971	7,487.98	4,489.75	2,998.23	2,949.54	48.69	+41.64
December 1971	7,704.30	4,566.83	3,137.46	3,071.45	66.02	+216.32
January 1972*	7,817.41	4,697.11	3,120.30	3,056.73	63.57	+13.11
February 1972	7,896.68	4,781.34	3,115.33	3,058.27	57.06	+79.72
March 1972	8,065.63	4,807.15	3,258.49	3,178.93	79.55	+168.95
April 1972	8,234.11	4,913.44	3,320.67	3,244.27	76.40	+168.48
May 1972	8,388.00	5,015.00	3,373.00	3,301.00	72.00	+154.00
June 1972	8,478.00	5,014.00	3,464.00	3,398.00	66.00*	+90.00
July 1972	8,324.00	4,853.00	3,471.00	3,414.00	57.00	+154.00

*Provisinal

Source: Reserve Bank of India.

Week ended	1971			1972		
	August 6	July 7	July 14	July 21	July 28	August
Money Supply with the Public	7,368	8,582	8,574	8,401	8,324	8,336
Currency with the Public	4,516	5,032	5,032	4,936	4,853	4,885
Other deposits with the Reserve Bank	22	105	62	56	57	54
Bank money	2,830	3,445	3,480	3,409	3,414	3,397
Factors affecting Money Supply (1+2+3+4-5-6)						
1. Net bank credit to government sector	5,823	7,096	7,049	6,998	7,010	7,124
2. Net bank credit to commercial sector	2,109	2,105	2,062	2,024	1,880	1,842
Of which: Banks net credit to commercial sector (a-b)	1,865	1,878	1,836	1,794	1,668	1,631
(a) Claims on commercial sector	5,683	6,345	6,355	6,321	6,193	6,179
(b) Non-monetary liabilities of banks	3,818	4,467	4,519	4,527	4,525	4,548
3. Net foreign exchange assets of banking sector	558	579	566	566	561	541
4. Government's net currency liabilities to the public	392	406	405	402	400	401
5. Net non-monetary liabilities of the Reserve Bank	845	1,032	1,051	1,072	1,086	1,075
6. Residual	579	572	457	517	441	497

Source: Reserve Bank of India

Index Numbers of Security Prices

(Base: (1961-62 = 100))

Week ended	1971			1972		
	August 11	July 15	July 22	July 29	July 5	August 12
Government and Semi-Government securities—All-India—Total	97.6	97.6	97.6	97.6	97.6	97.7
Government of India	96.9	96.9	96.9	96.9	96.9	96.9
State governments	100.3	100.4	100.4	100.4	100.5	100.5
Semi-government institutions	100.9	101.4	102.2	102.9	102.9	102.9
Debt—All-India	92.7	92.5	92.6	92.6	92.5	92.5
Preference Shares—All-India	83.2	81.8	81.4	81.0	80.8	80.9
Variable dividend industrial securities—All-India	91.7	95.8	94.4	93.8	93.3	92.1
Agriculture and allied activities	84.6	85.1	84.3	73.7	83.8	83.5
Mining and quarrying	51.0	39.4	38.9	38.1	39.7	38.0
Processing and Manufacturing : Total	88.3	93.0	91.6	91.0	90.5	89.4
Foodstuffs, textiles, etc.	74.2	78.6	78.0	77.6	77.5	76.9
Metals, chemicals, etc.	93.0	97.6	95.3	94.7	93.9	92.5
Others	117.1	123.1	121.5	120.4	119.6	117.9
Other industries	115.6	120.5	119.2	118.3	117.3	115.3
Financial	118.8	131.9	109.8	109.8	112.1	110.6
Variable dividend industrial securities—Regional						
Bombay	100.0	103.5	100.9	100.5	99.8	98.6
Calcutta	89.5	95.6	94.4	93.4	92.7	90.7
Madras	85.5	83.6	83.5	83.4	83.3	83.3
Ahmedabad	69.6	73.1	72.1	72.3	72.0	71.7
Delhi	108.5	103.7	100.9	100.8	100.8	99.5

Source: Reserve Bank of India

Consumer Price Index Numbers for Industrial workers

(Base: 1960=100)

Centre	1965-	1967-	1968-	1969-	1970-	1971-	1971*			1972*			
	66	68	69	70	71	72							
							Apr.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
All-India	—	—	174**	177	186	192	184	197	195	194	193	194	195
Ahmedabad	130	168	165	169	176	181	173	186	184	185	185	184	185
Alwaye	145	183	198	197	198	202	190	206	210	205	204	205	205
Asansol	140	168	176	178	189	194	187	199	195	195	194	198	198
Bangalore	144	172	180	183	186	194	188	199	197	197	196	197	198
Bhavnagar	132	173	176	178	186	194	189	195	199	199	197	200	199
Bombay	130	164	167	175	182	190	186	194	191	190	191	193	195
Calcutta	131	163	170	170	182	182	176	200	193	187	186	183	187
Coimbatore	132	151	147	154	164	177	167	180	184	185	179	180	180
Delhi	136	172	178	183	199	211	204	218	211	213	212	213	213
Digbhoi	138	198	185	180	189	188	182	191	190	190	189	190	189
Gwalior	139	191	179	184	191	197	187	200	198	199	197	201	201
Howrah	137	178	181	176	186	191	182	201	196	191	190	194	192
Hyderabad	140	167	173	185	189	195	188	200	197	197	196	196	198
Jamshedpur	136	183	171	170	183	187	180	192	186	187	184	188	190
Madras	134	151	150	160	170	182	221	187	188	194	186	186	189
Madurai	128	146	148	160	177	192	180	197	196	200	197	193	NA
Monghyr	151	215	185	188	205	204	195	209	202	201	206	208	210
Mundakayam	138	173	186	191	197	199	190	204	206	202	198	197	201
Nagpur	138	164	166	176	187	192	184	196	197	196	194	194	195
Sharanpur	141	188	176	181	186	196	179	198	200	203	201	204	204
Sholapur	128	165	167	176	185	198	186	201	207	205	197	194	194

*Provisioal **Average for eight months — 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-	1966-	1967-	1968-	1969-	1970-	1971-	1971*			1972*			
	66	67	68	69	70	71	72							
								Apr.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
All-India	132	146	159	161	167	174	180	174	183	182	182	183	184	185
Bombay	132	142	153	156	162	168	172	169	174	174	171	173	174	177
Delhi-New Delhi	131	142	154	162	168	174	180	176	180	180	181	184	188	188
Calcutta	126	139	152	156	162	170	174	168	179	175	172	172	174	174
Madras	133	147	154	154	161	175	188	181	191	193	194	195	195	196
Hyderabad-Secunderabad	133	147	155	159	167	174	180	173	184	184	184	183	183	184
Bangalore	133	145	156	160	164	172	180	175	182	182	183	184	185	187
Lucknow	132	146	159	156	161	166	174	168	178	186	176	179	181	177
Ahmedabad	131	146	160	162	168	171	173	167	175	175	176	176	178	179
Jaipur	133	150	162	168	176	183	188	181	189	188	191	193	197	196
Patna	139	160	179	180	180	191	190	185	193	190	188	188	191	193
Srinagar	134	143	160	167	174	184	191	189	192	193	194	196	197	197
Trivandrum	131	146	165	168	172	178	184	178	186	187	188	189	189	190
Cuttack-Bhubaneswar	142	154	164	167	169	176	184	174	189	188	186	187	187	186
Bhopal	133	144	166	166	172	180	188	181	191	191	192	193	194	192
Chandigarh	129	143	155	164	171	178	183	178	184	185	186	188	189	191
Shillong	123	134	155	163	164	166	175	171	182	179	173	172	174	179

*Provisional. Source: C.S.O.

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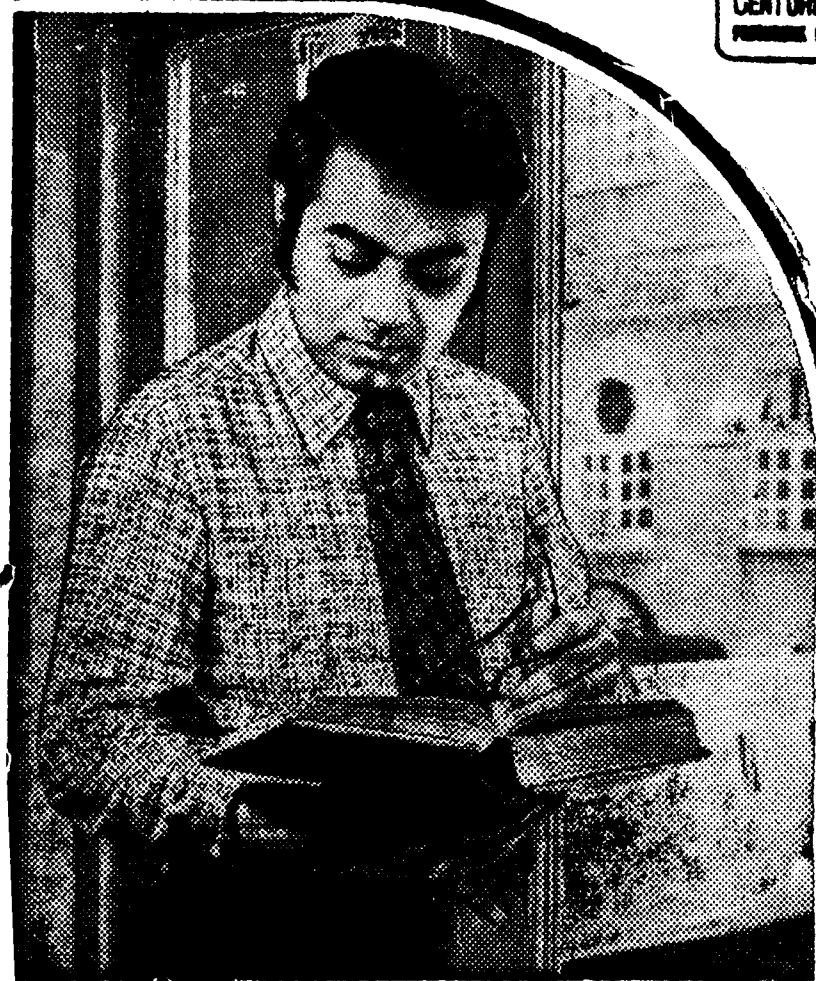
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Abdullah, Anti- Establishment

Financing Inflation

Diplomacy in Asia

Currency Crisis and IMF

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Abdullah, anti-establishment

It will be sad indeed were Sheikh Abdullah's clean sweep of the civic elections in the Valley to be exploited by certain publicists (including some journalists) in this country who are habitually inclined to take their news of Kashmir from Miss Mridulabehn Sarabhai and their views about it from under the counter. Nothing could be easier than to overemphasise the point that the Sheikh has vindicated his claim to command widespread support for himself among the people of the Valley; there has never been much doubt about this. What would be more to the point is to analyse the true nature of this support.

It used to be thought that once the younger generation had come of age in the politics of Kashmir, the Sheikh would to some extent have become an irrelevant if not an alien figure and thus lose political ground. This, it is now obvious, has not happened and is not happening. On the contrary, he has been able to capture the imagination of the newer generation to very nearly the same extent as he had commanded the affection and the confidence of an earlier generation in the heyday of the National Conference. There is, however, a very important difference in the appeal he now makes to the people of the Valley and the appeal he had earlier. Today the younger generation which supports him has no very effective memory of him as the champion of the cause of the people's liberties against the ruling house of Maharaja Sir Hari Singh. They again are not very much concerned with Sheikh Abdullah's latter-day politics as the advocate of an independent status for Kashmir or a political line which seems to run so dangerously close to Pakistan's ambitions relating to the future of the Valley. What this present generation of his supporters sees in the Sheikh and approves of is an anti-Establishment figure pure and simple.

To put it differently, Sheikh Abdullah's current appeal to those who follow him or vote for his nominees does not lie either in the fact that he was once a heroic figure in the state people's fight for liberty or that at a later stage he had turned himself into a challenger or even a repudiator of the state's accession to the Indian Union. It is doubtful that his highly personalised politics, which are essentially of bygone days, greatly interest the young men and women of the Valley who are now so openly enthusiastic about the Sheikh. Their real stake in him is that, through his political personality, they may be able to express effectively their mounting discontent with the Establishment, their sense of frustration and their resentment of things as they are. These people seem to think that their generation cannot get a fair deal from the powers-that-be unless overwhelming pressure is brought to bear on the Establishment to change its thinking as well as its ways. Since the new generation of the people in the Valley appears to have concluded that this change cannot come through a process of internal reform in the Establishment in which the central government is included, they expect Sheikh Abdullah to provide the external pressure or stimulus which could move things in the desired or in a desirable direction.

Fortunately, the present Chief Minister of Jammu & Kashmir State, Syed Mir Qasim, appears to have grasped the true significance of the current political situation in the state. More important still, he evidently respects the desire of the people for change, and he is perhaps even ready to do business with Sheikh Abdullah in the role which the people of the Valley want to give the Sheikh as a battering ram against the Establishment. This may explain the nuances of the strategy which the Chief Minister has followed with regard to the civic elections. He had repeatedly said that he wanted to take politics out of these elections and ensure that they were fought on civic issues. He was successful in keeping the Congress party in the state out of these elections in the Valley, but at the same time he had shrewdly contrived a situation in which Sheikh Abdullah felt encouraged to involve himself deeply in the elections. Since the Chief Minister is not without his share of political savvy, the Sheikh's success could not have come as a surprise, far less as a shock, to him. He has evidently gambled on the fact that the Sheikh's explosive political personality could be defused to a considerable extent by dragging it into down-to-earth politics — at the municipal level, to start with — and thereby draining it of some of its mystique. We would do well to wait and see how his calculations fare.

Meanwhile, if the Chief Minister's attitudes and activities since he came to this office on the death of Mr G.M. Sadiq, are any guide, it may safely be assumed that he will not waste time in dealing with the people's discontent with the Establishment at the various levels at which it must necessarily be dealt with. First, on the political plane, he has to establish himself as a statesman of sufficient stature in whom the people may repose confidence. So long as Sheikh Abdullah is alive, there is no question of another personality cult having a chance in the Valley. In any case the keynote of Syed Mir Qasim's own personality is the quality of practical common sense rather than

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a show of glamour. His great asset is that his record in politics and government has created an impression that he is a knowledgeable and competent administrator with a large capacity for taking pains and also taking thought of details. Syed Mir Qasim's best bet therefore is to persevere in creating among the people of the state the image of a Chief Minister who cares and could act as well. It has become important and urgent that the state government should persuade the people to believe that it can and will be more efficient and far less corrupt than what it has been all these largely wasted years. The activation of Sheikh Abdullah in Kashmir politics through the civic elections could well act as a catalyst in this process.

On the economic plane, it is equally important and urgent that both Srinagar and New Delhi should realize that there must at long last be some genuine economic planning particularly in the Valley. It was reported in the *Statesman* a few days ago that the union Minister for Planning, Mr D.P. Dhar, claimed that he was no stranger to his present job since he had been an advisor on planning in Jammu and Kashmir and framed the state's first Plan. We sincerely hope that Mr Dhar could cite better credentials than this because the brute fact is that economic planning in this state has all along been a contrived and costly make-believe. It is only too evident on the face of the state's economy that very little has been done to organize its resources, agricultural or industrial, although vast amounts of money, much of which has come from the central government, have been spent on so-called economic development programmes or projects.

More than anywhere else in India, the poor and the underprivileged in Kashmir have failed to benefit from alleged Plan expenditures. It only needs a cursory comparison of the economic development in this state with economic development in Punjab, Haryana or Himachal Pradesh for the sad fact to be brought out that economics has been brutally subordinated to politics to an extent which has deprived the people of Kashmir of opportunities of any real progress in their material welfare during these twenty-five years. As a result, the gains from tourism or the trade in handicrafts are no more than froth on the surface of mass poverty in the state. The present Chief Minister and his colleagues, fortunately, do not have any illusions about the quality of the economic planning the state has been getting. This disillusionment could be a healthy starting point for a really honest attempt on their part to place the economic interests of the people of Kashmir first in the order of priorities to which the state government

must address itself if it is to survive the anti-Establishment offensive symbolized by the success of Sheikh Abdullah in the municipal elections. Fortunately there

Economics of industrial estates

AT LONG last, it seems, serious notice is being taken in some quarters of how industrial estates in our country have been faring. It is surely time this was done. For it is now about two decades since the first such estate was set up and all that we used to hear about them so far concerned only targets for, or location of, industrial estates in this area or that region during the different Plan periods and nothing much about their qualitative progress. But when it came to a question of financing these estates in a big way those who were required to take an interest began — or is it were driven to begin? — the probe. "Unless adequate attention was paid to the conditions determining the successful functioning of industrial estates", the fourteenth conference of representatives of the state financial corporations felt, for instance "it would not be prudent for the financial institutions to expand their loan assistance to these ventures." The Deputy Governor of the Reserve Bank, who presided over the conference sessions, not only asked financial institutions to come forward with suggestions for augmenting the resources available for financing industrial estates but also to ensure that "the resources are utilised properly and not frittered away (to end up as 'empty shells' as some industrial estates had turned out to be, to quote the Governor of the Reserve Bank who inaugurated the conference) in the construction of estates based on political or other considerations resulting in the entire expenditure becoming infelicitous".

The chances of political and other considerations in setting up industrial estates or, for that matter, any venture in future, however, are going to be greater and not fewer than in the past. Hence the need arose to go into the problem of financing industrial estates in all its aspects, and this is the genesis of the working group set up by the Reserve Bank of India and headed by Mr K.N.R. Ramanujam, then Chief Officer, Industrial Finance Department of the Reserve Bank (now its Chief Accountant) to do this job and make recommendations for consideration by the lending institutions. Although it has taken

are signs that new ideas and new attitudes are becoming fashionable in the various ministries and at many levels of the government and the administration.

the Working Group on Industrial Estates (WGIE), as the group has been called, nearly 17 months to complete its labours (this long-drawn-out essay was perhaps unavoidable, as there were as many as nine changes—four members ceased to be members and five new members had to be taken in the 12-man membership of the group—and the Reserve Bank took over six months more to release the report), the outcome has certainly been worthwhile. Another reason for the delay, presumably, was that, when the working group was actually set up, its terms of reference were not confined to just the financing of industrial estates by financial institutions, but included a study of the economics of establishment and operations of all industrial estates — i.e. those owned by government, public sector organisations or bodies, co-operative organisations and private parties — with a view to suggesting suitable criteria for the future establishment of these estates, as also for appraising their working. The latter has been done on a sample survey basis.

Full justice has been done to these twin terms of reference and the findings of the WGIE need to be carefully studied and followed at least by those states who believe industrial estates have a role and a future. The working group itself is convinced that industrial estates would be a successful aid to the development of industries, especially in the small-scale sector, provided care is taken to avoid the defects or deficiencies which its study in depth has revealed. According to the WGIE, four factors account for the failure of the programme in the rural and backward regions where the authorities particularly want industrial estates to achieve results. These are: (1) failure to bring about a dispersal of industries; (2) wrong location of industrial estates; (3) faulty planning and execution of estates, and (4) lack of effective machinery to supervise the day-to-day operations of industrial estates. But, inasmuch as all these are remediable, the WGIE has rightly argued, past failures of some industrial estates should not be regarded as a deterrent for setting up new industrial estates.

Before we pass on to the recommendations of the working group, let us have a look at the position of industrial estates on the eve of the WGIE's study. At the end of March 1970, according to the Development Commissioner for Small-Scale Industries (DCSSI), the total number of industrial estates sponsored by the go-

vernment (central and states) as well as by co-operative and private agencies financially assisted by governments, was 519. Not all these estates, however, had sheds constructed; some consisted merely of developed plots. Right from their inception and up to 1969-70, the aggregate outlay by government was a little over Rs 42 crores. Together with the amount invested by state industrial development corporations on these estates and on the development of industrial areas, as also investment by way of loans from financial institutions (excluding the share of co-operative institutions of another Rs two crores) the total was a third higher, at Rs 56 crores.

It is obvious from the study made by the working group that, out of the 519 estates sponsored by government as above, only 385 were completed with all the requisite facilities and, even out of these 385 estates, as many 58 had not started functioning; in 33 of these water supply and electricity facilities had not yet been provided. The remaining were under various stages of construction. Further, although, in all, 9,678 sheds were completed, only 6,000 sheds were occupied and functioning. In other words, as much as 38 per cent of the completed sheds were remaining idle. The average utilisation of sheds in completed estates was only 65 per cent, varying from 44 per cent (in Haryana) to over 80 per cent (in Mysore, Delhi and Tripura). Of course, utilisation did not mean satisfactory utilisation in every case. Qualitatively, Gujarat had the best record, while Tripura the least economically satisfactory record (industrial estates in this case were more in the nature of welfare undertakings).

A notable finding of the working group was that the percentage of utilisation differed from urban to semi-urban and semi-urban to rural locations. For all the states together, this was 76 per cent, in urban areas, 51 per cent in semi-urban areas and 39 per cent in rural areas. It would appear that there is further scope for growth in the first two areas, although, in some states (Andhra Pradesh, Assam and Rajasthan), the performance of the estates in semi-urban areas was worse than of those in rural areas.

Another interesting feature was that, out of the 22 states/union territories covered by the working group, only nine had co-operative industrial estates, the largest number of sheds completed in this sector in any state being in Maharashtra with its 882 sheds. Gujarat and Tamil Nadu followed with 328 sheds and 101 sheds, respectively. Only Gujarat (1) and Maharashtra (2) had industrial estates set up by municipalities, the utilisation of these sheds in both states being 100 per cent.

The rate of utilisation of sheds in industrial estates set up in the private sector was not only relatively very high in all cases but, what is more significant, high irrespective of the area of location. This means that something more than mere location or the existence of a shed or a given agency, apart from finance, is needed to make a success of industrial estates. And that is, broadly speaking, entrepreneurial ability. Before an entrepreneur sets up an industrial estate, he is certain to take stock of all the relevant factors and only after he feels convinced of its economic soundness will he proceed further in the matter. Being pragmatic, he seldom allows himself to be swept off his feet by political or ideological pulls or pressures.

The WGIE has, therefore, done well not only to emphasise the need for adequate financial assistance to these estates and spell out the extent and the precise way in which each of the different financial institutions — LIC, SFC's and commercial banks — could help, but also to mention in detail the manner in which state governments and state development bodies like industrial development corporations, as also local bodies, could help further the role of industrial estates. It is noteworthy that particular stress has been laid on the efficient management of these estates. For obvious reasons, the working group has suggested the entrusting of this work to state industrial development corporations, which have been asked, significantly enough to run the estates on purely

business lines and hold themselves responsible for their growth and expansion.

Evidently the working group has bestowed considerable attention on the pattern of financing. The pattern suggested varies not only from location to location (urban or rural) but is also related to the particular purpose for which financing is desired. Similarly there is difference in approach, depending upon whether a particular industrial estate is managed by a government or a governmental agency, a municipality, a co-operative agency, or a public limited company.

While all financial institutions — LIC, state financial corporations and commercial banks — have been assigned specific roles, the LIC has been asked to take on the brunt of the responsibility for financing industrial estates, presumably because it has vast resources and has been in the field for some time already and has also evolved certain useful norms for financing these estates. Limits have been laid too on the extent of credit to be extended, both party-wise and purpose-wise, by SFCs and banks, singly or jointly. Even the IDBI is sought to be brought into the picture and a suggestion has been made to amend the relevant Act to enable the IDBI either to lend directly or to refinance loans given by SFCs and banks for financing the setting up of industrial estates. And the services of the credit guarantee corporations of India too are to be pressed into service in certain cases. All this shows

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the recognition of the rightful role of industrial estates in the economic development of the country, as also the keen desire on the part of the working group to ensure their sound growth and successful functioning. While the Reserve Bank seems to be ready to take such action as it is required to (which suggests it has almost accepted the recommendations), it is now for the different financial institutions,

to whom these recommendations have been forwarded, to make known their views, as Mr V.V. Chari, Deputy Governor of the Reserve Bank, told a news conference the other day when releasing the report of the WGIE to the press. It is to be hoped they will do so early so that the sound guidelines indicated by the WGIE may be followed without avoidable delay.

Financing Inflation

THERE is considerable confusion in thinking in the union Finance Ministry and of the hierarchy of the central banking institution about the factors responsible for the spiralling of prices and the manner in which inflationary pressures can be effectively checked. Large-scale deficit financing by the central and state governments has no doubt been responsible for an accentuation of inflationary pressures in the past year and an increase in wholesale prices by over 14.8 per cent since the beginning of 1971. The quantum of deficit financing in 1971-72 can be easily Rs 700 crores if not more as the state governments alone had overdrafts with the Reserve Bank of as much as Rs 711 crores on April 29, 1971 while the revised estimates of the central government for the past year placed the overall deficit at Rs 385 crores.

If the net increase of Rs 336 crores in overdrafts in a twelve month period ending April 29 is taken into account it will be agreed that aggregate deficit financing was between Rs 700 and Rs 750 crores though the actual position will be known when the accounts have been finalised. The creation of currency of such large dimensions has necessarily resulted in a big increase in money supply with the public and created a large demand for goods and services at a time when agricultural production has not shown any significant improvement and there has been a pronounced slowing down in the growth of industrial production.

It cannot be stated however, that deficit financing alone has been responsible for the present impasse and other factors are not having the same or more forceful inflationary impact on the economy. Even with an estimated decline in the output of foodgrains by over two million tonnes in 1971-72 as compared to the previous year buffer stocks held by the Food Corporation and other agencies increased by over two million tonnes in a

twelve month period ending last July while procurement operations particularly in wheat were extremely successful in April-June this year even exceeding the target and all previous records. There had also to be heavy purchases of raw cotton by the Cotton Corporation because of a bumper crop and sizable stocks of around five lakh bales involving bank credit of over Rs 50 crores are held by this corporation. The large purchases of foodgrains at procurement prices and the purchases of cotton above prevailing market prices have been responsible for the injection of purchasing power into the agricultural income group of over Rs 300 crores.

It may be argued that the net increase in income of the rural population would be due to created currency only if the lending institutions had utilised to a great extent refinance facilities provided by the Reserve Bank for meeting these commitments. This position existed till May last year when there was heavy pressure on the banking system and borrowing from the central banking institution by the scheduled commercial banks was on a fairly large-scale representing to a great extent procurement credit made available to the Food Corporation and other agencies. Since then however these borrowings have been completely repaid and all advances by commercial banks have been financed by owned funds.

It can therefore be legitimately contended that there have been no net additions to aggregate resources through these operations and the earlier inflationary influences have been eliminated by subsequent developments. Even so, the fact cannot be overlooked that lending to official agencies for procurement or buffer stock operations has been very liberal and if the trade had been allowed to operate under reasonable restrictions the resources available with them would have been utilised to a significant extent and credit inflation would not have taken place to the same degree. What is really responsible for a heightening of inflationary pressures is the payment of prices at the time of procurement for either wheat or raw cotton which were higher than the prevailing ruling

market prices. This policy also led to serious malpractices.

It is therefore necessary to study carefully the implications of procurement of buffer stock operations when separate prices had not been fixed for support operations in a falling market. This aspect of the problem may not have immediate validity as the fears of a major failure of kharif crops have led to sizable sales out of the stocks held by the Food Corporation though curiously enough the Cotton Corporation is still saddled with large holdings of indigenous cotton and it is also reported that the outlook for the new crop is quite satisfactory.

What is however more disturbing is the compulsion to spend large amounts by way of relief operations and on heavy subsidies when effecting sales of foodgrains out of buffer stocks in the drought and flood affected areas. The expenditure in this regard can be easily Rs 300 crores in 1972-73 over and above the budget estimates while large sums have been allocated for implementing a crash programme for boosting the output of rabi crops and overcoming the shortfall in production that might be experienced in the current season.

There is also the prospect of an increase in administrative expenditure of the central government and even the states with the need to grant additional dearness allowances which may add up to a total of Rs 100 crores in a full year. These unexpected drafts on the central exchequer should have normally resulted in a larger dose of deficit financing especially as the centre had taken over fully the overdrafts of state governments from the central banking institution in April this year and it was making serious efforts to reduce this liability as far as possible by using its own resources and mobilising larger amounts through open market loans.

It has not been necessary however to create currency on a large scale so far thanks to the opportunity for issuing and effecting sizable open market sales of securities to the lending institutions. The massive borrowing by the states in the first week of September and by the centre, for the second time in a few months, by the middle of September will put them in possession of funds which may obviate deficit spending for several months. Between March 31 and September 1 of this year the aggregate of rupee securities in the Issue Department and investments and holdings of treasury bills in the banking department increased by Rs 685 crores. But this was mainly due to the operations connected with the state over-

drafts which declined by as much as Rs 568 crores.

As there was also a sharp decline in borrowings of scheduled commercial banks, the net addition to money supply with the public on account of governmental action was not very large during the period under reference. There may even be a further contraction in notes in circulation in the coming weeks with an assertion of slack season trends while the government might cancel ad hoc securities at least temporarily with the mobilisation of record amounts though re-issues of earlier loans. The states also may be making some payments to the centre in pursuance of their obligations.

However, can these developments be considered helpful for bringing about a reduction in the money supply with the public and will it be correct to presume that government spending in a big way will not have its inflationary impact especially when it does not prove to be immediately productive? Without examining carefully the implications of various policies and actions of the government it has been loosely suggested in some quarters that there should be withdrawal of currency as if deficit spending only has been the villain of the piece, heavy spending even out of mobilised resources is not inflationary and there has been unnecessary credit inflation. Correct answers to these questions are necessary in order to understand the peculiarities of the present situation and of the harmful effects that have been induced by stagnant industrial production and larger purchasing power of the agricultural income groups.

The level of government expenditure has remained fairly high even without deficit financing and as the direction of this expenditure has been of a nature which will accentuate inflationary pressures, it has to be decided how unproductive expenditures can be eliminated. But can the central and state governments think on these lines or will it be desirable? Again, an analysis of the growth of deposits and advances of scheduled commercial banks for a twelve-month period ending September 1, 1972 shows that advances rose by only Rs 495 crores out of total additions to deposits of Rs 1,282 crores.

Investments have therefore jumped by Rs 502 crores. These relate only to holdings of government securities and treasury bills. If the support extended to the issues of bonds by state electricity boards and statutory finance corporations is taken into account the actual increase in investments would be nearer Rs 600 crores than Rs 500 crores. This has come about even after wiping out borrowings from the Reserve Bank completely and augmenting cash balances by Rs 94 crores.

A deliberate policy of disinflation can take place only if the government restricts both its non-Plan and Plan expenditures. There may be a reduction in Plan expenditure and not in non-Plan expenditure which is needed. On the other hand if the amounts held by banks were prevented from being utilised from lending to industry and trade there may be serious harmful effects. Besides

there is no warrant for this approach because credit expansion benefiting the private sector has been meagre and the accumulation of surplus resources has been very helpful to the public sector.

The upward trend in wholesale prices can therefore be checked only if there is not so much pampering of the agricultural sector and bungling in procurement and buffer stock operations. There will also have to be a conscious attempt to boost production of the public sector industrial undertakings besides encouraging the private sector to play its due role. Any other approach will have a defeating effect and it is needless to say that all talk of withdrawal of currency without the government mending its ways and the advisability of a credit squeeze at a time when there is need to stimulate production will have only harmful effects and no beneficial impact.

RECORDS AND STATISTICS

Editor: R. V. MURTHY

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POINTS OF VIEW

S. P. Chopra

Growth in the corporate sector

TWO STUDIES relating to the financial operations of the corporate sector have been published in the July, 1972 Monthly Bulletin of the Reserve Bank of India. They throw light on various aspects of its working with special emphasis on the incidence of taxation and the policies pursued by managements regarding distribution of dividends and retained profits. The first study in respect of 1,501 public limited companies has been split up into two parts. The earlier part relates to 290 large-sized companies wherein each unit has paid-up capital of one crore of rupees or more. The second part deals with 1211 companies — called medium-sized companies — each having paid-up capital of less than one crore of rupees. The second study relates to 701 medium and large private limited companies which account for about 28 per cent of the total paid-up capital of all non-government, non-financial private limited companies which were in operation as on March 31, 1966.

Both the studies make it abundantly clear that the bulk of the profits of the private sector companies originate in the large-sized public companies (290 in number) which have an encouraging record in all respects. Their profits before tax rose steadily from Rs 253 crores in 1965-66 to Rs 370 crores in 1970-71 despite the marginal setbacks received in the recession years of 1967-68 and 1968-

69 (see Table I). The profits before tax of the medium-sized 1211 companies were Rs 77 crores only in 1965-66 and rose marginally to Rs 81 crores in 1969-70; the downtrend in the profits of these companies in the recession years was of a pronounced character. The private limited companies — 701 in number — did not show much improvement in their profits before tax which changed a little between 1965-66 and 1969-70. Whereas the profit before tax of these private limited companies was Rs 44.8 crores in 1965-66, it was no more than Rs 45.4 crores in 1969-70. In the recession years, it had dipped to Rs 39 crores (1967-68) and Rs 38 crores (1968-69).

Besides the fact that the bulk of the profits of the corporate sector emerged from the large-sized companies, the real growth of the corporate sector was also due to expansion in the operations of the large-sized companies. The value of output (at current prices) of 290 large public companies rose by 71.1 per cent between 1965-66 and 1970-71 (see Table II). The index of wholesale prices increased by 31.2 per cent during the same period indicating that real output improved by 40 per cent in five years (eight per cent per annum). As against this, the output of 1211 medium-sized public companies rose by 37.2 per cent only while wholesale prices in the same period shot up by 23 per cent.

In real terms, the sector recorded a growth of 14 per cent in four years (around 3.5 per annum). The performance of the private limited companies was still worse. With a rise of 35 per cent in the value of output and rise in prices at 23 per cent, the real increase in production was not more than 12 per cent or three per cent per annum.

If the bulk of the profits in the corporate sector was thrown up by the large-sized companies, the provision for taxation was also the highest in their case. In other words, the tax provision of Rs 122 crores made by 290 large-sized companies in 1969-70 was nearly double of the total provision made by private limited companies (701 in number) and 1211 medium-sized companies taken together. This also applies to dividend distribution and retention of profits. The profits retained by private limited companies as well as the medium-sized public limited companies at less than Rs 14 crores was nearly one-seventh of the total profits retained by the large-sized companies. This clearly indicates that it is the large-sized companies which have the capacity to finance their further growth through their own resources and any restraint on the expansion of their activities is bound to result in stagnation of industry as a whole.

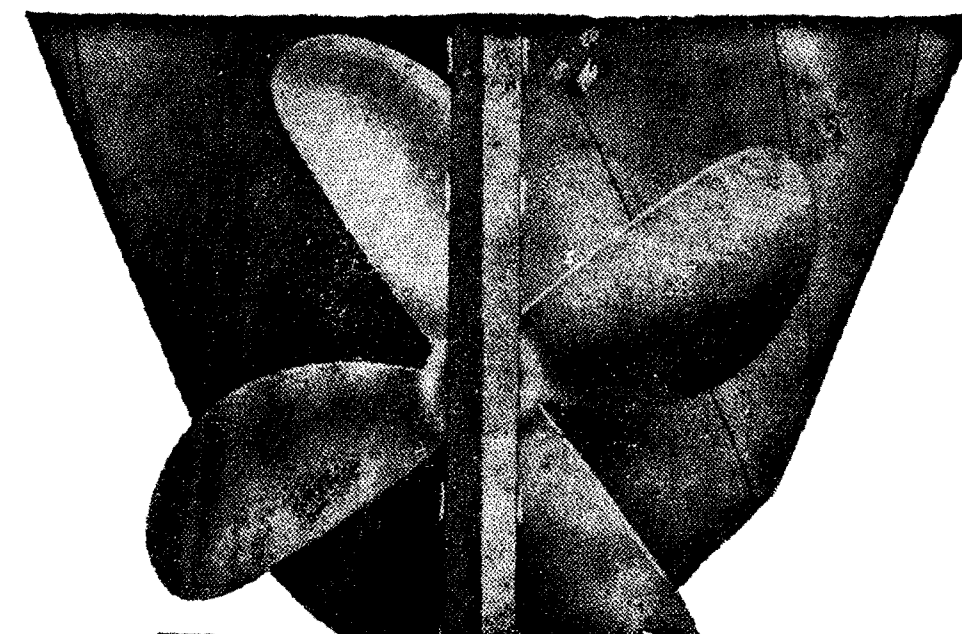
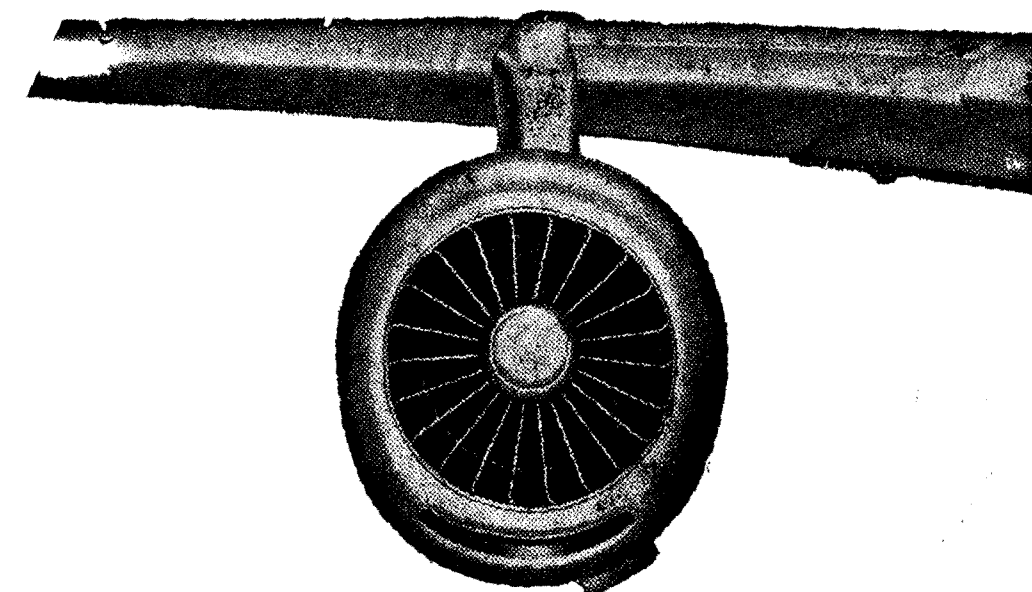
The provision for taxation as a percentage of profit before tax for large-sized companies has been declining during the

TABLE I
Profits in the Corporate Sector : 1965-66—1970-71

(Rs crores)

	701 Private limited companies				1501 public limited companies											
	Profits before tax	Tax provision	Dividends	Retained Profits	290 large companies				1211 medium companies				1501 large and medium companies			
					Profits before tax	Tax provision	Dividends	Retained profits	Profits before tax	Tax provision	Dividends	Retained profits	Profits before tax	Tax provision	Dividends	Retained profits
1965-66	44.8	28.8	7.9	8.1	253	120	80	53	77	45	24	8	330	165	104	60
1966-67	44.8	29.6	8.2	7.0	263	117	85	61	81	48	24	9	344	165	109	71
1967-68	39.4	27.0	7.7	4.7	240	106	86	48	54	40	22	—8	294	146	108	40
1968-69	38.2	25.6	8.3	4.3	242	108	89	45	56	40	23	—7	298	148	111	39
1969-70	45.4	29.1	9.4	6.9	306	122	101	83	81	49	25	7	387	171	126	90
1970-71	—	—	—	—	370	158	115	97	—	—	—	—	—	—	—	—

Note: Minor differences in totals are due to rounding up.



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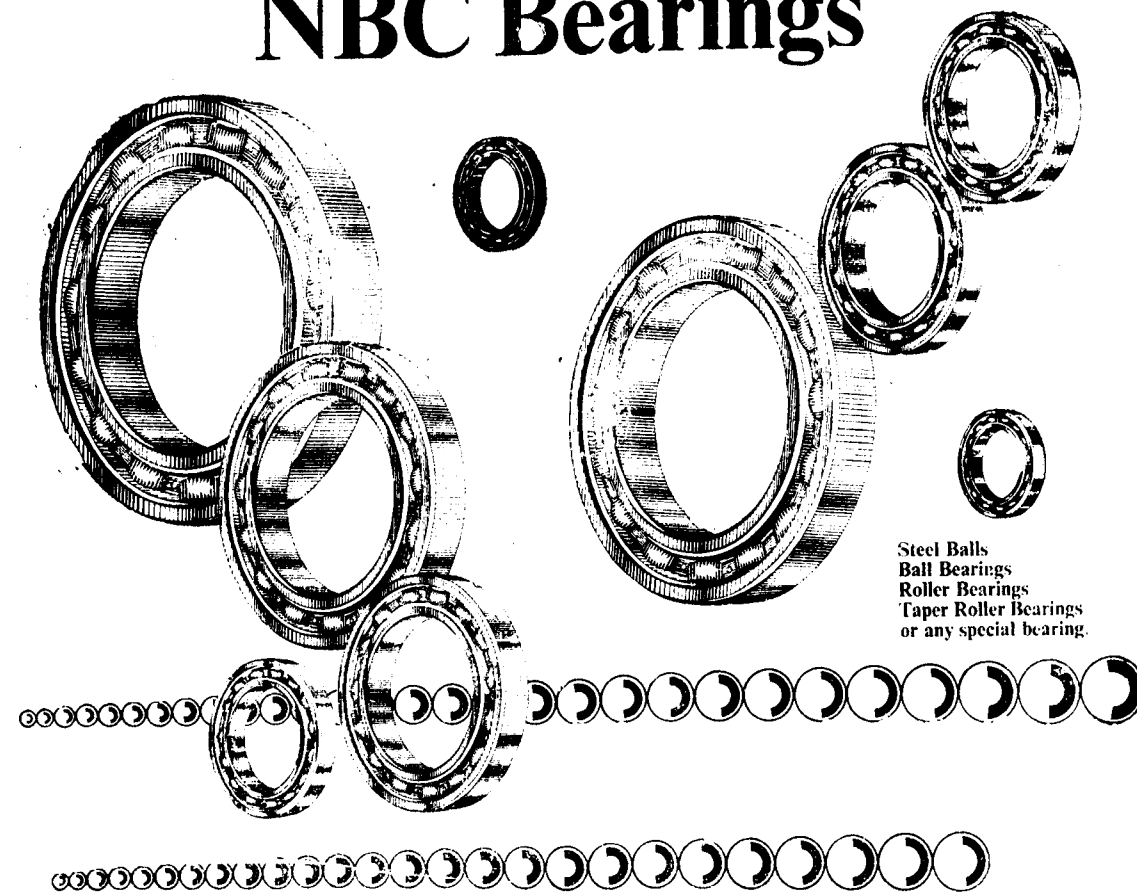
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last six years (see Table III). Whereas in 1965-66 tax provision as a percentage of profit before tax was as high as 47.4 per cent in 1965-66, it dropped to 39.8 per cent in 1969-70 only to improve to 42.8 per cent in 1970-71. These figures demonstrate that the large-sized public limited companies have been able to avail of a number of tax incentives which the corporate sector has received during this period. The central budgets during the last five years have reduced the incidence of super tax and sur-tax, whose impact has been clearly reflected in the tax provisions of these large-sized companies. In the case of the medium-sized public limited companies, the tax provision as percentage of profits before tax rose from 58.4 per cent in 1965-66 to 74.1 per cent in 1967-68 but declined to 60.5 per cent in 1969-70. What is clear is that this particular ratio has been higher in the case of

TABLE II
Real growth of the Corporate Sector

	In-crease in the value of output	Rise in whole-sale prices	Real in-crease in output
290 large public companies	71.1(a)	31.2(a)	29.9
1211 medium public companies	37.2(b)	23.3(b)	13.9
1501 public companies	44.8(b)	23.3(b)	21.5
701 private companies	35.0(b)	23.2(b)	11.7

(a) Increase in 1970-71 over 1965-66
(b) Increase in 1969-70 over 1965-66

TABLE III
Tax Provision as a Percentage of "Profits before Tax"

Year	701 Private limited companies	290 large companies	1211 medium companies	1501 large and medium companies
1965-66	64.2	47.4	58.4	50.3
1966-67	66.1	44.5	59.3	47.9
1967-68	68.5	44.2	74.1	49.7
1968-69	67.1	44.6	71.4	49.7
1969-70	64.1	39.8	60.5	44.1
1970-71	—	42.8	—	—

the medium sized companies than in the case of the large-sized companies throughout the period under review. In the case of private limited companies also, this ratio has been higher in each one of the years under review in relation to both the large-sized and medium sized public limited companies. This is because the tax rates in the case of the private limited companies have been higher than that of the public limited companies.

It is pertinent here to mention the recommendation of the Wanchoo Committee that the rates of taxation should be reduced which would lead to increased—not reduced—revenue to the exchequer and would also bring about improvement in the general economy. In the budget for the United Kingdom in 1972-73, substantial reductions in taxation were initiated for the objective of faster rate of economic expansion. Some other countries such as the USA, Japan, West Germany, Belgium and the Netherlands have also tried this expedient with favourable results. Our government has however been fighting shy of adopting this tried path.

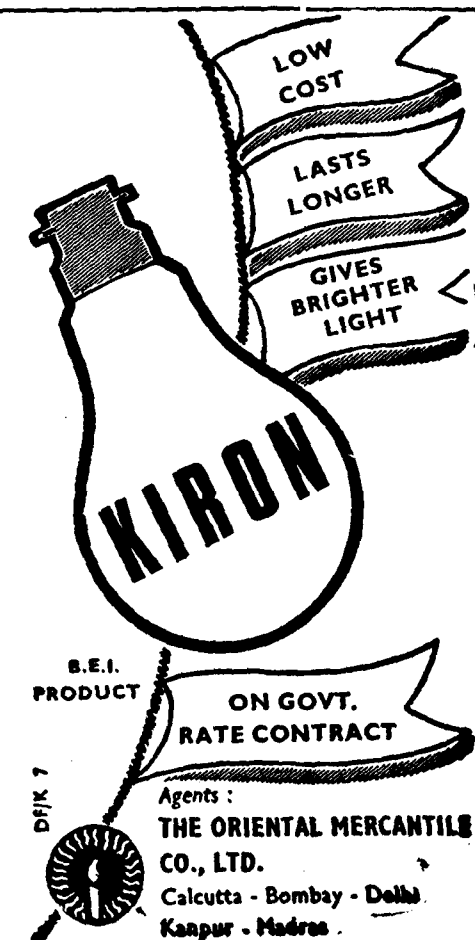
Among the many incentives suggested by the Wanchoo Committee for the corporate sector was one relating to special assistance for small companies with paid-up capital not exceeding Rs 5 lakhs. It was recommended that in the case of such companies, distributed profits up to eight per cent of the paid-up capital or Rs 25,000, whichever was less, might be totally exempted from tax by allowing this amount to be deducted in computing the total income. In the case of companies with paid-up capital exceeding five lakhs of rupees, distributed profits up to eight per cent of the paid up capital, it was suggested, should be taxed at the rate of 30 per cent.

An analysis of "dividends as a percentage of share capital" of 1501 companies shows that this suggestion was rightly made for smaller companies because the large-sized public companies had declared, during the last six years, dividend varying between 9.9 and 11.9 per cent of paid-up capital. Not even once during the last six years had this ratio fallen below 9.9 per cent. The analysis of the dividends policy of 1211 medium-sized public companies showed that this percentage ruled between 6.2 and 7.6, i.e. in each of the five years from 1965-66 to 1969-70, it ruled well below eight per cent. Surely, a majority of the medium-sized companies would benefit from Wanchoo Committee's suggestion if and when accepted by the government. Even in the case of private limited companies, it was seen that the

POINTS OF VIEW

over-all ratio of dividends as a percentage of paid-up capital ruled below 8 per cent in each of the five years ending in 1969-70.

There were certain groups of industries where this percentage was definitely above the prescribed limit, though the over-all performance was below it. The philosophy behind this suggestion is that reduced tax incidence would result in increased distribution of dividends by the small-sized as well as medium-sized companies which, in turn, would revive the investment market and would be instrumental in giving a push to a number of industries which have hitherto suffered for lack of investible funds. However, the magnitudes of the surplus funds thrown up by the three components of the corporate sector discussed above indicate that it is the large-sized companies which hold the key to its further expansion. A majority of them belong to the larger business houses whose activities have been restrained in recent years under the Monopolies and Restrictive Trade Practices Act. At a time when industrial stagnation has slowed down the progress of the economy, it is unwise not to use the resources as well as the talent available for reviving industrial growth.



POINTS OF VIEW

Prosperity for progressive farmers

K. S. Turna & R. C. Agrawal*

MOST of the developing economies, including that of India, are primarily agricultural. The increase in output and income is, therefore, largely a function of the growth in the agricultural production. Rapidly increasing population leads to a continuously growing demand for food and fibre and if the supply does not keep pace with the growing demand, the gap between demand and supply widens. Fortunately for us, in recent years, Indian agriculture has experienced phenomenal progress on the technological front. (In the year 1970-71, we had a record harvest of 108 million tonnes of foodgrains as against 72.35 million tonnes in 1965-66). This is particularly true of the farming in the "Tarai" region of the Rampur and Nainital districts in UP. The land was reclaimed only two decades back and since then is cultivated by very enterprising farmers. The establishment of UP Agricultural University in 1961 came as a boon to these farmers. Thanks to their enterprising nature and to research and extension efforts of the university, the high yielding varieties are being cultivated on a large scale. The yields per acre compare favourably with those in technologically advanced countries in the world.

However, "even at this current level of technology followed by the farmers in Tarai, is there still any possibility of a more effective allocation and use of existing resources so that their incomes could be further augmented or their present level of resource use represents the ultimate?" The present study is an attempt to answer this and related questions. More specifically, the objectives of this study are:

- To work out an optimal cropping pattern, which maximizes profits of the farmers from existing resource availability and to suggest guidelines for more efficient allocation of resources among diffe-

rent enterprises at the existing level of technology, and

- To find the extent to which the production and the incomes from the farm could be increased by (a) above. As the resource situation varies widely, for meaningful results, the potential has been worked out separately for small, medium and large farmers.

The "Tarai" (so called because of humidity) belt lies in the foothills of Siwalik region of the Himalayas. This 18-20 Kms. wide belt stretches from Bijnore and Rampur districts in the western part of UP to Gonda in the east. Due to the impact of the UP Agricultural University, a large numbers of farmers in the Tarai of Nainital and Rampur districts are growing high yielding varieties of crops. Most of the farmers of this area have a relatively high-supply of capital and use larger quantities of inputs like fertilizer, improved seed

irrigation, etc. as compared to the farmers in other parts of UP. Because of their progressive outlook, education (many of them keep records) and co-operation in supplying the required information, reliable data could be obtained for the purposes of the study.

methodology

(a) *Selection of farmers:* A block (Bilaspur) in the "Tarai" region of Rampur districts was purposively selected because of (a) the familiarity of the authors with the local conditions and the farmers and consequently availability of reliable information and (b) existence of farmers with widely varying resource situations.

The farmers of the area were classified on the basis of the size of holdings into small (those having up to 10 acres), medium (having more than 10 acres but not more than 30 acres) and large (having holdings larger than 30 acres). This classi-

TABLE I
Resource Restrictions and Their Levels

Resource restrictions considered	Available quantity on various farm sizes		
	Small	Medium	Large
Kharif land irrigated (acres)	5.1	15.2	63.5
Khari land unirrigated (acres)	2.5	7.7	21.8
Rabi land irrigated (acres)	5.1	15.2	63.5
Rabi land unirrigated (acres)	2.5	7.7	21.8
July-August labour (days)	101.5	274.5	1376.8
October-Dec labour (days)	130.0	399.5	1881.5
Feb.-March labour (days)	90.0	274.7	1572.6
April-May labour (days)	88.6	265.5	1601.6
Nitrogenous fertilizer (kg)	441.1	1343.5	4921.6
Phosphatic fertilizer (kg)	151.4	689.8	3833.4
Potassic fertilizer (kg)	266.8	386.8	2859.6
Kharif bullock power (days)	69.2	70.8	167.8
Rabi bullock power (days)	84.5	90.8	165.4
Kharif tractor power (hours)	16.8	91.3	476.1
Rabi tractor power (hours)	17.4	256.6	1066.4
Working capital (cash in Rs)	6800.34	18997.20	73739.12
Jowar fodder land unirrigated (acres)	0.80	1.20	2.20
Berseem fodder land irrigated (acres)	0.40	0.70	1.50

*Authors are 'Field Supervisor' and 'Associate Professor, respectively in the Department of Agricultural Economics, G. B. Pant, University of Agriculture & Technology, Pantnagar, Nainital (UP).

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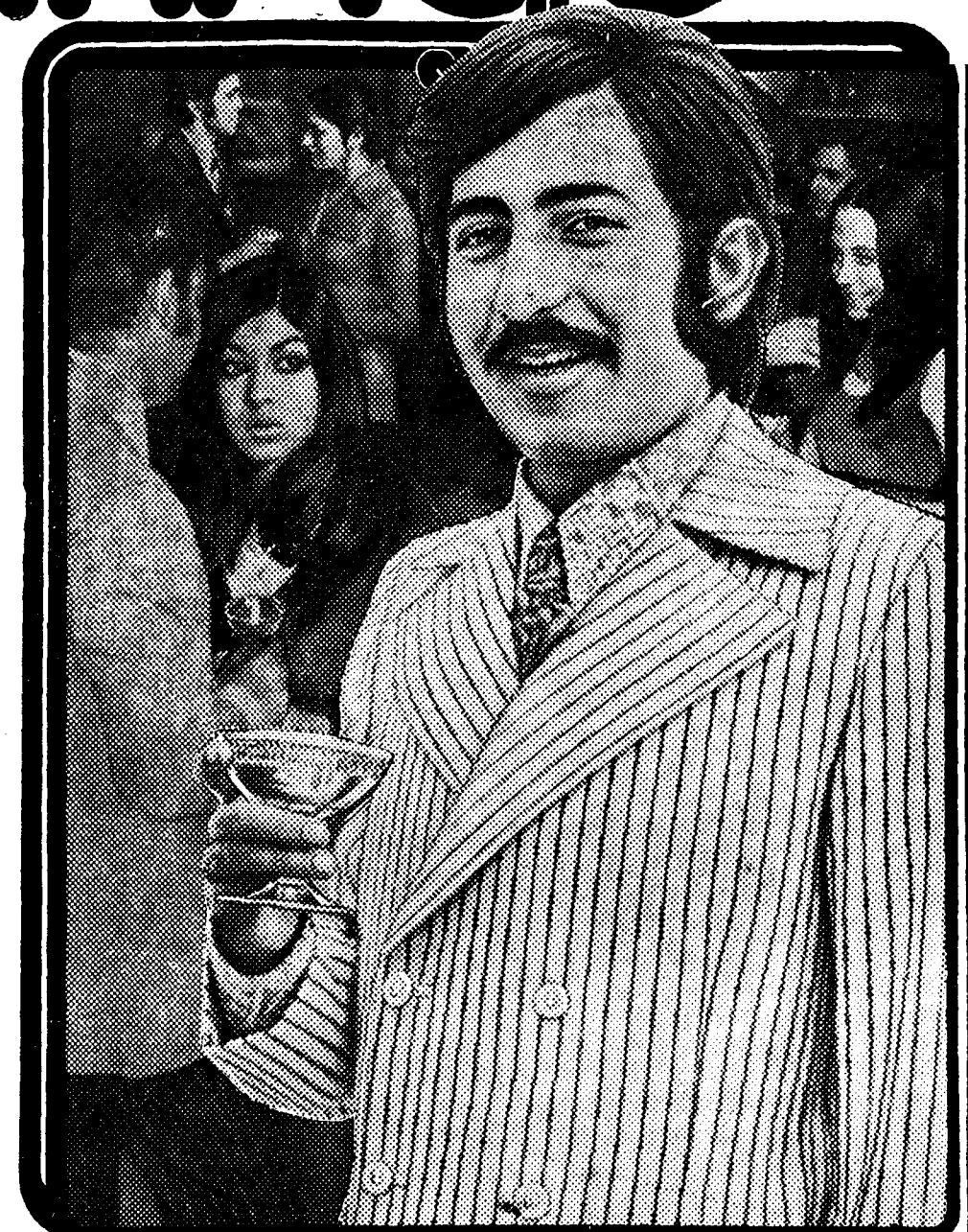
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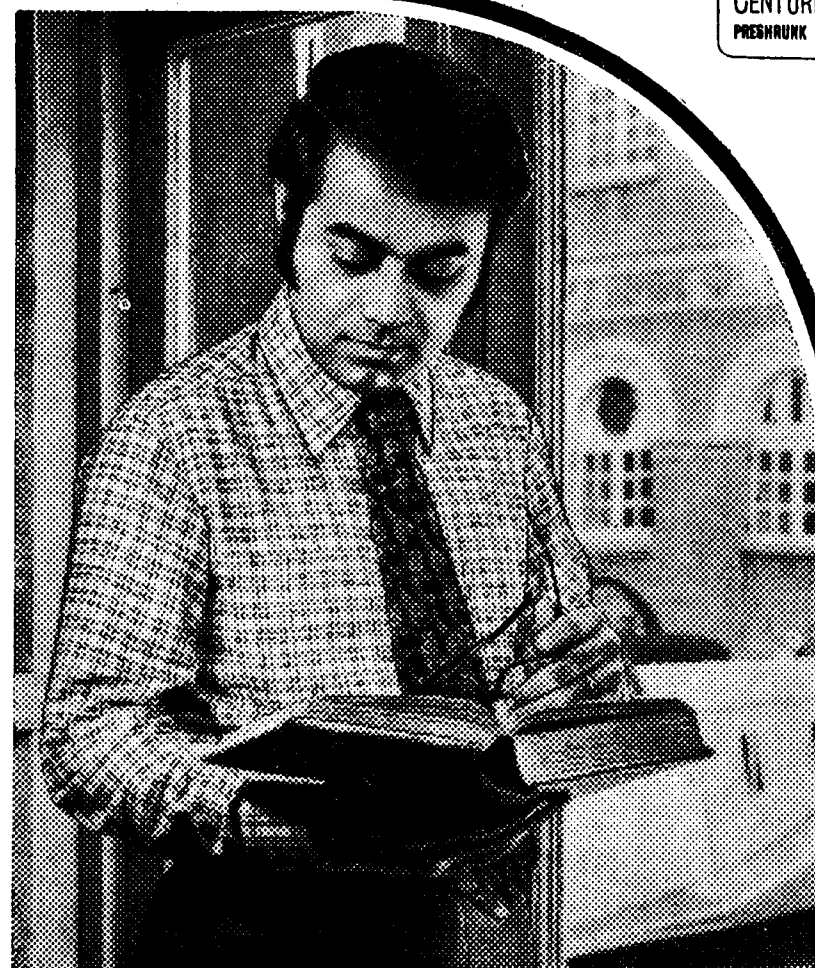
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fication, by and large, was also representative of the resource availability category. Six villages were selected at random. A list of all the farmers in the village was prepared and a total of sixty farmers with number in each being proportionate to probability were selected.

(b) *Collection of Data and Specification of the Model:* Data on resource availability, cropping pattern, resource restriction, etc. were collected during the crop year 1968-69. The average prices at which the farmers sold their products and purchased the inputs during the period of study were also collected. Linear programming technique was used to arrive at the optimal farm plans from the existing resource level and technology and to find out if these plans were significantly different from those actually followed by the farmers of different categories.

(i) *Specification of Resource Restrictions:* The available resources on these random selected farms and various restrictions concerning them were recorded. On the basis of collected information, the following resource restrictions were included in the model:

(1) Irrigated land, (2) unirrigated land; (3) labour availability during peak periods: viz. (i) July-August, (ii) October-December, (iii) February-March and (iv) April-May, (4) fertilizers in terms of kilograms of nutrient [nitrogen (N), phosphate (P_2O_5) and potash (K_2O)]; (5) machinery hours (6) bullock power in day; (7) cash expenditure in rupees, and (8) acreage to be kept under fodder for the milch and draught animals kept on the farm. These are given in Table I.

(ii) *Activities Included in the Model:* In the Tarai farming situation in general, and on sample farms in particular, the crops are the chief enterprises. Livestock is not taken as a major business proposition by the farmers but is usually kept to meet the milk requirements of the farm family. Important crops of the region are sugarcane, paddy (local varieties like Hansraj and HYV like IR-8, Padma and Jaya), maize local and hybrid (like Ganga-2 and composites), wheat (Desi and Mexican varieties), lahi, gram and pea. The common fodder crops for kharif and rabi are jowar (chari) and berseem respectively. All the crops actually grown by the farmers on the sample farms have been included in the models and are given in Table II. Different varieties of crops have been treated as separate activities.

The technological (input-output) coefficient were derived on the basis of existing farm situations.

(iii) *Developing Representative Farm*

Situation: Synthetic farm situations were developed for each class (small, medium and large) by taking into account all the data belonging to that particular group and then averaging the same by assigning appropriate weights.

(iv) *Formulation of the Linear Programming Model:*—The linear programming technique used in this study permits simultaneous consideration of all available alternatives in order to select the profit maximizing combination of activities (crops). The mathematical formulation of the model is as follows:

$$\begin{aligned} \text{Maximize : } Z &= \sum_{j=1}^n C_j X_j \\ \text{Subject to: } \sum_{j=1}^n a_{ij} X_j &\leq b_i \quad (i=1, 2, \dots, K) \\ \sum_{j=1}^n a_{ij} X_j &\leq b_i \quad (i=K+1, K+2, \dots, m) \\ X_j &\geq 0 \quad (j=1, 2, \dots, n) \end{aligned}$$

where,
Z—total farm returns over variable costs (in rupees)

X_j —level of the J th crop activity ($J=1, 2, \dots, n$)

C_j —Returns (in rupees) over variable costs from one unit of J th activity.

b_i —available quantity of the i th resources. (For $i=1, 2, \dots, K$)

b_i —Fodder requirements (for $i=K+1, K+2, \dots, m$)

a_{ij} —the amount of i th input required for raising one unit of X_j .

Empirical Analysis and Results: The different sized farms differed from each other with respect to:— (1) The size of holding; (2) activities (crops) raised on the farms; (3) resource availability; (4) land under fodder crops; and (5) input: coefficients.

Accordingly, three farm plan, one for each size, were prepared with the help of linear programming technique. Except for large farms, where farmers were taking crops for commercial as well as seed purposes, farm plans were prepared taking into consideration the 1968-69 commercial prices. In case of large size group, both commercial as well as seed production activities were considered. The latter (seed production) was confined to maize, wheat and pea. The results are discussed with reference to the land use pattern, intensity of cropping, net farm income and resource requirements per acre on the three farm sizes.

A. Land Use and Cropping Intensity Under the Existing and the Suggested (Optimal) Plans.

A comparison of the existing and the optimal plans with respect to the land use intensity is given in Table III. The total cropped area, in case of large farms, has

TABLE II
Activities Considered

Activities considered	Small	Medium	Large
Paddy IR 8 irrigated	X	X	X
Paddy T-3 irrigated	X	X	X
Maize G-2 unirrigated	X	X	X
Maize local unirrigated	X	X	X
Lahi unirrigated	X	X	X
Lahi + Gram unirrigated	X	X	X
Gram unirrigated		X	X
Wheat Sona-227 (Kalyansona) irrigated	X	X	X
W. Sonalika RR-21 irrigated	X	X	X
Wheat Pb-18 irrigated		X	X
Wheat deshi irrigated	X	X	X
Sugarcane irrigated	X	X	X
Jowar fodder unirrigated	X	X	X
Berseem fodder irrigated			X
Maize G-2 (seed) irrigated			X
Wheat Sona-227 (Kalyansona) (seed) irrigated			X
Wheat Sonalika RR-21 (seed) irrigated			X
Pea Bonville (seed) unirrigated			X

Note: X—Considered —Not considered.

increased by 11.07 acres in the optimal plan because of the replacement of sugarcane by wheat seed and pea seed in rabi, which allows an additional kharif crop of maize seed as well. On the small and the medium farms, though the income is higher in the suggested plans, the total cropped area has decreased by .86 acres and 3.12 acres respectively bringing down the intensity from 173 per cent and 165 per cent to 161.7 per cent and 151.4 per cent for the two sizes of farms. This is due to the increase in the acreage of sugarcane under the "New" plans which turned out to be most profitable activity and taken as a one year crop (i.e. considered as having 100 per cent cropping intensity).

If the intensity of sugarcane crop is taken as 200 per cent (because it occupied the field for the whole year), then the total cropped area as well as the intensity of cropping under the optimal plans came to more than that under the existing pattern even on the small and medium farms as can be seen from column 6, 7 and 8 of Table III. In fact, the land has been fully used for all classes of farmers in the suggested plans with cropping intensities of 200 per cent (considering sugarcane as a crop with 200 per cent intensity) as against those of 188.68 per cent, 185.28 per cent and 178.07 per cent respectively for small, medium and large farmers under the existing plans.

II. *Cropping Pattern*: The details of the existing and the optimum cropping patterns are given in Table IV.

(A) *Small Farms*: In kharif, of the existing crops, Paddy IR-8, maize, Ganga-2 and sugarcane (for the whole year) have come in the optimal plan at a higher acreage; paddy T-3 and maize local, occupying 3.50 acres and 0.41 acres in the

existing plans, do not find any place in the optimal plan in kharif. In rabi, lahi (0.09 acres), wheat S-227 (1.38 acres) and wheat deshi (3.57 acres), have also vanished in the optimal plan. Instead, lahi+gram (2.50 acres in optimal against 0.14 acres in the existing plan), and wheat RR-21 (1.79 against 0.63) have a greater acreage. In kharif, nearly 0.86 acre of land is left uncultivated by the farmers. Under the suggested plans, no land is left unused.

(B) *Medium Farms*: In the optimal plan, the land use pattern includes paddy T-3 (4.06 acres), maize local (6.50 acres) sugarcane (11.14 acres), jowar fodder (1.2 acres), lahi + gram (7.70 acres), wheat S-227 (3.36 acres) and berseem (0.70 acres). Paddy IR-8, lahi, gram, wheat RR-21, Pb-18 and deshi wheat do not find a place in the optimal plan. Paddy T-3 has come due to its higher returns (over variable costs per acre) and these are as a consequence of higher prices. Sugarcane is the dominating crop on medium size farm occupying 11.14 acres of land in the optimum plan. The unused land, both of kharif and rabi season of the existing pattern has been fully utilized in the optimum plan.

(C) *Large Farms*: Under the existing pattern, sugarcane commanded 22.45 acres of land. In the suggested plan, the crop land has been allocated to maize Ganga-2 (19.60 acres), sugar cane (30.09 acres), jowar (2.20 acres), Maize Ganga-2 seed (33.41 acres), berseem fodder (1.50), wheat S-227 seed (31.91 acres) and pea Bonville seed (21.80 acres). Paddy, local maize, lahi, gram and commercial wheat have been completely eliminated. 18.83 acres of kharif and 0.18 acre of rabi land, that was left unused by the farmers (in the existing pattern) has been

fully utilized in the optimum plan.

III. *Changes in Returns*: The results of different optimum farm plans indicated substantial potentiality of increasing the farm net returns for each size group of farms by recombining the crop enterprises and proper allocation of farm resources. This is a reflection of the productivity of resources and production possibility through reallocation process. Table V shows that farm net returns per acre under optimum plans have increased from Rs 1308.30 to 1503.10 (14.89 per cent) in case of small, from Rs 1082.19 to 1309.71 (21.02 per cent) in case of medium, from Rs 905.19 to 1463.92 (61.79 per cent) in case of large farms. In all those cases, this increase was found to be significant at five per cent level which indicates that the present allocation of farm resources on all sizes of farms is less than efficient and, there is scope and potentiality of increasing farm income by optimum combination of enterprises on these farms. The same holds true for total returns..

The empirical analysis and results discussed here show a substantial potentiality of increasing net farm returns even in progressive agricultural region by reallocating the resources as suggested in the optimal plans. Total net returns under the suggested plans are higher over those obtained from existing conditions by 14.89 per cent, 21.02 per cent and 61.79 per cent in case of small, medium and large size farms respectively. These increments have been found to be highly significant. However, these differences are, a function of, among other things, production and prices. For this reason, one may be a little cautious in interpreting these results and making recommendations specially in view of very wide fluctuations in case of sugarcane prices.

TABLE III

Land Use and Cropping Intensity under the Existing and the Suggested Plans

Size of farms	Average size of holding (acres)	Available net cultivated area (acres)	Total cropped area (with 100 per cent intensity of sugarcane)		Total cropped area (with 200 per cent intensity of sugarcane crop)		Net increase (acres) (7-6)	Intensity of cropping (with 100 per cent of sugarcane crop)		Intensity of cropping (with 200 per cent intensity of sugarcane crop)	
			Existing pattern (acres)	Optimum plan (acres)	Existing pattern (acres)	Optimum plan (acres)		Existing pattern	Optimum plan	Existing pattern	Optimum plan
1	2	3	4	5	6	7	8	9	10	11	12
Small	7.78	7.60	13.15	12.29	14.34	15.20	0.86	173.02	161.71	188.68	200.00
Medium	23.24	22.90	37.78	34.66	42.43	45.80	3.37	164.98	151.35	185.28	200.00
Large	86.69	85.30	129.44	140.51	151.89	170.60	18.71	151.75	164.72	178.07	200.00

TABLE IV
Existing and Suggested Farm Plans

Activity	Crop enterprises	Small		Medium		Large	
		Cropping pattern		Cropping pattern		Cropping pattern	
		Existing cropped area (acres)	Suggested cropped area (acres)	Existing cropped area (acres)	Suggested cropped area (acres)	Existing cropped area (acres)	Suggested cropped area (acres)
A. Kharif Season							
X ₁	Paddy IR-8	0.70	2.19	3.43	—	15.78	—
X ₂	Paddy T-3	3.50	—	5.75	4.06	7.26	—
X ₃	Maize G-2	0.14	1.70	—	—	14.32	19.60
X ₄	Maize local	0.41	—	4.90	6.50	2.26	—
X ₁₂	Sugarcane	1.19	2.91	4.65	11.14	22.45	30.09
X ₁₃	Jowar fodder	0.80	0.80	1.20	1.20	2.20	2.20
X ₁₅	Maize G-2 (seed)	—	—	—	—	2.50	33.41
	Unused land	0.86	—	2.97	—	18.53	—
B. Rabi Season							
X ₅	Lahi	0.09	—	0.42	—	5.32	—
X ₆	Lahi+Gram	0.14	2.50	1.35	7.70	8.40	—
X ₇	Gram	—	—	0.22	—	1.25	—
X ₈	Wheat AS-227	1.38	1.79	6.32	3.36	10.42	—
X ₉	Wheat RR-21	0.83	—	5.62	—	17.89	—
X ₁₀	Wheat Pb.-18	—	—	0.72	—	2.53	—
X ₁₁	Wheat Deshi	3.57	—	2.50	—	2.71	—
X ₁₃	Sugarcane	1.19	2.91	4.65	11.14	22.45	30.09
X ₁₄	Berseem fodder	0.40	0.40	0.70	0.70	1.50	1.50
X ₁₆	Wheat S-227 (seed)	—	—	—	—	7.25	31.91
X ₁₇	Wheat RR-21 (seed)	—	—	—	—	5.00	—
X ₁₈	Pea Bonville (seed)	—	—	—	—	0.40	21.80
	Unused land	—	—	0.40	—	0.18	—

TABLE V
Potential of Increasing Farm Incomes

Size-group	Total net returns		Net returns/acre	
	Under existing pattern in Rs	Under optimum plan in Rs	Under existing pattern in Rs	Under Optimum plan in Rs
Small	9943.10	11423.55 (14.89)*	1308.30	1503.10
Medium	24782.20	29992.36 (21.02)*	1082.19	1309.71
Large	77212.80	124872.21 (61.72)*	905.19	1463.92

*Figures in parentheses indicate the percentage increase in incomes likely to be obtained from adopting suggested plans.

Diplomacy in Asia

Josselyn Hennessy

London:

The Middle East Oil Crisis

THE ORIGINS of the dispute between the Iraq Petroleum Company (IPC) and Iraq go back to 1961, when Iraq seized part of the IPC concession in the North Rumaila field. Since then arguments over compensation have never ceased. In 1969 the Soviet Union and Iraq signed an agreement for the financing and the exploitation of the North Rumaila field. The immediate reasons behind the Iraqi nationalisation of IPC are, however, due to decisions made in 1970 and 1971 by the Organisation of Petroleum Exporting Countries (OPEC). This organisation consists of eleven countries, of which seven are Arab (Saudi Arabia, Abu Dhabi,

Libya, then obtained a premium over the Gulf prices, justifying it by their lower transport costs to Europe. With more than two-thirds of the world's oil reserves in the Middle East, the agreement was damned expensive for the international companies. US companies alone control, through the Arab American Oil Company (ARAMCO) at Dhahran, almost 100 per cent of Saudi Arabian production, nearly 50 per cent of production from Kuwait and 40 per cent from Iran. At the moment the United States is in the fortunate situation of relying on imported oil for only three per cent of its domestic needs, though this is likely to change. Indeed in the 1980s the US expects to be importing as much 50 per cent of its oil (not necessarily from the Middle East). The western European countries depend on the Middle East (including Libya) for almost 90 per

Francaise de Petroles (CFP) own 23.75 each. The remaining 28.75 per cent is divided up by Mobil and Standard Oil New Jersey (11.875 per cent each) and the Gulbenkian five per cent interest. The British government has a 49 per cent interest in BP, and the French government controls 33 per cent of CFP. The total value of the IPC concession at Kirkuk amounts to £130 million. Iraq did not nationalise the other two IPC concessions at Musul and Basra.

IPC's warning

The temperature of the dispute has risen sharply ever since the tentative agreement made in June, 1971, between IPC and the Iraq government. Despite a higher sulphur content and the political complications of the two pipelines going to Baniyas in Syria and Tripoli in the Lebanon, Iraq demanded an increase in posted prices comparable to that paid to Libya. In signing the agreement, IPC warned that with such high prices, should freight rate fall, Iraqi oil would become uncompetitive with oil from the gulf, which would make the long journey from the Gulf round the Cape as economical as oil brought from the Mediterranean. Unfortunately for Iraq, western Europe had experienced two mild winters in succession, and the demand for oil (which had increased at an annual rate of 8.9 per cent between 1966 and 1970) in 1970-71 and 1971-72 rose by only 4.2 per cent per annum; freight rates fell accordingly. As a result IPC started cutting the daily take-off from Iraq from one million barrels per day to 600,000. In March, 1972, IPC suggested to the Iraqi government that it should cut the Mediterranean premium in return for increased production, but Iraq rejected this suggestion even though it depends for 85 per cent of its foreign earnings on oil royalties.

Turning a blind eye on the slack in demand for crude oil from the Middle East, OPEC countries in June and July maintained the pressure on the western major companies through Dr Nadim Pachachi, the Secretary-General, for a minimum 20 per cent equity. Sheikh Zaki Yamani, the Saudi Arabian Oil Minister (responsible as well since March, 1972, for conducting negotiations on behalf of the Gulf States) has made it clear that the eventual aim is for 51 per cent participation. The oil companies are requesting compensation based on the market value of assets and loss of current profits until the expiry of the concessions. Some producing countries are ready to pay compensation on

cent of their supplies. Japan is similarly dependent.

In February, 1971, Algeria launched a new factor into the international oil situation by taking over 51 per cent of the French oil interests in Algeria. In January, 1972, Libya nationalised the British Petroleum (BP) wells for which it has paid no indemnity. Libya had already wrung concessions from the major companies for even higher prices than those agreed at Teheran. The advantage of Libyan oil for western European countries is that it is particularly suitable for certain purposes and secondly, and more importantly, it is cheaper to transport.

On June 1, 1972, President Hassan al-Bakr announced the nationalisation of the IPC concessions in the field of Kirkuk, 150 miles north of Baghdad. IPC is a consortium of western companies — BP, Royal Dutch Shell, and the Compagnie

book value, but refuse to consider indemnifying loss of profits.

On June 18 the Compagnie Francaise de Petroles (CFP) made a bilateral agreement with the Iraqi government to buy its quota of oil for ten years at the price that prevailed before nationalisation. At the same time, however, CFP announced that it would not exercise the agreement until a satisfactory settlement had been reached between IPC and Iraq. Meanwhile IPC have declared that they would not block Iraq's oil at least for the next three months. In June, the Italian State Oil Company (FNI) reached an agreement to increase its purchase of Iraqi oil at a fixed price to be negotiated in return for technical aid. This may undermine the collective negotiating position of the other companies inside IPC. On June 24 the Shah of Iran (which produces 30 per cent of the oil from the Middle East) announced that he was not in favour of participation. Instead, he said that Iran would abide by the 1954 agreement until its expiry in 1994, at a rate of output compatible with fifty years estimated reserves. A meeting was held with the oil companies on July 23 in Teheran to follow up the intentions of the Iranian government with Iraq to develop port and ore-handling facilities in return for substantial supplies of crude. Iraq is reported to be interested in a similar deal with India for the construction of a fertiliser plant. India has already agreed to buy fairly sizable quantities of crude oil from Iraq in the next three years.

new factor

A new factor was brought into the dispute by the USSR's announcement that they would increase their purchase of Iraqi oil. Soviet policy now seems based on three factors: (1) Iraqi oil is closer to the Soviet Bloc industrial centres than its own vast reserves in Siberia and Kazakhstan, while the Baku fields are running dry; (2) Soviet domestic production, chiefly from the Ural-Volga fields, increased last year by 5.4 per cent, but the total Soviet consumption rose by nearly nine per cent, so that the demand for oil, especially in eastern Europe, will tend to make the Soviet Bloc a net importer; and (3) the desire to undermine the western position among oil producing countries. But the Soviet's own position is weakened by their lack of foreign currency, which is what all sellers in the Middle East want. It therefore looks as though neither the USSR nor the west European countries can afford to throw their weight about.

In the Commons on July 3 Mr Joseph Godber, the British Minister of State for Foreign and Commonwealth Affairs, was

asked if he was satisfied that the agreements concluded between the French and Iraqi governments would not prejudice Britain's oil supplies from Iraq Petroleum Company. He replied that the UK had received firm assurances from the French government that they would do nothing to prejudice the interests of the British, Dutch and United States shareholders of the Iraq Petroleum Company. "We do not at present have sufficient knowledge about the Italian negotiations for the purchase of Iraq oil to know how these would affect the position in regard to compensation for the Iraq Petroleum Company", he added.

II.

Sir Alec Douglas-Home's Asian Tour

During the two weeks beginning on June 23, the British Foreign Secretary, Sir Alec Douglas-Home, flew round five countries in Asia — Australia, New Zealand, Bangladesh, Indonesia and Afghanistan. This was the Secretary of State's second tour of Asia this year. In February he paid visits to India, Thailand, Hong Kong and Korea. Sir Alec's main purpose in visiting Australia in June was to attend the 17th Annual Meeting of the Council of the South East Asia Treaty Organisation (SEATO), though naturally he took the opportunity to have a tour of the whole diplomatic horizon with the Australian government.

The meeting was attended by representatives of six of the eight SEATO signatories (Australia, Britain, France, New Zealand, Pakistan, the Philippines, Thailand and the United States) and by observers from South Vietnam, which is a Protocol State under the Treaty. The absentees were France and Pakistan. France has been a "sleeping partner" in the alliance since the mid-1960s when General de Gaulle decided to dissociate himself from the policies followed by the United States in Indo-China. French representatives have not attended a SEATO Council meeting since 1964 though France continues to pay her contribution to the SEATO budget. Pakistan's interest in the SEATO area has diminished since the secession of Bangladesh, and there was no great surprise when President Bhutto announced early in July that Pakistan would be withdrawing from the Organisation. (This is not part of an overall policy of withdrawal from alliances with western powers, for Pakistan has this year taken a renewed interest in CENTO).

In the course of his speech to the council meeting Sir Alec Douglas-Home, said:

"We must remember that an alliance is at its most vulnerable when the pressure is off". He made it clear that in his view, despite the considerable changes which have occurred in Asian affairs since the founding of SEATO in 1954, the alliance continues to be relevant to the political conditions of the 1970s.

With characteristic bonhomous informality Sir Alec added: "The Prime Minister of Australia has just said that there would be a vacuum without SEATO and that is true. Someone spoke to me yesterday at the airport as I arrived, as they will do, and I believe that my brain was clear enough to hear properly the question that he asked: 'Is SEATO any longer necessary?' His question contained the clear implication that in his opinion it was not. I replied: 'In stormy weather I do not take off my raincoat until I see a clear patch of blue sky. There is a glimpse of blue sky, but so far it is no more. Until we can see more clearly that the Communist powers really desire to live with us in fair weather we must keep up our guard. That is why Britain supports the SEATO Alliance'".

SEATO meeting

The Council heard a strong affirmation of the American Administration's support for SEATO from Mr Rogers, Secretary of State, who made clear that the Nixon Doctrine did not mean any abandonment of American commitments in Asia: "Our interests in Asia and the Pacific are fundamental: in our own self-interest and in the interest of our friends and allies, our involvement will not end with the end of our military involvement in Vietnam". The conference, having heard an account of developments in Vietnam, condemned the escalation of the war brought about by the North Vietnamese in April. In the communique, the failure of Hanoi to negotiate seriously in the Paris peace talks was deplored, and support was given to the eight-point peace plan for a settlement to the conflict which had been made public by Washington and Saigon in January.

This year's SEATO meeting was taking place against the back-drop of the Sino-American rapprochement (which is perhaps more accurately described as the beginning of a long distance 'phone call between the United States and China), the first results of which were becoming visible when the Council met in April of last year in London. The Council welcomed President Nixon's visits to Peking and Moscow and expressed the hope that "their success would open up opportunities for a lessening of the threat in the treaty area..." Referring to China's role in Asia,

WINDOW ON THE WORLD

Iraq, Kuwait, Libya, Bahrain and Qatar). The other four members are Iran, Nigeria, Venezuela and Indonesia. (Trinidad and Tobago was proposed for membership at the July meeting of OPEC countries in Vienna but its nomination is not yet, as far as I know, in the bag).

At the meeting in Caracas in December, 1970, the OPEC countries drew up a list of claims to be submitted to the major international oil companies. These were, essentially, an immediate increase in posted prices and a new agreement to be made on the sharing of profits between the oil companies and the producing countries. After long and tough negotiations, an agreement was reached in Teheran in February, 1971, giving six producing countries — Iran, Saudi Arabia, Iraq, Abu Dhabi, Kuwait and Qatar — an increased income of \$1,200 million rising to \$3,000 million by 1975. The Mediterranean countries, led by

Sir Alec Douglas-Home told the conference: "We cannot realistically discuss the prospects for peace and stability in South and South East Asia without taking account of the proximity of the People's Republic of China and of the policies pursued by that country... There can be no doubt that China will play a key role in Asia during the coming decade, a role independent of Russian Communism".

UK seeks Asian stability

The defence commitments entered into by SEATO states are less precise than those which bind NATO countries. The SEATO Collective Defence Agreement states under Article IV that each state "recognises that aggression by means of armed attack in the Treaty area against any of the parties... would endanger its own peace and safety, and agrees that it will in that event act to meet the common danger in accordance with its constitutional processes". No military structure has been built up within SEATO comparable to that within NATO. Although a permanent secretariat services the Organisation from Bangkok, the activities on the military side are limited to contingency planning and the holding of periodic military exercises. In the context of contingency planning, certain SEATO countries undertake to make a contribution of forces should certain circumstances arise. Last year the British government told SEATO, that it was reversing the former Labour government's decision to cease declaring forces to SEATO contingency plans as from the end of 1971. This Labour decision was part of their post-1968 policy of withdrawing forces from east of Suez by the end of last year — policy which the Conservatives have modified by maintaining a military presence in Singapore (Singapore and Malaysia are not members of SEATO) which, in my view, contributes to stability in south-east Asia and certainly helps Britain's relations with her allies in the area.

Though SEATO has always been concerned to some extent with countering subversive activity — article IV of the founding treaty alludes to the danger — the recent meeting renewed emphasis on SEATO's counter-subversive activities. It was decided that SEATO's economic and social programme, as well as what it does in the field of information and cultural co-operation, should be "increasingly complementary to, and closely co-ordinated with, its counter-subversive and counter-insurgency activity". The more relaxed international climate had brought no let-up in the subversion from (you know whom) with which the governments of both Thailand and the Philippines have

to contend; indeed in Thailand there has been an intensification of the threat.

III

UK, Indonesia and Asean

In Djakarta on July 4, Sir Alec Douglas-Home told his Indonesian hosts that "the time is right to cement relations between Britain and Indonesia" and that a "strong, independent and flourishing Indonesia is, and will continue to be, an influence on the side of peaceful evolutionary change in the whole of south-east Asia, as it could be of the utmost importance in the cause of world peace".

Anglo-Indonesian relation have steadily improved since President Sukarno's campaign of "confrontation" was brought to an end in 1966. Confrontation was not only militarily futile, but cut off Indonesia's nose to spite her own face by causing havoc to the economic life of the country; soaring inflation inflicted particular hardship. Measures taken in recent years to restore the economy have had success, as reports on Indonesia by the World Bank and the IMF testify.

increased production

In the more stable economic conditions thus created, agricultural and industrial production has begun to move ahead and steps have been taken to exploit the country's natural resources. Over the past four years, Britain has progressively increased her aid programme to Indonesia. Expenditure on capital aid amounted to £4 million in 1971-72, double the figure for the previous year, while technical assistance trebled to nearly £500,000. I understand that the Heath government's intention is to increase expenditure on capital aid in the current financial year by a further 75 per cent and technical assistance by a further 40 per cent. To enable these targets to be met, £7 million has been pledged in project aid and an additional £3 million for "essential general imports". This will make Indonesia the biggest non-Commonwealth recipient of British government aid.

When relations were at a low ebb in the mid-1960s, the Indonesia government seized British-owned assets (or those thought to be owned by British nationals) on a large scale. After the fall of Sukarno these assets were offered back to those from whom they had been expropriated and compensation was offered to anyone who did not wish to resume possession. Claims for compensation, as well as other debt repayments to British firms, are still in negotiation. Djakarta is apparently trying to live down this unfortunate past by a liberal attitude towards foreign private investment — which, after

all, is but common sense. Some forty Britain concerns have a commercial stake in the country and British investment is estimated at between £20 million and 30 million. It is also worth noting that Indonesia is the first country to have received investment funds from the Commonwealth Development Corporation since the change in the CDC's charter allowing it to operate in any part of the developing world and not in the Commonwealth alone.

In its foreign relations, Indonesia adopts non-alignment, supported by what its government calls a policy of "national resilience" — a pleasing term that I have not met before. I hope it means something. It seems to imply a positive approach to co-operation in regional organisations which suggests a realistic appreciation that co-operation produces benefits for all parties. One of these organisations is the Association of South East Asian Nations, (ASEAN) set up in 1967 as a successor to the now defunct Association of South East Asia (ASA). The other members of ASEAN are Malaysia, Singapore, Thailand and the Philippines. The Organisation has achieved encouraging success in the economic, social and cultural fields, in which it is intended to promote closer co-operation, and there is no lack of ideas as to how to continue the good work. ASEAN is not supported by any formal organisation, though the possibility of creating a central secretariat is at present being considered. And if I know anything about Parkinson's law the possibility will become a certainty and within a few years the secretariat will have outgrown a building as big as the Old North and South secretariats in New Delhi. The important development on the eve of the enlargement of the Communities is that ASEAN countries have set up a special co-ordinating committee to work out a joint approach to the European Economic Community in trade matters.

Indonesia reverses policy

A meeting of ASEAN ministers in April this year resulted in agreement that periodically the foreign ministers should get together in a special meeting ("outside the purview of ASEAN") to exchange views on international affairs generally. This move among ASEAN states to explore the possibilities of political co-operation really dates from the autumn of last year when their representatives met in Kuala Lumpur and adopted a declaration in which they agreed to secure recognition of south-east Asia "as a zone of peace, freedom and neutrality". It is good to know that the ASEAN states are acquiring the habit of working together, even though the Kuala Lumpur meeting re-

vealed differences of approach as well as certain basic common attitudes, but this is hardly surprising when one remembers the varying affiliations of the member states. Whereas Indonesia is not involved in any collective security arrangement, both Thailand and the Philippines belong

to SEATO, and Malaysia and Singapore combine non-alignment with participation in the Five Power Defence Agreement.

When asked in Djakarta about the British government's view on regional co-operation in South East Asia, Sir

Alec said: "We are very glad to see the ASEAN association active because it will give strong base for south-east Asian economic development and political co-operation... It is for the countries of this part of Asia to decide what sort of political structure suits them best".

In search of a new model

E. B. Brook
Vienna.

THE WORLD has been giving its attention chiefly to the Olympic Games in Munich and the political murders that accompanied it; two highly important reports that signal the opening stages of comprehensive changes in the world monetary and trading systems have passed relatively unnoticed. Although the greater attraction of sport and the bizarre must go unchallenged it is an unhappy reflection that the relative public indifference to the far more humdrum matters of exchange rates, trade preferences and convertibility may lull people to the import of developments that are likely to set the fundamental framework of world economic relationships for the rest of this century, for most of their lifetimes and affect them personally for better or worse.

The two reports are those published from Paris by an ad hoc group of twelve experts from the Organisation for Economic Cooperation and Development (OECD) and from Washington by the executive directors of the International Monetary Fund (IMF). The complication of the titles is enough to deter all but a few directly interested readers; the endless series of reports and conferences weary all except those aware of how very important matters these prosy groups are handling with.

new model

Expressed briefly, these reports, the current conferences in Rome of Finance Ministers and in Brussels of senior treasury and bank officials and the annual meeting of the IMF in Washington beginning on September 25, are seeking a new international economic model to replace the post-war model inspired by the wartime Atlantic Charter and embodied in the Bretton Woods Agreement of 1944 which finally broke down on August 15 last year when President Nixon announced the suspension of the dollar's notional convertibility into gold. Apart from the communist states, the world for 25 years had worked on the ideal of free trade policed by the IMF, the World Bank and the General Agreement on Tariffs and Trade (GATT), later re-

inforced by the OECD. Its tools were convertible currencies with agreed fixed exchange values and multilateral agreements.

Gradually, and far more rapidly in the last six years, this system has broken down and for the last twelve months been floundering in a broken down condition, making do with temporary makeshift patchings-up—such as the floating pound—and made to appear deceptively secure by an American refusal to make its dollar convertible while west Europe kept its often very inefficient and always greedy farmers content by treating agriculture as specially delicate and needing heavy financial support denied to any other form of industrial production.

wholesale pretences

It has ambled along, also, with the pretence that the trade preference system of the six members of the Common Market could be extended to almost the whole of western Europe, to much of the Mediterranean area and to parts of the developing world, especially to those formerly politically associated with France. It has pretended that agriculture was exempt from all the liberal principles governing other branches of trade and that Japan, now almost the world's most thriving economy, was still a war-ravaged economy under reconstruction.

President Nixon's bombshell of August 15 last year was the moment of truth for western Europe, but it was a truth which aroused at first more protest than acceptance and, later, more wriggling adaptations than frank facing of facts. As a result, the French now find their recommendation to increase the price of gold (a recommendation made also in the latest bulletin of the Moscow Narodny Bank from London) rejected by the IMF's executive directors and the Americans discover their "do-nothing" policy similarly treated.

Both the IMF and the OECD's experts realize not only that "something must be done" but that they are required to make at least some measure of practical sug-

gestions to the world's finance ministers and to the IMF and its new "group of twenty" as to what that "something" should be. But while the world in uncomfortably conscious that it can no longer safely paddle along in an increasingly swirling stream it is most unlikely that it will do anything remarkable in a hurry. Some people, obsessed by a need for target dates, seize on next year's meeting of the IMF in Nairobi, 12 months ahead, as a date when it may begin to be clearer what sort of world we are living in. Others, more realistic, shy away from accepting the probability of finding a generally accepted solution in even two or three years and the most realistic accept already that monetary reform is an impressive concept unlikely ever to be realized and that what will eventually emerge is a stamp of approval on most of the practices nations have already independently decided to follow.

The matter has been most plainly and sincerely expressed by US Treasury officials who deny the possibility of any major country, without the irresistible pressure of a military defeat, agreeing to reduce its degree of sovereignty over the price of its money or the level of its reserves. The British have already flouted the rules of the Common Market it is intent on joining by floating the pound; the Italians defer repeatedly, despite protests and rebukes, conforming to Market rules which do not suit them and the USA steadily refuses to make the dollar convertible or to hurry in reducing its heavy imbalance in trade deficit.

The outcome of the OECD report most generally acceptable is that it declines to recommend setting up any more expert bodies—an inner group in the OECD and another in GATT is as far as it will go—and it has avoided outlining any new economic philosophy to replace that of the Atlantic Charter or Bretton Woods. The IMF Executive Directors have restressed the usefulness of Special Drawing Rights (SDRs) to supplement gold and dollars as reserve assets, but this extension of the function of SDRs would increase the

monetary authority of the IMF and of the World Bank in determining liquidity and reserves to an extent unacceptable to many Treasuries. It would require the USA to settle, like all other nations, its balance-of-payments deficits with reserve assets rather than by increasing dollar liabilities. In a US election year, particularly, this idea is unlikely to find acceptance and a bitter debate at the

IMF annual meeting seems almost certain.

Behind governments' prestige and authority in these financial and commercial matters looms in every state the individual's fear of loss of jobs, especially when industrial technical progress is increasingly displacing human labour in manufacturing. The growth of trading blocs, in which,

despite its approaching Market membership, Britain's interests are closer to those of America than to those of west Europe, raises the need for a central strategy of which there is so far no sign. The worst will be a continuation of the present haphazard interventions in money values and trading rules, but, at the moment, this is the practice which seems most likely to continue.

Third replenishment of IDA

THE WORLD Bank Group's lending and investment operations in developing countries reached a record annual figure of more than \$3,000 million in the fiscal year ending June 30, 1972. The year's lending included 72 Bank loans in 40 countries totaling \$1,966 million. The World Bank's affiliate, the International Development Association (IDA), approved credits of \$1,000 million for 74 projects in 38 countries. The International Finance Corporation (IFC) made 23 investments of \$116 million in 17 countries.

The combined Annual Report by the Executive Directors of the Bank and IDA, indicates the growth in the Group's development assistance to poorer member countries. The continuing rise in operations means that the amount of development financing recorded by the World Bank Group during the current five-year period (1969-73) probably will be more than double the 1964-68 figure.

The volume of World Bank borrowings in fiscal 1972 reached a new peak, both in amount and in the number of issues sold. Thirty issues of Bank obligations were sold, 17 through public offerings in the capital markets, and 13 by private placement. The total principal amount was \$1,744 million, compared with sales of \$1,368 million in fiscal 1971, and \$735 million in fiscal 1970.

In March 1972, the Bank arranged for the largest single borrowing in its history when it signed an agreement with The Bank of Japan to borrow up to 100,000 million yen (US equivalent \$325 million). The Bank raised funds also in Belgium, Canada, France, Germany, Kuwait, the Netherlands, Switzerland, the United Kingdom and the United States.

The Report shows there has been not only an increase in the volume of lending, but that the base of the Bank Group's assistance is being broadened, and today includes new fields such as urbanization,

population planning, nutrition, education and rural development.

Although total production and income in the developing countries seem to have grown at an average annual rate of more than 5.5 per cent during the past decade, the Report issues a warning. In global terms, this performance is impressive and averages are not wholly revealing. In certain cases, behind the statistics lie the grim realities of how life at the lower end of the scale is lived by the poorest among nations, and the poorest within nations, the World Bank says.

A very real problem is the mounting external debt of developing countries. Debt service payments are estimated to be rising by about 18 per cent annually. According to the latest figures available in the Report, the outstanding debt of developing countries was close to \$ 70,000 million in December 1970.

The World Bank's ability to assist the

poorest of its members depends heavily upon funds made available to the International Development Association which gives credits to member countries on highly concessionary terms. The resources of IDA are replenished periodically by contributions from more affluent member countries. Under an international agreement concluded in 1970, contributions of about \$800 million had been expected during the current year.

By June 30, 1972, 16 of the 19 Part I (or richer) nations had ratified the agreement. But without ratification by the largest contributor, the United States, the third replenishment of IDA could not come into effect. However, IDA was able to maintain and even increase the flow of credits to the poorest countries in fiscal 1972 because of special action by 15 governments in making advance contributions totalling \$448 million.

The description of the Bank's and

Eastern Economist 25 Years Ago

SEPTEMBER 26, 1947

The effects of partition on the economy of the country are slowly being felt, although in a general way the authors of the partition settlement as well as the people in general have been conscious of the inevitability of forced adjustments and readjustments. In particular sectors of the economy the problems consequent on the partition are rather bewildering and extremely difficult, though not incapable of solution. Perhaps it is fortunate for us that the division of the country should have almost coincided with the preliminary phase of our vast post war reconstruction. This should be perhaps taken as a happy accident because if partition was to have come later, the stress and strain and the necessary readjustments

would have been even costlier. It might also be taken as a happy augury that in most cases of the industrial schemes, both at government and a private levels, no start has as yet been made. With the partition question now settled we are in full knowledge of the far reaching effects of partition. This background is of particular importance in a consideration of the future of the jute industry—both the agricultural and the manufacturing parts of it—in the Indian Union. The conditions of the jute industry and the almost absolute monopoly which this country has held (this monopoly is now shared between the two new states) assume a new importance both for the governments concerned and the commercial and agricultural interests.

IDA's worldwide activities on a regional basis in this year's Report gives a clear picture of the extreme diversity among member countries—diversity in resources and in their capacity to develop.

The lending record by area since 1964 shows how sharply the Bank and IDA have stepped up their operations in recent years (see table below).

In eastern Africa, says the report, the Bank and IDA have lent 90 per cent as much in the four years ending June 30, 1972, as in the 19 years from 1950-68. Support for agricultural development in the area in 1972 — all interest-free IDA credits — was 10 times as great as the annual average for 1964-68.

The Bank Group's activities in western Africa place heavy emphasis on transportation, power, education, and agriculture. But there are also new trends. Many governments in this region are concerned about the rapid growth of urban centres.

In consultation with governments, the Bank is attempting to find more effective solutions to deal with the problems of ill-equipped, destitute rural migrants who settle in western Africa's mushrooming towns and cities.

promising approach

One promising approach is to encourage people to build their own low-cost housing. During the year, an IDA credit of \$8 million was approved for the first project of this type. A specially organized government unit will provide home sites and basic public services for about 160,000 people in Dakar and Thies, Senegal.

The Annual Report says that the last 12 months have been a time of unusual trial for the greater part of south Asia. Civil conflict in Pakistan was followed by war with India last December, and the emergence of the new nation of Bangladesh. Although Bangladesh, with a population of 75 million, did not become a member until August 17, the Bank and IDA already had made preparations during fiscal 1972 to assist the country in the task of reconstruction.

In the same region, IDA and the government of Sweden are providing \$31.8 million to help the family planning programme of India, the largest of its kind in the world. Another IDA credit of \$13.2 million for population planning went to Indonesia (east Asia and Pacific). The project includes not only physical facilities and technical assistance, but support for activities in training, motivation,

evaluation, research and population education.

In South America, a major feature of development has been the growth of manufacturing. This trend is reflected to some extent by the high level of lending in Brazil which this year became the Bank's biggest borrower, with cumulative loans since 1949 of \$1,460 million.

The Bank Group backs the growth of industrialization, and at the same time is trying to encourage member countries to achieve more equitable income distribution within their borders. The Report says the World Bank intends to support reform programmes when this is feasible. During the year, for instance, the Bank made a second loan to Colombia's agrarian reform agency — the fourth agricultural improvement loan in that country in

four years for a total of about \$48 million.

Mexican borrowing from the Bank reached a record annual figure of \$277 million during the year, including \$22 million for the first tourism infrastructure project.

Outstanding borrowings of the World Bank on June 30, 1972, stood at \$6,951 million, an increase of \$1,527 million for the year. Of the total, it was estimated that about 35 per cent was held by investors in the United States, 26 per cent in Germany, 10 per cent in Japan, six per cent in Switzerland and four per cent in Canada.

Subscriptions by members to the Bank's capital stock were increased in fiscal 1972 by \$635.2 million. Total subscriptions to the capital stood at \$24,506.2 million. The Bank's membership increased to 117 and IDA's to 108.

Lending to Current Borrowers, by Area

(US \$ millions, Fiscal Years)

		annual average 1964-68	annual Average 1969-72	1972
Eastern Africa	Bank	38.6	96.9	47.8
	IDA	32.5	85.2	166.5
	Total	71.1	182.1	214.3
Western Africa	Bank	42.9	125.8	144.5
	IDA	16.7	51.9	78.8
	Total	59.6	177.7	223.3
Europe, Middle East and North Africa	Bank	128.3	367.9	477.4
	IDA	20.4	55.7	126.7
	Total	148.7	423.6	604.1
East Asia and Pacific	Bank	129.2	239.2	166.1
	IDA	2.2	107.2	150.2
	Total	131.4	346.4	316.3
South Asia	Bank	99.2	192.8	185.0
	IDA	185.8	326.0	466.4
	Total	285.0	518.8	651.4
Mexico, Central America and Caribbean	Bank	148.6	246.2	432.1
	IDA	1.5	8.1	4.4
	Total	150.1	254.2	436.5
South America	Bank	152.1	448.0	513.2
	IDA	8.2	9.6	6.8
	Total	160.3	457.5	520.0
Bank/IDA Grand Total		1,006.2	2,360.3	2,965.9

Financial record of IFC

TWENTY-THREE investments in 17 countries were made by IFC during fiscal 1972 for a total of \$115.6 million. Concurrently with IFC others invested \$459.0 million in the same enterprises. Both these totals were the highest for any year since the Corporation was set up in 1956. The total cost of the 23 projects was \$688.5 million.

During the year IFC for the first time made an investment in Zambia. Elsewhere in Africa the Corporation invested in projects in Kenya, Senegal, Sudan and Uganda. In Latin America investments were made in Argentina, Brazil, Ecuador, Mexico and Venezuela. Other commitments were made in Indonesia and the Philippines, in Asia, and in Iran in the Middle East. In Europe projects were supported in Yugoslavia, Spain, Greece and Turkey.

Of the total of IFC's commitments during the year, \$33.8 million was invested in the pulp and paper sector. In addition, \$23.0 million was invested in the production of motor vehicles and accessories, \$22.0 million in cement production,

\$15.0 million in mining, \$10.0 million in the textile sector, \$5.0 million in steel production, and \$3.5 million in tourism projects.

Of these investments \$63.7 million was for the expansion of production of 14 existing concerns and \$51.8 million for the establishment of six new enterprises. The companies produce, or will produce, aluminum, radial tyres, printing and industrial papers, polyester and cotton fabrics, footwear and ceramic tiles. They also include a nickel mining enterprise and two tourism projects.

Other investments during the year included \$76,467 in two pilot projects in Mexico and Senegal. These investments, although not large, were of particular interest. They were made in support of pilot projects to undertake experimental technology — the one in Mexico to explore the possibilities of producing newsprint from bagasse, and the other in Senegal to experiment in growing vegetables for the winter market in Europe.

IFC's operations in fiscal 1972 brought

the cumulative total of the Corporation's investments since 1956 to \$693.8 million in 184 enterprises in 48 developing countries. Of this total, \$329.1 million, or nearly half, has been committed in the last three years.

Of this total IFC investments, \$272.3 million (39 per cent) had been made in Latin America and the Caribbean, \$197.6 million (28 per cent) in Asia, \$118.2 million (17 per cent) in Africa and the Middle East, and \$104.6 million (15 per cent) in Europe. Others invested approximately \$3,038 million of foreign and local capital in the same enterprises.

At the close of the fiscal year, the Corporation held a portfolio of \$417.6 million, consisting of loans aggregating \$301.3 million and equity investments of \$116.3 million. A year earlier the portfolio stood at \$349.9 million, consisting of \$243.8 million in loans and \$106.1 million in equity.

Sales during the year amounted to \$39.8 million and brought the Corporation's cumulative sales to \$196.5 million.

Currency Crisis and IMF

THE MAJOR disturbances to the international monetary system in the past eighteen months are emphasized in the 1972 Annual Report of the International Monetary Fund, published on September 10, 1972. In its review of events in 1971 and the first part of 1972, the Report focuses on the conditions surrounding the major changes in domestic and international economic policies which the US Administration initiated on August 15, 1971, in response to rising prices at home and sharply mounting pressures on the dollar abroad. It describes the climate which gave rise to those changes, notably the fundamental imbalance in international payments relationships, divergent national financial policies and cyclical positions, and accelerating speculative capital movements.

The Report examines the international impact of these developments, particularly the suspension of dollar convertibility. The events of the succeeding months are reviewed, including the floating of many currencies and the appreciation of most major ones vis-a-vis the US dollar, leading to the Smithsonian Agreement of December 18, 1971, on the realignment of major currencies and the subsequent exchange rate actions of most Fund member countries. Particular attention is given to the impact of the currency crisis and the resulting uncertainties on international liquidity, on trade and payments, and on the Fund's own policies and operations. The Report emphasizes that great challenges remain for the longer run, foremost among them the task of improving and reforming the international monetary system and of improving the management and performance of the main industrial economies.

foundation-stone removed

In its general review of currency developments, the Report makes the point that the action taken by the US on the external front removed one of the foundation stones of the international monetary system as it had operated since World War II under the Bretton Woods Agreement. When the US was no longer prepared to convert officially held dollars into gold or other reserve assets, many countries responded by ceasing to maintain the parity of their currencies with the US dollar. This resulted in the appreciation of most major currencies against the US dollar, generally limited, however, by official intervention in the exchange markets or measures taken to curb capital inflows. Strong upward pressures on ex-

change rates respecting the dollar and/or increases in reserves were sustained by the continuing basic deficit in the US balance of payments reinforced by speculative capital flows. In these circumstances, further large accumulations of dollars in official holdings took place. In a number of cases, the extraordinary expansion of reserves during 1971 tended to generate excessive domestic liquidity and thus to complicate the problems of containing inflationary pressures. The result was a proliferation of measures intended to discourage capital inflows or encourage outflows.

widespread concern

Widespread concern that the prevailing confused and unsatisfactory situation would threaten to produce severe economic effects if it continued for too long, ranked high among the considerations that led to the Smithsonian Agreement. It provided for a realignment of exchange rate relationships among major currencies as the first essential move to eliminate disequilibria in international payments. The most important aspects of this realignment, observes the Report, were the depreciation of the US dollar in terms of gold and SDRs and the appreciation of a number of currencies, including the Japanese yen, the Deutsche mark, the pound sterling, the French franc, the Netherlands guilder and the Belgian franc. The Canadian dollar continued to float.

The Report points out that this pattern of changes had the overall effect of leaving the value of the SDR (and of reserve positions in the Fund) approximately unchanged in relation to major currencies in general. In addition, the Smithsonian Agreement included an understanding about the need for consideration of long-term reform or improvement of the international monetary system, a provision for temporary wider margins of exchange rate fluctuations, and an agreement on the immediate removal of the US import surcharge. On the same day, the Executive Directors of the Fund, adopted a decision providing for a temporary regime of wider margins and central rates. Under this, exchange rates in transactions between a member's currency and its intervention currency can move within margins of 2½ per cent on either side of the parity relationship between them as indicated by par values or central rates, and as a result maximum margins of 4½

per cent are possible in relation to other currencies.

The realignment of exchange rate among the major countries was followed by exchange rate actions of many other countries. The decision made by the developing countries resulted, on the average, in a moderate depreciation of their currencies in relation to those of the developed nations.

After the realignment, the expected reflux of speculative capital to the US was deterred by both international differences in interest rates and a variety of special factors, including the initial pattern of exchange rates within the newly widened margins and the lack of public appreciation of the lags with which the intended effects of exchange rate changes are felt. In the absence of such a reflux, the continuing basic deficit in the US balance of payments resulted in further additions to foreign official dollar holdings in the first quarter of 1972. In the ensuing months a calmer exchange market atmosphere emerged. This period of relative calm was interrupted in June when the pound sterling came under downward pressure. Heavy outflows of short-term capital and the resulting loss of net UK reserves led the UK authorities to allow the pound sterling to float for the time being. fifteen other member countries that have close trading and financial ties with the United Kingdom and whose currencies were pegged to the pound followed suit. A number of other countries abandoned their previous pegging to the pound and maintained the existing relationship to gold or the US dollar. Slightly variant actions were taken by a few other sterling area countries.

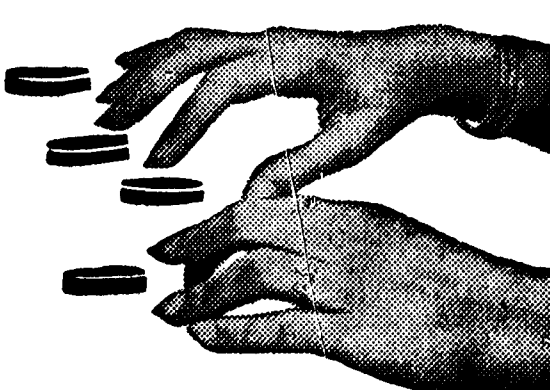
speculative activity

The Report reviews the effect of intense speculative activity in the private gold market during the second quarter of 1972 and the factors that appear to have been responsible for the sharp gold price increase in recent months. It mentions that, on the supply side, where the level of current production was somewhat reduced the marked improvement of South Africa's balance of payments after the end of 1971, together with changes in sales by some suppliers, resulted in a substantially lower volume of gold sales on the free market. Demand, however, was strong, as the surge in speculative demands for gold during the first half of 1972—reflecting uncertainty about the future role of gold and

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uneasiness regarding the stability of currency relationships — was superimposed on a generally buoyant underlying trend of industrial, artistic, and traditional hoarding demands.

Commenting on wider margins, the Report observes that experience with wider margins has been too brief, and too strongly affected by special circumstances, to permit generalization about the impact of wider margins on the management of capital flows by national monetary authorities. The EEC agreement on narrower bands between Community currencies is referred to as is the recent US initiative to intervene from time to time in the exchange market.

slow growth

In the non-financial sphere, the Report observes, the main features of 1971 were a continuation of slow output growth coupled with inflation. Economic recovery proceeded at a moderate pace in the US while the slowdowns in Japan and Europe were still running their course. This sluggishness of the industrial economies depressed the growth of world trade and had a particularly dampening influence on the prices of commodities exported by many primary producing countries. At the same time, import costs of the primary producing countries were raised by the continuing inflation in the industrial countries. The Report expresses the opinion that as of mid-1972 the short-run economic outlook appeared more hopeful than at the turn of the year, with a sharp pickup in the overall rate of output growth in the industrial countries from 1971 to 1972, along with some lessening in the average rate of inflation. Nevertheless, the reduced rate of inflation would still be high in comparison with past experience.

In 1971, as in 1970, growth of volume of total output on a worldwide basis was well within the 3-4 per cent range, markedly below the long-run average of 5 per cent during the 1960-70 decade. Among the industrial countries the growth picture was compounded of a recovery in the US and Canada and a deceleration almost everywhere else. Output growth also slowed down for the primary producing countries from 1970 to 1971, except in the Middle East area, but the total growth rate for the less developed countries was still above the average for the decade of the sixties. Throughout most of the world, output changes were accompanied by strong inflationary pressures. Taken together, the industrial countries experienced a price rise in 1971 of 5½ per cent as measured by GNP deflators, only slightly less than the exceptionally high rate of 6 per cent in 1970 and more than double the average annual rate for

the first part of the 1960s. In primary producing countries consumer price increases averaged 9 per cent for both the more and the less developed groups, markedly higher than in the previous year.

At the present juncture, the Report states, a substantial rise in output growth from 1971 to 1972 seems clearly indicated for industrial countries as a group, primarily stemming from sharp gains anticipated in the relatively depressed US, UK, and Canadian economies. In other industrial countries (covering continental western Europe and Japan), projected output expansion is below longer-term trends. A better price performance is also expected for the industrial countries particularly in the US, the UK, and Germany. However, in these and other industrial countries, the overall price increases expected for 1972 would still be above the rates generally typical in the past.

increased unemployment

The Report assesses the situation in the industrial countries as one in which the pressures of excess demand have been eliminated in many cases, unemployment has increased and policies of renewed expansion are being pursued. At the same time, cost-push forces are still strong in a climate of deep-rooted inflationary psychology. The combination of these elements poses a very difficult problem for the conduct of economic policies throughout the industrial world. The Report discusses the use many countries have made of incomes policy as a supplement to the instruments of demand management. Though incomes policy has a mixed record of effectiveness, the Report observes that an increasing number of countries, particularly in the past year, have had recourse to incomes policy in the belief that it may be helpful in carrying out a task that fiscal and monetary policies proved incapable of handling alone. The greater attention that incomes policy has been attracting is part of an active re-examination of economic policies in general and gives rise to the obvious question whether its wider application could assist restrictive demand-management policies in preserving or extending progress in the fight against inflation.

The Report notes that world trade volume grew in 1971 at a rate of 5½ per cent which was considerably lower than the average rate of increase over the 1960s. Foreign trade prices, however, continued in 1971 to advance at a high rate reflecting primarily the pervasiveness and intensity in recent years of inflationary forces in the main industrial countries. Average prices of internationally traded goods, which had risen only slightly from the mid-fifties to 1968, showed a marked

upturn in 1969 and advanced quite sharply in 1970. Their further advance from 1970 to 1971 by about 5½ per cent — measured in US dollars — was somewhat larger than in 1970. However, the 1971 increase included two special elements, an unprecedented increase in oil export prices and the adaptation of prices to the appreciation of several major currencies in the period of floating. The latter factor may have accounted for as much as 2 percentage points of the increase in the average unit value of exports, measured in US dollars. The Report sees as the principal reason for the lower growth of world trade in 1971 the cyclical slowdown of economic activity in continental industrial Europe and Japan. This was in line with the experience of earlier years when the course of world trade developments was governed in important respects by cyclical changes in aggregate demand and imports of the main industrial countries.

underdeveloped countries

For the less developed countries, 1971 was a year marked by generally weaker gains in export volume, sagging average prices for primary products other than petroleum, and a very uneven distribution of changes in export values and trade balances. In terms of total value, the exports of developing countries other than oil exporters showed a rise of only about 2 per cent, by far the smallest increase since 1967. With the continuing rise in these countries' import prices, the purchasing power of their export earnings apparently suffered an overall net decline, the Report observes. The trade balances of many of these countries, already deteriorating somewhat in 1971, may come under further pressure in 1972 because of the terms-of-trade effect of the realignment of currencies. The rate of growth of the developing countries' imports in 1971 did not parallel the corresponding changes in exports as has been typical in the past. In 1971 imports were exceptionally high and the "gap" between import growth and export growth for the less developed countries, excluding oil exporters, had no precedent in the previous twelve years.

Analyzing balance of payments developments in 1971, the Report emphasizes that the 1971 currency crises had their root in a long period of imbalances in payments relationships among major industrial countries. Although the proximate causes of the crises could be found in explosive movements of capital, it was largely because these occurred against a background of chronic imbalances that they went beyond the scope of containment by internal policy means. At the heart of the disequilibrium in international

payments relationships, the Report says, has been the deficit in the basic external accounts of the US, with, as its counterpart, the rather widespread surpluses of other countries, particularly Germany and Japan. The overall US balance of payments deficit on official settlements for 1971 rose to approximately \$30 billion, from \$10 billion in the previous year. Surpluses amounted in the case of Japan to more than \$10 billion, the UK to \$6½ billion, Germany to \$4½ billion and France to \$3½ billion. The floating of the Deutsche mark in May 1971 and the succession of measures adopted to restrain capital inflows were largely responsible for the German figure being \$1½ billion lower than in 1970. Japan's striking increase reflected partly a \$4 billion increase in the current account balance and partly the inflow of short-term capital in reflection of the unsettled international monetary situation.

The Report reviews the causes of the huge capital movements that dominated changes in the overall payments balances of the industrial countries and dwarfed current account changes. It observes that during 1970 and the early months of 1971, the flow of capital from the United States to other industrial countries, while abnormally large in comparison with any prior movements of funds, reflected primarily the responses of financial market participants to the shift in comparative monetary conditions and interest rate levels. However, as these large flows proceeded against the background of underlying imbalance in the global payments structure, they were progressively reinforced by shifts of other types of capital in anticipation of, or hedging against, possible changes in exchange rates for major currencies. Among the current account changes the Report singles out as particularly strong and disequilibrating the negative swing of \$3 billion in the US current account and the unprecedented \$4 billion positive swing in the Japanese account in 1971.

floating of sterling

The Report notes that speculative capital movements had started subsiding by the time of the December realignment and continued in that direction throughout the first five months of 1972, though not without an occasional revival of exchange pressures, especially in early March. Shortly after the middle of June, a strong revival of such pressures led to the floating of the pound sterling. The Report further notes that the general climate as well as the continued interest rate differentials have so far impeded a reflux of capital to the US. The realignment is expected to produce changes in countries' current account balances only gradually,

with much of the impact coming after 1972, and the cyclical positions of key economies are such as to exert disequilibrating influences on the current account balances during 1972. Therefore, prospects for the avoidance of further major overall payments imbalances this year seemed largely to depend on partial reversal of speculative capital flows.

Some of the counterpart of the US deficit was to be found among the primary producing countries which showed a \$8 billion combined surplus in 1971, nearly twice as much as the year before. The more developed among these countries had a continued large inflow of capital combined with some shrinkage in their current account deficit, resulting in an aggregate overall surplus of \$3½ billion. The less developed countries obtained, according to preliminary information, an overall surplus of \$4½ billion, as inflows of capital and aid more than covered an approximately \$9½ billion current account deficit. The Report points out, however, that net inflows of private long-term capital rose only moderately from 1969 to 1971 and that the increase in receipts of official capital and aid accounted for less than one fourth of the apparent rise in total inflows. The remainder stemmed from a sharp swing in movements of short-term funds and unidentified capital.

uneven rise

The aggregate rise in the overall payments surplus of developing countries in 1971 was unevenly distributed among regional groups. The great bulk of it was centre in the Middle East, which was the only region having a decrease in its current account deficit and the one with by far the largest rise in capital inflows. The other principal regional groups of developing countries showed comparatively small changes in their respective overall payments balances. It was in the Western Hemisphere that the sharpest deterioration of trade and current account balances occurred, and this deterioration was not matched by the increased inflows of capital and aid. For the Asian and African regions, the increases in current account deficits were smaller and were covered by increases in financial inflows. Receipts of SDR allocations have become important elements in the overall balances of many developing countries, especially in Asia and the Western Hemisphere.

In a section on the international adjustment process, the Report deals with the economic impact of the 1971 current realignment on the trade and the balance of payments of the major industrial countries, on countries' official reserves, and on the foreign debt, debt service and trade of developing countries. This section also

comments on the role of national policies generally in supporting the realignment and rendering it effective. It states according to studies made by the I staff the realignment can be expected due course to lead to the restoration of international payments equilibrium less its intended effects are blunted or frustrated by inappropriate national policies. The qualification "in due course" refers to the fact that because of inevitable lags in trade volume adjustments, equilibrating influence of the realignment cannot make itself strongly evident before 1973, and its full impact will probably not be apparent until even later. In interim, the terms-of-trade effect of realignment, which precedes the impact on trade volume, will be dominant and in reverse.

increasing surpluses

The current account surpluses of Japan, Germany and other countries whose relative exchange rates appreciated, are expected to increase because the dollar price of their exports will rise more than the dollar price of their imports, while the current account deficit of the US will increase because its import prices will rise by more than its export prices. In addition, cyclical developments in 1972 are expected to bolster import growth in the US relative to that of other major countries while affecting more severely US exports than those of other countries which will benefit from the pickup in the US market itself. The Report emphasizes that it is sufficient public appreciation of this prospect and of the time lags involved may have postponed the emergence of market confidence in the new exchange rates.

The "purchasing power" of reserves has also been affected by the realignment. According to calculations made by the I Fund staff, the overall value of the member countries' reserves increased by about five per cent in terms of US dollars because of the currency realignment, while the expected realignment effect on the world price level of international transactions is estimated at 7.4 per cent over the level prevailing immediately before May 1971. These estimates, based on import price changes, thus indicate that the loss of "purchasing power" because of the realignment outweighs nominal revaluation gains for the reserves, producing a net loss in real terms of 2.3 per cent of the total value of reserves, inasmuch as reserves provide means of financing any net imbalances.

With respect to the external debt and debt service of developing countries, the realignment raised the US dollar equivalent of most non-dollar debt and debt service while at the same time it is expected to increase US dollar prices of

developing countries' exports. The latter factor "deflates" the nominal rise in debt and debt service. Taking both factors into account, estimates made by the Fund indicate that the outstanding long-term external public debt of developing countries was reduced in real terms by 1-1½ per cent as a result of the realignment, while the real value of annual debt service payments was also reduced by 1½ per cent. This estimated net decline in outstanding debt in real terms, attributable to the realignment, amounting to \$ 500 million, is of the same order of magnitude as the estimated \$ 500 million net loss in purchasing power of reserves held by developing countries as a group. Estimates made by the Fund staff also indicate that the exchange rate decisions made by the developing countries in reaction to the 1971 realignment of major currencies resulted in an average effective depreciation of about 4½ per cent of the currencies of the developing countries in their trade with all developed areas. On the basis of reasonable assumptions regarding such relevant factors as the price elasticities and demands for and supplies of goods traded by the developing countries, the Fund staff has estimated that this effective depreciation in due course may result in an eventual improvement in the collective trade balance of the developing countries equivalent to about 2½ to 4 per cent of the group's combined exports, or roughly \$ 1½ to 2 billion.

national policies

The Report also discusses the role of national policies in the adjustment process in the period ahead. It emphasizes that despite the potentiality of a large reflow of short-term funds to the United States, through a combination of interest rates and of confidence factors, and despite the probability that conjunctural factors would be conducive to an upward movement of US rates relative to those in other major centres, the fact remains that future developments with respect to short-term capital flows and to exchange market conditions cannot be predicted with any confidence. Therefore, the Report states that it is imperative for policies of the major industrial countries to give attention to the international adjustment process and, more specifically, to support the realignment by seeking to ensure that the international payments situation develops satisfactorily over the short run. This would imply, according to the Report, that countries that have slack in resource utilization, large current account surpluses, and high reserves and that are projecting a near-term output growth below potential (i.e., Japan and various continental European countries), should earnestly consider the adoption

of more expansionary policies. In so far as feasible, policies of expansion in this group of countries should be so conducted as to bring down short-term interest rates. It would also be helpful to the adjustment process if US monetary policy would exert upward pressure on short-term interest rates without, however, incurring undue risks of affecting the general level of US rates to such an extent as to have a retarding effect on economic growth. Any needed restraint on the US expansion should, at least in part, come through monetary policy.

international liquidity

The Annual Report's discussion of international liquidity focuses on developments in that area during 1971 and their effect on the general problem of the adequacy of reserves. It uses SDRs as the unit of account. The main feature of developments during the period was the record growth of international reserves and particularly their foreign exchange component, far larger even than in the already exceptional year of 1970. The accrual of the equivalent of SDR 29 billion in 1971 greatly exceeded the increase of almost SDR 17 billion in 1970. The level of the foreign exchange component and hence of total reserves would have even been higher by some SDR 4.3 billion had it not been for the impact of the realignment, as certain currencies, held in reserves, mainly dollars, are deemed to have declined in value against SDRs by an estimated amount of SDR 4.7 billion and others to have appreciated by about SDR 0.4 billion.

The world's official gold holdings remained at SDR 41 billion, of which SDR 36 billion was held by national authorities, the rest by international monetary institutions which registered an increase of SDR one billion. The second allocation of special drawing rights at the beginning of 1971 added SDR 2.9 billion but reserve positions in the Fund dropped by SDR 1.3 billion in the year. Although gold, SDRs and reserves positions in the Fund comprised slightly over one half of the world's stock of international reserves at the end of 1970, those elements made very little contribution to the striking increase in the total stock that took place during 1971. The expansion was thus concentrated in the foreign exchange component which rose by SDR 29 billion, double the previous year's accrual. It marked a 66 per cent rise in current claims and brought the proportion of such claims in total reserves to 60 per cent.

The unprecedented SDR 30.5 billion US deficit on an official settlement basis added SDR 27.4 billion to US liabilities to official holders and thus to official re-

serves, only SDR 3.1 billion having been financed by the US from its holdings of reserve assets. The huge increase in official claims on the US overshadowed such developments as the SDR 1.5 billion increase in overseas sterling holdings, the SDR 0.4 billion decline in Deutsche mark claims held in Germany and the rise in aggregate reserves denominated in Deutsche mark held in the Euro-currency market.

In considerable part reflecting the overall US deficit, countries recording reserve gains far outnumbered those experiencing losses. Three fourths of some 120 countries reporting data to the Fund showed gains in gross reserves with the bulk, however, heavily concentrated in the large surplus countries discussed earlier in the Report. The increase in the combined reserve assets of 11 countries amounted to SDR 27 billion or 93 per cent of the global increase. The emphasis given to the role of a few countries, and the fact that the Reserve gains recorded by these countries virtually matched the total for the world as a whole, does not mean, says the Report, that these were the only countries with balance of payments surpluses. For the more than 100 countries reporting balance of payments data to the Fund for 1971, the aggregate amount of surpluses—for those countries that showed a surplus—was almost SDR 40 billion. On the other hand, apart from the US deficit of SDR 30 billion, other countries reported overall deficits amounting to almost SDR 2 billion, with 6 countries contributing SDR 1.4 billion to this total. The net excess of recorded surpluses over recorded deficits, amounting to some SDR 8 billion was mainly attributable to the 1971 allocation of SDR 2.9 billion and to the placement of SDR 5.4 billion in Euro-currency markets.

distribution pattern affected

The Report points out that reserve growth in 1971 was concentrated, by and large, in the same few countries that had added large amounts to their reserves in 1970, strongly affecting the total distribution pattern. The proportion of world reserves held by industrial countries, other than the US, grew from 50 per cent of the total at the end of 1969 to 63 per cent at the end of 1971, while US holdings declined from nearly 19 per cent to 10 per cent. The proportion held by the more developed primary producing countries remained constant at 10 per cent but that of the less developed countries in this group declined from nearly 21 per cent to just over 17 per cent. If the oil-producing countries are excluded from this category the decline was even more marked, i.e., from over 15 per cent to 11 per cent.

In its analysis of the adequacy of inter-

national reserves, the Annual Report observes that their rapid growth since 1969 has altered their earlier tendency toward increasing scarcity, though a precise appraisal of the degree of reserve ease achieved in 1971 is difficult to make due to the special circumstances of the period. Referring to two methods of assessing changes in reserve adequacy, the Report first compares the recent development of the supply of official reserves with the need, particularly in the light of the ratio of reserves to imports. Following an almost continuous decline in this ratio since the middle 50's, 1971 showed a substantial increase, bringing that year's ratio to a level slightly higher than that of 1968, when global reserve ease was judged less than adequate. The behaviour of the ratio of reserves to imports suggests that the degree of reserve ease has recently stopped its decline and has thereafter increased considerably. This statistical comparison leaves out of account some important factors affecting the adequacy of global reserves in the present circumstances.

special attention

The Report gives special attention to four of these factors. The first is that the degree of reserve ease over the last two years was attributable not only to the level of reserves but also to their high rate of increase. The second factor is that the major part of increase over 1970 and 1971 was highly concentrated in a few industrial countries thus reducing the significance of reserve expansion for global reserve ease because of the unevenness of its distribution. In addition, the reversible nature of at least part of the short-term capital flows associated with the reserve accruals must be regarded as a contingent charge on the reserves of those countries. Thirdly, the growing international mobility of capital may have somewhat improved countries' ability to finance balance of payments difficulties by borrowing but this is likely to have been outweighed by its effect in increasing potential balance of payments deficits. Lastly the enhanced flexibility of exchange rates, particularly under the wider margin arrangements introduced after the Smithsonian Agreement, may permit a certain economy in the use of reserves through inducing equilibrating and impeding disequilibrating short-term capital movements. It is felt, however, that the experience with wider margins—and tightened capital controls—is as yet insufficient for an assessment of the effect on the need for reserves.

The Annual Report supplements this approach, described above, by one based on the observation of manifestations of an increase in global reserve ease such as re-

duced reliance on restrictions on imports and payments; an increase in the volume or a reduction in tying of aid; reduced propensity to devalue and increased willingness towards revaluations; reduced reliance on balance of payments credits; and imposition of restrictions on capital flows. Moreover, an increase in reserve ease may induce countries to pursue somewhat more expansionary demand policies than would be appropriate in the light of domestic policy alone and a reduction of reserve ease would have the opposite effect.

outward payments

Taking these criteria one by one the Report notes only limited resort to increased use of restrictions on outward payments during the period covered. Several countries, in fact, applied measures to reduce capital inflows. Official development aid from the countries of the Development Assistance Committee declined as a percentage of GNP since the middle sixties. This decline appears to have been arrested in 1971 but most official development assistance remains subject to tying restrictions. Upward appreciations or upward floats of the exchange rates of many industrial countries since May of last year provide evidence of excessive reserve ease in these countries while the suspension of US dollar convertibility—analogueous to a downward float—and the number of devaluations by developing countries as well as the later float of the UK and a number of sterling area countries offer evidence in the opposite direction.

Reliance on balance of payments credits was reduced in the past two years as manifested also by the decline in net use of IMF credit. The divergence of countries' demand management policies from what might be regarded as optimal in the light of domestic developments, alone, is difficult to assess. Recent price movements however, do not preclude the possibility that conditions of reserve ease, where they existed, may have affected the strength of resistance against price changes. Nevertheless, failure to counteract recent inflationary development more effectively must be ascribed more to the conflict between the targets of price stability and full employment, as well as to the inadequacy of available policy instruments, than to any lack of concern, caused by a high degree of reserve ease, over the goal of price stability.

The events described earlier had a profound impact on the Fund's activities, the Report notes. Re-examination of the exchange rate structure was intensified, the conduct of the Fund's financial operations required new methods and procedures, and improvement or reform of

the international monetary system gained added urgency. The importance of progress in each of these areas was emphasized in a Resolution adopted by the Fund's Governors at the Fund's 1971 Annual Meeting. The Report reviews the Fund's actions in such areas as exchange rate and Fund financial operations which separate initial report reflecting the detailed examination by the Executive Directors of the various aspects of international monetary reform is being submitted to the Board of Governors. Earlier, July 26, the Governors had adopted a Resolution containing a proposal by Executive Directors to establish a Committee of the Board of Governors on the form of the International Monetary System and Related Issues.

The Board of Governors also approved a change in the Fund's By-Laws to provide that the accounts of the Fund's General Account be summarized in SDRs.

Reviewing exchange rate developments during the period, the Report notes that May 1972 exchange rate actions of Austria, Belgium, Germany, and the Netherlands the fairly generalized floating of currencies resulting from the suspension of dollar convertibility, the return to more orderly exchange rate relationships following the Smithsonian Agreement, the establishment of a temporary regime of central rates and wider margins, the month following the December 1971 Agreement, the Fund concurred or noted changes in the par values of the currencies of 12 member countries and non-metropolitan territories and formal took note of the establishment of 33 central rates. Other members advised the Fund that they were maintaining the par values of their currencies or that they were pegging their exchange rates with some other currency. By the end of January 1972 the Fund noted that 51 member and non-metropolitan territories were availing themselves of the wider margin under the appropriate Fund decision. The establishment of a new par value by the United States on May 8, 1972 followed by similar actions of 21 countries by the end of May is reported. On June 23, 1972, the Fund was notified that the pound sterling would, for the time being, be allowed to float and later received notifications from 17 other member countries that they had also decided to let their currencies float.

(a) Special Drawing Account

The Report observes that, notwithstanding the disturbances of the period, the mechanism of the Special Drawing Account has remained fully operative. However, the uncertainty about currency relationships and the increasing likelihood that the US dollar price for gold would be

raised created a temporary disincentive for participants to use their SDRs, the value of which is constant in terms of gold. A Fund decision of January 1972 enabled participants to obtain against SDRs amounts of foreign exchange that corresponded to the prospective change in the par value of the US dollar. Following the establishment of the new par value of the US dollar on May 8, 1972, this earlier decision was terminated.

The third and final allocation of SDRs in the first basic period was made on January 1, 1972 to 112 participants in the amount of SDR 2,952 million. The total value of all transfers during the fiscal year May 1, 1971 to April 30, 1972 amounted to SDR 1,306 million against SDR 1,213 million during the previous year. Nearly two thirds of the year's total was the result of the transfers amounting to SDR 355 million by the United States to redeem balances of US dollars from Belgium and the Netherlands and the SDR 438 million used by the United Kingdom largely in repurchase of sterling held by the General Account. Mostly as a result of the UK transaction, the General Account's holdings increased by SDR 420 million to SDR 910 million during the fiscal year.

During the fiscal year a total of SDR 540 million was transferred in the General Account, of which SDR 501 million was accounted for by members repurchasing their currencies held by that Account. The largest transaction by far was the SDR 425 million repurchased by the United Kingdom. In payment of charges the Fund received SDR 30 million, about half of the total charges paid by members during the fiscal year. In the same period, the Fund transferred SDR 120 million to participants.

next basic period

The Report also noted, that the Managing Director, in accordance with the Articles of Agreement of the Fund, informed the Executive Directors on June 26, 1972 that at that time, i.e., six months before the end of the current basic period, it was not possible for him to make a proposal with respect to the allocation of special drawing rights for the next basic period. Further discussions, including consultations with participants would be necessary before definite conclusions could be reached on the duration of the next period, on the question whether an allocation should be made, and, if so at what rate. These discussions would be pursued actively in order to enable the Managing Director to arrive as promptly as possible at a proposal consistent with the Articles.

(b) General Account

The Report notes that although the cir-

cumstances created serious difficulties for the functioning of the General Account during the fiscal year, aggregate amounts of purchases and repurchases exceeded those of the previous year, reflecting large purchases by the United States and substantial repurchases by France and the United Kingdom. Repurchases equivalent to SDR 3.1 billion were almost double those of any previous year. Total purchases by 30 members of currencies and special drawing rights from the Fund amounted to the equivalent of SDR 2 billion and for the second year in succession repurchases exceeded purchases. This brought about a reduction in members' outstanding drawings from SDR 4.1 billion on April 30, 1971, to SDR 2.9 billion on April 30, 1972, the lowest level in seven years. Moreover, purchases were concentrated in the gold tranche, and on April 30, 1972, only 28 per cent of members' indebtedness to the Fund was the result of purchases in the credit tranches. Members' creditor positions in the Fund decreased slightly, from the equivalent of SDR 1.7 billion on April 30, 1971, to SDR 1.6 billion on April 30, 1972.

The Report reviews the technical difficulties created for the General Account operations, for the period August 15, 1971 to May 8, 1972. Certain members with super gold tranche positions were reluctant to have this primary asset diminished through the use of their currency in repurchase and members with liabilities to the Fund saw advantage in their discharge. In consequence, the normal currency policy of the Fund was suspended for the time being and a special arrangement was made with three countries — Canada, France, and Germany — for their currencies to be used in transactions with the Fund to the extent of their prior use in drawings since August 15, 1971.

The realignment of December 18, 1971, did not resolve the operational problems of the Fund. While the new exchange rates of major currencies in the exchange markets expressed in terms of the US dollar reflected the latter's prospective gold value, this was not so in the Fund because a new par value for the US dollar had not been established. It became necessary to establish appropriate exchange rates in the Fund to permit transactions in currencies other than the US dollar that reflected the realigned exchange rates in the market. A January 4, 1972 decision, adopted as a temporary measure to facilitate the orderly conduct of Fund operations, enabled the Fund to adjust its holdings of a currency used in a transaction on the basis of the ratio of the representative rate for the member's currency in the exchange market to the effective parity relationship between that currency and the member's intervention cur-

rency. On May 8, 1972, following the change in the par value of the US dollar, a decision was adopted regarding rates for computations and adjustments of the Fund's holdings of currencies for which rates were not being maintained within the margins prescribed by the Articles. This decision terminated the January 4 decision.

During the year, the Executive Directors also adopted several decisions providing for wider use of SDRs held by the General Account, including one that enables participants in the Special Drawing Account to purchase SDRs from the General Account for immediate use to acquire currencies through designated transactions.

In the past fiscal year the Fund also repaid in full its outstanding indebtedness consisting of two repayments totalling SDR 274 million under the GAB and the second half of the SDR 250 million claim of Japan on the Fund which had been acquired by Japan from Italy and which was based on an earlier bilateral borrowing agreement between Italy and the Fund.

(c) Transactions and Operations in Gold

During the fiscal year the Fund received gold in a gross amount equivalent to SDR 1,139 million and disbursed gold to members in an amount equivalent to SDR 147 million of which amount SDR 121 million was sold in replenishment of its currency holdings. The amount of gold received reflected in large measure the repurchase obligations incurred in gold by members and the termination of the Fund investment in US Government securities. The Fund terminated its investment in these securities in February 1972 and reacquired an equivalent of SDR 400 million in gold from the United States. It also liquidated the general deposits of gold, equivalent to SDR 143.9 million held at the Federal Reserve Bank of New York and equivalent to SDR 25.8 million held with the Bank of England. During the period the Fund also purchased the equivalent of SDR 105 million of gold from South Africa.

(d) Distribution of Net Income and Remuneration

In October 1971 the Fund distributed SDR 12.5 million of the total net income of SDR 46.4 million over fiscal 1970-71 to 39 members, bringing net income distributed plus the remuneration of SDR 37.4 million for the same period paid earlier up to 2 per cent of net creditor positions. In May 1972, the Fund paid remuneration in the amount of SDR 30.5 million to 42 members, of which SDR 2 million was paid in special drawing rights and SDR 28.5 million in gold, at a rate of 1½ per cent of net creditor positions over the fiscal year 1971-72.

It seems to be especially

true of violence that nothing succeeds like excess. The enormity of the Munich massacre seems to have brought out the old Adam in the Israeli character. The reprisal air raids ordered by Mrs Golda Meir's government on Syria and Lebanon on September 8 serve only to endorse the argument of the Black September guerillas that the war between Zionism and the Palestinian Arabs is a truly total one to which the mores of human civilization have become irrelevant.

Since the press in the country has not given an adequate account of the havoc wrought by the Israeli jets on the civil population of the concerned Arab states during the raids of September 8, I would like to quote from a report in *The Guardian* (London) of September 11 from its correspondent in Beirut, Mr David Hirst. According to him some three hundred people, a great many of them women and children, were killed. Out of this large number of the dead, only about sixty-six were reported to be guerillas and the rest civilians many of whom were machine-gunned by low flying Israeli aircraft as they ran for cover. Mr Hirst writes: "The main question in today's Arab press, still smarting at the world's outrage over Munich, is: What does the 'civilized world' think about all this?" It cannot be said that this query has remained unanswered. A spokesman for the Secretary-General of the United Nations has said after all that Dr Waldheim deeply deplores the new breaches of the cease-fire in the Middle East. May we presume that Tel Aviv is duly impressed?

Let me not be misunderstood. I readily concede that Arab terrorists have placed themselves beyond the pale of all law. The government and the people of Israel are certainly entitled to deal with these terrorists ruthlessly on the simple ground of self-defence. What I am pointing out is that the reprisal air strikes on the people of Syria and Lebanon did not have for their targets only the guerilla bases. They destroyed, presumably by design, a very much larger number of ordinary

men, women and children than terrorists. They were, therefore, themselves in the nature of an organized act of terrorism against the civil population of the Arab states in question.

The Palestinian terrorists have resorted to terrorism against Israel because they believe that they cannot expect justice for their cause from the international community such as it is. The Israelis in their turn seem to have decided to resort to the practice of a terrorism that will end all terrorism because they have come to the conclusion that the international community — again, such as it is — is unable or unwilling or both to do anything to check guerilla activities directed against Israel.

One encouraging aspect of the global reaction of horror at the Munich massacre is that the human race does not seem to have lost entirely its capacity to be pained by or resent things evil. This is rather surprising considering that human sensibilities should have been dulled by the destruction of the Ibos in the Nigerian civil war, the slaughter of the innocents by Pakistan's military regime in its bid to suppress the Bangladesh movement and the prolonged indulgence by the Nixon administration in the mass massacre of peasant communities in the two Vietnams with the cruellest weapons or tools of warfare that a mad technology could devise. It must be noted, however, that even Vietnam may not have defined the ultimate in man's inhumanity to man. Here is a report, again from *The Guardian* (London), this time of a heart-rending incident in a hospital in darkest South Africa. Let Mr Stanley Uys, the newspaper's correspondent in Cape Town, tell the story in his own words:

"For two hours, Dr Karl Abrahamse, aged 29, a coloured South African, waited helplessly at the bedside of Mrs Caroline Amas, aged 18, at Oudtshoorn, Cape Province, unable to perform the caesarian operation she required because hospital regulations forbade him calling on the services of white staff.

"A white doctor was summoned to

perform the operation; three days later, Mrs Amas, who was also coloured, died".

Students of colleges and

technical educational institutions in the capital have been having fun hijacking buses of the public transport system in the city. The more aggressive spirits among them have also resorted to occasional arson in the course of which a number of vehicles has been destroyed. The consequential loss of property suffered by the Delhi Transport Corporation has been estimated at about Rs 10 lakhs. This is no doubt to be regretted, especially as the transport agency has been pleading that lack of funds comes in the way of its modernising or augmenting its fleet of buses. At the same time I am unable to resist entirely the thought that if only the DTC takes, so to speak, in the right spirit the violent attitude towards it or its buses of the student population in the capital, it may well be able more than to make up its loss in terms of equipment destroyed.

It cannot be denied that the users of the capital's public transport, including emphatically the student community, have been suffering grievously from the inadequacies of the transport facility. Not only years but decades have passed without the city bus transport system succeeding in meeting with reasonable efficiency the transport needs of the capital. There simply cannot be any valid reason why a city which, incidentally, is the seat of the central government, should continue to be so ill-served in the matter of public road transport.

There have been regular inquiries into the working of the Delhi transport system and the administration or the authority concerned has been organized and reorganized a number of times. Still, there has not only been no improvement but there has, in fact, been a steady deterioration in the availability of transport facilities in relation to the growth of demand.

In the circumstances, the burning of a few buses by an irate public or a section of it, however regrettable in itself, certainly has some legitimacy as a search for desperate remedies. This is why I believe that if the arsonists could only be successful in putting the fear of God into the DTC and compel it to attend to its efficiency, the Rs 10-lakh loss will not only be more than made up but the DTC may well be on its way to becoming a viable and worthwhile public utility.



MOVING FINGER

TRADE WINDS

Bonus Report

THE BONUS Review Committee unanimously recommended enhancement of the present minimum bonus of four per cent to 8.33 per cent in all industrial establishments making profit. However, representatives of the workers and the employers have sharply differed over the quantum of bonus to be paid by establishments that are losing. The former wanted payment of 8.33 per cent the same as for profit making concerns, while the employers would agree only to an increase of one per cent from four to five per cent. Two separate reports, one signed by the Chairman of the Committee, Mr B.K. Madan, two employers' representatives and an independent member, and the other by representatives of the AITUC, HMS and INTUC and a public sector spokesman, were presented to the Labour Secretary. The two sides also differed on whether workers of departmental undertakings such as Railways and Posts and Telegraphs should be covered by the present recommendation. The employers' representatives did not favour this. On another question, namely, extending the bonus formula to public sector industries too, the employers' representatives did not support the idea on the ground that it need not be considered at this stage. Despite these disagreements, the two sides were agreed on the basic premise that the concept of bonus was not related to productivity or production.

Central Board of Reserve Bank

The union government has appointed four new Directors to the Central Board of the Reserve Bank of India. They are: Mr M.P. Chitale, Char-

tered Accountant; Dr K. Kanungo, Dean and Joint Director, Indian Agricultural Research Institute; Dr V. Kurien, General Manager, Kaira District Co-operative Milk Producers Union, Anand, Gujarat, and Dr G. Parthasarathy, Vice Chancellor, Jawaharlal Nehru University, New Delhi.

Import of Steel

Engineering Association of India (EAI) in a communication to the Ministry of Foreign Trade has expressed its apprehension about the effects which import policy for steel would have on large export of engineering goods from this country. The Association considered that procedure outlined was so cumbersome and time consuming that the advantage which the government thought would accrue to the industry out of speedy disposal of applications for import licences would be nullified. The Associations has therefore, suggested appointment of a small committee consisting of the officers of the Engineering Export Promotion Council, the Directorate General of Technical Development and the Iron & Steel Control, to meet fortnightly to dispose of applications received. Such meetings could be held alternatively at New Delhi and Calcutta. On the recommendation of such meetings duplicate certificates should be issued to the applicant for making his application to the CCI copies of which could be sent to the HSL who should proceed to arrange for import without waiting for actual release orders from the office of the CCI & E.

TRISTAR

Recently newsmen of the capital, along with some offi-

cials of Air India, IAC, the Civil Aviation Ministry and members of the diplomatic corps, were taken on a demonstration flight by Lockheed Aircraft Corporation on their L-1011 'TRISTAR', which they described as 'quickest wide bodied transport'. The manufacturers emphasised the low noise produced by the Rolls Royce RB-211 engines, reduced pollution and the automatic landing system. According to Mr J.A. Rigg, the Financial Director of the company, the engines were designed to consume 25 per cent less of fuel than other jetliners.

The manufacturers stated that the aircraft had already about 80 demonstration flights in about 17 countries. According to them, the Indian Air lines may consider to add it to their fleet, since it will be economical to have them for domestic flights, and it is certainly a comfortable aircraft. Introduction of TRISTAR with a seating capacity of between 350 to 400, on domestic routes will no doubt ease the situation at booking offices.

Inside the aircraft, the first class has six-abreast seating arrangements while the economy class has eight-abreast seating system. There are two aisles and one has not to cross more than one seat while taking one's own seat. The aircraft could accommodate 400 passengers in comfort and is claimed to be a "passenger-oriented aircraft".

India-Ethiopia Air Talks

Talks between the union government and the Imperial Ethiopian government regarding air transport matters were held recently in New Delhi. The six-member Ethiopian delegation was led by Mr Gatachew Bekele, Minister of State, Ministry of Communication, and the seven-member Indian delegation was led by Mr N. Sahgal, Secretary, Ministry of Tourism and Civil Aviation. Presently, the Ethiopian Airlines are operating two weekly services terminating at Bombay while Air India are operating once a week service transiting Addis Ababa. Apart from Mr Gatachew

Bekele, Ethiopian delegation included Mr Gatachew Mekasha, Ethiopian Ambassador to India; Mr Hailu Alemayehu, Administrator, Civil Aviation Administration; Mr Gad Gebrekristos, Dy. Administrator, Civil Aviation Administration; Mr Hailu Molla, Director, International Affairs (Ethiopian Airlines) and Mr Haddis Zeggai, Manager, India and Far East Ethiopian Airlines.

Trade with East Europe

A two day national Seminar on Trade with East Europe will be held here in the first week of December 1972 under the auspices of Ministry of Foreign Trade on the occasion of 'ASIA 72' Fair. The Seminar which is being organised by the National Alliance of Young Entrepreneurs (ANYE) will be attended by more than 200 delegates representing governmental, non-governmental, and private institutions. A Preparatory Committee has been constituted under the Chairmanship of Mr S. Than, Joint Secretary, Ministry of Foreign Trade. Dr (Mrs) S. Chishti, Professor, Indian Institute of Foreign Trade has been appointed Director of the Seminar. The Seminar will apply its mind to the question of devising ways and means of increasing the volume of trade with the East European countries. The Seminar will also highlight the need to accelerate the economic ties between India and East Europe and to strengthen friendship and co-operation with these countries.

World Package Award

A presentation pack for WIMCO matches, designed, printed and manufactured by The Metal Box Company of India Limited, has won the Worldstar '72 contest, recently held at Tokyo. This is the first time an Indian entry won the coveted world award. The Worldstar '72 has been instituted by the World Packaging Organisation consisting of the Packaging Federations in Asia, Europe and North America. 16 nations from all over the world had entered 21 packages, including

VOLTAS

If you are in the market for quality machine tools then Voltas can tell you all about Praga.

As a leading distributor of machine tools in India, Voltas is vitally interested in the progress of the machine tool industry and is well-placed to understand the needs of the buyer. That is why Praga chose Voltas to market their machines —

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Machines. 5) The Praga/ + GF + Copying Lathes. Complete technical details of all these machines are available with the Machine Tool Division of Voltas. Its country-wide sales and service organisation is fully geared to supply, install and service Praga's sophisticated machine tools wherever you want them. An unbeatable combination—Praga quality machine tools, distributed and serviced by Voltas.



For Precision Machine Tools the name is **Praga**

two from India, for the awards. Of these, 11 won the awards. The judging took place at the Imperial Hotel, Tokyo, Japan. The awards were to be presented on the occasion of Worldpack-Tokyopack 1972 which was to follow the Second World Packaging Congress in September, 1972, at Tokyo. Countries receiving the awards are: USA, Japan, Australia, France, Sweden, W. Germany, Netherlands, Switzerland and India.

Sub-contracting Exchange

The industrial sub-contracting exchange which the government of West Bengal propose to set up with Central assistance would be set off in motion in the first week of November. This was stated by Mr N.K. Biswas, Secretary to the Department of Commerce and Industries, West Bengal, when addressing the annual meeting of the foundry division of the Indian Engineering Association in Calcutta recently. Mr Biswas explained that the sub-contracting exchange would not only allow the farming out of orders to the small-scale units but he felt that the information stored in the exchange could also be used for purposes of international trade and also assist in framing a definite policy for promotion of small units as ancillaries to large scale manufacturers.

Mr S.K. Neogi, the Divisional Chairman stated at the meeting that where the pig iron supplies in the required grades had been irregular, the situation in the last few months had shown a marked improvement. Of course, Mr Neogi added this should not give cause for complacency as major industrial projects coming up would require various types of light and heavy cast items. Another important raw material was ferro silicon and, Mr Neogi informed the meeting of the successful way in which the division had taken up this subject with the government of India; was a result of concerted efforts, the rise in ferro silicon prices had been checked and had reverted to the

October 1970 level. Scrap availability, mainly of the heavy melting type, was very unsatisfactory according to Mr Neogi, with indiscriminate price increases and irregular collection and distribution procedures.

Colombo Plan Meet

"Brain Drain" from developing countries will be a special topic of discussion when the Consultative Committee of the Colombo Plan meets here next month for its 22nd annual session. The meeting, which opens on October 30, will last until November 8. The Consultative Committee, which is the top policy-making body consisting of ministers of member governments, will review the economic progress made by the South and South-East Asian region and will prepare a report setting out major issues and problems confronting member-nations. The Colombo Plan has 24 members. They are: Afghanistan, Australia, Bhutan, Burma, Cambodia, Canada, India, Indonesia, Iran, Japan, Republic of Korea, Laos, Malaysia, Republic of Maldives, Nepal, New Zealand, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, United Kingdom, United States of America and Republic of Vietnam. More than 150 delegates from these countries are expected to attend the meeting. In addition, there will be observers from the governments of Fiji and the Federal Republic of Germany and also from international agencies such as FAO, UNESCO and the World Bank.

Credit for Tea Gardens

The Reserve Bank has communicated to the commercial banks and the state financial corporations to try to ensure adequate flow of development capital to the tea industry. Lead banks in the tea growing districts are required to help tea gardens. The banks and the SFCs will singly or in consortiums provide development loans for terms "long enough to suit the repayment capacity of the assisted unit, wherever there is considerable time lag between the outlay and its

fruition", the Reserve Bank has told the banks and the SFCs. They will get refinance from the Agricultural Re-nance Corporation. The lenders have the discretion to provide a moratorium on repayment of principal for five years with respect to plantation loans. In "exceptional, deserving" cases, a moratorium on interest may be considered. No interest rate concession is to be given, the Reserve Bank has told the banks.

Shipping Conference

An All India Shipping and Shipbuilding Conference will be held in Calcutta for three days beginning from January 22, 1973. The seventh conference is being organised jointly by the Institute of Marine Engineering, the Society of Naval Architecture and Marine Engineering, the Indian Institute of Technology, Kharagpur and the Institute of Marine Technologists. The conference will be attended by delegates from various countries.

Upasi Conference

The seventy-ninth annual conference of the United Planters' Association of Southern India was inaugurated by Mr R.K. Khadilkar, Minister for Labour & Rehabilitation, at Coonoor recently. Dr Colvin R. de Silva, Sri Lanka's Minister for Plantation Industries also attended the meet. The Conference was preceded by a scientific conference and a Seminar on Management Development in Plantations.

Automobile Convention

The Federation of Automobile Dealers Associations will be holding a convention of all-India automobile dealers in New Delhi on November 18 and 19, 1972. The convention will be inaugurated by Mr C. Subramaniam, Minister of Industrial Development, Science and Technology. The Convention the first of its kind to be sponsored by the Federation, will discuss various problems before automobile dealers in the country and will strive to achieve various ob-

jectives for the benefit of everyone concerned in the automobile trade and industry and the consuming public. The main objective of the convention is to project the right image of the automobile dealers before the government and the public.

New Airlines

Malaysia-Singapore Airlines (MSA), the jointly owned international and regional carrier of the Republic of Singapore and the Federation of Malaysia, will go out of business on October 1. But there will be no interruption of service over its routes. In its place, Singapore's new flag carrier, Singapore Airlines (SIA) will take over MSA's international routes and the Malaysian Airline System (MAS) will continue to serve cities in West and East Malaysia, as well as Hong Kong and Bangkok. The original predecessor carrier, Malayan Airways, was formed in 1947 as a domestic airline. By the end of 1972, Singapore Airlines will be operating eight Boeing 707s and five 737s to 26 cities in 19 countries. When it starts to fly under the Singapore colour in October, SIA will be serving London, Rome, Bahrain, Bombay, Colombo, Athens, Zurich, Frankfurt, Osaka, Tokyo, Taipei, Hong Kong, Bangkok, Singapore, Jakarta, Bali, Perth, Melbourne, Sydney, Saigon, Manila, and Brunei. SIA is also investigating the possibilities of trans-Pacific routes to the US. From MSA, Singapore Airlines will inherit (in addition to the Boeing fleet) a majority of the present line's 6,300 member staff and a sophisticated computer reservation system.

SIA's chairman, Mr J.Y.M. Pillay, has already announced plans for increasing the number of flights on several routes. By December, SIA expects to have five flights a week from Singapore to London, two a week to Zurich, daily service to Osaka and Hong Kong, and ten flights a week to Australia. The new line's colours will be a rich yellow and midnight blue and its logotype will

be a stylized bird in flight.

Literacy Award

UNESCO has awarded the Mohammad Reza Shah Pahlavi Prize for 1972 to the movement 'Gram Shikshan Mohim' (Village Literacy Campaign) of the government of Maharashtra for its meritorious work

in the field of eradication of illiteracy at a ceremony in Paris on September 6. The UNESCO prize was started in 1967. The purpose of this prize is to reward the services of institutions, organisations or individuals displaying outstanding merit and achieving success in contributing to the

fight against illiteracy. Since the initiation of this prize it is the first time that this prize has been awarded to a movement in India. Gram Shikshan Mohim of Maharashtra represents a new approach to the problem of eradication of illiteracy in the sense that a village educates itself by its own efforts.

Names in the News

Mr Q.L. Wood has been elected Finance Director of Goodyear India, at the annual general meeting of the company held at Calcutta recently. Mr Wood came to India about three months back and works as Chief Financial Officer of Delhi head office.



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COMPANY AFFAIRS

Orient Paper

THE IMPRESSIVE improvements in working results have encouraged the directors of Orient Paper Mills Ltd to enhance equity dividend substantially to 20 per cent for the year ended March 31, 1972 from 11.5 per cent declared for 1970-71. The dividends on the two categories of preference shares are also being paid at the stipulated rates for the year. The dividends will be exempt from tax under section 80 K of the Income Tax Act 1961. However tax will have to be deducted if necessary certificate is not received by the company before the payment of the dividends. According to the preliminary statement of accounts company has earned during 1971-72 a net profit of Rs 2.28 crores after appropriating Rs 1.91 crores to depreciation reserve, Rs 15 lakhs for development rebate reserve, and Rs 3.30 crores for taxation. No provision, however, has been made for gratuity. The net profit in 1970-71 amounted to Rs 2.35 crores after providing Rs 2.11 crores for depreciation, Rs 55 lakhs for development rebate reserve, Rs 1.20 crores for taxation and Rs 1.43 crores for gratuity. Writing back Rs 3.72 lakhs being the previous year's credit allowance and transferring Rs 9.75 lakhs against nil from development rebate reserve, a sum of Rs 1.46 crores has been credited to general reserve as against no allocation in the preceding year while dividend equalisation reserve was allotted with Rs 89.08 lakhs as compared to Rs 56.63 lakhs in 1970-71. In the previous year a sum of one crore rupees was earmarked for research and development reserve while a sum of Rs 75 lakhs was provided for repairs and renewals. A balance of

Rs 5.70 lakhs has been carried forward to next year's account.

Delhi Cloth

The board of directors of Delhi Cloth and General Mills have decided to pay a final equity dividend of five per cent for the year ended June 30, 1972. This together with the interim makes a total of 10 per cent for the year, the same as in 1970-71. Although the total dividend is being maintained at 10 per cent the actual benefit accruing to shareholders will be larger as 95 per cent of the dividend is expected to be exempt from tax under section 80 K of the Income Tax Act 1961. According to the preliminary figures, DCM has earned during 1971-72 a substantially higher gross profit of Rs 15.91 crores as compared to Rs 13.07 crores in 1970-71. Out of this the directors have allocated a sum of Rs 6.35 crores to depreciation, Rs 1.14 crores to development rebate reserve, and Rs 5.20 crores towards tax liabilities as against Rs 5.70 crores, Rs 21.07 lakhs and Rs 90 lakhs provided respectively in 1970-71. This leaves a surplus of Rs 3.21 crores as compared to Rs 6.26 crores in the previous year. The company has already paid Rs 87.01 lakhs as interim dividend. The balance of Rs 2.34 crores is being transferred to the general reserve out of which the final dividend would be paid.

Mohan Meakin

Although sales of Mohan Meakin Breweries Ltd. have spurted to Rs 21.14 crores during the year ended March 31, 1972 from Rs 17.98 crores in the preceding year gross profit has inched up to Rs 2.61 crores from Rs 2.57 crores in 1970-71. The profit might

have been substantially higher but for the loss in output in its Lucknow distillery worth Rs 11.5 lakhs on account of floods in the Gomti river and all-round rise in cost of production. The directors have, however, stepped up the dividend to 11 per cent from 10 per cent paid for 1970-71. Out of the gross profit the directors have appropriated during the year under review, a sum of Rs 58.20 lakhs to depreciation reserve, to Rs 4.60 lakhs to development rebate reserve and Rs 1.36 crores to taxation as against Rs 52.04 lakhs, Rs 3 lakhs and Rs 1.26 crores provided respectively in the previous year. After taking credit for some provisions no longer required general reserve was allotted with Rs 81.61 lakhs as compared to Rs 67.97 lakhs in 1970-71. The proposed dividend will claim Rs 46.80 lakhs, Rs 4.26 lakhs more than in 1970-71.

In view of the increased demand for its products, the company has decided to set up a distillery at Solan. The new unit is scheduled to go into production sometime next year. The cold storage at Mohangram in Punjab has started functioning and the ice factory in the same area is also in operation since April. Mysore Fruit Products Ltd., a subsidiary of the company, however, remained closed during the year. Efforts are being made to secure a licence for the manufacture of Indian-made foreign liquor and for allocation of reasonable quota of raw material such as molasses so that the factory might resume operations.

Swadeshi Cotton

Swadeshi Cotton Mills has suffered a further marked setback in its working during the

year ended March 31, 1972. Despite an increase of about 50 per cent in turnover from Rs 20.33 crores to Rs 31.04 crores, gross profit has declined to Rs 43.87 lakhs from Rs 48.59 lakhs in 1970-71. Hence no dividend on ordinary shares has been declared for 1971-72. The disappointing performance for the year is attributed to all-round rise in cost of production and labour unrest. The new textile mill at Rae Bareilly is expected to go on stream by the end of the current year. The company has promoted a new enterprise styled 'Swadeshi Fabrics Ltd.' for the manufacture of knitted fabrics with foreign collaboration. The company has spent during the year Rs 38.85 lakhs on modernisation, renovation and expansion and contracts aggregating Rs 20.48 lakhs remained to be executed at the end of the year. Meanwhile the company has received further orders, to the tune of Rs 1.20 crores. In spite of further increase in wages, imposition of 25 per cent power cut and the voluntary price control on staple fibre yarn the working results for the current year are expected to be reasonably satisfactory.

Rathi Alloys

Rathi Alloys and Steel Ltd has reported a gross profit of Rs 29.5 lakhs for the year ended June 30, 1972 out of which a sum of Rs 7.1 lakhs has been provided for depreciation and Rs 17.3 lakhs for development rebate reserve. After writing off Rs 78,812 towards the loss brought forward from the previous year the balance of Rs 4.3 lakhs has been transferred to general reserve. The company is working quite satisfactorily in spite of frequent electric trippings, steep rise in the cost of steel scrap and refractories. During the year one furnace has worked more than nine months and the other furnace for three months. As such the year commencing from July 1, 1972 will be the first year when both the furnaces of the factory will be in production for a complete year. The company has on hand a number expansion programmes. It includes

the setting up of a 10-ton electric arc furnace (which has already gone into production), a twin-strand continuous casting machine and a 20" cogging mill meant for producing billets from big-size ingots. The installation of the continuous casting machine will be delayed as the import licence is still being awaited. The erection of the cogging mill will also be behind schedule due to various difficulties, but it is expected to go on stream in November-December 1972. To have strict quality control, a modern and fully equipped laboratory has been set up. The company is also planning to diversify its production and proposes to manufacture light structural sections such as angles, channels, joists and re-rolled sections including that of special steels and alloy steel. The expansion and diversification are expected to improve further the profitability of the company. The directors hope to fulfil their commitment of paying dividend for the year commencing from July 1, 1972.

Devidayal

Devidayal Cable Industries Ltd will henceforth be known as Devidayal Electronics and Wires Ltd. A special resolution to this effect was adopted by the shareholders at an extraordinary general meeting of the company held recently. The board of directors have thought of the change in name in view of the diversification of its activities into the electronics field. The company is putting up a separate plant at Bangalore where it will be manufacturing 3000 electronic desk calculators and 30,000 tape recorders. This plant is expected to go on stream by the middle of next year and attain full production in 1974 when the turnover will be of the order of Rs 4 crores a year. The working of the company during the current year so far is very satisfactory. Its sales in the first eight months of the current year is appreciably higher at Rs 4.20 crores as compared to Rs 3.13 crores in the same period of last year. It hopes to achieve a turn over of Rs 6.25 crores for 1972 as against

Rs 5.26 crores for the previous year. The company's gross profit for the first half of 1972 is however, slightly lower at Rs 23.07 lakhs as compared to Rs 23.57 lakhs in the similar period of last year. The fall in profitability is attributed to sluggish demand for steel wires, higher bonus to workers and the canalisation of copper, the basic raw material — through the MMTC which had increased the price arbitrarily.

Larsen and Toubro

For the first time Indian industry can have "off the shelf indigenous contactors" rated 300 A. Developed and tested by Larsen & Toubro Ltd, these contactors are suitable for motors up to 225 HP (168 Kw) for AC 3 duty. Designated ML 12, these are the only contactors in the country specially designed to take the larger aluminium cables. This is a distinct advantage since Indian cable industry has now switched over to aluminium due to the acute scarcity of copper. The L & T now offers the widest range of contactors in India with ratings from 10 A to 300 A. Scores of design engineers backed by sophisticated research and testing facilities have taken three years to develop the present range of contactors. In the process they have taken into account indigenous needs and conditions through sustained feedback from users, dealers and L & T's own field staff. The development of the larger rated contactors, ML 12 and ML 8 (125A) marks yet another step forward towards import substitution.

News and Notes

Expansion and diversification

Punalur Paper Mills Ltd has undertaken an expansion programme to increase the capacity of paper and pulp production from 12,500 tonnes to 33,000 tonnes per annum. The capital outlay on the project will be of the order of Rs 6.05 crores. The company will raise a part of the finance required for the implementation of this project by a public issue and also by arranging long-term foreign exchange loans. A sum of Rs

2.28 crores will also be raised from internal sources to finance the scheme. According to current indications the company will be offering to the public for subscription equity capital worth Rs 1.02 crores in shares of Rs 10 each and Rs 50 lakhs in preference shares of Rs 100 each. The company hopes to maintain the dividend of 10 per cent on the increased capital after the proposed issue of capital.

Kanoria Chemicals and Industries has obtained industrial and import licences to expand annual capacities of caustic soda by 12,000 tonnes, chlorine gas by 10,641 tonnes, liquid chlorine by 7,250 tonnes and hydrochloric acid by 5,505 tonnes. The ICICI has sanctioned for the proposed expansion a loan in US currency equivalent to Rs 58.60 lakhs. The company also holds a letter of intent to double the capacity of the BHC plant to 6,000 tonnes per year and is awaiting an industrial licence. The company has submitted to the union government proposals for foreign collaboration for the manufacture of methyl methacrylate monomer, polymer and toluene di-isocyanate for which it has letters of intent.

New Issues

Bata Shoe Company Ltd proposes to raise additional capital by offering to the public for subscription 5,00,000 equity shares of Rs 10 each at a premium of Rs 30 per share. According to present indications a sum of Rs 10 per share — Rs 2.50 on capital account and Rs 7.50 on premium account — has to be paid on application, a similar amount on allotment of shares, and the balance in two instalments. The new shares will rank for dividend for the year ending December 1973. This public issue is being made in view of the government's directive to the company to dilute its foreign shareholding through the sale of a part of the existing shareholders holdings and by issuing shares to Indian nationals. The company, accordingly, has agreed to introduce Indian participa-

tion in its capital and the government has granted its approval to the company for the sale of five lakh shares by its foreign shareholders to LIC and UTI and for further issue of five lakhs shares to the Indian public. The company produces at present 45 million pairs of footwear and provides employment to about 22,000 people in its factories, offices and sales network. The company is also a leading exporter of footwear earning foreign exchange worth Rs 4.5 crores a year. During 1970 and 1971 the company's business and profitability suffered due to factors beyond the control of the management such as labour trouble, a strike at Bata-nagar and Faridabad factories and floods in Bihar. The trend in regard to the company's working, in the first half of 1972, however, is reported to be very encouraging. It is therefore hoped that barring unforeseen circumstances the company might be in a position to pay a dividend of not less than 30 per cent on the increased capital.

Indian Dairy Entrepreneurs Agricultural Company Ltd is setting up a giant agro-industrial complex in Rajasthan for diverse purposes such as raising of dairy cattle, for producing of several high-yielding varieties of commercial and food crops, establishing a milk plant to manufacture milk food, butter and cheese and also a feed mill to compound balanced cattle feed. The company has already received a letter of intent to produce annually 2,500 tonnes of infant milk food, 3,000 tonnes of sweetened condensed milk, 1,500 tonnes of whole milk powder and 500 tonnes of processed cheese. The plant will be located near Raniwada in Jalore district. The local residents have offered to subscribe Rs 5 lakhs to the company's share capital.

The company has an authorised capital of Rs one crore — Rs 80 lakhs in equity shares and Rs 20 lakhs in preference capital. To raise part of the finance required for the implementation of the scheme the company will be entering the capital market towards the

end of this year with a public issue of Rs 64.14 lakhs consisting of Rs 45 lakhs in equity shares and Rs 19.14 lakhs in preference shares. The total capital requirements, including short-term working capital, is estimated at Rs 288 lakhs. Term loans and short-term borrowings have been arranged through banks and financial institutions.

Anil Steel and Industries Ltd promoted by Mr S.N. Khaitan in technical collaboration with Hesch Werke, Hohenlimburg-Schwerte AG; of West Germany is entering the capital market on September 28 with a public issue of Rs 47 lakhs comprising Rs 32 lakhs worth of equity shares of Rs 10 each and Rs 15 lakhs in redeemable cumulative preference shares of Rs 100 each carrying a dividend of 9.5 per cent per annum. The subscription list for this fully underwritten issue will close on October 10 or earlier but not before October 3. The company's plant located at Kanakpura, near Jaipur, is claimed to be the only unit of its kind

in India and also in South-east Asia. The plant being designed to manufacture hardened and tempered steel by continuous process. These are presently being imported and is mainly used in metal and wood working industries, automobile and other industries. When the plant goes into production it will result in saving of foreign exchange to the tune of Rs 60 lakhs a year. The company holds an industrial licence for an annual capacity of 3,600 tonnes. Initially the company will start with a production of 2,400 tonnes. The plant is expected to start trial runs in the third quarter of 1973 and attain commercial production early in 1974. When it will have a turnover of Rs 3 crores. The promoters are confident of paying a reasonable dividend of 10 to 12 per cent from the second year of its operation out of the profits earned in 1974-75. The capital outlay on the project is estimated at Rs 222.02 lakhs.

Indo Solex's issue has met with a very good response from the public. On persistent

demand from sharebrokers and under-writers the board of directors have decided to keep the list open till September 20. The company offered for public subscription 115,000 equity shares of Rs 10 each at par, the list for which opened on September 11.

Company Meetings

Zenith Steel Pipes Ltd: Patkar Hall of S.N.D.T. Women's University, 1, Nathibai Thakersey Road, Off Queen's Road, Bombay-20; September 22; 4 P.M.

The Titagur Paper Mills Company Ltd: Registered Office, Chartered Bank Buildings, Calcutta; September 29; 11.00 A.M.

Fibre-glass Pilkington Ltd: Walchand Hirachand Hall, Lalji Naranji Memorial Indian Merchants' Chamber Building, 76, Veer Nariman Road, Churchgate, Bombay-20; September 26; 4.00 P.M.

Kanoria Chemicals and Industries Ltd: Registered Office 9, Brabourne Road, Calcutta-September 30; 11 A.M.

Jardine Henderson Ltd: Registered Office, No 4, Clive Row, Calcutta-1; September 28; 11.00 A.M.

The National Insulated Cable Co. of India Ltd: Registered Office, NICCO House, Hare Street, Calcutta; September 25; 4.30 P.M.

Interim Dividends

Amar Dye-Chem Ltd: proposes to maintain the interim equity dividend for 1972 at Rs six a share. The company paid a total equity dividend of Rs 12 for 1971 as against Rs 14 for the previous year.

The Titagur Paper Mill Company Ltd has declared an interim dividend on 'A' and 'B' ordinary shares at the rate of Rs 0.40 per share for the year ending March 31, 1973

Readers' Roundtable

What Ails LIC?

SIR, The Life Insurance Corporation of India is celebrating a "personalised servicing week" from September 1. It is ironical that what should be given to the policy holders on every working day of the year is sought to be given only through a special week!

LIC, being a state monopoly which is perhaps the worst form of economic organisation so far as consumers are concerned, is callous to the interests of policy holders.

For 10 years, I had been paying the premium on my policy 3 to 4 weeks in advance of the due date. This year also I did the same but owing to a technical flaw in the cheque it was returned by the Bank to LIC about 25 days prior to the due date of the premium. Yet I received a letter from LIC 65 days after the premium due date asking me to give a fresh cheque for premium as also the interest on the premium for late payment! My protests that I was not to be penalised to pay interest for the inefficiency of LIC was of no avail. Nor was my request to return the first cheque honoured.

Finally, I had to send a letter to the Chairman drawing his attention to Clause 6 (3) of the Life Insurance Corporation of India Act, which enjoins on LIC an obligation to act "on business principles which it had not done, and pointing out that the cheque being an instrument of credit LIC's refusal to return my first cheque, to which it no longer held a title, was improper.

As a result of this letter "a special case" interest was waived and the first cheque was returned.

There is an urgent need for the LIC management to look into some of its 'archaic' procedures and practices which result in harassment to policy holders. Also, it should consider whether adequate powers have been delegated to its so-called "managers", who seem to be impotent to effectively deal with even routine matters, except on the directive of its Chairman.

Perhaps, it is the stimulus competition alone which will set LIC right.

Bombay Yours etc
Sept. 14, 1972 (D.B. Kotia)

COMPANY MEETING

SIMCO METERS LIMITED

Meter Factory Road, Tiruchirapalli-20

Chairman's speech delivered by Sri S. Narayanaswamy, MLC, at the 11th Annual General Meeting of the Company held at Tiruchirapalli on 16th September, 1972.

Friends,

I have pleasure in extending to all of you a cordial welcome to the Eleventh Annual General Meeting of the Company. The Report and Accounts for the year ended 31st March, 1972, have been circulated to you already and I dare say you have perused the contents with interest. I request your permission to take them as read.



Sri S. Narayanaswamy, MLC

I think it is important to highlight some features about the Company's operations during the year under review, mainly as indicative of future trends in the market for both our conventional production of energy meters and for materials covered by our diversification.

Our sales during the year totalled Rs. 149.70 lakhs as against Rs. 127.20 lakhs in the preceding year. The net profit for the year before taxation but after providing depreciation was Rs. 20.15 lakhs as against Rs. 13.68 lakhs in the preceding year. The major difference between last year and this year is, that our profits have begun for the first time to attract taxation. Provision for taxation is as much as Rs. 8.72 lakhs, which has substantially slashed the

amount available for making allocations. The previous years' profits were not subject to any such deduction.

Members will remember that last year it was possible to transfer to outlay on Research and Development a sum of Rs. 6.46 lakhs while during the current year, the additions we could make under this head amounted only to Rs. 2.09 lakhs.

Another major outgoing out of the company's revenues is a sum of Rs. 6 lakhs, paid by the Company towards excise duty on energy meters, which we are taking every possible step to recover from the purchasing Electricity Boards. It is correct to add that the Electricity Boards concerned are strenuously resisting this claim, on the ground that they had contracted to buy these meters on a 'firm price' basis. The terms of sale, however, spell out quite categorically that the sale price agreed upon, is exclusive of any duties or levies such as may be imposed later by the Central or the State Governments. It is my sincere hope that it would be possible to arrive at a satisfactory settlement with the concerned Electricity Boards on this question of recovery of excise duty.

The Company has initiated a Life Insurance-cum-Gratuity Scheme in consultation with the Life Insurance Corporation of India, which will greatly benefit the employees. The initial outgoing under this head is Rs. 1.10 lakhs.

I now come to the Company's operations during the year under review. The company's manufacturing programme was greatly influenced by the fluctuations in the ways-and-means, position of Electricity Boards, rather than the quantum of orders placed by

these Boards on the company.

In the first half of the year under review, the total sales were as high as Rs. 110 lakhs, while the sales in the second half amounted to Rs. 40 lakhs only. The Company had manufactured 20,000 meters towards the end of last year, which we were not in a position to deliver for want of one component, which arrived after the expiry of the financial year. This obliged us to complete the delivery of these 20,000 meters only in the first half of the year under review. This had the effect of swelling the sales figure in the first half of the year. This is, however, quite independent of the fact that during the period the company was able to maintain a record production of 10,000 polyphase meters per month, resulting in our aggregate production for the first half year being over 60,000 meters.

But, the company had less luck in the second half of the year, in that despatch instructions were withdrawn by the concerned Electricity Boards, presumably on grounds of financial stringency. Consequently our production of polyphase meters had to be cut back to an average of 4,000 nos. per month. I am sorry to say that this unsatisfactory position has spilt over to the new year.

This unexpected under-utilisation of the installed capacity by the company, compelled the Management to disengage the services of contract labourers numbering over 150 during the second half of the year. The company had also a brief lock-out in October, 1971, in the wake of an illegal strike, which was followed by intimidation and violence. These compelled the company to take disciplinary action against a small number of workers.

The findings of an independent investigating officer held 14 workers guilty of indiscipline and gross misconduct and the company served notices of termination of services on these 14 workers. The serving of these notices was again followed by intimidatory activity by the aggrieved workers and the company was obliged to declare a lockout onwards of 21st July, 1972.

It will thus be seen that your Board of Directors has been compelled to proceed cautiously with regard to the Company's manufacturing programme, notwithstanding the fairly heavy orders booked. It is my hope that the present labour situation will terminate early and normal production will be resumed, within the next few weeks.

There has been a steep increase in the cost of production during the year under review, by levy of excise duties, on many components like screws, bolts and nuts, which are used copiously in meter production. The Indo Pakistan war resulted in the levy of surcharges on several duties, which further escalated the cost of intermediate materials. The withdrawal of excise duty concessions on many essential raw materials like copper, has also increased the cost of production. As you will appreciate, it is not possible to pass on such escalations in the cost of production caused by increase in cost of components to the consumers, with whom we have firm contracts for supply of manufactured goods.

I would now like to draw your attention to the activities of the Scientific Research Centre. The particulars of what the Centre has done are given in the Directors' Report under the heading Scientific Research.

I am glad to state that the pace of research on the whole Power Factor Range Meter was kept up during the year and a complete range meter was developed and bench tests were conducted. As a result of these research activities it was possible for the Centre to develop another version of the whole Range Meter called "Two

Dividends

Name of the company	Year ended	(Per cent)	
		Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
India Jute Company	March 31, 1972	12.0	8.0
Gontermann-Peipers (India)	April 30, 1972	10.0*	Nil
Supreme Industries	March 31, 1972	12.0	11.0
Northbrook Jute	March 31, 1972	25.0	Nil
Ahmedabad Electricity	March 31, 1972	10.0	9.5
Transformer & Switchgear	March 31, 1972	10.0	Nil
Same Dividend			
Universal Electrics	March 31, 1972	12.5	12.5
Graphite India	December 31, 1971	15.0	15.0
Ranicherra Tea Co	December 31, 1971	5.0	5.0
Super Spinning Mills	March 31, 1972	12.0	12.0
Highland Produce Co.	December 31, 1971	12.5	12.5
Reduced Dividend			
Assambrook Estates	June 30, 1972	1.0	10.0
Hindustan Wire Products	March 31, 1972	12.5**	20.0
Karanpura Collieries	Feb. 29, 1972	7.0	10.0
Premier Mills	March 31, 1972	12.0	15.0

*Maiden dividend **On enlarged capital.

Part Tariff Meter" incorporating the KWH as well as KVA Meters with Maximum Demand Indication on both. I am glad to state that the above meter has found satisfactory acceptability among the Electricity Boards.

In the last year's address I have mentioned about the development of a Die Cast Meter. This has since been developed and bench trials are on and as soon as the trials are over the company has proposed to produce a few prototypes in the current year to conduct complete trials to meet all the aspects of various specifications. This would enable us to bring out new generation of energy measuring meters into production some time later over a period of next 12 months after the completion of the trials.

I am glad to report that the team of engineers in the Scientific Research Centre has further developed two indigenous versions of complete Maximum Demand Meters and these are undergoing bench trials which are likely to be completed over a period of next six months.

Simultaneously the Research Centre has undertaken refinement work on the hysteresis motor and it is expected to take a further significant step towards import substitution in the manufacture of Maximum Demand Registers.

In the field of electronic components a newly designed miniaturised version of the polyethylene variable capacitor is expected to expand our market for this material.

We have added a few more important items of equipment to meet the needs of the Scientific Research Centre and we have a comprehensive programme to develop an All-Electronic Energy Meter over a period of a year or so.

With the experience acquired during the short-period of the establishment of the Scientific Research Centre we have inducted top class electronic engineers to assist the Chief Executive and to work on

individual projects so as to produce speedy results.

We are now on the threshold of the Fifth Five-Year Plan. This is expected to spell out a massive programme of electricity generation and distribution, such as would rectify the present position of acute shortage of electric power felt all-over India. The accent on rural electrification is likely to be increased. There is, therefore, every reason to expect that, there will be less fitful and more evenly spread out investment of funds allocated to Electricity Boards. That should ensure a freer flow of orders and a more predictable resources position with these statutory bodies. This should, in turn, enable us to keep our operations on an even keel, such as we have failed to do in the year under review.

I, therefore, look forward to the future of the Company with reasonable confidence.

Before concluding I would like to take this opportunity of placing on record our deep appreciation of the splendid work done by the Managing Director, Sri R. Subbarayan and I would also like to say how grateful we are to Sri S. Ranganathan, our Chief Executive for the fine work put in by him and to all his colleagues at the supervisory level and all ranks of workers and staff for their dedicated work during the year.

I would also like to place on record our deep sense of gratitude to our bankers, Messrs. United Commercial Bank and Kumbakonam City Union Bank Ltd., for the sustained support and assistance extended by them during the year under review.

Friends, I thank you for your forbearance.

I now move for adoption of the report and accounts and, in doing so I should be glad to answer any questions relating to the Annual Report and Accounts.

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.

Save with grace

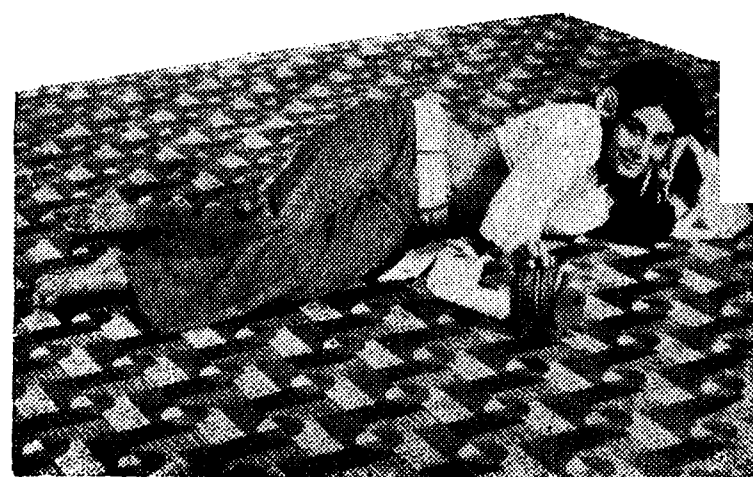
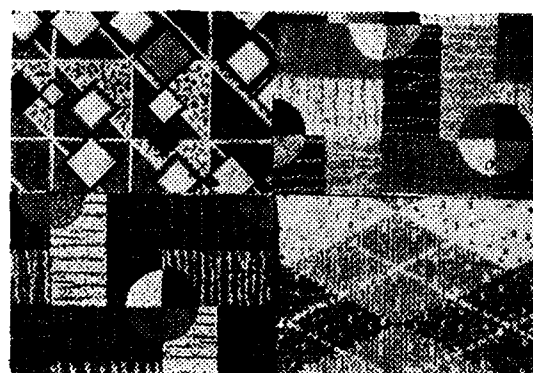
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RECORDS AND STATISTICS

RBI's report on economic trends

THE ANNUAL report of the Central Board of Directors of the Reserve Bank of India is split up in two parts. The first part sets out an analysis of the current economic situation in the country while the second part discusses trend and progress of banking in India during the year ended June 30, 1972.

The Reserve Bank has emphasised the importance of putting a restraint on monetary expansion and the provision of institutional facilities for mobilising the savings of the community. The expansion in money supply, states the report, would require limiting the extent of deficit financing by the government sector which, in turn, would demand that maximum effort should be made to enlarge tax collections through widening of the tax base, maximisation of market borrowings and the generation of surpluses in the public sector commercial undertakings through increased operational efficiency.

Discussing the rise in prices between September 1971 and March 1972, the report states that the increase has been larger than anticipated and rather disconcerting. While the rate of growth in national income in 1971-72 declined, prices started increasing at a rate which were double of the rise

in the preceding year. In food products, the situation has been created where a decline in production gets immediately reflected in rising prices while increase in production does not result in commensurate benefit to the consumer. Hence the policy in regard to the administration of prices of different commodities should bear in mind not only the income requirements of farmers but also of the consumer.

The first part of the report of the RBI which discusses the current economic situation in the country is given below:

While the Indian economy was able to withstand successfully the strains of refugee influx from across the border in the east and the subsequent conflict with Pakistan, it exhibited certain disquieting features, according to the Annual Report of the Central Board of Directors of the Reserve Bank of India for the year ended June 30, 1972. The response to an increase in aggregate demand has been more in terms of price increases than of output increases. The prices in consumer goods prices has, among other things, worsened industrial relations, and this also has had an adverse effect on industrial production. Further, demand for the products of investment goods industries continues to be less than adequate, although larger domestic savings and the net capital inflow from abroad have contributed to an increase in domestic investment. Likewise, while the aggregate receipts of the public sector have gone up, public expenditure has increased still more. Consequently, public savings have diminished and deficit spending has been larger.

It is against this background,

the Report emphasises, that the tasks ahead need to be defined keeping in view the objectives of the fifth Plan. Pointing out that the fulfilment of these objectives is predicted on a rapid rise in production and strengthening of competitive efficiency, the Report observes:

"Maximising production would imply promotion of new industries, fuller utilisation of existing capacity and wider spread of new agricultural technology. Equally, the management of demand will be crucial to restraining price increases. Ideally, this will require the adoption of policies relating the increase in money earnings to increases in productivity in the economy, concurrently with increasing savings and redistribution of income".

This, according to the Report, would require two basic lines of action from the point of view of financial policy: one, monetary expansion will have to be restrained and, two, institutional facilities will have to be provided on an extensive scale to mobilise the savings of the community. An essential element in controlling monetary expansion, it is stated, would be to limit the extent of deficit financing by the government sector. This implies that maximum efforts should be made to enlarge tax collections through widening of the tax base, to maximise market borrowings and to generate surpluses in the public sector commercial undertakings through increased operational efficiency.

Emphasising that the institutional measures in the financial field will require provision of infra-structure in the form of extending and deepening banking services, the Report says: "Banking developments in India show that, given the requisite manpower and other resources, banks can play a useful role in the development of the less developed regions. Apart from encouraging institutional facilities, the Reserve Bank's policy will have to be one of general credit constraint

in view of the objective of price stability."

Trends in the Economy

General

The dominant feature of the Indian economy during the year July 1971-June 1972, according to the Report, was the resilience it demonstrated under conditions of unexpected and large increases in domestic expenditure, arising primarily from the influx of refugees from across the border in the east and the subsequent conflict with Pakistan in December 1971. Since not all of the addition to domestic spending was matched by increases in industrial and agricultural output, the excess demand manifested itself in both higher prices and bigger trade deficit. Price increases between September 1971 and March 1972 were fairly small, "but, since then, the rise has been larger than anticipated and rather disconcerting".

According to Reserve Bank estimates, despite the unusual circumstances of the year, total domestic investment as a proportion of Net Domestic Product increased from 10.5 per cent in 1970-71 to 11.5 per cent in 1971-72, following improved domestic savings and larger aid utilisation. The achievement in real terms, however, was probably less impressive, because of a sizable increase in prices.

Output and Prices

The analysis of the output and price situation shows that the decline in the rate of growth of national income in 1971-72 was caused by a decline in the growth rates of both the commodity sectors. Agricultural production showed a much smaller rise in 1971-72, largely because of a decline of about 2.7 million tonnes in bajra output, coupled with short-fall in the output of pulses. Foodgrains output may not equal last year's level of 108 million tonnes. While cotton and jute have recorded increases in output, the production of oilseeds and sugarcane has declined. The growth rate of industrial output declined

from 7.1 per cent in 1969 to 4.8 per cent in 1970 and was only 2.9 per cent in 1971, due to a series of "supply bottlenecks as well as demand constraints" — shortages of raw materials, power and transport bottlenecks, slower growth in public sector investment, problems of organisation and labour relations in critical sectors, and capacity constraints in some specific industries. Pointing to the shortfall in growth rate of national income during the first three years of the fourth Plan, the Report emphasises that national income would have to grow at a rate of seven per cent in the remaining two years, if the targets postulated in the Plan were to be achieved.

With these trends in output, increased internal demand worsened the price situation. There was a sharp increase of 6.8 per cent in the general price index, more than double the rise in the previous year. With the exception of industrial raw materials, all the major groups included in the price index shared the rise. Foodgrains, sugar, and manufactured articles experienced price increases ranging from 5 per cent to 28 per cent.

The Report points out that the continuation of procurement prices at the previous year's level prevented a decline in prices when the new rabi crop arrived in the market. In recent weeks, the market prices of wheat and other foodgrains have risen to levels somewhat higher than procurement prices. The small and marginal farmers could not benefit in this situation, because they had little or no surplus to sell or, having sold a part of their output earlier, they had to buy foodgrains from the market when the prices had gone up. To quote the Report: "The basic point here is that a situation has been created where a decline in production gets immediately reflected in a rise in prices, whereas increase in production does not result in commensurate benefit to the consumer. Hence the thrust of policy in administering the prices of different commodities should clearly be in

the direction of maintaining them at stable levels; but in deciding what these levels should be, it is necessary to keep in mind the income requirements of farmers as well as the interests of the consumer."

Budgetary Deficit

Analysing the aggregate national expenditure, the Report refers to the sharp rise of 16.5 per cent in total disbursements (including loans and advances) of the central and state government in 1971-72, as compared with 11.4 per cent in 1969-70 and 9.5 per cent in 1970-71. Developmental outlay rose by 17.4 per cent, but the increase in non-developmental outlay at 19.8 per cent was much sharper due to the large and unexpected expenditure on refugees and defence during the year. The budget of the union government for 1972-73 aims at enlarging the amount of capital formation and the contribution of government to the total savings pool, thus reversing the 1971-72 position. The public sector Plan outlay is to rise by 22 per cent or by Rs 710 crores to Rs 3,973 crores. The Plan provision in the central budget anticipates a rise of 14.7 per cent over 1971-72 budget estimate.

The combined deficit of central and state governments at Rs 631 crores for 1971-72, according to revised estimates (still larger according to final accounts), shows a deterioration from the position in 1970-71 when the over all deficit amounted to Rs 431 crores (accounts). For 1972-73, the combined overall deficit is estimated at Rs 242 crores (net of yield from additional measures for resource mobilisation).

State Overdrafts

The Report also refers to the new scheme on overdrafts introduced in the context of the worsening position of overdrafts of state governments from the Reserve Bank. The outstanding overdrafts of 11 states, which had aggregated Rs 371 crores as on June 28,

1971 (against Rs 82.7 crores on June 27, 1970 for six states), reached a level of Rs 642 crores at the end of April 1972 with as many as 12 states having overdrawn on their accounts. In view of the wider repercussions on the financial balance in the economy of unregulated and unauthorised overdrafts, steps were initiated by the Reserve Bank and a new scheme was drawn up by the Ministry of Finance and the Planning Commission in consultation with the Reserve Bank. The new scheme, which came into force from May 1, 1972, required that overdrafts be discontinued from end-April 1972. Simultaneously, in view of the increased volume of budgetary transactions of state governments, the limit for clean or unsecured ways and means advances from the Reserve Bank were enhanced to four times the previous levels, effective from that date. This is in addition to what they could borrow against the security of their investments. According to the Report, the overdrafts of all the 12 states on the books of the Reserve Bank had been cleared by end of April 1972. Ten states were granted special ways and means advances totalling Rs 416 crores by the centre to clear their overdrafts, the balance being adjusted against Plan assistance (Rs 32 crores) and payment on account of states' share of income-tax (Rs 195 crores) released as on April 30, 1972. Under the new policy no overdrafts are allowed by the Reserve Bank except for purely temporary periods of not more than 7 days. These steps which represent a tightening of treasury control over states are expected to contain the expenditure of state governments within available resources.

Savings and Capital Formation

The net capital formation (i.e., excluding expenditure on renewals and replacements) by the central government for 1971-72 (RE) was Rs 516 crores, representing an increase of Rs 88 crores over the previous year. But net saving was only Rs 211 crores, thus showing a gap of Rs 305 crores.

As for the states, available indicators show that the bulk of their capital formation was financed by capital transfers from the centre. Hence, on their own account, the states probably contributed little by way of addition to public sector savings.

From available indicators, it would appear that private sector investment probably registered a rise, particularly in agriculture and small industries.

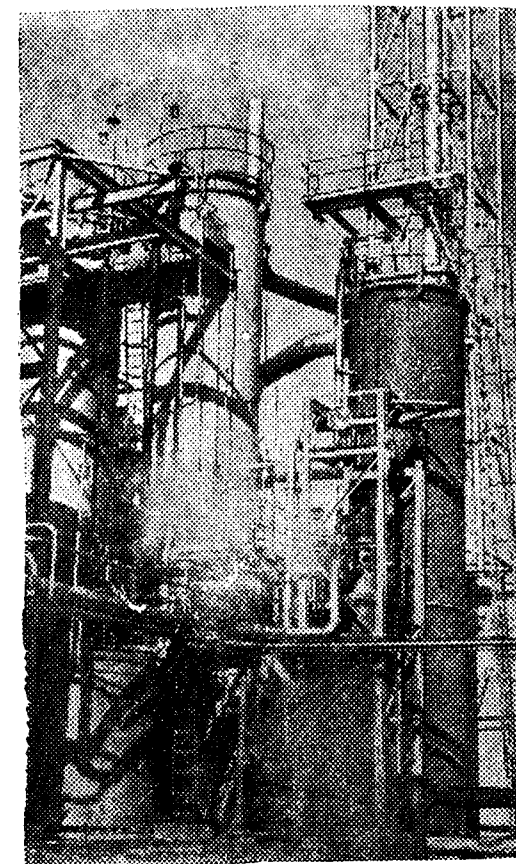
A significant development in the economy was the increase in household savings in the form of financial assets. This is reflected in the growth of deposits, currency holdings, contributions to provident fund and life insurance, small savings and subscriptions to capital issues of companies. This development is noteworthy because it implies a greater flexibility in the deployment of savings in the economy.

Money Supply

Money supply (i.e. currency in circulation plus demand deposits with banks) with the public expanded by 13.6 per cent in 1971-72 against 12.5 per cent in the previous year. Monetary resources (i.e., money supply plus time deposits with banks) also recorded a larger rise of 16.2 per cent, against 14.3 per cent last year. The increase in the net bank credit to government, reflecting the widening budgetary gap. Increase in total bank credit to the commercial sector at Rs 788 crores was larger than in 1970-71 by Rs 67 crores. However, there was a rise of Rs 786 crores in the time deposits of banks. A notable feature of the expansion in money supply during the year was that the increase in deposit money was faster than the increase in currency component. Within the area of bank deposits, saving and time deposits have risen much faster than demand deposits. A slower increase in the rate of currency expansion can be explained, according to the Report, by two factors: The transactions demand for currency has increased in

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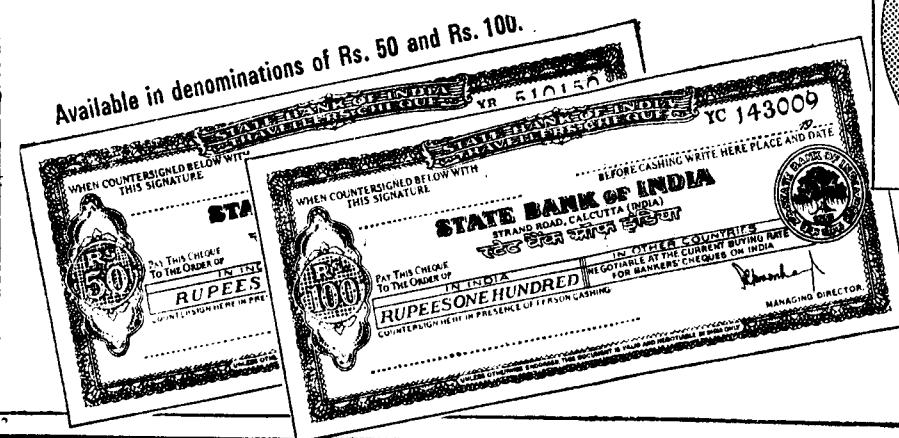
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the aggregate in line with growing economic activity, specially in the agricultural sector. Also, a section of the population which was accustomed to keep its savings in the form of currency has apparently developed the banking habit. This change in the asset preference of the public from currency to deposits is perhaps attributable both to the feeling of security engendered by nationalisation of banks and the attraction of interests yields.

Bank Deposits and Credit

Another significant development during 1971-72 as highlighted in the Report was the highly liquid position attained by the banking system due to accretion of deposits at a rate faster than expansion of bank credit. The aggregate deposits of scheduled commercial banks (at current prices) increased by 21 per cent, as compared with 17.9 per cent in 1970-71, while total bank credit went up by 12.9 per cent (Rs 614 crores) against 13.1 per cent (Rs 550 crores). But, exclusive of food procurement advances, the rise in bank credit was Rs 451 crores (10.3 per cent) as compared with Rs Rs 378 crores 9.4 per cent) last year. Not only was the credit-deposit ratio of commercial banks low in the year under review but their cash ratio also was low. The improved resources position of banks enabled them to step up their investment in government and other approved securities and also to reduce their indebtedness to the Reserve Bank.

Reserve Bank's Policy

In view of the price situation, the Reserve Bank's policy laid emphasis on credit restraint. Simultaneously, measures were also taken to encourage the flow of resources to certain sectors which were in need of credit. Estimates of data for sectoral flow of credit are available upto the end of December 1971. Total advances granted by commercial banks for exports, which had shown a rise of Rs 19 crores in the half of 1971, rose further by Rs 77 crores to Rs 459 crores

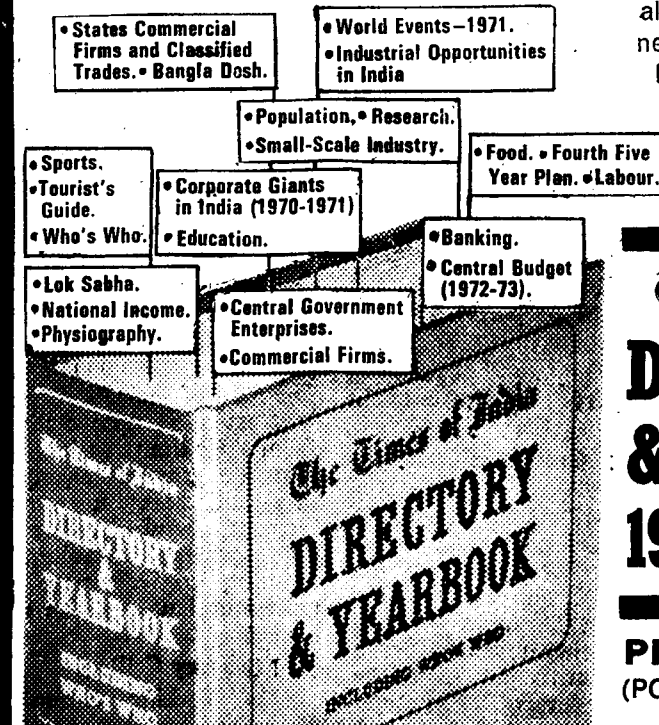
by end-December 1971. During the period end-June 1971 to end-December 1971 commercial banks' credit to other priority sectors (agriculture, small industries, road transport operators, professionals, self-employed, education, retail trade and small business) increased by Rs 77 crores (7.5

per cent) against Rs 143 crores (16.4 per cent) in the corresponding period last year. The lower rise in credit to these priority sectors is attributable partly to the general slack in industrial sector, affecting the output of small industries and partly to the greater attention being paid by banks to the qua-

lity of their lending and strengthening of their organisational structure. Also, the rate of growth in credit, recorded in the period immediately following the nationalisation of 14 major banks could not be sustained, as the base of advances to these sectors which was narrow in the initial period has

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since considerably widened, and therefore, the rate of growth would be necessarily low.

Exchange Reserves, Imports and Exports

Reviewing the external payments balance of the country in 1971-72, the Report indicates that the foreign exchange reserves increased by Rs 59 crores to Rs 846 crores in contrast to a fall of Rs 50 crores in 1970-71. Excluding the special factors — viz., repurchase from and gold contributions to the IMF in 1970-71 and the rise in 1971-72 in the rupee value of the reserve assets held in

currencies whose exchange value appreciated — the reserves would show an increase of Rs 72 crores in 1970-71 and of Rs 43 crores in 1971-72. According to DGCIIS data, import payments rose by Rs 219 crores, while export earnings showed a rise of only Rs 32 crores, resulting in a trade deficit of Rs 286 crores, against the deficit of Rs 99 crores in 1970-71. The growth rate in exports during the financial year 1971-72 was 2.1 per cent, compared to 8.6 per cent in the preceding year. However, a part of the increase in exports in 1970-71 was statistical, arising out of a change in the procedure for recording exports. On this basis, the ex-

port data for 1960-71 may be said to be an overestimate, while those for 1971-72 seem to be an underestimate.

International Monetary Situation

Developments of a far-reaching nature took place in the international monetary sphere. The fluctuations and uncertainties in international monetary arrangements, due mainly to the actions of the US and the UK, had repercussions on trade and on the value of the aid flowing to India. It is in the context of the continued uncertainties in the international monetary field that India and other developing countries have been seeking to be actively

associated with the process of international monetary reform and the continuation of SDR distribution in quantities adequate to meet the developing countries' needs. Having continued the old parity with the dollar until December 1971, the Indian Rupee participated in the general realignment of the international currencies resulting from the monetary agreements of December 1971 and established its central rate for exchange with sterling subject to the accepted margin of 2.25 per cent for fluctuation in either directions. The floating of the pound sterling last June has not resulted in any change in India's position in this regard.

ceilings on urban property. On the basis of this bill, a few states have enacted legislation, while others have introduced a bill in their assemblies.

Meanwhile, some states have indicated their intention in favour of a central legislation, on the subject. The position is that 12 states viz. Andhra Pradesh, Assam, Haryana, Himachal Pradesh, Kerala, Maharashtra, Orissa, Punjab, Rajasthan, Tripura, Uttar Pradesh and West Bengal and the union territory of Goa, Daman and Diu have conveyed their final views in favour of a central legislation.

Of these, 6 states viz. Andhra Pradesh, Haryana, Himachal Pradesh, Maharashtra, Punjab and West Bengal have forwarded resolutions under Article 252 of the Constitution, empowering Parliament to

legislate on the subject.

Gujarat proposes to introduce the resolution under Article 252 of the Constitution empowering Parliament to enact a legislation on the subject, in the ensuing Session of the Assembly.

Assam has introduced the Bill on July 19, Uttar Pradesh on May 9 and Punjab on the May 12, 1972.

Mysore government had stated that it was in favour of state Legislation.

As regards enactment of a central Legislation on ceiling on urban property, the Study Group appointed by the government to go into the question submitted its Report on the April 15, 1972. The Report has been remitted by government to a group of ministers for detailed consideration. The central government may introduce a Bill in the next ses-

sion of Parliament after examining the various recommendations of the Group.

In the background of the developments hitherto some suggestions may be made, *vis-a-vis* the provisions contained in the central and the state legislations on the subject.

1. Urban Area

According to the Central Model Bill an urban area means any area which is within the jurisdiction of a local body and which has a population of 10,000. Areas which are within 8 Kilometers from the local limits of such a body also fall within the purview of the urban area. This definition of the urban area has been emulated by all the states.

The inclusion of a town with a population of 10,000 will make the problem still more complicated. In this connection, it may be recalled that an

Official Committee set up by the Tamil Nadu government went into the question of towns which should be covered by the urban ceiling Legislation. The Committee is believed to have strongly opposed the suggestion that a ceiling on urban property should be applied to all towns with a population of 10,000 or more. The Committee is reported to have emphasized that this would only act as a disincentive to construction activity and will run counter to the state's objective of providing accommodation to the houseless.

In view of the above it is suggested that to make the definition of urban area more realistic, the criterion should be a town or municipality with a population of not less than 50,000.

2. Urban Property

Urban property has been

Ceilings on urban property

What is an "urban area"? What is an "urban property"? What monetary ceilings have been indicated in the bills of state legislatures? How should property in urban areas be valued? In order to provide answers to all these and many other allied questions, the Federation of Indian Chambers of Commerce and Industry has prepared a note which puts together the available information on the subject and brings out the variegated problems which legislation on this knotty subject would throw up. "It may lead to inequity, harassment and injustice on many counts" concludes the FICCI note which is given below in full:—

The idea to impose ceiling on urban property was mooted in 1964 at the Guntur Session of the All-India Congress Committee, in the form of a non-official resolution. It was accepted as a part of the Party's policy programme at its Bangalore Session in July, 1965. In December 1969 a Working Group of senior officials was set up for preparing a comprehensive scheme for the imposition of the ceiling on urban property. The Working

Group, *inter alia*, examined the following main questions:

I. Fixation of monetary ceilings and legislative competence of Parliament and/or state Legislatures.

II. Imposition of a tax on urban property held in excess of the monetary ceilings and the levy of an additional estate duty on urban property passing on the death of a person.

III. Restrictions on the transfer of property in excess of the ceilings.

IV. Compulsory acquisition of property by government in excess of the ceilings.

Working Group's Recommendations:

In regard to competence of Parliament and/or state legislatures to fix the ceiling, the Working Group came to the conclusion that under the constitution, the subject fell within the exclusive purview of the state Legislatures. The states were free to legislate on the subject. However, Parliament could take action only when under Article 252 of the Constitution, a resolution was passed by state Legislatures and forwarded to the Parliament.

In regard to other three points, that is, levy of a tax on urban property held in excess of the ceiling and levy of an additional estate duty on urban property passing on the death of a person; imposition of restrictions on the transfer of

of excess holding; and compulsory acquisition of property in excess of the ceilings, the Working Group felt that Parliament had the competence² to legislate.

The other important points on which the Working Group expressed its opinion are given hereunder:

(a) Urban Area

In its Report, the Working Group suggested that the ceilings should apply only a such urban local bodies as have a population of 10,000 or more. The area of such local bodies was extended upto eight km. from their limits as it was felt that the grant of exemptions may lead to large unearned increments accruing to those who hold or have acquired land awaiting conversion to non-agricultural use on the urban fringe.³

(b) Monetary Ceilings

The Working Group was of the opinion that it was not possible to adopt a uniform basis for applying the ceiling in physical terms, and that a ceiling expressed in monetary terms⁴ would be more rational. It was also considered desirable to have an upper limit for families having more than five members.

(c) Individuals share in properties held by other legal entities

The Working Group suggested that the ceiling should be reckoned not only with ref-

erence to the property held by an individual in his own name, but also other properties owned by him indirectly through other forms of ownership. In view thereof, it suggested that properties owned by an individual indirectly through HUF, partnership firms, association of individuals, etc., should be taken into account in determining the monetary ceiling.

(d) Exemptions

The Working Group felt that certain categories of properties may have to be exempted wholly or partly from the purview of the proposed ceilings as they "subserve desirable social and economic purposes". It was, therefore, suggested that urban land and buildings as also plant, machinery and other fixtures or those contained in a building and used for trade, industry education and similar productive activities should be treated differently from urban property used for residential purposes. This was considered to be in the interest of promoting economic activities. At the same time a cautious approach was recommended as exemptions on a large scale were likely to encourage attempts at avoidance and evasion.

Legislations on urban property ceilings

Subsequently, the government of India circulated to states a draft model bill on

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defined in all the bills of state and the centre as all lands and buildings (including any rights therein) situated in the urban area. In view of the suggestion (contained in the following para) that the ceilings should not be applied to properties used for commercial and industrial purposes, as also shops, factories, offices, cinemas, hotels, restaurants and business establishments, the definition of "urban property" needs to be revised to include only "residential houses within the urban area".

3. Exemption of certain properties

A very important point that needs to be considered relates to exemptions necessary for economically and socially desirable uses of urban property. The Central Model Bill exempts only the following properties from the purview of the legislation:

(1) Properties held by widely-held companies i.e. public companies, the shares of which are quoted on a recognised Stock Exchange.

(2) Any public charitable or religious trust.

(3) Any co-operative society (registered under any law relating to co-operative societies) other than a co-operative housing society engaged in any business or industry.

(4) Any club formed by association of individuals on mutual non-profit basis.

(5) Government institutions and companies, etc.

(6) Any urban property, being a building built for the accommodation of the poorer sections of the society in accordance with the schemes approved by the government.⁶

Following the Central Model Bill, the states of Assam, Jammu & Kashmir, Punjab and UP⁷, do not grant exemptions even to such properties as are used or let out by the owner himself exclusively for such economic, commercial and business purposes as are in the interest of advancement of economic activity.

It will be recalled that even the Working Group which went into the question of ceiling on urban property had ex-

pressed the view that due to economic considerations, also urban land and buildings as also plant machinery and other fixtures or those contained in a building and used for trade, industry, education and similar productive activities should be treated differently from urban property used for residential purposes so that there is no likelihood of any disruption or slackening of economic activities. Further, as the requirements of land and buildings for these purposes depended on the nature and size of the urban centre where the activity was carried on, it was found undesirable to prescribe uniform separate ceilings and exemptions were suggested for properties used for such purposes.

The Working Group's recommendations in this behalf have, however, been incorporated by a few states,⁸ with some reservations. However, almost all the states⁹ follow the Central Model Bill insofar as inclusion of properties within the ceiling limit, by a Private Limited Company is concerned.

In fact, to have a rational basis for ceilings on urban property, a distinction need be made between residential and non-residential buildings. The ceilings should be imposed only on the residential buildings. All non-residential buildings used for the purposes of industry, commerce, trade or business, profession activity, whether by an individual, firm, private company, HUF, or a public limited company should be exempt. It is, therefore, suggested that all properties in the urban areas, used for the purposes of—

(i) Factories and industrial establishments,

(ii) Shops, godowns and commercial establishments,

(iii) Offices, hotels, restaurants, cinemas and other business establishments,

should be exempted from the provisions of the Act. It is necessary to treat such non-residential buildings differently than the residential buildings, in view of their use for productive purposes.

Similarly, individuals, firms

and companies etc. engaged in the sale and purchase of property or as colonisers and financiers, advancing loans against properties, and for whom urban property may constitute as their stock-in-trade, should be exempted from the purview of these limits.

4. Single Units of Residence

In view of the low monetary ceilings in some of the states and comparatively low ceiling proposed for the Central model Bill it is likely that many single units of residence may come within the purview of the ceilings. In quite a large number of cases it may be found that such units of residence are not capable of physical division without consequential damage to the value or the utility of the property or without disruption of the normal and regular activities carried thereon.

In this connection the provisions in the various State Bills and the Central Model Bill fall into four categories:

I. In some states (Madhya Pradesh, Rajasthan) the competent authority may allow such person to retain urban property in excess of the ceiling upto a maximum of five per cent¹⁰ of the limit. There is *status quo* in the ownership and the owner may be required to pay certain additional tax.

II. In UP there is no provision for a marginal increase in the ceilings. But in the case of all single units used immediately before the date of acquisition by its owner for purposes of any trade commerce business industry profession, or as a single unit of residence which is not capable of physical division, the owner has to make an application to retain the surplus property as a tenant of the government. The tenancy of the surplus urban property expires upon the said person or his successor-in-interest abandoning the use of such urban property for the said purpose.

III. In Assam, the provision is still more stringent. In all cases where the acquisition of the excess property is not possible without causing damage to

the base property, the state government has the right to acquire in addition the entire base property or such portion thereof so as to avoid damage to the urban property. Thus instead of giving some concession to the owner, the state will be competent to acquire even such property which is within the ceiling limit.

IV. Some other states (Bihar, Jammu & Kashmir, & Punjab) have not made any provision to deal with such indivisible units. The Central model Bill also did not deal with this issue.

In fact, the problem of single indivisible units deserves special consideration. The 5 per cent marginal increase allowed in the Madhya Pradesh and Rajasthan laws is negligible. In view of the low monetary ceilings, the marginal increase should be at least 20 per cent.

The provision in UP is far from satisfactory. The owners of single units should be allowed to retain their ownership after payment of some nominal additional tax.

The provision in Assam law may prove to be discriminatory inasmuch as in the case of single units of residence it takes away even that portion of the urban property which is within the monetary ceiling prescribed by law. The balance of convenience should be tilted in favour of the owner who has spent his hard earned money in the construction of such units, and by paying certain additional tax, he should be allowed to retain such indivisible unit, the value of which may be a little more than the prevalent monetary ceilings.

The centre is yet to deliberate on the subject of indivisible units.¹¹ It is, therefore, suggested that in the Bill a provision should be made so that the owner is allowed to retain such indivisible units by paying some nominal additional tax.

5. Monetary Ceilings

The Monetary Ceilings provided in the various bills of the state Legislatures range from a minimum of Rs two

lakhs for a family of five in Bihar to an overall ceiling of Rs 7½ lakhs in Jammu & Kashmir. It may be noted that property values vary not only from town to town but also from one area to another in the same town or city. Property values are also subject to frequent fluctuations depending on demand and supply. It is, therefore, suggested that the monetary ceilings should be fixed fairly high and in relation to the existing market values.¹² These should be subject to periodical review. The provision regarding periodical review is missing in the various bills passed/introduced in the state Legislatures. The same should be provided for and a 20 per cent increase in the monetary ceiling should be allowed at the time of every review so that the properties which are once within the ceiling, are not sliced off at the time of such review. The 20 per cent increase in the monetary ceiling will make for adjustment in value on account of rise in prices.

6. Definition of Family

Following the Central Model Bill the states of Assam and Jammu & Kashmir have provided that family will mean and include a Hindu undivided family. The definition is not realistic in view of the lower monetary ceilings sought to be imposed under the various property ceiling Bills. It is, therefore, suggested that a family should be defined to mean a person, his or her spouse and minor children. Adult sons or daughters whether married or not, should be considered as separate units. This definition has been adopted in the case of agricultural land ceilings also.

7. Share of Individuals in other Legal Entities

Following the Central Model Bill, the legislations proposed in the various states provide that in determining the monetary ceiling the right or interest of any person or family in the properties owned by HUFs, firms, societies, associations of individuals (whether incorporated or not),

closely held companies and private trusts shall be taken into account.

While it is understandable that an individual's share in the properties owned by the HUF may be taken into account in determining the monetary ceiling, it is patently illogical to reckon the individual's share in the properties owned by other entities. The anomaly of inclusion of individual's share in the properties owned by other legal entities may be illustrated.

(i) Individual's Share in Partnership Firms

For instance, a firm consisting of four partners own property worth Rs 20 lakhs. The share to be allocated to each partner works out to Rs 5 lakhs, which may be considered the highest monetary ceiling. This means that a partner cannot own, in his individual capacity any property even for his own residence. The provision proves to be harsher where the ceiling is below Rs 5 lakhs. In such cases, even if the partner may not own any individual property, government may still realise the excess property which he has as a partner of a particular firm. Consequently, the partnership firm will have to part with some of its property, leading to disruption of its business. This may affect overall trade and business in the country. It is therefore, suggested that a firm should be considered as an independent unit and the properties owned by it should not be included in computing the monetary ceilings of individual partners.

(ii) Private Limited Companies

Again, the provisions of almost all the state legislations (Save Madhya Pradesh) as also the Central model Bill, include in the monetary ceiling the share held by an individual in the properties owned by private limited companies. The position that a shareholder has no interest in the property of the company, though he has undoubtedly a right to participate in the profits, if and when the company decides to distribute them, has

been well established since the decision in the case of *Salomon v. Salomon & Co.* (1897). He has a further right to participate in the assets of the company in the event of winding up. Thus, the company has been considered as a juristic person which is distinct from the shareholders. The legislation regarding urban property ceiling seems to lift the veil of corporate entity by ascertaining the individual's share in the properties owned by the company and including the same in the computation of monetary ceiling of the individual. In fact, the Supreme Court has clearly laid down the cases where the veil of corporate entities can be lifted. In a recent case it stated that the exceptional cases where the Court is entitled to lift the veil of corporate entity and to pay regard to the economic realities behind the legal facade are very limited. It was stated that corporate entity will be disregarded if it is used for tax evasion or to circumvent tax obligations.

It is doubtful whether courts will allow that the provisions of the urban property ceilings disregard the legal entity of the company and consider the properties owned by the private companies as the property of the individuals, who are members of that company. It is, therefore, suggested that as in the case of Madhya Pradesh, the Central Bill as also the state Bills should not include the rights or share of an individual in the properties held by private limited companies, while computing the ceiling of that individual.

(iii) Widely held companies

"Widely-held Companies" have been defined to include only such public companies, the shares of which are listed on a recognised Stock Exchange in India, in accordance with the Securities Contracts (Regulation) Act, 1956 and the Rules made thereunder. The provisions may prove to be very harsh inasmuch as there may be many public companies which may not be listed on any recognised Stock Exchange in India but at the same

time the shareholding of such companies may be quite diffused, and could, by no stretch of imagination, be deemed as closely held companies.

It should, therefore, be provided that the share of an individual in the urban properties owned by all public limited companies, irrespective of the fact as to whether their shares are listed on a Stock Exchange or not, shall not be included while computing that individual's monetary ceiling.

8. Transfer of Excess Urban Property

In the various state legislations, it has been provided that individuals holding property in excess of the ceiling will submit a statement, *inter alia* containing the particulars of the urban property which such persons desire to retain, within the ceiling. It has been further provided that after hearing the party the competent authority shall decide the excess properties which may be acquired. The provision gives arbitrary power to the competent authority to decide as to which property within the ceiling may be left over to the individual and which property may be acquired by the government. In fact, there is need for a clear cut provision that an individual shall be entitled to retain the property of his choice (within the ceiling) unless there is any reason justifying the government not to accede to the choice.

9. Properties not required for Public Purpose

Again, when an individual files the statement of excess property held by him the competent authority has to notify to the owner its decision regarding acquisition of such property. In cases where the individual is notified that property is needed for a public purpose, the same may be acquired by government. But in cases where the government decides that no public purpose exist necessitating acquisition of such excess properties, an individual is free to dispose them of in such manner as he likes, fail-

ing which a rate equal to the rental value of the property is to be charged from the owner.¹³ This tax is to be levied over and above the other taxes like municipal taxes etc. Presumably, the owner continues to pay wealth tax on the excess property under the Wealth Tax Act. There is thus a double charge on the same property, one under the Wealth Tax Act and the other under the proposed legislation relating to ceiling. In fact, the total impact of all these levies will be that for all practical purposes the excess property will, in course of time, belong to the government without payment of any compensation or amount. The provision virtually amounts to confiscation. Property, the acquisition of which has not been considered in the interest of the public, should be allowed to be retained by the owner without payment of additional tax.

10. Valuation of Property

For ascertaining the value of property, the Central Model Bill and Bills of states provide that the competent authority may determine the same in such manner and by such means as may be prescribed. In this connection, it may be submitted that property is valued by a municipality every five years for the purposes of collection of house tax and water-tax. Property is again valued for the purposes of the Wealth Tax Act. The multiplicity of valuation is added by another valuation that may be adopted for the purpose of urban property ceilings. This multiplicity of valuation even now causes harassment to the property-owner and has a tendency to be computed on the higher side. A property-owner is driven to endless litigation merely because an inflated value has been determined for the property owned by him. It is, therefore, only appropriate that the valuation made by municipal authorities should hold good for all other purposes as well, including the urban ceiling.

11. Principles of Compensation

The various state legisla-

tions have adopted different principles of compensation. The modes of payment are also different. There should be uniformity in regard to principles of compensation and the mode of its payment. It is suggested that compensation should be paid for any excess over the ceiling acquired by the government on the basis of 20 times the rateable value of the property and that the payment should be made in lump-sum, in cash. In case the compensation is given in the form of bonds, these should bear interest on the basis of prevalent market rates. It may be noted that the current market rate of interest is more than 12 per cent.

12. Retrospective Nature of the Legislations

The various state Bills, save Madhya Pradesh, provide for regulating transfers of properties from some earlier date than the one on which the Act may come into force. The Assam Bill covers transactions relating to transfer of urban property, with effect from June 1, 1972, Bihar from September 9, 1970, Jammu & Kashmir from April 1, 1969, Punjab from August 29, 1971, Rajasthan from January 1, 1972, UP from April 1, 1969 and the Central Model Bill from April 1, 1969.

The provisions giving effect to the legislation from a date earlier than the date on which the legislation may come into force, will be harsh. For instance, a property may have changed hands during this period for some very genuine reasons, e.g. to pay off outstanding dues of income-tax or other liability, for a marriage in the family or due to illness and the like. In such cases, if the property transferred during this period were to be considered as the property owned by the individual who has transferred it, the provision would prove to be not only onerous for the individual but may not also stand the scrutiny of the courts.

In view of this any property which has been *bona fide* transferred for full consideration,

should not be taken into account in considering the ceiling to be applied to any family. In fact, there is no justification for prohibiting such transfers retrospectively, for if the concept of the ceiling is quality of wealth, then the transfer takes away from the family any accumulation of wealth in the shape of immoveable properties.

It is, therefore, suggested that the law should be made applicable as from the date of the coming into force of the enactment.

The legislation in respect of urban ceiling bristles with variegated problems. It may lead to inequity, harassment and injustice on many counts; also it may further widen the floodgates for corruption and favouritism. Since the governments are already committed to the concept of urban ceiling; it will be worthwhile if the matter is broached with moderation, caution and circumspection.

References :

(1) Article 252 of the Constitution reads as under :

"(1) If it appears to the Legislatures of two or more States to be desirable that any of the matters with respect to which Parliament has no power to make laws for the States except as provided in articles 249 and 250 should be regulated in such States by Parliament by law, and if resolutions to that effect are passed by all the Houses of the Legislatures of those States, it shall be lawful for Parliament to pass an Act for regulating that matter accordingly, and any Act so passed shall apply to such States and to any other State by which it is adopted afterwards by resolution passed in that behalf of by the House or, where there are two Houses, by each of the Houses of the Legislature of that State."

The Article also provides that such Act can be amended or repealed only by an Act of the Parliament passed or adopted in like manner and not by an Act of the State Legislature.

(2) The Working Group felt that these items are covered within the Entries 86, 87 and 97 of the subject on which the Union has the competence to legislate and Entries 6 and 7 which fall within the purview of the Concurrent List, where the law passed by the Parliament overrides that of the state Legislatures.

(3) Based on the figures of 1961

Census, it was estimated that land and buildings situated in about 1200 urban bodies out of 2007 would come within the scope of the proposed legislation. The number of such bodies would be much larger according to the 1971 Census.

(4) Unlike the criteria adopted for determining the ceiling on agricultural holdings, the criterion of income derived or likely to be derived from urban property was not looked into by the Group. In fact, in some cases a property may have a high potential value but income derived there from may be negligible.

(5) The state Legislatures of JK Bihar, Madhya Pradesh and Assam have already passed these Bills in their states.

(6) It is understood that this provision will cover low income group housing schemes.

(7) In UP industrial undertakings defined in Sec. 2 of the UP Public Moneys (Recovery of Dues) Act, 1972, cinemas and theatres have been exempted from the provisions of the Act.

(8) Bihar, Madhya Pradesh, Rajasthan.

(9) Save Madhya Pradesh.

(10) There is, however, no provision to deal with such indivisible units if the same is of the value of more than 5 per cent of the ceiling limited. In the circumstances, it is not clear whether the government would become co-owner with the person whose property is being acquired, and if so, would the rent of the property be recovered and the property otherwise managed jointly by the owner and the government, or how otherwise would the government become the owner of the excess.

(11) The existing clause 9, that the government shall acquire every urban property declared to be in excess of the ceiling limit needs to be modified, not only to provide for marginal cases but also where the physical division of a large indivisible unit may not be possible, without causing damage to the property.

(12) This point has a particular bearing when one considers the values of immovable properties in Bombay, Calcutta, Delhi and other large cities having commercial importance. It is understood that in Bombay even the government have recently agreed to transfer land at several thousands of rupees a square meter in a fast growing commercial locality.

(13) See clause 14 of Assam Immoveable Property (Ceiling) Bill, 1972, clauses 13 & 20 of the MP Urban Property Ceiling Bill, 1972.

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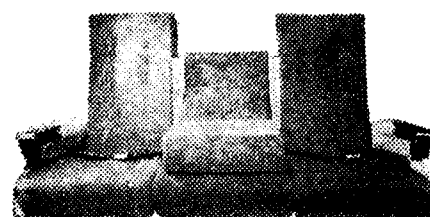
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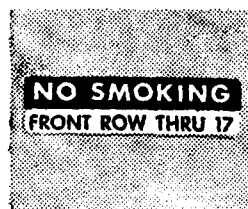
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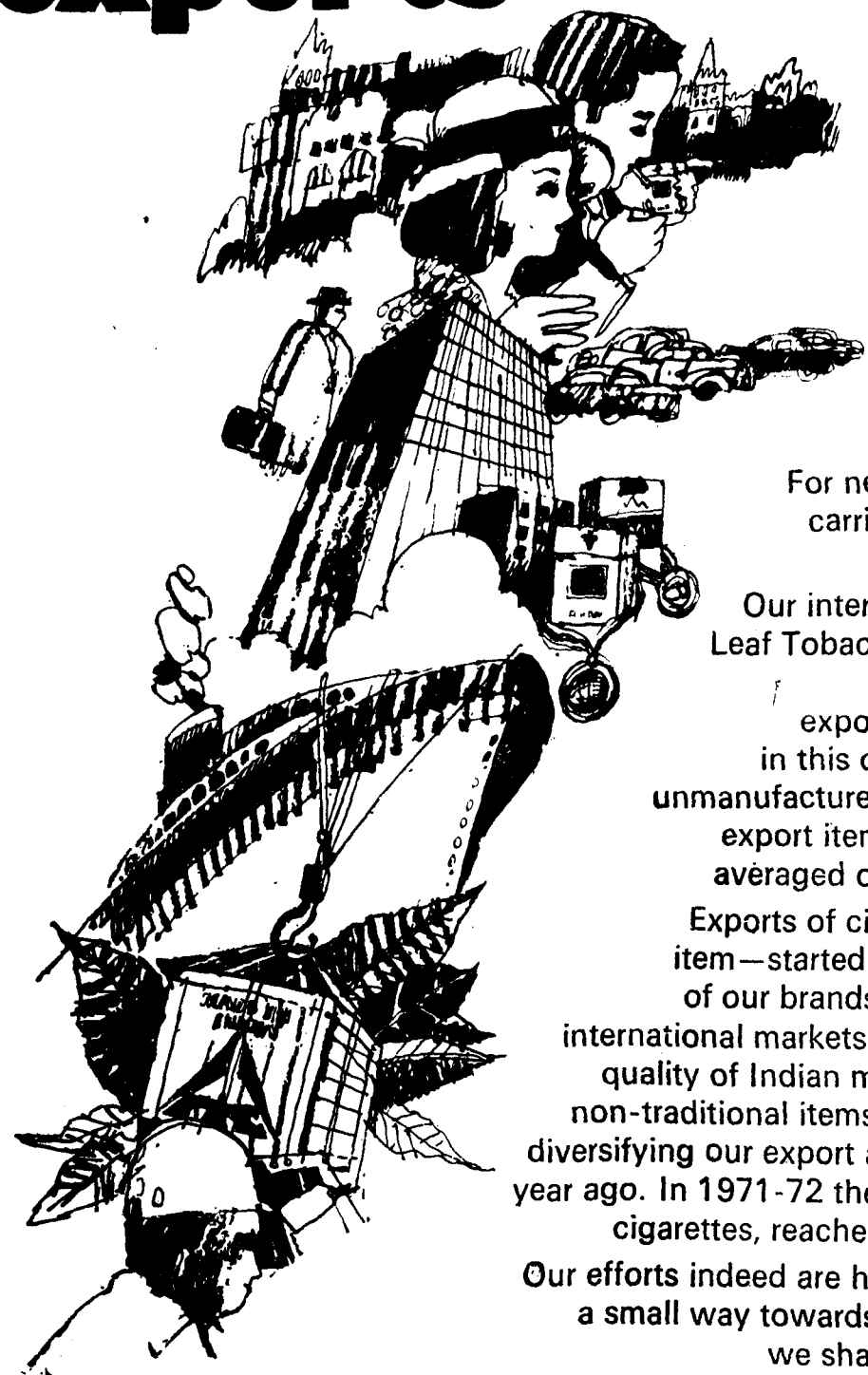
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Food and the priorities

THE GOVERNMENT of Maharashtra has been the first state government to hoist definite distress signals over the food situation. There have been uneasy reports for some time now that scarcity conditions are emerging in parts of this state, but even the regional press has not been particularly informative so far. The chief minister, however, is now applying formally and openly to the centre for relief operations. It is high time that the public, both within the state and outside, had been taken into confidence regarding the probable magnitude of the rescue effort that will have to be mounted for the benefit of the people in the drought-affected areas.

It should be easier to assess the extent of the food difficulties in Maharashtra than to evaluate the nature of the food problem the country as a whole may face due to a less-than-satisfactory kharif season. As a matter of fact the government's statistics have tended to gyrate crazily, with the shortfall in kharif grains being placed all the way down from 15 million tonnes to about half that quantity. The plain fact seems to be that the government has just not been able to decide which estimate to put its faith in or which figure to sponsor for public consumption. In the circumstances, both the treasury benches and the opposition groups in Parliament have been able to enjoy themselves hugely, playing politics with food statistics, even if not yet with food itself.

Meanwhile a bemused country has been left to make what it may of the possibility that the government may soon be casting about in world markets for dear grain supplies in the very year in which the prime minister has decreed that the country must be deemed to have become self-sufficient in food and the Planning Commission has dutifully proclaimed a newer and brighter era of national economic self-reliance. In the circumstances — and given the extreme vagueness and the air of unreliability about estimates of the kharif shortfall—the public is in no position to form an informed opinion on whether imports are needed and, if so, on what scale or, whether the imports, assuming that they are necessary, have become so not because of the weather damage to the kharif crops but simply because the government needs to cover up the bungling in the Food Corporation of India. Not very long ago, when fear of possible damage to the kharif harvest was more acute than it has been since, New Delhi was assuring the country that the Food Corporation had reserves of nine million tons of foodgrains with which it could not only help maintain an adequate flow of supplies throughout the country, but also stabilize prices at reasonable levels. About half of those stocks has been drawn down since and the government's self-confidence, too, seems to have diminished as much as fast.

This is the time for the public to keep a head over its shoulders. If, in the coming weeks, scarcity conditions were to break out in some other states as they have done in Maharashtra, the nation must accept the necessity, however bitter, of its having to import a certain quantity of foodgrains for warding off near-famine conditions in the affected areas. Otherwise, it must insist on the central and state governments husbanding domestic supplies as efficiently as possible so that its food economy may be enabled to hold out until the rabi grains are gathered in.

Above all, the country ought to make up its mind here and now that it will not tolerate continued institutional bungling by the government, central or state, in handling the food supplies of the people. This is not the time, surely, for the state to assume extended responsibilities for direct food distribution since it is just not in a position to discharge them honourably or well. Fortunately, the governments of Mysore and Gujarat have been quick to see the writing on the wall. The adventurists or opportunists in the more vocal circles of the ruling party would only be aggravating the food difficulties of the nation if they were to succeed in pressurizing the leadership to reiterate the unrealistic mandate to state governments to take over the wholesale trade in foodgrains and organize large-scale direct distribution or retailing. Considering that the resources of the state governments concerned are likely to be fully stretched in running relief operations in scarcity areas, while those of surplus states should be properly geared to mobilising surpluses for the use of deficit regions, it would be an act of unwisdom on the part of the central government to contrive deliberately the extensive dislocation of the normal trade channels for the alleged purpose of bringing down the general level of food prices or meeting the consumption needs of the poor and vulnerable sections of the population throughout the country.

Objectively, whatever the government may attempt to do or may not, food prices will tend to thrust upward until the anxious speculation about the food outlook which,

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in part, has been artificially engendered, has subsided or the promising rabi prospects are realized. By the same token, there is no sense in talks of raising the food consumption levels of the poor throughout the country in a period when the government may well have to import grain in order to sustain relief operations

in drought-hit areas. The government's and the people's priorities, here and now, therefore can be only these: (a) organize drought-relief to the extent necessary; and (b) aid and assist farming communities to go after as large a rabi harvest as possible. All else would be irresponsible politics.

Drift in West Bengal

THE VISIT of Mr C. Subramaniam, the union Minister of Industrial Development, to Calcutta on November 10 and 11 provided an opportunity to the local chambers of commerce to exchange ideas with him on matters relating to West Bengal's industrial development. But the discussions do not seem to have produced any clarification from the minister about industrial policy or any assurance from him regarding measures to speed up the state's industrial growth. The industrialists complained about the severe handicaps arising from the scarcity of raw materials and power, and the operation of the monopolies legislation. But Mr Subramaniam could not say anything definite about these problems, beyond telling the chambers that the union cabinet would shortly consider his note on the proposed changes in industrial policy. The discussions revealed that neither the government of India nor the state government had really given serious thought to the industrial expansion of West Bengal where the problem of unemployment is daily becoming more acute.

Mr Siddhartha Shankar Ray, the chief minister, who also attended the meeting between Mr Subramaniam and the chambers, suggested that a definite and clear decision had to be taken on whether or not the monopoly houses in West Bengal should be allowed to expand when two-thirds of such large houses in the country existed in this state. He said that industrial expansion, increase in production, and employment for the jobless would be easier if the large houses were allowed to expand. Mr Ray gave the impression that while he was anxious to encourage the large houses, New Delhi was standing in the way. But the state government itself has been quite lukewarm in its attitude towards expansion by the large houses. In fact, the chief minister, by some of his recent speeches and actions, has given the impression that the state government is not going to take any initiative in creating conditions conducive to the expansion of activity by the large business houses. Mr Sanjoy Sen, a leading industrialist, told

Mr Subramaniam about the "crisis in confidence" that continued to prevail in West Bengal. To the creation of this crisis, the contribution has come not only from New Delhi but from Mr Ray's government. Mr Sanjoy Sen said that after the government had taken over the management of some viable units, the entrepreneurs felt shaky and many preferred to sit on the fence until a clear picture emerged. But neither Mr Subramaniam nor Mr Ray seems to be in a hurry to dispel these misgivings and create a climate of confidence in a state where there has been a prolonged and persistent stagnation in industrial growth.

Mr Subramaniam suggested that a new dynamism would have to be introduced in the industries in West Bengal and that priority should be given to activating them before setting up new units. He said that the industrial units should take up planned modernisation and diversification and stressed the need for spreading out industries in the rural areas. But the industrialists wondered how these objectives could be achieved in the present conditions of uncertainty. They told Mr Subramaniam that a decision on 160 licences was still pending with New Delhi. The minister declared that not only these but future applications for licences would also be issued expeditiously. Such assurances had been given many times before but delay continues to frustrate entrepreneurs.

Mr Subramaniam said that in the last six months there had been a definite improvement in the supply of raw materials especially steel to West Bengal. But Mr Tarun Kanti Ghosh, the state Minister for Industry and Commerce, promptly contradicted him by saying that the state was getting only 50 per cent of what it used to receive in 1966. An industrialist pointed out that of West Bengal's total requirement of steel, only 11 per cent was available. Mr Subramaniam commented that other states might be getting less than West Bengal. But is this any consolation to West Bengal where a large number of industries continue to work with considerable idle capacity due to want of steel and other raw materials?

The inadequate availability of electricity was also brought to the notice of the

union Minister for Industrial Development. Mr Subramaniam said that greater attention should be given to the proper functioning of the existing power plants and the transmission system and an equitable distribution of electricity. But the problem of maintaining the power plants has not been easy because of labour's reluctance to co-operate. Because of inter-union rivalry and a general sense of indiscipline, the power plants in West Bengal both in the public sector and in the private sector have been unable to operate efficiently. Mr Sachindra Chaudhuri, the Chairman of the Calcutta Electric Supply Corporation, said at its annual meeting held on November 10, this year that in 1971-72 the emoluments of the workers were increased by Rs 150 lakhs but their co-operation was not readily forthcoming. He pointed out that some sections of the company's labour force continued to resent the restriction of overtime "within reasonable limits". The workers were also opposing the installation of a modern computer and therefore the efficient working of the Corporation suffered. "Allocation of expenditure is still done manually and is consequently much in arrear", said Mr Chaudhuri. In the public sector power plants the labour situation has been much worse. The West Bengal Planning Board is reported to have calculated that the total deficit in power supply this year will be more than 350 MW. In this background, it is not clear to what extent industrial revival and expansion can take place speedily in the coming months.

The problem of unemployment in West Bengal continues to cause concern to the state government. But, unfortunately, the government seems to concentrate its attention not so much on the creation of new opportunities for employment as on compelling employers to give preference to the local people. The government does not appear to realise that the state's unemployment problem cannot be tackled so long as no fresh investment is taking place in a big way. Even professors of Economics who may be expected to view problems from a realistic angle have been pleading for giving preference to the local people in employment rather on measures to speed up the state's economic growth.

For example, the Society and Commerce Group which has been recently set up by some professors of Economics has suggested the constitution of a board by local chambers of commerce to give employment to the local people at least to the extent of 90 per cent of all appointments with emoluments upto Rs 800 per month. The Group has estimated that a minimum of 85,000 to 135,000 jobs can be offered annually to the local people in the existing establishments in the private and public sectors. The Group does not seem

to appreciate that the implementation of its proposal will create many practical difficulties, besides giving a fillip to petty parochial feelings. Advertisements for clerical and many other types of jobs bring in several thousands, even lakhs, of applications and it is extremely difficult to sort them out and make the selection. The employment exchanges continue to be ill-equipped even to perform their normal functions. How will they cope with the

Electronics : strategy for exports

THE CONVENTION on exports of electronics organised by the Trade Development Authority (TDA) in the capital on November 18-19 was a bold attempt to bring together all the associations of manufacturers of electronic goods in this country and the policy-makers in the government so as to discuss the ways and means for accelerating the rate of growth in exports of the products of this sophisticated industry. The value of exports of electronics goods in 1970-71 was about three crores of rupees out of a total production of Rs 175 crores i.e. less than two per cent of the total output. The world trade in electronic products is currently of the order of Rs 2,250 crores which implies that our share in this trade is almost negligible. Even the target of exports valued at Rs 75 crores for 1975 set by the TDA is not significantly large. If the world trade in electronic goods in 1975 remained unchanged at Rs 2,250 crores, and this country succeeded in attaining the target of exports set by the TDA, our share in world trade of this industry would be hardly 3.3 per cent.

The scope for increasing exports of electronics goods depends by and large upon the capacity of the industry to expand its area of production covering all the important sectors such as radio, television, computers, tape recorders, desk calculators, medical equipment, machine tool equipments, navigation equipment and many others where electronics has found new applications. The backbone of the electronics industry is still the entertainment sector, especially the radio industry which has experienced a prolonged stagnation. While the production of radio sets — including transistor sets — has not dropped in numbers over the past few years but the sale price per unit has been on the decline with the result that the money value of the transactions of

situation if employers are compelled to recruit only through them? All this shows that Mr Ray's Ministry though it has completed over six months in office has not yet given proper thought to problems of industrial development and employment. It is time that Mr Ray and his party tackled them with speed and realism so that some favourable impact can be made on the state's economy in the next few months.

this industry has been dropping year after year. The small-scale sector in particular received a setback after 1965 when the large-scale units were authorised to manufacture the low-priced sets — an area which had been reserved earlier for the small-scale manufacturers. Because the crisis in the radio industry was not resolved till 1970, the government of India appointed a special Electronics Commission under Prof. M.G.K. Menon, Director, Tata Institute of Fundamental Research, "to review the entire field of electronics with regard to research, development and industrial operations, with full authority to formulate policy in this field and to direct implementation on sound technical and economic principles". During the past 18 months the Electronics Commission has been trying to grapple with the numerous problems which the electronics industry faces currently though in the meantime the rate of growth of the industry has slowed down. It had been anticipated that the total value of electronics goods produced in this country would rise from Rs 175 crores in 1970-71 to Rs 225 crores in 1971-72. Latest estimates indi-

cate that the value of output in 1971-72 was not more than Rs 185 crores. This is indeed far removed from the pace of expansion anticipated by the Bhabha Committee which had indicated that the industry would double its production every five years.

The Electronics Commission has made some progress in regard to analysing the problems facing various sections of this industry. The chairman of the Commission, Prof. Menon, has started with the preparation of a data bank in the absence of which it was difficult for him to take any long-term decisions. He has moved cautiously and has taken some decision which may not hasten the expansion of the industry immediately but would certainly lay the foundations for faster growth in the next few years.

An important announcement was made at the convention by the Minister for Foreign Trade, Mr L.N. Mishra, regarding the electronics project at Santa Cruz. He said that the government had approved the 100 per cent export-oriented project evolved by the TDA for the establishment of an export processing zone near Santa Cruz airport. The chief merit of this project is that it lays great emphasis on technology rather than repetitive operations. It would encourage the manufacture of electronic products instead of their pure assembly. The foreign collaborators would bring in technical know-how and make use of the professional electronic skill which is available in abundance in this country. It was also made known that the sale of electronic products by

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DECEMBER 5, 1947

What are the prospects of economy? It is rather unfortunate that the Finance Minister has not said anything helpful on this point. The only remark which he allowed himself was in fact definitely discouraging. If he seriously believes that the expenditure on civil administration is not unduly high and if he has nothing to say on the scope for economy in any other direction, we are constrained to remark that his assurance of tax relief loses a good deal of its validity. It is possible that Mr Shetty has not had time to address himself to this question of economy; in

which case, we would urge that it is among the most urgent issues, which should claim his attention between now and next February. If our analysis is correct, the mere reduction and ultimate disappearance of 'abnormal' expenditure on food imports and refugees—even supposing that this disappearance actually takes place in time to benefit the national fisc in the financial year 1949-50—will not automatically make it possible to provide tax relief to industry; it is of course needless to say that a deficit cannot be budgeted for mercy with a view to providing that relief.

Indian manufacturers to the Santa Cruz units would be deemed as exports. If this project turns out to be a success, the government is likely to set up four to five similar export processing zones in other parts of the country.

Discussing the role of the large-scale sector in the export of electronics, Mr S. Pandit (Director, Philips India) said that "export is a function of large-scale sector though in the context of exports, this sector as yet does not exist in India". He also hastened to add that even large-scale manufacturers in this country were indeed small-scale by world standards and not up to international standards in mass production techniques. He deplored the futile controversy between the large-scale and small-scale sectors because "the resources of large-scale sector can always be employed profitably to build the small-scale sector industry". He advocated a synthesis of the two sectors in the larger interests of the country which would help in creating a strong base for exports instead of relying on chance exports to such countries as the UAR and Sudan. He further urged that if this country had faith in exports, it must demonstrate it by establishing export-oriented manufacturing capacities and not treating exports as an after-thought for products not designed with an eye on the world market. He also stressed the need for building an image for such an export-oriented industry in the overseas markets.

Almost all the speakers commented upon the sophisticated character of the electronics industry and the hazards faced by manufacturers due to the high degree of obsolescence. Mr Gurpreet Singh (Managing Director, Continental Device) referred to the small number of manufacturers in active electronic components and their incapacity to keep pace with technological developments abroad. There is no doubt that some units in this country have acquired capabilities for the manufacture of diodes and transistors (discrete devices) but there is no capacity for the development and manufacture of basic integrated circuits, MSI and LSI circuits. The absence of these sophisticated components and circuits, in the view of Mr Gurpreet Singh, "is a great impediment in encouraging exports. Moreover, in the

world market, every new electronic product has a life cycle; if a unit manufactures and exports it in the beginning stages of the upswing, there is a high margin of profit. Prices start declining as the product covers a part of the life cycle. It means that the Electronics Commission has to act quickly and take prompt decisions on applications of the manufacturers and the exporters. The semiconductor industry of this country entered the export market when the discrete devices had seen the best of their life cycles and were selling at rock bottom prices. "Delays in the implementation of programmes for manufacturing more sophisticated devices will make it increasingly more difficult for Indian manufacturers to be truly competitive at any level of sophisticated technology", added Mr Gurpreet Singh.

That this country is still lagging behind in the manufacture of sophisticated electronic equipment such as colour television, industrial electronics, computers, electronic domestic appliances and components is a fact and was stressed by more than one participant in the convention. It is now for the Electronics Commission to evolve

a strategy to raise the level of technical know-how in this country. Some decisions taken by it have had, without doubt, beneficial results. Its policy of licencing more than 60 manufacturers for black and white television sets has given a wide choice to the consumer though TV prices have not dropped so far. Regarding computers, it has sought to encourage indigenous manufacture and import from the USSR against rupee payments. It has also issued a number of licences for the manufacture of a wide variety of electronic equipments and components. However, in the absence of a broad strategy for exports in collaboration with the TDA and the manufacturers' associations, the efforts of the Electronics Commission may not result in the attainment of the targeted exports. And the strategy was spelt out in lucid terms by Dr B. H. Wadia (Consultant, Behram Wadia and Associates) who advocated that this country should start with a special drive for the export of consumer electronic articles utilising Indian components which should be followed by the sale of components and sophisticated electronics equipments. Perhaps this is a better way than trying to move on all fronts simultaneously.

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POINTS OF VIEW

Social background of administration

Dr A. Appadorai

THE IMPORTANCE of public administration for the successful working of democracy is not a matter of debate; impartial and efficient administration is the *sine qua non* of success in a democratic state. Its importance has increased with the increased activity of the state. The modern state is a social service or welfare state; its functions have, therefore, increased enormously. As the scope of state activity widens, the civil service grows not only in number but in power, for every extension of the area of their activity increases the points at which officials and citizens come into contact with each other. In our own country, ensuring the impartiality and efficiency of administration has become a matter of crucial importance, for the criticism is widely heard that all the five-year Plans and the expenditure of vast sums of public money have hardly resulted in the improvement of the living conditions of the common man. Delay, corruption, the misuse of public funds and the ineffective implementation of well-conceived reforms such as the land reforms are cited to show that administration has not been geared to the task of fulfilling the rising expectations of the enfranchised masses.

best talent

The question may be asked, what are the factors which contribute to the efficiency of administration? Recruitment to the civil service of persons from the best talent available in the community is of course the first factor; coupled with this is the creation of conditions—of proper placement, advancement in the career, and rewarding of merit—which keep the administrators contented, nay, enthusiastic in their work. A dedication to the work is, of course, demanded of every one, but more especially of the civil servant. The Prime Minister has in recent months spoken of a committed civil service; the

* *Social Background of India's Administration*. A socio-economic survey of the higher civil service of India by V. Subramaniam (Publications Division, Ministry of Information and Broadcasting, Government of India, 1971. Price Rs. 22).

phrase used is unfortunate because it may be interpreted—and has been interpreted by those who oppose her—as commitment to the ideology and the programmes of the ruling party. But commitment, properly interpreted, should mean that the civil servant must be committed to the welfare of the common man and to the dedicated service of the community. "Commitment has two constituents", writes an administrator,—"one, a firm faith in certain fundamentals and, two, a firm resolve to achieve these fundamentals.

national goals

As a nation we have set to ourselves certain goals. These are embodied in our Constitution as the Directive Principles of State Policy. Our commitment has to be to social justice, to higher and better production, to the more equitable distribution of the produce and above all to the enrichment of the quality of life at all levels". Finally, the administrator has to develop the attitudes of impartiality and integrity; he has to be innovative and, in our revolutionary times, to evolve new techniques for dealing with the complicated problems which economic development with social justice is throwing up every day.

In the context of efficiency and impartiality which we are discussing, how far is the social background of the administration a relevant factor? In a brilliant book recently published,* Prof. V. Subramaniam has studied the socio-economic data (father's occupation and salary, the caste and religion, educational and regional background etc.) of some 2000 or so direct recruits to the Indian Foreign Service, the Indian Police Service, the Indian Administrative Service and various central services selected through the competitive examinations from 1947 to 1963; such a research study of the socio-economic data is "supplemented by a survey of all the promoted officers of the Indian Audit and Accounts Service and of a random sample of mature age recruits of the Indian Administrative Service."

It is interesting to summarize the conclusions Mr. Subramaniam has arrived at

as a result of his painstaking study. Broadly speaking, it is clear, according to him, that all the services referred to above are drawn in common from the urban salaried and professional middle class of India to the tune of 80 per cent and over. Their differences relate only to the respective share of the various sub-classes of this middle class. Thus, businessmen and business employees are less well-represented than civil servants and professionals. There are practically no sons of big businessmen and only a few sons of the business executives of large firms. Those who are drawn from a commercial background are mostly the sons of small-town merchants or the employees of small business houses. Outside the middle class, the farmers and agricultural labourers forming the bulk of the work force are grossly under-represented in all the services even more than the artisans and the industrial workers.

broadening of composition

In recent years, the social composition of the administrative class has been somewhat broadened, partly due to the larger intake of recruits and partly due to the recruitment of a quota of candidates from the Scheduled Castes and Scheduled Tribes (who are generally drawn from the houses of poor framers, artisans, school teachers or lower civil servants). This broadening of the social composition of the administrative class — though marginal — has been accompanied, Subramaniam points out, "by features such as a more even distribution of recruits from different states, different language groups and different educational institutions... and a simultaneous fall in the proportion of first class graduates." Nevertheless, according to Subramaniam, it would be true to say that the small middle classes in India. (roughly 10% of the population) has a virtual monopoly of contributing to the senior administrative class.

To revert to the question we earlier raised, what is the connexion between the

POINTS OF VIEW

social background of administrators and administrative efficiency and impartiality? On the one hand it is argued that as the civil service in the modern state wields great power in the formulation of policy and in its implementation, the more equal representation of the various classes in society — farmers, industrial labour, professionals, etc. — in the civil service would make for a truly representative and, therefore, responsive civil service; the interests of the unrepresented or inadequately represented classes will otherwise go by default. A representative bureaucracy must, therefore, consist of a reasonable cross-section of the body politic in terms of occupation, language, class, geography and the like, and must be in general tune with the ethos and attitudes of the society of which it is a part.

free from prejudice

On the other hand, it has been contended that, there is hardly any evidence to show that administrators, when recruited as such, carry any prejudice against classes other than their own or that they do not have the aim of promoting the general good of the community. Unsocial conduct is not a monopoly of any one class or group in society. The present writer, as a member of the Union Public Service Commission, had to deal with a variety of cases of disciplinary action against members of the civil service for malpractices, illegal use of power and the like; and the cases included members of the socially advanced classes as well as the socially less advanced classes. Nevertheless, Subramaniam is on strong ground when he states his view that a representative bureaucracy—i.e. civil service having a broad social composition—makes a modest contribution to the stability of the body politic by promoting a general feeling that the interests of all groups and classes are not forgotten in the increasing number of decisions made by the bureaucracy.

The rise of the non-Brahmin movement (the Justice Party) in Madras in the twenties of the present century against the practical monopoly of government service by the Brahmins is a pointer to the fact that a broader social composition of the bureaucracy may be called for to generate the feeling of contentment and stability in the body-politic. Nevertheless, it cannot be too strongly urged that such broadening of the social composition of the civil service is best attained not by reducing the qualifications laid down for entrance to the civil service but by giving greater

opportunities for the unrepresented classes through government scholarships and the like to come up educationally and compete on equal terms with those classes already represented in the civil service.

The present writer would make an observation on the interview (conducted by the Public Service Commissions) which Subramaniam apparently considers "short and desultory", which he would like to be replaced by planned tests of personality and aptitude. There is, clearly, room for research here; but let us not forget an advantage of the interview as now held: it gives scope for the articulated expression of one's inner personality and intellectual integrity. Years ago, when the present writer was a member of the Union Public Service Commission, he asked a candidate if he had heard of Wodehouse's famous character Jeeves, and he unhesitatingly replied, "yes, of course, I have read dozens of Wodehouse's novels." When probed further and asked to give an instance of where Jeeves had saved his master from unpleasant situations, he not only could not name any but showed by his answers that he had not read any of the novels. The candidate's intellectual

integrity was clearly tested.

Before we close this article a brief reference may be made to another useful contribution made by Prof. Subrahmaniam to an allied subject—*The Management Class of India*.* In this book, he studies the background of managers in five highly management conscious firms—the Shell, ICI, Hindustan Lever, Indian Aluminium and the Tatas—and also in a large group of 19 other firms such as the Associated Cement Cos. Ltd, Dunlop etc. It is clear that a separate management class has been developing in India in recent years; Subramaniam comes to the conclusion after a study of the social background of the managers in these firms that "in regard to social origins, the large majority (over 85%) comes from the professional middle class (but for a few landowners) and more than half from the upper middle class at that".

Both the books by Prof. Subramaniam are worth careful study by those interested in public administration and business management.

**The Management Class of India* by V. Subramaniam (All India Management Association, New Delhi, 1971, Rs 10).

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.

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Raj committee on taxation

S. S. Johl

THE NEED to tax agricultural incomes cannot be questioned at this stage especially when there exist wide income disparities in the farm sector. In 1970-71, 0.79 per cent of the rural house-holds in India earned Rs. 20,000 per annum or more and accounted for 9.78 per cent of total agricultural incomes. The Raj Committee has rightly emphasised that considerations of equity demand that top 10 per cent of the households in India should be taxed appropriately because they account for 25 per cent of the total private consumption, over 40 per cent of the total households income and not less than two-thirds of the privately owned wealth. Thus the Agricultural Holdings Tax suggested by the committee rests on a sound logic. The implementation of the scheme has also been dealt with competently. There are, however, a few points which demand a more thorough consideration.

average yield

The average yield has been suggested to be worked out on the basis of preceding ten years. This is too long a period, especially in the situation of a fast changing production technology. Five year averages are enough to take account of the year to year climatic variations. Again, the average of three years' post-harvest prices does not make any sense in the case of commodities such as wheat, jowar, bajra and paddy where the support and procurement prices are guaranteed (now before even the sowing time). The procurement prices guaranteed to the farmers for such crops can be used directly for working out the rateable value.

The report did not deal with the issue of incomes derived from livestock enterprises. The poultry enterprise has developed to a considerable extent in some parts of the country and promises handsome gains. The dairy enterprise competes profitably with other crops at many places. These enterprises are expected to expand fast in the near future and should not be, therefore, excluded from the scope of agricultural taxation. There also does not appear to be any

Mr Johl is Professor of Economics, Punjab Agricultural University, Ludhiana.

justification for excluding fodder crops from rateable value of the holdings to the extent the fodder crops are raised for feeding commercial dairy animals.

The marketing of fruits is one of the major and special cost item for fruit growers. Some special allowance, over and above the 60 per cent general cost deductions, needs to be provided for in working out the rateable value of lands. While discussing the elements of direct taxation, market fee has been considered as a charge on farmers. In the case of regulated markets, in Punjab which have been quoted as an example in the report, this charge is on the buyer, not on the producer-seller.

easier estimation

There is a suggestion to develop some crop groups in order to make the estimation of rateable values of farm holdings easier. It is a cumbersome process to develop crop-group costs and yields than to work out the same for individual crops. Crop groups would sure introduce more complexities and will make assessment of the rateable value in no manner easy. An operational holding has been made the basis for assessment of the rateable value and Agricultural Holdings Tax (AHT). One of the objectives listed is that it will discourage illegal or concealed lease of lands. This seems to be a misplaced hope. Instead, it should carry more chances of illegal and concealed leases and evasions than in case of assessment based on ownership holdings. Ultimately the incidence of AHT will be borne by the owners of land or tenants depending upon their holding power and supply and demand forces. The operational holdings will vary in size more frequently from year to year than the ownership holdings would do, especially when operational holding is made the unit of assessment. It will involve tremendous amount of accounting and verification work. Ownership holdings with a provision for recording tenancy status (which in any case is assumed in the Raj Committee approach) is a better basis of assessment for AHT. The committee estimates a revenue of Rs. 200 crores from AHT, for which no sci-

entific basis is given. Such figures are anybody's guess especially when the assessment is made on the basis of operational holdings which have a high degree size flexibility.

canon of equity

There does not seem to be any logic for taxing the holdings with rateable value below Rs 5000, when an exemption up to this level is given for non-farm incomes. The canon of equity demands that the holdings below Rs 5,000 rateable value should not be taxed even later on 'at the convenience of states' so long as such exemptions exist in the non-farm sector. Some interesting calculations have been made by the committee for a person obtaining Rs 23,000 as non-agricultural income and Rs 8,000 as agricultural income. If a person derives whole of his income i.e. Rs 31,000 from non-farm sources he has to pay Rs 6,500 as income tax. If, however, the same amount of income is derived with Rs 8,000 from agriculture, he has to pay Rs 5,490 (an advantage of Rs 1,010). Why should this advantage exist simply because a part of the income is received from agriculture? This would leave ample scope for non-agricultural earners to show part of their incomes originating from agriculture. The committee has ignored the other side of the coin also. Actually a person deriving Rs 31,000 as non-agricultural income is entitled to many exemptions under the existing law and can reduce his liability to pay taxes to Rs 2881.90; yet for a person deriving income from agriculture alone, there are no such provisions and he will have to pay an AHT of Rs 4,500. Thus in balance a person deriving income solely from agriculture will remain at a disadvantage.

On the whole the report is an intelligent attempt at roping in the substantial earners of income from the agricultural sector. With some further refinements and modifications the approach of the committee can yield handsome revenue to the state without having to ignore considerations of equity and justice in the farming sector.

Railway accidents

L. G. Bapat

ON THE 25th anniversary of our Independence Day, the Madras-bound Super Express from Trivandrum collided against a Trivandrum bound passenger train at Kadayannallur station, 26 km. from Tenkasi junction. Thirty-five persons were injured, five of them seriously. This is a strident reminder to the new Railway Minister Mr T.A. Pai, that even after two decades of planning, all is not well with our railways.

According to the Review of Accidents on Indian Railways for 1970-71, published by the Railway Board, the railways handled a traffic of 298.2 million kms in 1951-52 (Table I). Last year, the traffic had gone up to 466.54 m. km. Thus, there was an increase of 57 per cent in the traffic handled by the railways during the last two decades. On the other hand, the total number of railway accidents declined by 70 per cent from 16,142 to 4,918 in 1970-71.

However, the total number of accidents does not give a correct picture about the safety of railway travel as, in the railway parlance, even a failure of railway engine is considered as an accident, even though it causes nothing more than a few hours' delay to the passengers. Hence, it is necessary to concentrate attention on consequential accidents which involve risk to the life and limb of the traveller. Such accidents have also declined by 56.6 per cent from 1,939 to 840 during this period. As a re-

sult of it, the incidence of consequential accidents per million train kms declined from 6.5 to 1.8.

Statistics published by the Secretariat of

the Union Internationale de Chemin-de-fer (International Union of Railways) Paris, of the incidence of collisions and derailments per million kilometres run on 15 railway systems of the world show that

TABLE I
Indian Railways : Some Basic Data

Year	Traffic handled i.e. train k.m. run (in millions)	Total No. of acci- dents	Incidence per million train kms.	Total No. of conse- quential accidents	Incidence of consequential accidents per million train kms.
1951-52	298.2	16,142	54.1	1,939	6.5
1952-53	304.1	12,783	42.0	1,686	5.5
1955-56	334.3	9,904	29.6	1,552	4.6
1956-57	347.8	9,389	27.0	1,560	4.5
1960-61	388.14	8,808	22.7	2,131	5.5
1961-62	396.15	9,184	23.2	1,953	4.9
1962-63	408.29	9,132	22.4	1,637	4.0
1963-64	421.89	7,428	17.6	1,635	3.9
1964-65	433.17	6,465	14.9	1,293	3.0
1965-66	450.80	6,057	13.4	1,201	2.7
1966-67	451.74	5,889	13.0	1,097	2.4
1967-68	455.32	5,502	12.1	1,111	2.4
1968-69	460.09	5,033	10.9	908	2.0
1969-70	472.99	5,033	10.6	963	2.0
1970-71	466.54	4,918	10.5	840	1.8

Source : Review of Accidents on Indian Railways : issued by the Railway Board, New Delhi, for all tables.

TABLE II
Break-up of Railway Accidents : 1961-62 to 1970-71

Type of Accident	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
1. Collisions	143	131	93	81	74	67	66	47	54	59
2. Derailments	1,513	1,439	1,294	1,029	955	866	882	682	739	641
3. Train wrecking	10	8	6	6	7	10	10	2	12	7
4. Train running into road traffic at level crossings	160	168	161	146	123	104	111	129	111	121
5. Failure of engines and rolling stock	5,104	5,185	4,033	3,362	3,143	2,986	2,803	2,705	2,651	2,945
6. Failure of permanent way	262	277	173	240	205	239	194	154	166	117
7. Trains running over cattle	1,270	1,194	994	936	777	751	673	537	470	392
8. Miscellaneous	722	730	674	665	773	866	763	777	830	636
Total	9,184	9,132	7,428	6,465	6,057	5,889	5,502	5,033	5,033	4,918

India ranks among the first five, so far as the safety record is considered. This can be seen from Table V.

TABLE V
Incidence of Railway Accidents

Railway	Incidence of collisions and derailments per million train km.
1. Italian State Railways	0.41
2. French National Railways	0.96
3. Swedish State Railways	1.68
4. German Federal Railways	1.73
5. Indian Government Railways	1.97
6. Norwegian State Railways	2.06
7. Spanish National Railways	2.24
8. Danish State Railways	2.65
9. Belgian National Railways	2.95
10. Japanese National Railways	3.20
11. Canadian Pacific Railways	3.20
12. Yugoslav Railways	3.41
13. Canadian National Railways	3.87
14. Finnish State Railways	5.34
15. Portuguese Railways	6.27

Since the publication of the above statistics, there have been further improvements. By 1970-71, the incidence of accidents on Indian Railways had gone down still further to 1.56. The average number of persons killed or injured per consequential railway accident is also slowly coming down (Table VI). It was 0.89 in 1966-67 and 0.40 in 1970-71. However, in 1961-62, this average was only 0.37. Excepting 1969-70, in all the four years, the average had been above the 1961-62 level. However, it shows an erratic trend, which leads one to suspect that a fall in this average in any year may be due to fortuitous reasons rather than an improvement in the railway administration.

So also, the average per accident cost of damage to the railways has been rising rather rapidly. It was Rs 872 in 1961-62 and Rs 4,362 in 1970-71 (Table III). These figures are however gross understatements in that they omit various relevant costs such as those on account of hours of interruptions, diversion of trains by the

longer routes till the mess is cleared. The compensation paid to the sufferers is also not included in them. Some accidents such as failure of railway engine do not cause any direct damage to the railways. But inclusions of such accidents brings down the average figure showing the damages per accident.

The severity of an accident is directly

related to the weight and the speed of the train. It is argued that the railways at present run much heavier and faster trains than those in 1951-52. The damages sustained by the railways as well as casualties in an accident, therefore, tend to be heavier according to the railway administration. However, this can hardly be a consolation to the railway users. The railways must give up this complacent

TABLE III
Cost of Damage Due to Accidents : 1961-62 to 1970-71

Year	Total No. of accidents	Total cost of damage to the railways (Rs in lakhs)	Average cost of damage per accident (in rupees)
1961-62	9,184	80.1	872
1962-63	9,132	128.0	1,402
1963-64	7,428	83.5	1,124
1964-65	6,465	81.1	1,225
1965-66	6,057	100.2	1,654
1966-67	5,819	108.2	1,888
1967-68	5,502	160.6	2,919
1968-69	5,033	131.3	2,609
1969-70	5,033	134.7	2,676
1970-71	4,918	214.5	4,362

TABLE IV
Collisions and Derailments Caused by the Failure of the Railway Administration 1961-62 to 1970-71

Year	Collisions plus derailments	Collisions and derailments caused by the failure of the Railway Administration	Percentage of 3 to 2
1	2	3	4
1961-62	1,656	1,090	66
1962-63	1,570	1,016	65
1963-64	1,387	953	69
1964-65	1,110	713	64
1965-66	1,029	688	67
1966-67	933	679	73
1968-69	729	517	71
1969-70	793	513	65
1970-71	700	464	66

FROM THE PRESS GALLERY

POINTS OF VIEW

attitude. It is, of course, conceded that the railways are carrying a heavier load at present. This has imposed a heavier strain on the railway track than was originally provided for when the track was laid. For tackling this problem, the railways should increase the frequency of repairs and replacements, as well as, inspections of the track. The neglect of the track appears to be on the high side in recent days.

Usually one notices an excessive bumping action of the track at the level crossing immediately after the train has passed. This is invariably the case where the sleepers are eaten up. In this connection, the increasing arrears of track renewals make distressing reading. There are arrears of 6,291 km of through track renewals, 2,170 km of rail renewals and 2,165 km of through sleeper renewals. The overaged locomotives in service are about 25 per cent of the total stock in service on the broad-gauge and 20 per cent on the metre-gauge sections. There are hundreds of "problem" and "vulnerable" bridges demanding immediate strengthening and protection. However, the exact position in this respect is not known.

Out of 31,600 level crossings, about 19,000 are unmanned.

More than two-thirds of the total accidents at level crossings take place at unmanned level crossings as can be seen from Table VII. No doubt, the railways will have to incur additional expenditure to man these level crossings. But it would be more than compensated by lower total costs of accident damages and by better safety all round. The railways are certainly in need of economy measures to improve their finances. But this is a wrong type of economy which is at the cost of safety.

The most disheartening feature is that between 64 and 73 per cent of the accidents result owing to the failure of the railway staff and hence are avoidable (Table IV). The number of railway servants against whom punitive action was taken for being guilty of dereliction and/or gross neglect of duty was 1,408 and 1,648 in 1965-66 and 1966-67 respectively. These figures speak for themselves.

"Thefts on trains and of other railway material" is another known cause of accidents. Wilful tampering with the

railway track is alleged to have increased greatly in recent years, though item No. 3 of Table II does not support this allegation. That item shows accidents occurring owing to sabotages. Anyway, an energetic patrolling of the railway track is necessary to tackle this problem. The Railway Accidents Committee (Chairman: Dr H.N. Kunzru) in its first report submitted in 1962 had suggested two steps: (1) A better co-ordination between the union ministries of Home Affairs and Railways and the state governments; and (2) welding of rails which makes mischievous tampering extremely difficult. The second recommendation though accepted by the government, has not been fully implemented as yet.

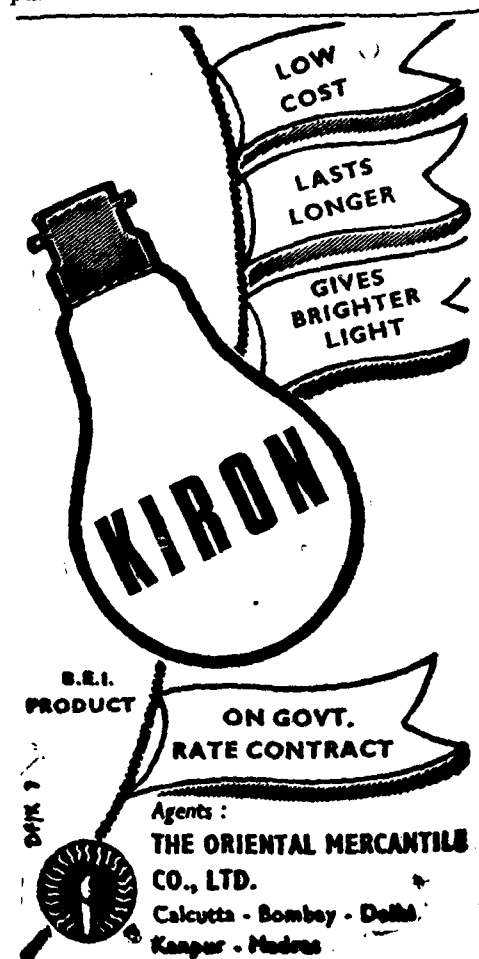
The need for fitting speedometers on all trains is being emphasised for about 35 years now. This was first suggested in 1938 by the Bhita Committee. It was re-emphasised by the Railway Inspectorate in 1955 and the Railway Accident Committee, 1960 in 1962. Still, over 40 per cent of the trains have not been fitted with speedometers as yet. These reasons have cumulatively led to more disastrous accidents in recent days than those in the past.

TABLE VI
Casualties Per Consequential Accident

Year	Killed	Injured	Total No. of accidents	No. of consequential accidents	Average No. of casualties per consequential accidents
1966-67	209	762	971	1,097	0.89
1967-68	138	478	616	1,111	0.55
1968-69	62	462	524	908	0.58
1969-70	104	232	336	863	0.35
1970-71	27	309	336	840	0.40

TABLE VII
Accidents At Level Crossings

Year	At manned level crossings	At unmanned level crossings	Total	Percentage of 3 to 4
1	2	3	4	5
1969-70	36	75	111	67.6
1970-71	31	90	121	74.7



THE WORKING of railways and Indian Airlines came in for sharp criticism in Parliament this week. While the discussion on the affairs of the latter was raised in the Rajya Sabha by the Swatantra member, Mr Lokanath Misra, those of the former came to be deliberated upon in the Lok Sabha during a debate on the demands for excess grants for railways relating to Rs 21.11 lakhs expenditure in 1970-71. Among the other important economic subjects which were discussed in the two Houses were the growing power shortage in the country, the alarming unemployment situation and the "rags scandal".

clogged movement

Replying to the debate on the demands for excess grants for railways, the Railway Minister, Mr. T. A. Pai, made out a case for increasing passenger fares, although he did not indicate when he proposed to step them up. He, however, announced that the demurrage charges in respect of goods traffic would go up from Rs 150 to Rs 240 per wagon per day with effect from December 1. He further disclosed that the registration fee for wagons might be raised. Large orders, he pointed out, were often placed for wagon by traders and businessmen and when the required wagons were offered, the orders were quite often cancelled. This clogged the movement of wagons. The situation, therefore, called for remedial measures. In a particular month, the minister revealed, as many as 80,000 registrations for wagons had been cancelled.

The railway finances, Mr Pai said, would be affected this year by the interim relief which will have to be paid to railway workers. There were also demands for an upward revision of the pay scales of railway employees. If the members of Parliament would support him in raising passenger fares, he would have no hesitation in meeting the railway employee's demands, added Mr Pai.

Referring to the shortage of wagons, the Railway Minister, besides indicating the raising of registration fee and enhancement of the demurrage charges, revealed

led that an order for 40,000 wagons had been placed on manufacturers. These supplies are to be effected in the next three years. The wagon supply position for the movement of general goods, he said, had been affected in the recent past by various factors. These included increase in the movement of foodgrains to the drought-hit areas, even water had to be moved by railways to these areas.

Mr Pai did not think that pilferage on railways was unduly high. He pointed out that it amounted annually to about Rs 14 crores, while the goods moved by railways aggregated to as much as Rs 3,500 crores and the revenue from freight was of the order of Rs 750 crores. He, however, assured the House that all efforts would be made to check pilferage. For this purpose, the railway protection force, he said, was being reorganised.

Mr Pai rejected the demand voiced by some members that the Railway Board should be abolished. When holding companies were being formed for other public sector companies, he said he did not understand why the Railway Board should be abolished. All the members of the board, he stressed, were engineers and technicians. It was not the framework that mattered; what mattered was how it functioned. Delegation of more powers to the general managers of the various railway zones, Mr Pai added, could be considered so that decisions about the functioning of railways in the different zones could be taken on the spot and the Railway Board could become largely a policy-making body.

ticketless travel

Dealing with ticketless travel, Mr Pai revealed that, according to a sample survey, about nine per cent of the ticketless travellers were students, nearly 12 per cent beggars, 23 per cent agriculturists and 30 per cent small traders. The total loss through ticketless travel was estimated around Rs 22 crores annually.

The minister expressed great concern over the railways being made a special target in any agitation in the country. He sought the co-operation of all the political

parties for dissuading agitators from destroying railway property, which was national property.

During the debate, the railway administration came in for scathing criticism from both the opposition and treasury benches on many counts—corruption, lack of punctuality in the running of trains, bad catering service, pilferage of railway consignments and property, sense of insecurity among passengers on account of acts of gangsterism in running trains, lack of adequate amenities for third class passengers, etc. Some members also pleaded that railway employees should be entitled to bonus according to the Payment of Bonus Act. The usual pleas for the extension of railway network in some areas were also heard during the debate.

top-heavy management

During the Rajya Sabha discussion on the working of Indian Airlines (IA) Mr Lokanath Misra charged that out of the total investment of Rs 44 crores in this public sector undertaking, the top management had eaten up Rs 18 crores. He alleged that there were too frequent changes in the top management of IA which was characterised by nepotism and favouritism. He expressed himself against the system of part-time chairmen of public sector undertakings. Mr Misra also alleged that although advice was in favour of buying AVRO planes of the 532 series, the corporation had purchased the 531 series. The purchase of land for the Jammu airport at an allegedly unduly high price was also referred to by the Swatantra member.

All these allegations, however, were stoutly refuted by the Minister for Civil Aviation, Dr Karan Singh. The minister revealed that Indian Airlines was likely to break-even or even throw up a small surplus this year. He also stressed that Indian Airlines was a public utility service and profit making was a secondary consideration for it. Out of 95 routes on which it operated, the Indian Airlines, he pointed out, was losing on 75 routes. Should the Airlines not operate on the losing routes, it may make even a profit of Rs 25 crores a year. About the pur-

chase of land for the Jammu airport which, it was stated, belonged to the minister himself, Dr Karan Singh said that the land in question was only 0.22 acres. It was in the name of one of his children. Because of this, he had written to the Prime Minister for her advice on the matter.

A good deal of concern was voiced in the two houses over the present power crisis in the country. The most important point made by the opposition was that greater reliance should henceforward be placed on the generation of thermal power than on the production of hydro-electricity. The present ratio between the two (40 : 60), it was felt, was not the appropriate one, as during years of below normal rainfall, power scarcity would continue to recur, creating complications for the economy. The familiar pleas of the members from Punjab for the curtailment of power supply to the Nangal fertilizer factory and those from Uttar Pradesh for a cut in electricity supply from the Rihand dam to Hindustan Aluminium's Renukoot works were heard. But that was not expected as these two pleas appear to have political overtones.

power for HINDALCO

In his replies to the two discussions, the Minister for Irrigation and Power, Dr K.L. Rao, however, did not agree with any of the above three suggestions. He considered the 40 : 60 ratio of thermal and hydel power generation to be the most economical for the country. In regard to the demand for cut in the supply of power to Hindalco, the minister pointed out that the manufacture of aluminium was as essential for the country's economy as stepping up of production in the agricultural sector. The power supply in Uttar Pradesh, he pointed out, would be augmented considerably with the commissioning of the first 100 MW unit of the Obra thermal station expansion scheme in January. Supplies of power for UP, he added, were also being arranged from Bihar and Madhya Pradesh. The peakload problem of this state was being tackled by imposing reasonable restrictions on consumption. Already power cuts had been imposed on urban consumers in Uttar Pradesh, except continuous process industries, hospitals, defence installations and essential services. These cuts would be restored after November 30, but thereafter industrial consumers would be required to make do with a six-hour cut in power supply daily.

Referring to the demand from Punjab that power supply to the Nangal fertilizer factory should be reduced further and ultimately the unit should switch over to naphtha or furnace oil as feedstock, Dr

Rao observed that not only the manufacture of fertilizers was very important at the present juncture, when a crash programme for stepping up agricultural production was being pushed through, the Nangal fertilizer factory was also producing heavy water which was used for the generation of nuclear energy. Any further expansion of the Nangal factory, Dr Rao assured the House, would, of course, be based on naphtha or fuel oil.

Dwelling upon the long-term power requirements of the country, the Minister for Irrigation and Power emphasised that the fifth five-year Plan would have to provide for four or five 500 MW power stations and the sixth Plan might well see the setting up 2,000/3,000 MW capacity units. He hoped that the present 17,500 MW capacity in the country would be raised to 41,000 MW by 1979 and the vexed problem of getting the states to agree to a central power generation and distribution system would be settled in the near future. The minister deplored the delays in the execution of power projects. The supply from the Bhakra system, he observed, would have been much better if only the works diverting the Beas waters to Gobindsagar had been completed in time.

Replying to a half-hour discussion in the Lok Sabha on the sugar policy of the government, the Minister of State for Agriculture, Mr Sher Singh, informed the House that the report of the Bhargava Commission on the nationalisation of sugar industry would be available by February-end. The central government would take a decision in the matter after considering this report. Mr Sher Singh, however, reiterated that the states were competent to take action in respect of nationalisation of sugar industry in their areas. He cited the advice of the Attorney-General and the Solicitor-General in this regard.

special levy

Mr Sher Singh also revealed that the government was considering steps, including the possibility of levying a special tax to mop up any extra profits resulting to factories from the policy of partial decontrol of sugar, if the manufacturers did not share them with the cane-growers through payment of higher cane prices than the minimum prices stipulated by the government. Suitable alternative machinery, he said, was being contemplated to find out the real recovery of sugar from cane in various parts of the country. About the non-utilisation of the full capacity sanctioned for the manufacture of sugar, which was one of the main targets of attack by the opposition during the short debate, the minister pointed out that all

new licences had been issued to the co-operative sector which had its own problems. Corrective measures were being taken.

The Minister for Foreign Trade, Mr L. N. Mishra, assured the Rajya Sabha this week that efforts were being made to release the seized stocks of used woollen garments imported in the garb of rags "as soon as possible" so that hosiery manufacturers did not suffer for long. He promised that the guilty importers would not be granted new licences. He agreed to a suggestion from an opposition member that the State Trading Corporation should handle the auction of the used imported woollen garments so that there was no profiteering in their sale by private traders.

A non-official resolution urging the central government to work out in co-operation with state governments a time-bound, phased programme to solve the massive unemployment problem in the country, received wide support in the Lok Sabha. Members from all parties who participated in this debate warned the government that the country would face serious trouble if positive and concrete steps were not taken immediately to tackle the problem. Several opposition members squarely blamed the ruling party for the widespread unemployment in the country.

farm wages

Winding up the Lok Sabha debate on the 1969-70 report of the Commissioner for Scheduled Castes and Scheduled Tribes (briefly reported in this column last week), the Minister for Education and Social Welfare, Mr Nurul Hasan, disclosed that the government would fix the minimum wages for agricultural workers during the fifth Plan. It would also take steps to stop alienation of Harijans and tribals from their lands by upper castes and non-tribals. The number of post-matriculation scholarships for the Harijan and tribal students was proposed to be increased. Intervening in this debate, the Prime Minister promised that the government would do everything to improve the lot of Harijans and tribals.

The Food Corporation (Amendment) Bill was adopted by the Lok Sabha this week. During the debate on the bill, the working of the corporation came in for sharp criticism from both the Congress and the opposition members. Several members referred to the enquiry into the charges against the chairman of the corporation, Mr Iqbal Singh. The Minister of State for Agriculture, Mr A.P. Shinde, stated in this regard that the government was waiting for the report of the Central Bureau of Investigation which was inquir-

ing into the affairs of the corporation. The House would be taken into confidence when the government considered the report of CBI and came to some conclusions. Mr Shinde also revealed that the government would not import foodgrains from the United States under the PL 480 concessional programme. "We are likely to make some marginal imports from abroad, but these will be purely on commercial basis", he said. Mr Shinde, however, did not disclose how much wheat or other foodgrains were intended to be imported by the government.

The following important information was provided by the various ministers during the question hour in the two Houses.

(1) The imports of foodgrains which are being contemplated at present will be on normal commercial terms. The earlier estimate of a short-fall of 15 million tonnes in kharif production has now come down to between five and seven million tonnes.

(2) The government has decided to import 20,000 tractors. Import of tractors as gifts to Indians from their relations abroad has also been allowed. Permission has been given for the import of spare parts for tractors to some extent.

(3) We had a trade surplus of Rs 21.7 crores during the January-August this year, with imports amounting to Rs 1147.6 crores and exports aggregating to Rs 1169.3 crores. The trade deficit in 1971 was Rs 277.4 crores. The foreign exchange reserves of the country (including SDRs) on October 31, 1972, aggregated to Rs 778.5 crores. The reserves showed a decline between January and August to the tune of Rs 75.6 crores. The decline in reserves was mainly on account of larger debt servicing payments and delay in the effectiveness of the third replenishment of the IDA.

(4) The government has decided to canalise the exports of shoes and semi-tanned skins through the STC.

(5) The government has permitted the import of 40,000 tonnes of alcohol to augment the supplies from indigenous sources.

(6) The government's industrial policy will be governed by the need for promot-

ing industrial growth consistent with socio-economic objectives, including the prevention of concentration of economic power. The government's policy in regard to the joint sector was derived from the Industrial Policy resolution of 1956. Participation of the states with private enterprise, whenever required in the national interest, would be subject to an effective voice for the government in the policy and operation of such undertakings.

(7) The government has decided to set up three units for the manufacture of paper and pulp under Hindustan Paper Corporation, a public sector concern. One of these units will be set up in Nagaland and other two in Assam at Nowgong and in Cachar. The Nagaland paper and pulp project will have a capacity of 30,000 tonnes per annum. The Nowgong unit will produce 80,000 tonnes of pulp and 50,000 tonnes of paper a year. The Cachar venture will have an initial capacity of 50,000 tonnes of pulp per annum, which may be raised later on to 80,000 tonnes. A crash programme for increasing the capacity of the existing paper units has been sanctioned. The programme would generate an additional capacity of 1.23 lakhs tonnes of paper a year. Several other proposals envisaging setting up of new units and expansions of the existing units for an additional capacity of 8.58 lakhs tonnes have also been approved.

(8) Eleven state governments have constituted planning boards in response to a directive issued by the Planning Commission. The Planning Commission has received good response from state governments in its efforts to involve the common man in the process of planning.

(9) Out of about Rs 51 crores alloca-

ted by the central ministries for providing employment to the educated unemployed, including engineers, during 1971-72 and 1972-73, nearly Rs 47.95 crores have already been allocated for these schemes.

(10) It is proposed to import this year about a million tonnes of steel. The value of iron and steel imports in 1971-72 increased to Rs 245 crores from Rs 149 crores in 1970-71. In 1969-70, steel imports aggregated to Rs 83 crores. The country imported 13.82 lakh tonnes of steel in 1971-72, a little over seven lakh tonnes in 1970-71 and 4.23 lakhs in 1969-70.

(11) All the states had cleared their overdrafts with the Reserve Bank of India as on November 1, 1972.

(12) The union government has not found it feasible to have a common management cadre for all central government undertakings, since such a cadre, it is felt, would abridge the operational autonomy of industrial enterprises. There is, therefore, no proposal under the consideration of the government to make further recruitments to the industrial management pool cadre. The personnel of this cadre were recruited in 1959-60.

(13) The gross profit earned by foreign companies in India in 1970-71 amounted to Rs 52 crores, as against Rs 39.9 crores in 1969-70 and Rs 33.2 crores in 1968-69. The total assets of these companies for the three years from 1968-69 were Rs 1234.7 crores, Rs 1411.5 crores and Rs 1468.6 crores, respectively.

(14) There is no proposal before the government to ban strikes and lockouts. It is hoped that the impending legislation on industrial relations will make them redundant.

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ARMED FORCES FLAG DAY

(December 7)

FOR THE WELFARE OF EX-SERVICEMEN
AND THEIR FAMILIES

GDR: a reliable trade

H. Sachse

partner

UN STATISTICS show that the GDR has been one of the countries having the most consistent economic growth during the past two decades. Today the GDR is a highly-developed, modern, industrialised country with a mechanized, intensive agriculture.

With her population of about 17 millions the GDR holds the 31st place in the world. According to the size of her territory, she ranks 92nd. Measured by her industrial production, she is one of the ten leading industrial countries in the world.

Due to her accomplishments in the fields of economy, science and culture as well as due to her efforts in shaping stable and

framework of the programme of socialist economic integration the wide range of products manufactured by each of these countries has been reduced and thus there has been achieved a more effective structure of industrial production.

This exerted a positive influence on the further development of foreign trade turnover. While gross industrial production of the GDR rose by 72 per cent from 1960 to 1969, its exports increased by 88 per cent.

Reflecting the close economic co-operation between the GDR and the other member states of the CMEA the share of these countries in the foreign trade turnover of the GDR amounts to about 70

in the early fifties from year to year, the total turnover of exports and imports in both directions has increased considerably. It shows the effectiveness and the advantage for both sides that the turnover in foreign trade in 1971 amounted already to about Rs 60 crores. The most advantageous step in strengthening the economic relations was made in 1957 by changing the pattern of trade to the system of so-called rupee-payment. There is a double advantage for Indian business engaged in foreign trade with the GDR or with other socialist rupee-trade-countries in this system:

- the problem of availability of foreign exchange does not arise, as all imports can be paid for in rupees.

- all export earnings of these countries in rupees are to be spent in India for the purchase of Indian export goods and services.

For our country the rupee-payment system guarantees that we can pay all our imports of Indian goods completely by the export of products manufactured in the GDR.

increased co-operation

The rupee-payment mechanism is not only efficient in the field of foreign trade, it refers to all fields of economic and scientific-technical co-operation between our two countries. The best proof of its efficiency is the number of collaboration agreements with India; the GDR has 60 approved collaborations placing it 8th in the list of the collaborating countries.

In the last few years, the economic co-operation between the two countries increased to cover not only foreign trade and technical co-operation but also technical-scientific activities. This was started by the signing of the Agreement on Scientific and Technical Cooperation in February 1971 and was continued by signing several protocols for its implementation covering different fields such as applied research in technology and veterinary medicine.

With the establishment of diplomatic relations on October 8, 1972, between the GDR and India, there were created conditions for further developing the stable and good relations in all fields and especially in the economic field. As an important step in this direction, we con-

der the protocol signed on November 2, 1972, in the framework of the long-term trade and payment agreement concluded in November 1971 between our governments. In this protocol, both sides have endeavoured to meet as far as possible the mutual requirements. Thus it has been agreed from our side to increase the supply of potash, urgently required by Indian agriculture and to continue the traditional supply of X-ray films, scientific and techni-

cal equipment, and printing and agricultural machinery.

In this protocol there has also been fixed a considerably increased volume of Indian exports of engineering and consumer goods, the so-called non-traditional items, to GDR in the years to come.

I would like to stress, that in the last few years, culminating in the establishment of diplomatic relations between our countries in October 1972, there were

created all necessary political and practical preconditions in the form of a number of agreements as well as of close business relations between foreign trade enterprises, different scientific-technological institutions in the GDR etc. and the corresponding partners in the public as well as in the private sector in India for continuously expanding our co-operation. It is now a question of taking further practical steps to implement these agreements.

E. B. Brook

Vienna.

The death of EFTA?

THE CHANGES that will take place in west Europe within little more than a month's time will be more in the nature of the beginning of a new, hard period of bargaining than the culmination of a long effort to bring Schumann's post-war dream of a united Europe into effect. This concept, born in the mind of an Alsatian Frenchman, very largely as the result of the series of misery that have plagued Europe for centuries and sharpened since the imperial concepts of Napoleon, Bismark, of the Central and Allied Powers of 1914-18 and, later, of Hitler's Germany, was that of the non-Slav western half of the continent united in economics and, except for national domestic affairs, in politics. Like most dreams, it ran into snags very quickly.

The creation at the Stockholm conference in 1958, very largely at Britain's initiative, of the alternative European Free Trade Association (EFTA) was the first serious setback; de Gaulle's insistence of the "Europe of Nationalities" and the long-drawn refusal to allow Britain to transfer its membership from EFTA to the Common Market was the second. Now that the Market's Six are to become the Nine, the Schuman dream might seem to be coming nearer to realisation except for several contradictory factors.

The only significant addition to the Market is that of Britain, but it is occurring at a time when Britain is in acute and internally angry economic difficulties, when its money stands internationally at the lowest value it has ever experienced and when class and economic conflict within Britain itself is sharper and more bitter than almost any differences known on the continent, apart from the great cleft of communist and non-communist. The other two, Denmark and the Irish Republic, are both economically very weak and only Denmark is a loss to EFTA since Ireland has so far not been a member of either European economic group. Britain's farewell to EFTA at that organisation's ministerial

meeting in Vienna this week was characteristically graceless and Market may well consider whether it is not taking to itself an aggressive but sickly partner. EFTA continues with all of Scandinavia except Denmark (which always regards itself as more continental than Scandinavian), with Austria and Switzerland, Portugal and Iceland and is open to further membership. The enlargement of the Market is not the death of EFTA.

What is of more long-term significance is the fact that, as January 1 approaches, all nine Market countries are making it clear they do not intend to allow Brussels to interfere with or influence overmuch their domestic politics, although the effects of Market taxation and tariffs will be far-reaching and, so far, are not precisely predictable. The weak link in the Market chain of control is the European Parliament in Strasbourg which, although it is sited in France, was consistently ignored by de Gaulle, is not highly regarded by Pompidou who will certainly not yield one jot of Paris authority to the Alsatian capital just as London, from different points of view according to the party concerned, is jealously anxious about both Strasbourg and Brussels. The European socialists are dismayed at the British Labour Party's reluctance to send MPs to Strasbourg and the Brussels Market Commission is preparing to do battle with new British colleagues; in any case the European Parliament, as much a part of the original Schumann Plan as the Common Market, will acquire control over no more than four per cent of the Common Market budget which means that the Market will continue to be bureaucratically controlled, the only question now being by which bureaucrats?

Most significant of all is the fact that the two other large power-groups, the USA and Japan on the one hand and the communist economic group of east Europe on the other, recognize this fact. East Europe, since it has grown persuaded during the past year that west Eu-

rope is becoming a united economic power, has tacitly dropped its hostility and, indirectly through the Polish Foreign Minister, who travels westwards far more than most of his colleagues, has indicated it is prepared even to be friendly but only after the slowly approaching international conference on European security has proved successful—that is, has approximately fulfilled east Europe's wishes. The most likely circumstance in which the rest of east Europe would officially recognize and directly deal with the Market would be when the Market recognizes Comecon just as NATO officially recognizes the Warsaw Pact organization.

This development is made the more probable now that the USA and the Soviet Union have begun trading officially and may fairly soon be trading in a significant degree. Washington and Poland have also just signed an agreement intended to triple existing trade levels in two years.

It is the United States' attitude that will be the determining factor and which will lead to the bargaining which may well last for four or five years. The opening up of the USA to the Soviet Union and to China in trade and politics will make a considerable difference to the percentages of world trade handled by the respective blocs. One reason for the United States' relaxation of its frozen attitude to the communist countries is its determination to add to its own 16 per cent share of the world trade and to reduce the 40 per cent share at present enjoyed by the west European Common Market.

The fields of argument and bargaining that lay ahead will be influenced by the fact that, through NATO, west Europe still needs US protection on its own soil against the USA's new trading partner whose military arm is the Warsaw Pact. There will be intense pressure for zero tariff or for reduction of Market tariffs on imports of US agricultural products,

WINDOW ON THE WORLD

friendly relations with other peoples, the GDR has gained international respect and recognition.

In developing her external economic relations, the GDR has achieved considerable success. The foreign trade turn-over rose from 2,700 million marks in 1949 to 39,000 million marks in 1970. According to the profile of her industrial production, the traditional export goods of the GDR are engineering goods, industrial equipment and plants, chemicals and electro-technical products. In these fields the GDR has achieved a leading position among the highly-developed industrial countries in the world.

By means of agreements on co-operation and specialization concluded between the GDR and the USSR as well as between the GDR and other socialist countries — member states of the Council of Mutual Economic Assistance — within the

per cent. The co-operation within the CMEA has made it possible for the GDR to raise her productive potential in the key branches of her national economy and to considerably increase her total exports and systematically step up her imports.

Due to this fact, the turnover volume in trade with the developing countries rose from 790 million marks in 1960 to 1440 million marks in 1969 i.e. by 82 per cent. Highly appreciating and supporting their struggle for economic and political independence, the GDR has always based her relations with these countries firmly on the principles of equality and mutual benefit.

The development of the economic relations between the GDR and India reflects in an impressive way the general development which has taken place in the relations between the GDR and the developing countries.

From a poor turnover in foreign trade with India of about two crores of rupees

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an area made the more sensitive by the fact that the Market is just taking to itself two predominantly agricultural countries in Denmark and Ireland. The USA will hold over Europe the threat further to reduce the value of its dollar if Europe does not help it to reduce its very unfavourable balance of trade. In Washington's opinion, the dollar must remain a pillar of American world power.

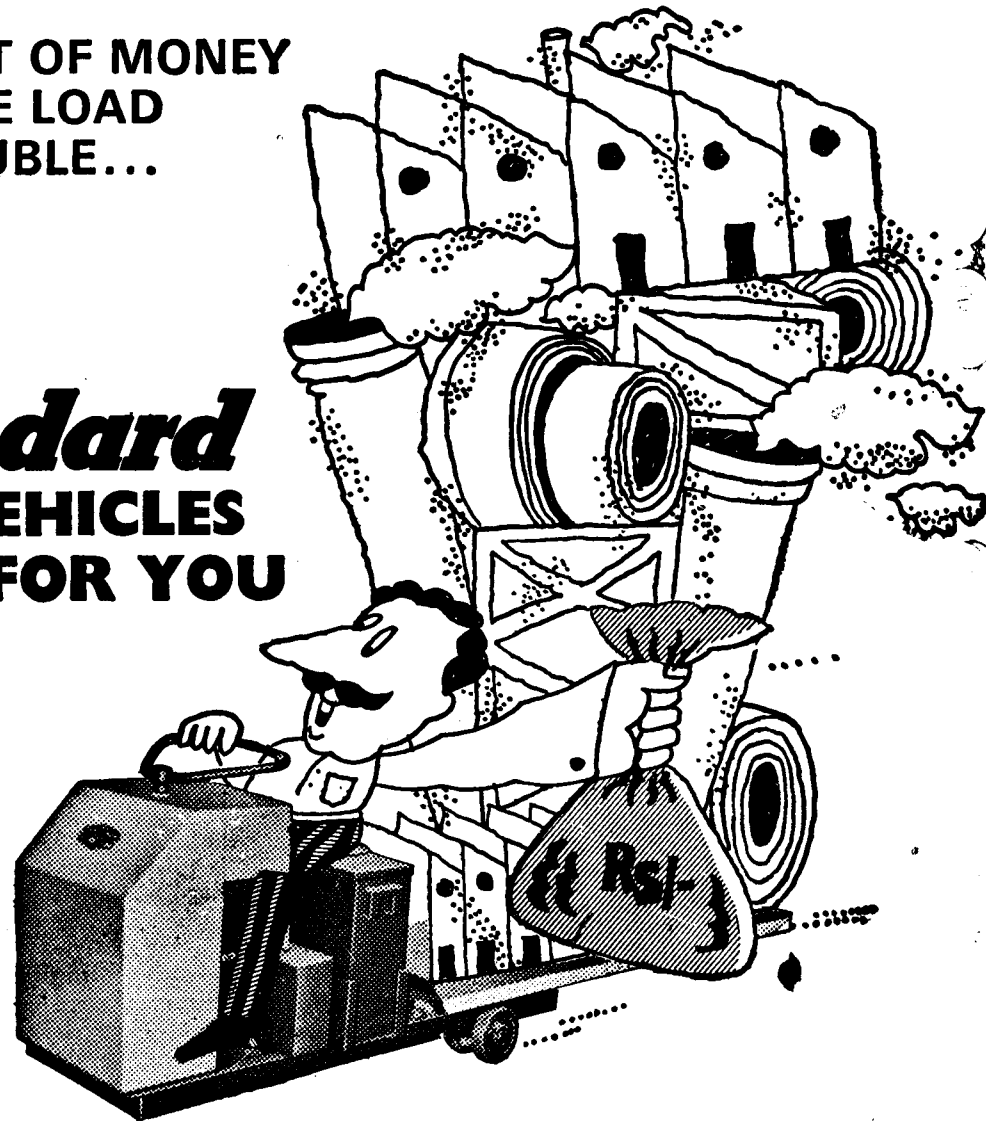
West Europe will reply with demands for relaxations of American protectionism, of its restrictive practices over the American selling price for manufactured chemicals which it maintains despite agreement to abolish it reached during the Kennedy Round. But one of the principal effects of the Common Market's enlargement will be that it is bigger and easier to hit, not least by the continuing

influence of masses of expatriate US dollars in the west European and central European markets and financing much west European industry. At a time when the whole of west Europe is plagued by inflation, which the Market's Commission and Council of Ministers have done nothing to assuage, this money power is of menacing proportions that makes mere market enlargement appear puny.

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With friends like some

of the friends the prime minister has got, she hardly needs enemies. Mrs Gandhi, evidently, did try her best to keep her birthday this year a private, personal and family affair. *The Times of India* noted on November 23 as follows:

"Correctly anticipating that the more thick-skinned among the professional sycophants might turn up at her house on the day before her birthday, the prime minister decided to leave for Bhatkal (Bhatkal lake near Faridabad in Haryana, not far from New Delhi) on Saturday. They vainly sought permission to present their bouquets on Friday!"

Mrs Gandhi's valiant effort at temporary self-abnegation, I am sorry to say, did not meet with the complete success it so richly deserved. I quote a PTI report dated November 21 (Mrs Gandhi's birthday was on November 19):

"Amidst cheers in the Lok Sabha on Tuesday, the Speaker wished the prime minister a happy birthday.

"Mrs Gandhi had spent her birthday outside Delhi on Sunday, when the House was not in session.

"The prime minister suddenly disappeared and we have the opportunity only today to congratulate her", the Speaker remarked."

Not even Mrs Gandhi, one might say, can successfully rebel against fate. Although she did manage to avoid the bouquets on Friday, she could not save herself from being cornered in, of all places, the Lok Sabha a few days later and this, too, by no less a person than the Speaker himself.

Shades of Potti Sri

Ramulu, the patron-saint of visala Andhra! Once again it has been proved that the Andhra people are in a position to deal a body-blow to the central government whenever the mood (or the madness) seizes them. The nation's rail communications between its southern part and the rest of it are now established to be New Delhi's most vulnerable spot in dealing

with political agitations in the Andhra region. One may wonder, however, whether the latest episode of violent assaults against railway property or operations was really needed to alert the central government to this uncomfortable truth. It is, in fact, proper to raise the much larger question whether the central cabinet should have been waiting on events to the extent it has been doing. Weeks of inertia or indifference and, therefore, inaction have tragically led to the agitation over the mulki rules climaxing into as near a people's revolt as could be conceived within the framework of a democratic political system. Even if the prime minister were to succeed ultimately—and without much further loss of life or public property—in reconciling the sharp conflict of regional interests in Andhra Pradesh and bringing about a settlement of the controversy over the mulki rules, her prestige and the prestige of the central government have both suffered irreparable damage. As for the Andhra government and the chief minister of the state, the gravest doubt must persist about the fitness of Mr Narasimha Rao and his senior colleagues to continue to hold any position of responsibility in government or public life. Politicians so bereft of the right political instincts constitute a grave hazard to the very lives, let alone the welfare, of the citizens.

From *The Hindustan Times* of November 23 :

"India's economy may be in a bad shape but it is not hopelessly out of line," says Prof Sir John Hicks, who shared this year's Nobel Prize for Economics with Prof K. Arrow of Harvard University.

"Many Latin American countries were worse off than India, he said. In Argentina, for example, the cost of living had increased more than five times since 1963. In India it had risen by nearly one and a half times during the same period.

"Prof. Hicks thought the devaluation of the rupee was one of the factors contributing to inflation. 'But then I am not in love with devaluation anywhere,' he said."

Sir John Hicks could have added, of course, that, in Chile, inflation has been

reportedly soaring this year by over one hundred per cent. But, even without mentioning this, he has no doubt provided a more or less complete answer (?) to those who have been asking why India's economic progress should have been so modest, not only in comparison with the Japanese economic miracle, but also in terms of the advance made by, say, Singapore or Hongkong in south-east Asia or Iran in west Asia. All that remains is for us to wonder whether the good professor's certificate will be carefully filed away in the prime minister's secretariat for use when Mrs Gandhi's economic speech writer next casts about for a useful quote.

One should hesitate to join issue with a Nobel Prize winner on a question which is very much his subject, but is Sir John justified in attributing any significant measure of blame for our current inflationary problems to the devaluation of the rupee in 1966? Is *post hoc ergo propter hoc* ever all that convincing? Especially as so many gross blunders have been made since 1966 by the government in its management of the economy.

Since I have been rash enough to start arguing with Sir John, I may as well get on with it. As reported in "An Economist's Notebook" in *The Statesman* of November 24, the professor is of the view that goods have got to be provided so that "you can have employment," for "unless you have the goods to give the people something to spend their wages on," you cannot have employment. I agree that goods will have to be provided if there is to be more employment, but not, surely for the reason primarily that people must have something to *spend their wages on*. Rather, in the context of employment, what seems to me to be of importance is that goods must be provided for the people to *work with or work on*. Without more capital goods and more raw materials, there just is not any chance of more people being set to work or the same number of people doing more work. It follows that I also differ from Sir John when he suggests that "it is quite possible India has devoted too much attention to what might be called heavy growth." He is now here on a short stay and I do wish that he would come back after he has duly received his piece of the Nobel Prize in Stockholm and spend some time studying what really are the facts. Is the Indian economy dragging its feet because too much attention has been paid to basic or capital goods industries or because, for the last five years or longer, not enough resources or effort had been put into the production of more of energy, steel, cement, fertilizers, transport equipment and the like?



MOVING FINGER

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DECEMBER 1, 1972

TRADE WINDS

Assistance From Canada

AN AGREEMENT for a new Canadian development loan of \$1.9 million (Rs 1.33 crores) was signed on November 23, 1972. This loan will provide for the purchase of fertiliser bulk handling equipment for the port of Haldia. An earlier loan of \$1.7 million for similar equipment for the port of Kandla was given in August last year. In addition to these two loans for a total sum of \$3.6 million, Canada has expressed its willingness to consider similar assistance for Bombay, Madras and other Indian ports. The bulk handling equipment for fertilisers results in savings on account of elimination of bagging and a quicker turnaround of ships. The loan granted is on the soft terms which have applied to all Canadian loans to India during the last six years. They are repayable in 50 years, including a ten-year grace period, and there are no interest, service or commitment charges. In addition to the development loan for the Haldia port, the Canadian International Development Agency has engaged the services of Howe International Ltd as consultants for the Calcutta Port Commissioner in the layout, design, procurement, and installation of the various equipments to be purchased in Canada. These services are covered by grant in aid and therefore involve no cost to India.

Another agreement signed recently provides for a Canadian grant of \$300,000 (Rs 21 lakhs) for a feasibility study of the Hindustan Copper Limited's Rakha project in Bihar. The grant will be used to engage the services of a Canadian firm of Consulting Engineers (Watts,

Griffis & McQuat) to recommend development of the mine and production operations at the Rakha project. This will further promote India's drive for self-sufficiency in non-ferrous metals.

Nangal Expansion Project

The union government is entering final negotiations with the World Bank for a \$55 million credit for expansion of the existing Nangal Fertilizer Unit. The World Bank has agreed in principle to negotiate this credit after a complete appraisal of the Nangal Expansion Project of the Fertilizer Corporation of India. A team of officials of the Ministry of Petroleum & Chemicals, the Ministry of Finance and the Fertilizer Corporation of India is due to leave for Washington in the first week of December to hold discussions with the World Bank and finalise financing of the project with IDA funds. The team is also expected to conclude a project agreement between the World Bank and the Fertilizer Corporation of India. The team's visit is a sequel to a series of discussions with the World Bank on various aspects of the project, which now envisages use of heavy petroleum fractions as feedstock for production of 900 tonnes of ammonia per day. Out of this 300 tonnes of ammonia would be diverted to the existing plant to replace ammonia now being produced by electrolysis of water. The project also envisages production of 1000 tonnes per day of urea.

Since ammonia production will no more be based on electrolytic hydrogen, the power requirements of the expanded

Nangal unit would come down to about 36 MW instead of 169 MW required for the existing unit alone.

The Fertilizer Corporation of India and the World Bank have already agreed on the mode of implementation of the expansion project. The FCI will have the overall responsibility for the project and will also design and engineer the urea plant based on the Montedison process. Offside facilities also would be designed and engineered wholly by the FCI. The total capital cost of the Project is expected to be about Rs 76 crores, of which a little over Rs 39 crores would be in foreign exchange. The foreign exchange requirements are expected to be covered by IDA credit.

Korba and Amarkantak Thermal Stations

The Planning Commission has approved the schemes for the extension of Korba and Amarkantak thermal power stations in Madhya Pradesh for implementation during the fourth five-year Plan. The thermal stations at Korba and Amarkantak are already tied to Madhya Pradesh Grid. The Korba extension scheme involves installation of one thermal generation set of 120 MW capacity together with the steam generator, accessories and other appurtenant facilities at Korba thermal power station. The scheme, estimated to cost Rs 18.36 crores, will be commissioned in 1976-77. The extension scheme will be based on supply of coal from Manikpur quarry and Kusmunda blocks of Korba coal fields. The project will draw cooling water supplies from the lake formed by the existing barrage on the Hasdeo river.

Amarkantak extension scheme, estimated to cost Rs 18.61 crores, involves installation of one thermal generation set of 120 MW capacity together with the steam generator, accessories and other appurtenant facilities at Amarkantak thermal power station. The scheme will be commissioned in 1976-77. Coal supplies for the extension scheme will be

from neighbouring Rewa coal fields. The project will draw cooling water supplies from the existing lake created by the dam on Suthna river.

Payment for Nationalised Coal Mines

The union government has appointed Mr Justice Krishna Ballabh Narayan Singh as Commissioner of Payments under the Coking Coal Mines (Nationalisation) Act, 1972 for the purpose of disbursing the amounts payable to the owners of the coking coal mines and coke oven plants, which have been taken over by government. Initially, he will function from Patna and later on will move to Dhanbad. His address in Patna is C/o Patna High Court, Patna. The date by which parties, who have claims against the former owners, should file applications before the Payments Commissioner will be notified later.

General Insurance Corporation

The General Insurance Corporation of India has been registered as a government company with headquarters at Industrial Assurance Building, Churchgate, Bombay. The corporation will superintend, control and carry on general insurance business. A small board of three persons has been constituted; and this will soon be expanded. The General Insurance Nationalisation Act 1972 came into force on September 20 last. Section 9 of this Act provides for the setting up of the General Insurance Corporation of India.

Valuation of Assets

The Central Board of Direct Taxes invited applications for registration of valuers for different classes of assets. Fresh registration has become necessary because of the amendment of the Wealth-tax Act, 1957, by the Taxation Laws (Amendment) Act, 1972. Valuers appointed earlier under the Estate Duty Act, 1953, have ceased to be competent with effect from November 15 to compile valuation reports for the purposes of

proceedings under the Income-tax Act, Wealth-tax Act and Gift-tax Act. However, valuers registered now under the Wealth-tax Act will also be competent for the purposes of the Gift-Tax Act, 1958, and the Income-tax Act, 1961.

MMTC to Buy Palladium

A contract worth about Rs 17 lakhs was signed at the USSR Pavilion recently to buy Palladium. Palladium is a high priced metal and the Soviet Union is the sole supplier of this strategic raw material to India. The contract was signed by Col. A. P. Sharma, General Manager on behalf of the MMTC and Mr L.N. Shalimov and J.H. Kasaymov on behalf of the USSR. MMTC is likely to treble its imports of Palladium during the next year.

Central Loans for Rs 100 Crores

The union government has announced the issue of the following two loans aggregating Rs 100 crores: (i) 5 per cent Loan 1984 to be issued at Rs 99.50 per cent and repayable at par on June 1, 1984; (ii) 5½ per cent Loan 1988 to be issued at Rs 99.50 per cent and repayable at par on June 1, 1988. Subscriptions to the above loans will be received from December 1 to 4, 1972 (both days inclusive) but the subscription lists may be closed earlier without notice as soon as the total subscription amounts to Rs 100 crores. Government reserves the right to retain subscriptions upto ten per cent in excess of the notified amount. If the total subscriptions received for the loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the subscriptions received and the balance refunded in cash as soon as possible.

Interest will be paid half yearly on June 1 and December 1. Interest on the loans now issued together with interest on other previous government securities and income from other approved investments will be exempt from

income-tax subject to a limit of Rs 3,000 per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments in government securities and the other investments specified in Section 5 of the Wealth Tax Act will also be exempt from Wealth Tax Act up to Rs 1,50,000.

India-Japan Trade Talks

Indian and Japanese businessmen will meet in New Delhi on December 7 and 8 to study the possibilities of expansion of trade between their countries and of increased Japanese investment in India. The Japanese delegation to the two day meeting of the business co-operation committee will be led by Dr Nagano and the Indian delegation by Mr Madanmohan Mangaldas, president of the FICCI. The 50 member Indian delegation will include representatives of leading public sector undertakings in trading and shipping fields. The agenda for the business co-operation committee includes a general review of economic situation in India and Japan, investments in joint ventures for shipping, agriculture and fisheries mining and infrastructure development.

Planning Boards of States

Eleven state governments have constituted planning boards in response to a directive issued by the Planning Commission in formulating the fifth Plan with the involvement of the common man up to the district level. The Planning Commission had received good response from state governments in its effort to involve the common man in the process of planning.

Road Development Fund

A study group on the improvement of highways has recommended the government to create a special fund for the promotion of wayside amenities. The fund to be called

"the Roadside Development Fund" should be created on the lines of the Central Road Fund and it should be administered by the central government, recommended the group. The eight member group, which was appointed by the government under the chairmanship of the Director General (Road Development) in the Ministry of Shipping and Transport, has also suggested that the establishment of restaurants, motels and eating places should largely be left to the private sector "though state governments or the road authorities should provide land for this purpose where available." Details of the recommendations made by the group were given to the Rajya Sabha recently by the Minister of State for Shipping and Transport, Mr Om Mehta. The minister told the House that the state governments and the concerned ministries of the union government were being consulted in the matter.

New business of LIC

New business, including group insurance, transacted by the Life Insurance Corporation

during 1971-72 amounted to Rs 1639.89 crores with an yearly renewal premium of Rs 71.38 crores, according to the annual report of the corporation. The amount represents an increase of Rs 336.81 crores over the sum assured in the previous year. The total number of policies issued were 1.90 million as against 1.62 million in 1970-71. Nearly 600,000 policies assuring Rs 375.9 crores, 23.1 per cent of the total new sums assured in the country, were issued in the rural areas.

Railway Revenue

Passenger traffic on the Indian Railways has shown an increase during September, 1972, in comparison with the corresponding month of the last year, the approximate number of passengers booked being 6.57 per cent more. The total number booked from April 1 to September 30, 1972 was 8.03 per cent more than during the corresponding period of last year and 5.03 per cent more than the budget target.

The revenue-earning freight

Government of India

5 PER CENT LOAN 1984 TO BE ISSUED AT
Rs. 99.50 PER CENT AND REPAYABLE AT PAR
ON 1ST OF JUNE 1984.

5-1/4 PER CENT LOAN 1988 TO BE ISSUED AT
Rs. 99.50 PER CENT AND REPAYABLE AT PAR
ON 1ST OF JUNE 1988.

Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs. 100 crores. Subscriptions may be in the form of cash/cheque. Government reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

2. If the total subscriptions received for the loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the subscriptions received and the balance refunded in cash as soon as possible.

3. Interest will be paid half yearly on the 1st June and 1st December. Interest on the loans now issued together with interest on other previous Government securities and income from other approved investments will be exempt from income-tax subject to a limit of Rs. 3,000 per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments in Government Securities and the other investments specified in Section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax upto Rs. 1,50,000/-.

4. Subscription lists will open on the 1st of December 1972 and close on 4th of December 1972 or earlier without notice.

Applications for the loans will be received at:

- Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna;
- branches of the subsidiary bank of the State Bank of India conducting Government treasury work except at Hyderabad; and
- branches of the State Bank of India at other places in India.

5. For full particulars please apply to any of these offices or branches.

traffic of the Railways in September, 1972 was 14.0 million tonnes, which indicates an increase of about 1.44 million tonnes approximately compared to September, last year. The total revenue-earning tonnage lifted by the Railways from April 1, 1972 upto the September 30, 1972 was 83.5 million tonnes representing an increase of 2.15 million tonnes as compared to previous year but a short-fall of 2.64 million tonnes against the proportionate budget target. The increase as compared to last year has been in respect of coal for public users, raw materials for steel plants, pig iron and finished steel from steel plants, iron ore for export and "other" goods. Table below gives the relevant figures.

Consultancy Services

In his inaugural address to the seminar on Consultancy Services in India, organised by the Industrial Credit and Investment Corporation of India, Mr. Y.B. Chavan the union minister for finance called for increased effort in the area of research and development and reliance on indigenous technology and consultancy services. Mr. Chavan pointed out that due to the shortage of foreign exchange, imported technology often proved very costly. He said that professional consultancy service could be of great assistance in reducing the handicaps faced by young and new entrepreneurs. The minister expressed satisfaction that a number of independent consultants had proved their worth internationally.

In his welcome address, Mr. H.T. Parekh, Chairman of ICICI, expressed satisfaction with the substantial growth in

consultancy services since Independence. In this process the public sector had also given a lead by establishing several firms of high quality. He revealed certain imbalances that exist in the development of these services, particularly in the need for developing technical consultancy. Mr. C.D. Khanna, Chairman of Industrial Finance Corporation outlined the role of financial institutions in evaluation of projects and the contribution that could be made by consultants for the purpose. The latter could play an important role in the information gap that existed in the submission of proposals to the institutions. Mr. K.B. Rao, Director General of DGT, drew the attention to the fact that during the fifth Plan there was likely to be considerable scope for indigenous consultancy services in the area of power supply, fertilizers steel and engineering industry. Mr. J. Channugam of the World Bank noted the growth of consultancy services in this country but felt that there was scope for their improved performances.

ONGC Wells

The Oil & Natural Gas Commission had drilled 982 wells in the country by the end of September, 1972. Out of these completed wells, 597 indicated the presence of hydrocarbons, 266 turned out to be dry, 26 were water injection wells and the remaining 93 had yet to be tested fully. The total number of structures on which these wells had been drilled was 110, of these, 71 were in Gujarat and 12 in Assam. Six structures had been drilled in Tamil Nadu followed by five each in Rajasthan and Himachal Pradesh and Punjab. Structures in UP,

Total for all classes ('000)

	Cumulative from April 1, to September 30, 1971	
	Number	Percentage increase over last year
Suburban	682,652	+13.3
Non-suburban	641,091	+2.89
Total	1,323,743	+8.03

Pondicherry, Bihar, West Bengal, Jammu and Kashmir and Tripura had also been tested.

Employment Programmes of Assam

Five additional schemes costing Rs 18.96 lakhs have been approved by the Planning Commission for inclusion in the Special Employment Programmes of Assam during the current year. These are in addition to the eleven schemes, involving a total outlay of Rs 50.78 lakhs, approved earlier. An important new scheme pertains to investigation of Nonoi, Borolia, Kapili and Dhansiri South projects in the Flood Control and Irrigation Wing of state government.

Names in the News

Paul H. Leman President of Alcan Aluminium Limited, the

world's largest international aluminium company, is on a brief visit to this country. A French Canadian by birth, Mr. Leman has been a director of Alcan Aluminium Limited since 1968 being named executive vice-president, smelting, in the same year. Early in 1972, he was elected President of Alcan Aluminium Limited, the principal shareholder of Indian Aluminium Company Limited. Mr. Leman is a director of Canada's Export Development Corporation, which agency has administered Canadian aid to several major development projects in India, both in the private and public sectors. From 1962 to 1964, Mr. Leman was a full-time member of the Canadian Royal Commission on Banking and Finance.

Readers' Roundtable

Politics in Banking

"ALTHOUGH nearly two years are over since the rules for appointing boards of nationalised banks were framed, to date they have not been appointed.

Mr. Mohan Dhar, union Minister for Planning, has publicly criticised his own government in this connection saying that the delay "cannot be justified".

It is understood that the real difficulty is not the appointment of employee representatives but the enormous pressure by politicians to get on the boards or in the alternative to put their nominees. The other difficulty is the pressure mounted by officers in the ministries to be appointed as chairmen of new boards displacing the existing professional bankers.

Our Association has made a demand upon the Finance Ministry that when the boards are appointed the following information should be made public.

"It is very important that the depositors as also the general public should know the following details about the directors you are appointing to

these public institutions.

1. What is his/her achievement in any sphere of life?
2. What are the educational qualifications and work experience?
3. Does he or she have any banking knowledge or managerial skill?
4. The annual income, and assets (this must be disclosed every year).
5. Whether he or she knows any one in the Reserve Bank of India or Finance Ministry or the ministers at union or state level.
6. Whether the nominee has been or is a member of any legislature of the country or has been active in politics during the last five years; if so, whether he or she has been defeated in any election.

(M. R. Pai)

Hon. Secretary
All-India Bank Depositors'
Assn. (Bombay Branch)
235, Dr D.N. Road,
BOMBAY-1

Bombay

November 23, 1972

COMPANY AFFAIRS

Kothari Sugars

KOTHARI SUGARS and Chemicals Ltd has been able not only to wipe out the entire loss brought in from previous years with the earnings for the year ended August 31, 1972 but also to resume handsome payment of dividend on ordinary shares. The directors have recommended a final equity dividend of six per cent and a cash bonus of three per cent for 1971-72. With the interim dividend of six per cent the total dividend for the year comes to 15 per cent. During the year under review the company has earned a substantially higher profit, the profit before depreciation being Rs 67.82 lakhs as compared to only Rs 23.14 lakhs in 1970-71. The allocation to depreciation reserve was enhanced from Rs 16.41 lakhs to Rs 17.47 lakhs while a sum of Rs 4.54 lakhs was set aside to development rebate reserve as against no provision in 1970-71. On the last occasion, after providing for depreciation and expenses relating to previous years the debit balance of Rs 24.10 lakhs was reduced to Rs 18.05 lakhs and this deficit has been completely eliminated during the year. Out of the disposable profits of 1971-72, a sum of Rs 15 lakhs was transferred to dividend reserve as against no allocation in the preceding year. An amount of Rs 4.38 lakhs as against Rs 88,201 in 1970-71 has also been earmarked for expenditure relating to previous year.

Sakthi Sugars

Sakthi Sugars Ltd proposes to capitalise Rs 38.40 lakhs out of its reserves and issue bonus shares, subject to the consent of Controller of Capital Issues, in the ratio of two shares for every five equity shares held. Besides the company is step-

ping up its equity dividend to 15 per cent for the year ended June 30, 1972 as compared to 12 per cent for the previous year and six per cent for 1969-70. With a jump in sales from Rs 6.48 crores to Rs 10.55 crores, gross profit before depreciation and taxation recorded a spectacular rise to Rs 135.34 lakhs from Rs 55.06 lakhs in 1970-71. The gratifying results for the year under review were due to a substantial increase in cane crushed to 5.26 lakh tonnes from 4.35 lakhs tonnes in 1970-71 while the sugar produced was significantly higher at 50063 tonnes as against 40159 tonnes with recovery moving up from 9.23 per cent to 9.52 per cent. The quantity of cane crushed for the whole of 1971-72 season was of the order of 5.91 lakh tonnes with a recovery of 9.42 per cent, and it is claimed to be the largest for any single unit in the country during this season. The directors have enhanced, appreciably the appropriation to all reserves.

The allocation to depreciation reserve was raised from Rs 20.05 lakhs to Rs 29.89 lakhs, to development rebate reserve from Rs 7.22 lakhs to Rs 13.50 lakhs, to general reserve from Rs 17.19 lakhs to Rs 72.50 lakhs, and dividend reserve from Rs 10.56 lakhs to Rs 12.95 lakhs. The gratuity fund is credited, for the first time, with a sum of Rs 6.50 lakhs. No provision has been made in respect of taxation. The estimated liability of Rs 50 lakhs on this account will be met of the general reserve as the need arises. The future prospects are quite promising as a distillery with an initial capacity of two million gallons annually has started functioning since June this year and will be making a sizeable contribution to the earnings for 1972-73. Schemes

are under way to expand the capacity of this unit to three million gallons.

Hindustan Sugar

The directors of Hindustan Sugar have proposed to issue subject to the consent of the Controller of Capital Issues bonus shares in the ratio of one share for every three shares held by capitalising a sum of Rs 84 lakhs out of the company's reserves. They have also recommended payment of a dividend of 10 per cent for the year ended June 30, 1972, the same as in 1970-71. With a jump in sales from Rs 14.48 crores to Rs 20.98 crores the gross profit has moved up steeply to Rs 2.56 crores from Rs 1.69 crores in 1970-71. Out of the gross profit the directors have allocated a sum of Rs 52.26 lakhs to depreciation reserve and Rs 2.03 lakhs to development rebate reserve against Rs 55.49 lakhs and Rs 2.07 lakhs provided respectively in 1970-71. An amount of Rs 1.26 crores was appropriated to taxation reserve as against no allotment in the preceding year.

Acme Manufacturing

Acme Manufacturing Co Ltd has made satisfactory progress during the current year with sales in the first four months of the current year being higher by over 50 per cent as compared to the similar period of last year. The company is making vigorous efforts to secure orders at economic prices in spite of severe competition, their value at present exceeding one crore rupees as against only Rs 36 lakhs at the end of June 1972. In fact with the seasonal increase in sale of diesel engines, improvements in sales management for specialised job work and rapidly increasing sales of engine valves

the overall sales volume is expected to reach new highs during the current year. The company has been intensifying its research and development efforts in product lines that have so far accounted for relatively small portion of the company's total volume but which doubtless offer more promising opportunities for long term growth than diesel oil engines. At the same time the management is exploring possibilities of diversifying into new lines of manufacture so as to ensure optimum utilisation of resources. The company because of its association with Walchand group was registered as an interconnected undertaking under MRTP Act. The company has made an application to the Company Law Board for delinking and once approved by the government the company will be able to carry on its activities in the normal way. Its application for the manufacture of road rollers and paver finishers are pending with the government.

International Computers

International Computers and Tabulators is keeping the equity dividend unchanged at 11 per cent for the year ended September 30, 1972. The company has earned during the year a handsome profit of Rs 29.17 lakhs, recording an improvement of as much as Rs 1.12 lakhs over 1970-71. The appropriation to depreciation reserve was stepped up from Rs 13.75 lakhs to Rs 17.30 lakhs while an amount of Rs 7.91 was transferred to development rebate reserve as against Rs 8.10 lakhs in 1970-71. No provision has been made for taxation against Rs 1.25 lakhs in the previous year.

Hypine Carbons

Though there are some units producing activated carbon for the oil industry Hypine Carbons is the only sophisticated unit manufacturing high grade activated carbon required by the chemicals, dyes and pharmaceutical industries.

The company's plant is now complete and trial runs have yielded gratifying results. Ma-

als produced were supplied to such leading consumers as Indian Drugs & Pharmaceuticals Ltd, Hyderabad and Rishikesh; Maize Products, Ahmedabad; Glaxo Laboratories (India) Ltd., Bombay; and Hindustan Organic Chemicals, Rasayani, all of whom have since placed their orders with the company. Apart from these leading companies repeat orders have also been received from Hindustan Antibiotics Ltd, Pimpri, Roche, Sandoz, Sarabhai Chemicals, Mac-Gan Ravindra. Products samples have been approved by, and long term contracts are being negotiated with, Atul Products, Ciba, Pfizer, Synbiotics and Tata Fisson. Samples have also been sent to countries in east and west Europe, and other countries abroad, and it is hoped to finalise major orders shortly from the USSR and Japan.

The carbonizer, which is now ready, will enable the company to manufacture pine charcoal, instead of purchasing it, thereby ensuring a superior quality in the ultimate product. The carboniser will also release pine-tar as a by-product, and increase the profitability of the company in the process. It is heartening to note that production is well under way and over 250 tonnes have been produced already. The capital of the company was further increased by another Rs 15 lakhs by offering Rights Issue and out of Rs 15 lakhs offered, nearly Rs 10 lakhs were taken up. Arrangements are being made to get the balance amount subscribed.

Colour-Chem

Colour-Chem's performance in the current year is expected to be far better than in 1971-72. Thanks to a marked increase in demand for several of its products the sales are expected to be well above the record levels reached in the previous year. Its plant for the manufacture of dyes-intermediates was commissioned in 1970 when the demand for its products was much lower than the installed capacity. However with the rise in demand the plant is being better utilised.

The company has also paid increasing attention to research and development. Over 30 new items within its licensed capacity were developed and placed in the market during 1971-72. During the current year the company has developed entirely on its own research an important new dye-intermediate which will be manufactured for the first time in the country. A new research centre is under construction aimed primarily at substituting essential raw materials which until now were imported. For exports the company has been directing its main efforts to the sophisticated markets of Europe, the USA, and Canada where it has achieved a substantial export volume with the help of its collaborators, Bayer AG and Hoechst AG.

Bayer

Bayer (India) Ltd, a leader in Asia in the field of pesticides, rubber chemicals and pharmaceuticals, is now embarking on an ambitious expansion of the production capacity in respect of basic pesticides as the demand is fast growing. It is also planning to expand further the capacity for the manufacture of rubber chemicals as the demand for these, especially by the tyre industry is growing on account of the rapid increase in transport. The erection of the plants will begin in the middle of 1973 and enhanced production will become available from the middle of 1975. Besides the company has received a letter of intent for the manufacture of aromatic di-isocyanates (TDI), a basic raw material for polyurethane foams used for mattresses, thermal insulation and other purposes. It will involve a total capital expenditure of about Rs 15 crores.

CAFI

The report of Chemicals and Fibres of India for the year ended September 30, 1972 states that despite firm export orders the momentum gained in the first half of the year could not be maintained latter because of a prolonged ban on export to Sudan, a major market for 'terene' blended fabrics. The

total shipments at Rs 63 lakhs were lower than those for the previous year although the export of garments, particularly trousers, to western Europe was encouraging. However, the company is confident of meeting its larger export commitments imposed in connection with expansion of the plant capacity to 6100 tonnes per year. The demand for 'terene' recorded a significant improvement in the second half of the year with the recovery of the textile industry from recession. The severity of the excise levy on polyester fibre and polyester blended fabrics, and garments, however, continues to restrict the growth of the market.

Tensile Steel

The directors of Tensile Steel Ltd have decided to capitalise Rs 15 lakhs from its general reserve by issuing bonus shares in ratio of one share for three shares held subject to the consent of CCI. The company's paid up capital will now stand at Rs 60 lakhs by the proposed issue. The company's working during the current year is considered satisfactory especially when severe power cut and consequent loss of production is taken into account. The sales for the seven month-period ended October 31, 1972 amounted to Rs 168.62 lakhs as against the sale of Rs 168.94 lakhs for the similar period last year. The company's expansion programme is making satisfactory progress. The company expects to receive shortly a letter of intent from the government of India for the production of 7,500 tonnes PC wire, which when fully implemented would bring the PC wire capacity to 17,500 tonnes from the present licence capacity of 10,000 tonnes.

Unit Trust

The sale and repurchase prices of the units of the Unit Trust of India were raised by 10 paise each to Rs 10.80 and Rs 10.50 per unit respectively with effect from November 21.

News and Notes

(Expansion and Diversification)
Ramon Group of Industries

is setting up three ambitious projects with public participation for the manufacture of gear cutting tools, cylinder heads, and universal joint kits, etc. The total financial requirements for the projects would be of the order of Rs 7 crores. The Gear Cutting Tools Project will be in collaboration with a world-reputed Italian manufacturer and will be located at Thana, Bombay. The Factory will manufacture hobs, shaping cutters, shaving cutters, gleason blades, which are now being imported to a great extent and consumed by automobile ancillary industries tractors, machine tools, textile machinery, earth moving equipments, printing machinery and aircraft industry. It will involve a capital outlay of approximately Rs 2 crore with an equity capital of Rs 1 crore and the balance to be raised by way of loans. Sale would be to the tune of Rs 7 lakhs and the installed capacity per annum would be—hobs 2500 nos, shaping cutter 2500 nos, shaving cutters 600 nos, gleason blades 500 nos. From very conservative estimate it is possible that company's factory would be able to generate adequate profits from the third year of its operation. The Cylinder Heads Project will be with French collaboration to be situated at Tanti in Surat district, Gujarat state. The cylinder heads to be manufactured would be for automobile industry in general but mainly for trucks, cars and tractors. The total cost of the project would be around Rs 2 crores inclusive of equity capital of Rs 1 crore having public participation. The annual production of the plant would be around 18,000 cylinder heads with sales valued at Rs 1.80 crores. The return on capital is estimated to be 2 per cent from the second/third year of production.

The project for the manufacture of universal joint kit, propeller shafts, axle shafts would also have Italian collaboration and will be located at Tanti in Surat district, Gujarat state. The financial requirements of this project would be around Rs 3 crores including issue

capital of Rs 1 crore. The production target of the plant would be 1,25,000 nos, UJ Kits, 50,000 nos, Propeller Shaft Assembly and Axle Shaft Assembly 40,000 nos. per annum to be reached by methods of graduation and is expected to meet the future increase in domestic demand for end-products as well as replacements in addition to earning foreign exchange by way of exports. Installation of latest automatic machinery and the operational economies with the expected not sales value of production of Rs 2.58 crores assure of a steady return to the investor from the third year of its operation.

Capital and Bonus Issues

Consent has been accorded to nine companies to raise capital amounting to over Rs 10.66 crores.

The Indian Oxygen Ltd, Calcutta, has been accorded consent, valid for three months, to capitalise Rs 1,54,00,000 out of its free reserves and issue fully paid equity share of Rs 10 each as bonus shares in the ratio of one bonus share for every three equity shares held.

Western Bengal Coalfields Calcutta, has been given permission for the issue of Rs 55 lakhs in debentures of Rs 1000 each carrying interest at the rate of 8.5 per cent per annum and redeemable at par after ten years but not later than eight years from the date of issue, for cash at par to be subscribed privately. The proceeds will be utilised for financing the development programme of the company within the licensed capacity for production of coal. The consent is valid for 12 months.

Chandan Metal Products Baroda, has been granted consent for issue of bonus shares worth Rs 5 lakhs.

Graphite India, Calcutta, has been accorded consent for the issue of Rs 170.84 lakhs divided into Rs 25.84 lakhs in right equity shares, Rs 25 lakhs in 9.3 per cent redeemable cumulative preference shares to the public through a prospectus and Rs 120 lakhs in 8.5 per cent debentures to the Life Insurance Corporation and Unit

Trust of India for cash at par. The proceeds will be utilised for setting up a new plant at Bangalore for the manufacture of graphite electrodes, anodes, carbon paste and miscellaneous graphite and carbon products. The consent is valid for 12 months.

The Tata Iron and Steel Co. Ltd, Bombay, has been given permission for the issue of convertible debentures of the value of Rs 100 lakhs carrying interest at the rate of 8.5 per cent per annum, for cash at par to the Unit Trust of India. The proceeds will be utilised for financing the replacement and modernisation programme of the company. The consent is valid for 12 months.

Bhilai Wires, Bhilai (MP), has made a statement of proposals for Rs 52.50 lakhs in equity share and the same has been acknowledged by the government. The proposed issue, is to be utilised for setting up a plant in the industrial area at Bhilai.

Shri Bhawani Cotton Mills Ltd, Calcutta, has been accorded consent for issue of bonus shares worth Rs 17.50 lakhs.

The Patna Electric Supply, Calcutta, has been accorded consent, valid for 3 months, to capitalise Rs 11.69 lakhs out of its general reserve and issue

fully paid bonus shares of Rs 10 each as bonus shares in the ratio of one bonus share for every three equity shares held.

Ashoka Paper Mills Ltd., Calcutta, has been granted consent, for issue of equity capital of Rs 500 lakhs for the purpose of setting up factories for manufacture of pulp and paper in the states of Bihar and Assam.

New Issue

Blow Plast will be entering the capital market sometime in February 1973 with a public issue of Rs 51 lakhs comprising equity capital worth Rs 36 lakhs in equity shares of Rs 10 each and preference capital worth Rs 15 lakhs in preference shares of Rs 100 each. The company's present paid-up capital is of the order of Rs nine lakhs. It is seeking government's permission to capitalise Rs 27 lakhs and issue bonus shares. After the bonus issue the company will issue fresh capital of Rs 24 lakhs in equity shares and Rs 15 lakhs in preference shares, both at par. In addition to the fresh capital issue, the directors will offer for sale equity shares of Rs 12 lakhs at par from the holdings of the existing shareholders. Thus the offer of equity shares to the public will to the tune of Rs 36 lakhs.

The company, which is now a private company, will shortly be converted into a public limited company. After the capital issue the company will get its shares listed on the Bombay stock exchange. Engaged at present in the manufacture of PVC footwear, suitcases and briefcases and plastic moulded products at its factories at Bhandup and Nasik. The company plans to manufacture plastic chairs, PVC sheetings and plastic fire extinguishers. The proceeds of the issue will be utilised partly to finance the growing business and partly to implement the diversification programmes. The company has made significant progress in the past few years. It has achieved a turnover of Rs 6.15 crores and earned a gross profit of Rs 24 lakhs in 1970-71. The company's sales are expected to increase to about Rs 7.3 crores in 1973-74 and further to Rs 10 crores in 1974-75. The gross profit too is expected to go up from Rs 50 lakhs in 1972-73 to Rs 70 lakhs in 1973-74 and touch the Rs one-crore mark by 1974-75. The directors are hopeful of declaring a dividend of 10 per cent for 1972-73 on the increased capital. The new shares to be offered to the public will rank for dividend from the date of allotment.

Name of the company	Year ended	Dividends (Per cent)	
		Current year	Previous year
Higher Dividend			
Amalgamated Coalfields	March 31, 1972	12.5	10.0
Pench Valley Coal Co.	March 31, 1972	12.5	10.0
Rohit Pulp and Paper Mills	March 31, 1972	12.0	10.0
Sitalakshmi Mills	June 30, 1972	25.0	20.0
Rameshwara Jute	March 31, 1972	5.0	Nil
Nav Bharat Vanijya	May 31, 1972	10.0	7.5
South India Steel & Sugars	June 30, 1972	9.0	Nil
Vidarbha Paper Mills	June 30, 1972	6.0	4.0
Oudh Sugar Mills	June 30, 1972	25.0	22.0
Same Dividend			
Corla Spg. & Wvg. Co.	March 31, 1972	9.0	9.0
Indian Detonators	June 30, 1972	10.0	10.0
Ruby Rubber Works (Madras) Ltd	December 31, 1971	Nil	Nil
Reduced Dividend			
Amrit Banaspati Company	March 31, 1972	Nil	9.0
Sungma Tea Co.	December 31, 1971	3.0	5.0

ALUMINIUM CAN MAKE YOUR HOME LOVELIER AND LIVELIER

Sleek, elegant, light, bright, strong, durable, rust-proof, hygienic... one could go on listing the virtues of the wonder metal, ALUMINIUM. Every modern home uses versatile aluminium furniture, fixtures, utensils and appliances. Join the modern trend—use aluminium in your home too. Make sure that your furniture is made of Hindalco Aluminium. Hindalco does not make these finished goods but it supplies the much-needed aluminium (in primary & Semi-fabricated forms) for their manufacture.



**HINDUSTAN ALUMINIUM
CORPORATION LTD.**

WORKS: P.O. RENUKOOT, DIST. MIRZAPUR, U.

COMPANY MEETING

TATA CHEMICALS LIMITED

Speech delivered by the Chairman, Mr J.R.D. Tata, at the 33rd Annual General Meeting of the Company, on Thursday, 23 November, 1972.

Ladies and Gentlemen,
A decade of progress

It does not happen often that a Company can report to its shareholders uninterrupted progress in output, revenue and profit for ten consecutive years during which it has produced over Rs. 100 crores worth of vital industrial raw materials and saved an equal amount of foreign exchange, provided nearly Rs. 14 crores in wages and benefits for employees, paid nearly Rs. 17 crores in taxes to the exchequer and saved the consumer nearly Rs. 3 crores in the form of lower prices than those charged by its competitors.

2. The performance of the Company over the last decade is all the more creditable in that it has been achieved entirely on its own without any outside assistance in an especially difficult field of basic chemicals.

3. The Company's success in overcoming the grievous initial difficulties which for some time threatened its very survival, in developing its own know-how and technology and in achieving its present undisputed technical and commercial leadership has been mainly due to the self-reliance, determination, technical competence, high spirit and morale of its personnel from top management downwards.

4. In no industrial venture in the country of which I know is management more highly professionalised than in Tata Chemicals. "Ten out of twelve of our top executives are technocrats", and all of them have risen from the ranks and grown deep roots in the otherwise arid soil of Mithapur.

5. Tata Chemicals thus provides a significant example of what Indian private enterprise can achieve for the country when led by high calibre professional management imbued with pioneering zeal and a patriotic spirit. This is the

kind of commitment we want in the economic and industrial managers of our economy, whether in the public or private sector and not a commitment to any ideology.

Dedication to the public interest

6. We hear a lot today about the evils and dangers of concentration of economic power in large-scale private enterprise. Your Company provides on its own an answer to these forebodings. With its dominant position in soda ash and with the freedom it has to control the quality, price and distribution of its products, there are, no doubt, those who would consider it guilty of a dangerous concentration of economic power. The exemplary manner in which your Company has exercised such economic power for the common good, and not to the common detriment assumed so freely by those who can see nothing good in free enterprise, has, I hope, helped in correcting the adverse image which much of the private sector has deservedly acquired in the country.

7. Tata Chemicals has throughout lived up to the most stringent criteria that can be established to assess the performance of a business concern in the socio-economic context of the day. It has throughout safeguarded and promoted the interests of its consumers by providing them with products of the highest quality at prices lower than those of its competitors and distributing them in such a manner as to ensure that they could not find their way into the black market; of its employees by paying them the highest wages in the industry, providing them with the best conditions of work and health, housing and educational benefits for themselves and their families, and giving them the maximum job satisfaction reflected, year after year, in excellent labour relations; of its shareholders by providing

them with increasing dividends, and a growing market value for their shares; and finally, of the community by a sustained programme of support to the people of Okhamandal, where its works are located, and particularly to those in need of relief and help. With such resources, physical and human, and with such an unsurpassed record of performance and social consciousness, the Company has been for some years poised to play an even bigger role in meeting the country's needs.

Fertiliser Project

8. While we have been permitted to undertake a substantial expansion in the manufacture of soda ash and other marine chemicals at a fraction of the cost in rupees and foreign exchange at which it could have been achieved by others, we cannot but deeply regret that our efforts to extend our activities to the development of the all important fertiliser industry have so far been frustrated. The fate of the great and imaginative project which we submitted to Government five years ago, is too well known to need recapitulation.

9. It is good to know, however, that the premises on which the project was based, many of which were contested and opposed in official circles, have all been vindicated with the passage of time.

10. Let it also be known that if the project had been cleared, as originally planned, it would already be today at that stage of its eight-year development programme when it would be producing annually 800,000 tonnes of balanced fertilisers valued at about Rs. 70 crores which the country is compelled instead to import at heavy foreign exchange cost.

11. Weary, but not defeated, we persisted in our efforts and I am glad to say that at long last, it now seems that the project, though considerably curtailed in its scope, will ma-

terialise. We filed our application for the conversion of the letter of intent which was issued to us last May into an industrial licence and, by the time we meet next year, I hope that the project will be well on its way to fulfilment.

12. Short only of endangering the economic viability of the great national asset that our Mithapur base is today, we will do all within our power to implement the project as expeditiously as possible. While, as stated earlier, the project has been considerably curtailed in scope by comparison with that of the original project, I have every hope that in view of the great benefits by way of increased efficiency, lower costs, and larger savings in foreign exchange that will accrue to the country through the use of the most advanced technology, Government will in due course themselves wish us progressively to expand and diversify the project and thus enable Mithapur to realise its full potential in the allied fields of alkalies, fertilisers and marine products.

13. In the meantime, as stated in the Report, we are proceeding expeditiously with the recently licensed expansion of our soda ash capacity to a thousand tonnes per day, which we expect to complete by mid 1974 and I hope that Government will soon convert into an industrial licence the letter of intent they have issued to us for a further expansion which would bring our total capacity to about half a million tonnes a year.

14. I am sure that in the light of the Company's sustained record of progress, the shareholders will approve of the proposal before them for an issue of equity capital, subject, of course, to the approval of the Controller of Capital Issues.

15. With the continued growth of its activities in its own field of soda ash, alkalies and marine chemicals, and its long hoped for entry into the entirely new field of fertilisers, it is clear that the Company must enlarge its capital base. On the basis of its past record of achievement, I have little doubt that such expansion of capital will be, in both the short term and long term inte-

rests of the shareholders.

Ventures abroad

16. It is now two years since shareholders were first informed of the Company's decision to compete for a project for the establishment of soda ash industry in Argentina, in response to an invitation by the Government of that country for worldwide tenders. Last year we reported that the commission appointed by the Government to assess the bids had rated the Tata bid as the best, but that they had decided, for various reasons, to enter into negotiations with the bidders.

17. Although progress has been slower than was originally anticipated, I am glad to be able to report that the matter now seems fairly near a final decision. It is likely, however, that because of a desire to accelerate the industrial development of an area of that country different from the one in which we had planned to establish the Tata sponsored project, the final schema will take the form of a collaboration with one of the other tenders, the proposed location of whose project was in the region now apparently preferred.

18. Shareholders may be interested to know that we have also initiated negotiations with an industrial group in a European country for the establishment of a soda ash plant, but on a somewhat smaller scale than the Argentinian one.

19. The fulfilment of either or both of these schemes will establish beyond doubt in other parts of the world, the high competence and leadership of your Company in this difficult field of basic chemicals, and open the door, I hope, for further beneficial developments abroad.

20. We shall continue our efforts in that direction fully aware of the many-sided difficulties involved in undertaking such large commitments abroad, but with the confidence derived from the self-reliance and experience we have built up over the years.

Prospects for the current year

21. As four months have passed since the close of the year under review, and share-

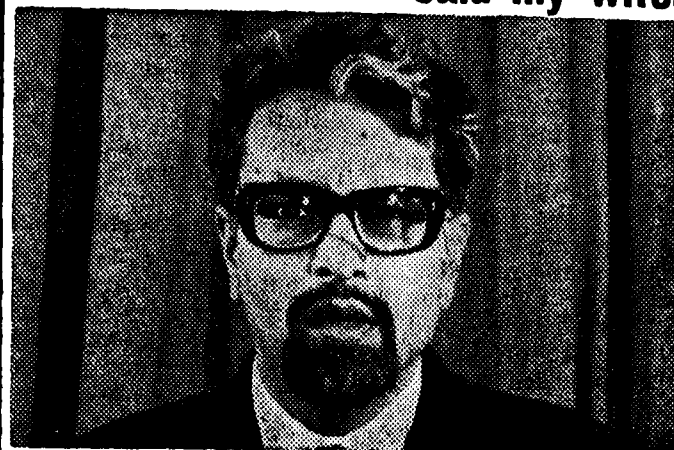
holders are usually anxious to have the latest information on the progress of the Company, I am glad to inform you that the Company is continuing to make good progress in the current financial year. Although for the four months ending 31 October, production has been only slightly higher than during the corresponding period last year because of the unexpected trouble with the High-Pressure Boiler which has since been rectified, I have every hope that, barring unforeseen circumstances, the results for the current year will for yet another year be better than those achieved during the previous year.

22. I am sorry to say however that Okhamandal is in the grip of a severe drought. The Company has launched a major programme of assistance to the Okhamandal community by way of supply of drinking water to every village which needs it, medical care, child care, cattle fodder, supply of seeds etc. In addition, the Company is offering about 1,000 additional jobs—at regular wages—to the Okhamandal community so long as the present drought conditions persist.

May I, as usual, on your behalf and mine extend to our Managing Director and all other members of Management and Staff, our grateful thanks for the manner in which they have conducted the Company's affairs during the past year to the continued and growing benefit of all concerned. The apparent ease and continuity of their success in producing each year better results than in the previous one, should not however mislead us into believing that their's has been or is today, an easy task. From personal knowledge, I can vouch for the tremendously hard work, ingenuity, and unremitting efforts required to achieve such results. It is very much to their credit that they have not allowed success during the past few years to damp their zeal to outperform themselves, and I hope they never will.

(Note: This does not purport to be a record of the proceedings of the Annual General Meeting of the company.)

"You don't look as if you've spent a long hard day at the office," said my wife.



(Suspicious, that's what women are!)

Why doesn't somebody tell her about Blue Star Packaged Climate Systems?

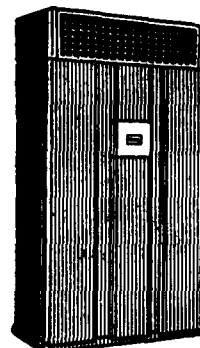
Understandable. A working woman would know better but the housewife seems to take it for granted that a day in the office ought to make a wreck of any man. Obviously, nobody's told her about highly productive modern offices and Blue Star Packaged Climate Systems!

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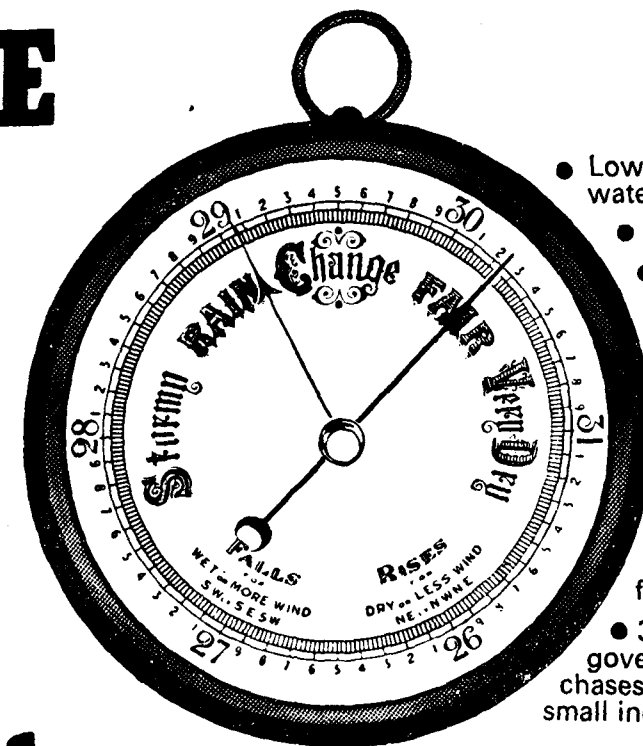


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For further details contact:

Mysore State Financial Corporation

1/1, 2nd Main Road, Malleswaram, Bangalore-3. Phone: 71169



RECORDS AND STATISTICS

Industrial Growth : 1969-72

THE AGENDA papers circulated by the Ministry of Industrial Development for the 24th meeting of the Central Advisory Council of Industries included a review of the industrial scene in the country; the review showed that the index of industrial production in the first five months of the current year had recorded a rise of 7.5 per cent over the corresponding period in 1971. Such important industries as cotton textiles and transport equipment had made a distinct recovery. However, shortages in power, coking coal and transport bottlenecks had continued to hinder acceleration of the industrial growth rate.

The review is given below in full:—

The year 1971-72 was characterised by severe strains brought to bear on the national economy. The economy continued to grow during the year, but at a slower rate than was envisaged during the fourth five-year Plan. The growth rate of national income during 1971-72 was expected to be no more than 4 per cent as compared with 5 per cent achieved in 1970-71 and 5.5 per cent in 1969-70.

The year 1972-73 began with hopes of higher economic growth, though there are some disturbing trends (particularly as to agricultural output and to prices). The growth rate in industrial production has

picked up. The index of industrial production during the first five months of 1972 was higher by 7.5 per cent as compared with that of January-May 1971. Important industries like cotton textiles and transport equipment which had shown a decline in production during 1971 have made a distinct recovery during the current year and other industries like chemicals, basic metal industries, and non-electrical machinery have shown continued growth in production. However, power shortages in certain areas, shortages of coking coal (for the steel industry) and transport bottlenecks have hindered the acceleration of the industrial growth rate.

In the field of investment, the trends of registration of new companies and their proposed share capital as well as of issue of new capital, are encouraging.

However, in the agricultural field, hopes of a bumper crop have been belied due to the delayed, and in many areas insufficient rains. Some cash crops may still fare well, but some others may be adversely affected. Thus, while sugar production may be better than last year, it may still not reach the levels attained in 1970-71. The prospects of the cotton crop have improved with the late onset of the monsoon, but groundnut production has been seriously affected, which may affect the prices of edible oils and vanaspati.

As to prices, during September 1972, the index number of wholesale prices has reached the peak of 208.7, which is 9.1 per cent higher than the position a year ago. The liquidity position of commercial banks is comfortable.

Against the unprecedented growth in money supply and monetary resources (arising from Government deficit spending), the Reserve Bank has had to enforce general restraint on credit, and at the same time ensure the availability of credit to meet the requirements of production. Special emphasis has been given to both agricultural credit and credit to the small-scale sector.

India's exports during the first five months of the year have shown an impressive increase of 18 per cent over the corresponding period of the last year. The foreign exchange position is comfortable in spite of a drop in the reserves. However, owing to growing import needs in respect of steel, fertilizers, petroleum products and other essential requirements of the economy, the need for accelerated emphasis on export growth, and of import substitution efforts, is more than ever of urgency and importance.

2 (a): Index of Industrial Production, 1971:

The general index of industrial production at 186.1 for the year 1971 registered a disappointing percentage increase of some 3 per cent over the previous year as compared with the modest increase of 4.8 per cent recorded in 1970 over 1969.

An analysis of the 1971 index of industrial production by industrial groups and sub-groups indicates that apart from 'electricity generated' which rose by 7.3 per cent and 'mining and quarrying' which rose by 3 per cent, the major group 'manufacturing' show-

ed a growth rate of only 2.3 per cent.

The major growth leaders in the group 'manufacturing' were as follows:—

	Per cent
Wood and Cork Mfrs.	12.8
Woollen Textiles	12.4
Rubber Products	12.1
Electrical Machinery	11.6
Jute Textiles	11.3

Industrial groups that have maintained a reasonable growth rate (say between 4 to 10 per cent) include:—

Non-metallic Minerals	9.7
Beverage & Tobacco	7.3
Mfr. of Metal Products	7.0
Mfr. of Chemicals	6.8

Petroleum Refinery Products	6.6
Paper & Paper Products	4.2
Mfr. of Leather Footwear	4.2

The major areas of concern where production levels had either declined or had just been maintained include:—

Leather & Fur Products	—15.3
Transport Equipment	—7.5
Cotton Textiles	—5.9
Basic Metal Industries	+1.5
Non-electrical Machinery	+1.0
Food Manufactures	+0.1

In the group 'transport equipment', the decline can be attributed to a fall in the production of railway wagons (due to lack of firm orders); a decline in orders executed for ship building and repairing (from Rs 1174 lakhs in 1970 to Rs 962 lakhs in 1971) and a fall in the production of bicycles and motor cycles.

In the group 'cotton textiles',

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there has been a decline in the production of both cotton yarn and cotton cloth mainly due to a shortage of raw cotton.

The low growth rate in the 'basic metal industries' can be traced to a fall in the production of finished and semi-finished steel, steel ingots and pig iron.

The comparatively static picture observed in the 'manufacture of non-electrical machinery' can be ascribed to a fall in the production of power driven pumps, vehicular diesel engines, tea machinery, air compressors and tractors.

2 (b): Index of Industrial Production, 1972 (January-May)

The official index for the first five months of 1972 (January-May) stands at 198.2 showing an increase of 7.5 per cent as against an increase of 1.4 per cent registered during the corresponding period of 1971. The major group 'manufacturing'

has registered an encouraging increase in production, by +6.8 per cent as compared with +1.1 per cent in the corresponding period of 1971.

The major contribution to this resurgence in industrial production can be traced back to a healthy revival in the manufacture of cotton/woollen/jute textile, paper products, rubber products, manufacture of chemicals and electrical machinery.

There have also been encouraging increases in the production of leather footwear, petroleum refinery products, non-metallic minerals, basic metal industries, non-electrical machinery and transport equipment.

It may be mentioned that of particular importance is the step-up in the amount of electricity generated, which has increased by 12.5 per cent during January-May 1972, as compared to only 7.3 per cent

Table A (Rs crores)

	Jan-Sept 1970	Jan-Sept 1971	Jan-Sept 1972
I. Total Equity	45.23	41.30	52.56
(a) New issues	8.21	8.96	27.66
(b) Rights	17.3	4.45	5.85
(c) Bonus	29.14	18.81	15.87
(d) Others	6.15	9.08	3.18
II. Preference	4.43	1.92	7.45
III. Debentures	5.10	6.22	44.48
Total Consents	54.76	49.44	104.49

The Table B gives some indicators of investment activity over a longer period :

Table B (Rs crores)

	Capital raised by non-govt companies (calendar year)*	CG/HEP Licences Issued (April-March)	Assistance disbursed by all term lending financial institutions* (April-March)
	96.4	83.8	85
	92.7	73.2	111
	86.7	127.1	133
1971-72	77.7	252.2	162

*Source: Annual Report of the IDBI.

during 1971. This increase is likely to have been moderated in the succeeding months owing to the delayed monsoon (and consequent low level of water supply for hydro-electric power generation).

3. Production of Selected Industries, 1972 (January-July)

While data on the official index are available only up to May 1972, provisional production data are available for 125 selected industries for the period January-July 1972.

Industries that have recorded creditable increases in production include steel pipes and tubes (47 per cent), sugar mill machinery (36 per cent), weighing machinery (32 per cent), motor cycles (41 per cent), three-wheelers (89 per cent), electric fans (28 per cent), VIR and PVC Cables (30 per cent), nitrogenous fertilizers (28 per cent), phosphatic fertilizers (21 per cent), calcium carbide (25 per cent), bicycle tyres/tubes (25 per cent), tractor tyres (31 per cent), aluminium conductors (22 per cent).

Industries that have recorded appreciable increases in production (ranging between 10 and 20 per cent) include machine tools, tea processing machinery, ball and roller bearings, bicycles, dry batteries, electric lamps, cotton cloth/yarn, soap, bleaching powder, liquid chlorine, petroleum refinery products and leather footwear.

Industries that have recorded reasonable increases in production (ranging between 5 to 10 per cent) include tractors, steel castings, room air conditioners, hurricane lanterns, caustic soda, paints and varnishes, viscose filament yarn and jute manufactures.

4. Industrial Licensing & Investment

The total number of Industrial Licences and Letters of Intent issued during the current year is indicated below, together with the figures for the corresponding period of

last year, and for the full years from 1968.

Year	Industrial Licences issued	Letters of Intent issued
1968	222	158
1969	221	331
1970	363	438
1971	625	1015
Jan-July 1971	410	618
Jan-July 1972	252	531

In so far as industrial investment is concerned, it appears from available indicators that there has been some step-up in the rate of investment. It appears from available information, however, that this step-up is entirely based on increased assistance from financing institutions.

The number of new companies registered has increased of late as follows:—

Year	No of new companies registered
1968-69	1115
1969-70	1510
1970-71	1927
1971-72	2524
1971-72 (1st Qr)	548
1972-73 (1st Qr)	774

There has also been a step-up in the "consents" for the capital issues during 1972, the increase being mainly in the form of debentures as given in Table A.

It will be seen that there are indications of a step-up of investment in private industrial sector, particularly if import licensing of Capital Goods be taken as an index of matching investments which would have to be made. However, it will also be seen that while there has been a substantial increase in the amount of financial assistance disbursed by the term lending institutions — the amount disbursed having nearly doubled in the last four years — the capital raised by non-government companies has been stagnant. This points to the need for an acceleration in the pace of resource raising from the private sector for private industrial investment.

TABLE I

Production of Selected Industries: 1969-72

Sl No	Industry	Unit	1969	1970	1971	Jan-July		Percentage change in		
						1971	1972 (Prov)	1970	1971	(Jan- July 72)
1	2	3	4	5	6	7	8	9	10	11
I. Mining & Quarrying										
1.	Coal (including Lignite)	Th. Tonnes	79599	77243	73265	42432	45247	-3.0	-5.4	+6.6
2.	Iron Ore	"	29567	31366	33720	12261	13146	+6.1	+7.5	+3.0
II. Food Manufacturing Industries										
3.	Flour Milling	Th. Tonnes	1736	2429	2527	1592	1652	+39.9	+4.0	+3.8
4.	Sugar	"	3868	4261	3670	2777	2208	+10.2	-13.9	+20.5
5.	Vanaspati	"	482	532	590	340	351	+10.0	+10.9	+3.2
6.	Tea	M. Kgs.	394	422	429	192	194	+7.1	+1.1	+1.0
7.	Salt	Th. Tonnes	5138	5588	5426	4413	5338	+8.8	-2.9	+21.0
III. Tobacco Industries										
8.	Cigarettes	Mill. Pcs.	59714	62930	55779	38163	35869	+5.4	4.5	-6.0
IV. Manufacture of Textiles										
9.	Cotton Yarn	Mill. Kgs.	951	955	881	502	580	+1.5	-8.9	+15.5
10.	Cotton Cloth (Mill-Made)	Mill Mtrs.	4168	4157	3957	2280	2507	-0.3	-5.9	+10.0
11.	Rayon									
	(i) Viscose Yarn	Th. Tonnes	36.8	36.1	37.0	21.7	23.2	-1.9	+2.5	+6.9
	(ii) Staple Fibre	"	58.4	68.3	60.7	40.4	39.0	+8.4	-8.4	-3.5
	(iii) Acetate Yarn	Tonnes	1987	1059	1922	1122	1162	-1.4	-1.9	+3.6
12.	Jute Manufactures	Th. Tonnes	894	954	1090	628	663	+6.6	+14.3	+5.6
V. Footwear & Other Wearing Apparel										
13.	Footwear-Western Type	Th. pairs	8630	7711	8350	4667	5521	-10.7	+8	+8
14.	Footwear-Indigenous Type	"	7839	7739	7637	4646	5282	-1.3	-1.3	+13.7
VI. Manufacture of Wood & Cork										
15.	Plywood:									
	(i) Teacheat	M.Sq. Mtrs	5.91	4.60	4.95	3.01	2.01	-22.2	+7.6	-33.2
	(ii) Commercial	"	18.09	19.00	22.59	13.43	11.63	+4.9	+19.1	-13.4
VII. Paper & Paper Board										
16.	Paper & Paper Board	Th. Tonnes	707	757	781	444	454	+7.1	+3.2	+2.3
17.	Newsprint	Tonnes	35303	37341	40081	24251	24874	+5.8	+7.3	+2.6
VIII. Leather & Fur Products										
18.	Tanned Hides									
	(i) Chrome	Th. Nos.	800	1314	1136	708	661	+64.3	-13.5	-6.6
	(ii) Vegetable	"	2384	969	962	588	541	-59.4	-0.7	-8.0
19.	Leather Cloth	K.M.S.	11526	10037	8214	5414	5721	-12.9	-18.2	+5.7

(Contd.)

			2	3	4	5	6	7	8	9	10	11
IX. Rubber Products												
20.	Rubber Footwear	M. Pairs	49.4	44.8	44.8	25.3	26.3	-9.3	-	-	+4.0	
21.	Tyres											
	(i) Automobiles	Th. Nos.	3214	3225	4190	2287	2427	+0.3	+29.9	+6.1		
	(ii) Bicycles	"	21611	20989	20664	10391	12986	-2.9	-1.5	+25.0		
	(iii) Tractors	"	178	186	229	122	160	+4.5	+22.6	+31.1		
22.	Tubes											
	(i) Automobiles	"	2559	2921	4036	2230	2427	+14.2	+38.2	+8.8		
	(ii) Bicycles	"	17064	15841	33455	6820	8494	-7.2	-15.1	+24.5		
	(iii) Tractors	"	160	181	221	121	141	+13.1	+21.7	+16.5		
X. Chemical Products												
23.	Sulphuric Acid	Th. Tonnes	1160	1189	1280	755	824	+2.5	+7.7	+9.1		
24.	Caustic Soda	"	347	361	377	213	229	+4.3	+4.1	+7.5		
25.	Soda Ash	"	422	446	479	275	284	+5.7	+7.4	+3.3		
26.	Liquid Chlorine	"	129	147	162	79	87	+14.0	+10.2	+10.1		
27.	Bleaching Powder	"	15.7	13.7	16.7	9.2	10.2	-12.4	+21.9	+10.9		
28.	Bichromates	Tonnes	8405	10843	7490	4270	4168	+29.0	-30.9	-2.4		
29.	Nitrogenous Fertilizers (N. Content)	Th. Tonnes	672	813	889	487	625	+19.7	+9.4	+28.3		
30.	Phosphatic Fertilizer (P ₂ O ₅ Content)	Th. Tonnes	217	200	250	147	178	-7.2	+25.0	+21.1		
31.	Alum.	Tonnes	591	412	370	256	Nil	-30.3	-10.2	-		
32.	Copper Sulphate	"	2107	2168	2438	1496	1583	+2.9	+12.5	+5.8		
33.	Glue	"	2074	2160	2720	1482	1793	+4.1	+25.9	+21.0		
34.	Glycerine (Refined)	"	11000	11056	9700	5916	5661	+0.5	-12.3	-4.3		
35.	Soap	Th. Tonnes	2388	232	260	145	164	-2.5	+11.8	+13.1		
36.	Matches	Mill. Boxes	6139	4758	4634	2664	2737	-22.5	-2.6	+2.5		
37.	Paints	Th. Tonnes	62.1	65.2	68.0	38.5	41.0	+5.0	+4.3	+6.4		
38.	Power Alcohol	K/L	592	641	679	268	513	+8.3	+5.9	+91.4		
39.	Industrial Alcohol (Rectified Spirit)	Th. K. Litres	220	253	253	155	301	+15.0	-	+94.2		
40.	Welding Gas											
	(i) Oxygen Gas	Mill. Cu. Mtrs.	37.6	39.0	52.5	30.6	34.0	+3.7	+34.7	+11.1		
	(ii) Acetylene Gas	Th. Cu. Metres.	5.64	6.12	6.37	3.85	4.00	+8.5	+4.1	+3.9		
41.	Calcium Carbide	Th. Tonnes	65.6	69.5	69.5	34.0	42.5	+6.3	-	+25.00		
42.	Vat Dyes	Tonnes	1283	1234	1075	668	589	-3.8	-12.9	-11.8		
43.	Azo Dyes	"	1543	1400	2651	1386	1306	-9.3	+89.7	-5.8		
44.	Stabilized Azoics	"	134	98	246	116	97	-26.9	+149.9	-16.4		
45.	Solubilised Vats	"	112	124	123	71	58	+10.7	-0.9	-18.3		
46.	Sulphur Black	"	1547	1476	1345	939	848	-5.6	-8.9	-9.7		
47.	Naphthol	"	887	986	1240	776	768	+11.2	+25.8	-1.0		
48.	PF Moulding Powder	"	2643	3246	2486	1379	1301	+9.1	-3.6	-5.7		
49.	UF Moulding Powder	"	1546	1680	1619	992	924	+8.7	-3.6	-6.9		
XI. Petroleum Refinery Products												
50.	Petroleum Refinery Products	Th. Tonnes	15975	17084	18210	10243	12099	+6.7	+6.6	+17.4		
XII. Manufacture of Non-Metallic Mineral Products												
51.	Refractories	Th. Tonnes	646	743	807	482	465	+15.0	+8.6	-3.5		
52.	Insulators:											
	(i) HT	Tonnes	15433	17865	17479	9965	13406	+15.8	-2.2	+34.5		
	(ii) LT	"	1842	2259	1767	8190	8401	+22.6	-11.8	-29.4		
53.	Cement	Th. tonnes	13624	13955	14931	8728	8979	+2.4	+7.0	+2.9		

(Contd.)

1	2	3	4	5	6	7	8	9	10	11
54. Asbestos Cement Sheets			296	361	290	227	213	+22.0	+7.8	-6.2
55. Grinding Wheels	Tonnes		4577	6062	6920	3959	4259	+32.4	+14.3	+7.6
56. Coated Abrasives	Th. Reams		156	162	203	110	98	+3.8	+25.3	-10.9
57. Glazed Tiles	Tonnes		18672	19639	20696	12157	14226	+5.2	+5.4	+18.0
58. Sheet Glass	Th. Sq. Mtrs.		17260	14713	16885	9757	10212	-14.8	+14.8	+4.7
XIII. Basic Metal Industries										
59. Steel Ingots	Th. Tonnes		6433.6	5990.9	5747.4	3428.0	3452.0	-3.9	-4.1	+0.7
60. Finished Steel	"		3687	3738	3363	2053	2163	+1.4	-10.0	+5.4
61. Aluminium Ingots	"		133	161	178	101	106	+21.1	+10.6	+5.0
62. Copper	Tonnes		9751	9311	9554	5615	4631	-4.5	+2.6	-17.5
63. Lead	"		1958	1861	1540	1200	1541	-5.0	-17.2	+28.4
64. Steel Castings	Th. Tonnes		45.9	55.9	54.3	31.6	33.6	+21.8	-2.9	+6.3
65. Antimony	Tonnes		637	526	605	312	548	-17.4	+15.0	+75.6
66. Zinc	Th. Tonnes		23.9	21.3	21.2	7.3	7.4	-10.9	-0.5	+1.4
67. Steel Pipes & Tubes	Th. Tonnes		298	217	219	123	181	-17.2	+0.7	+27.2
XIV. Manufacture of Metal Products										
68. Screws										
(i) Wood	Mill. Nos.		1372	1453	1522	887	846	+5.9	+4.7	-4.6
(ii) Machine	"		441	435	600	328	334	-1.4	+37.9	+1.8
69. Razor Blades	Th. Nos.		3917	857	676	240	507	-6.5	-21.4	+111.3
70. Hurricane Lanterns	"		3660	3564	3050	1890	2007	-2.6	-14.4	+6.2
71. Crown Corks	Mill. Nos.		1299	1225	1395	1022	638	-15.7	+13.9	-37.5
72. Wire Ropes	Tonnes		18191	19261	19672	11841	10785	+5.9	+2.1	-8.9
73. Bright Bars	Th. Tonnes		44.3	47.5	51.7	31.5	31.5	+7.2	+9.2	-
XV Manufacture of Machinery										
74. Tractors	Nos.		18093	19931	16545	9069	9828	+10.2	-17.0	+8.4
75. Diesel Engines										
(i) Stationary	Th. Nos.		142	68	84	59	32	-23.5	-23.5	-45.8
(ii) Vehicular	Nos.		2666	3299	2579	1695	831	-23.7	-21.8	-51.0
76. Power Driven Pumps	Th. Nos.		382	279	245	131	129	-27.0	-12.2	-1.6
77. Machine Tools	Rs Lakhs		3167.23	4219.52	5929.17	3316.00	3849.00	+33.2	+40.5	+16.2
78. Ball & Roller Bearings	Mill. Nos.		13.41	18.05	18.87	10.70	12.30	+34.6	+4.5	+15.0
79. Sowing Machines	Th. Nos.		407	178	328	211	184	-56.3	+84.3	-12.8
79. Typewriters	Th. Nos.		28	39	43	25	27	+35.7	+15.8	+8.6
81. Twist Drills	"		10060	10074	8087	5249	6204	+0.1	-19.1	+18.2
82. Sugar Mill Machinery	Rs Lakhs		1252.00	1453.47	1634.75	836.09	1136.98	+16.1	+2.5	+36.6
83. Tea Processing Machinery	"		148.00	118.89	101.41	64.09	70.84	-19.7	-14.7	+19.3
84. Cement Mill Machinery	"		980.00	840.00	327.28	195.94	113.07	-14.3	-61.0	-12.3
XVI. Manufacture of Electrical Machinery										
85. Power Transformers	Th. VA		5042	7609	8788	5235	5077	+50.9	+15.5	-3.0
86. Electric Motors	Th. H.P.		2080	2840	2310	1448	1473	+36.5	-18.7	+1.7
87. Dry Batteries	Mill. Nos.		477	491	578	321	373	+2.9	+17.7	+16.2
88. Storage Batteries	Th. Nos.		1157	1158	1138	661	666	+0.1	-1.7	+0.8
89. Electric Lamps:										
(i) GLS & Others	Mill. Nos		99.33	103.73	99.84	57.40	64.50	+14.8	-3.8	+12.4
(ii) Fluorescent Tubes	Th. Nos.		10240	10480	10560	6163	7147	+2.3	+0.8	+16.0
90. Electric Fans	"		1554	1574	1959	1182	1509	+1.3	+25.5	+27.7
91. Radio Receivers	"		1740	1770	1980	1112	1082	+1.7	+11.9	-2.7

(Contd.)

	2	3	4	5	6	7	8	9	10	11
92. House Service Meters			1578	1799	2203	1242	820	+14.0	+22.5	-34.0
93. Domestic Refrigerators	Th. Nos.		48.6	65.3	87.1	50.0	50.4	+34.4	+33.4	+0.8
94. Room Air Conditioners	"		12.8	17.0	21.3	15.5	16.6	+32.8	+25.3	+7.1
95. Cables & Wires										
(i) Bare Copper Conductors	Tonnes		2242	735	788	380	334	67.2	+7.2	-12.1
(ii) ACSR & AAC	Th. Tonnes		59.5	65.0	72.8	41.1	50.0	+9.2	+12.0	+21.7
(iii) Winding Wires	"		14.6	16.2	19.2	11.5	11.3	+11.0	+18.5	-29.5
(iv) VIR & PVC	Th. Mtrs.		372	423	515	298	386	+13.7	+21.7	+29.5
XVII. Non-Electrical Machinery										
96. Lifts	Nos.		523	476	575	371	272	9.0	+20.8	-26.7
97. Cranes (Other than mobile)	Tonnes		57.5	7101	9653	5457	7081	+24.5	+35.9	+29.8
98. Weighing Machinery	Rs Lakhs		162.79	225.30	292.33	153.90	203.92	+38.4	+29.7	+32.5
XVIII. Transport Equipment										
99. Automobiles (Total)	Th. Nos.		75.7	82.2	86.8	50.8	49.8	+8.6	+5.6	-2.0
100. Motor Cycles	"		34.5	43.0	39.8	19.9	28.1	+24.6	-7.4	+41.2
101. Scooters	"		49.3	58.4	67.2	46.4	40.0	+18.5	+15.1	-1.0
102. Three Wheelers	Nos		5072	4229	6146	2961	5593	-16.6	+45.3	+88.9
103. Bicycles	Th. Nos		1993	2094	1826	1078	1216	+5.1	-12.8	+12.8
104. Railway Wagons	Nos		13214	9477	7454	4370	5053	-28.5	-21.3	+15.6
105. 3 & 4 wheelers	"		2578	3497	3322	1875	2085	+35.6	-5.0	+11.7

@Figures relates to Main Producers only viz. Bhilai, Rourkela, Durgapur, TISCO and IISCO.

TABLE II

Industrial Development in Core Industries

Sl No	Name of the Industry	Unit	Installed Capacity as on 1.4.1971	Production during 1971-72	Installed Capacity as on 1.4.1972	Additional Capacity Covered by Capital Goods approvals	Additional Capacity not yet Covered by C.G. approvals	Total Capacity Licensed & Covered by Letter of Intent 6+7+8	Fourth Plan Targets (1973-74)	
1	2	3	4	5	6	7	8	9	10	11
1. Iron & Steel										
(i) Steel Ingots	Mill. Tonnes		9.0	6.3	9.0	3.0	Nil	12.0	12.0	10.8
(ii) Finished Steel	"		6.9	4.5	7.0	1.4	Nil	12.4	9.0	8.1
(iii) Pig Iron for Sale	"		1.3	1.3	1.3	Nil	2.5	3.8	4.2	3.8
(iv) Alloy and Special Steel (Finished Steel)	"		214.4	323.0	214.4	Nil	40.0	251.4	250.0	220.0
2. Non-Ferrous Metals										
(i) Aluminium	Th Tonnes		167.7	181.5	177.7	148.0	105.0	430.7	230.0	220.0
(ii) Copper	"		9.6	8.3	16.5	31.0	Nil	47.5	47.5	31.0
(iii) Zinc	"		38.0	24.6	38.0	Nil	Nil	38.0	76.0	70.0
3. Industrial Machinery										
(i) Chemical Machinery	Rs Mill		136.0	185.0	274.0	120.2	142.5	536.7	300.0	275.0
(ii) Printing Machinery	"		8.6	4.1	9.6	103.0	112.8	225.4	100.0	80.0
(iii) Rubber Machinery	"		5.8	2.0	11.2	71.1	78.8	161.1	150.0	120.0

(Contd.)

1	2	3	4	5	6	7	7	9	10	11
(iii) Paper & Pulp Machinery	..	65.6	63.0	65.6	19.5	428.7	513.8	150.0	135.0	
(v) Selected Machine Tools*	..	700.0	503.0	700.0	25.3	116.4	841.7	760.0	650.0	
6. Ship Building & Dredgers	Nos	3	3	3	NA	NA	NA	6	6	
5. Fertilisers										
(i) Nitrogenous (in terms of N)	Th Tonnes	1324.0	952.0	1640.0	2160.0	910.0	4710.0	3000.0	2500.0	
(ii) Phosphatic (in terms of P ₂ O ₅)	..	421.0	278.0	500.0	670.0	310.0	1480.0	1200.0	900.0	
6. Pesticides (Tech materials)	..	24.0	38.0	8.0	33.0	79.0	69.0	65.0		
7. Rock Phosphate & Pyrites	Mill Tonnes	0.2	NA					1.25		
(i) Agricultural Tractors	Th Nos	33.0	16.5	40.0	36.0	102.0	178.0	68.0	50.0	
(ii) Power Tillers	..	3.0	0.14	10.0	26.0	41.0	76.0	35.0	25.0	
9. Newsprint	Th Tonnes	75.0	40.0	90.0	60.0	104.0	254.0	165.0	150.0	
0. Iron Ore	M. Tonnes	NA	28.0	NA	NA	NA	NA	—	51.4	
1. Coking Coal	M. Tonnes	NA	18.2	NA	NA	NA	NA	—	25.4	
2. Petroleum										
(i) Oil Exploration & Production of Crude	..	NA	6.8	NA	NA	NA	NA	—	8.5	
(ii) Refinery Products	..	NA	17.3	NA	NA	NA	NA	23.0	26.0	
3. Petrochemicals										
(i) D.M.T.	Th Tonnes	Nil	Nil	Nil	24.0	Nil	24.0	23.0	20.0	
(ii) Caprolactum	..	Nil	Nil	Nil	20.0	Nil	20.0	23.0	23.0	
(iii) Acrylonitrile	..	Nil	Nil	Nil	Nil	24.0	24.0	16.0	16.0	
(iv) Synthetic Rubber	..	30.0	30.0	30.0	Nil	Nil	30.0	70.0	70.0	
4. Electronics Components										
(i) Resistance (Fixed & Variable)	M. Nos	76.7	95.3	83.8	47.4	428.5	559.7	600.0	600.0	
(ii) Condensers or capacitors (Fixed & Variable)	..	96.7	91.8	108.5	45.6	581.2	735.3	700.0	700.0	
(iii) Semi-conductors Incl. diodes thick film, thin film and integrated circuits	..	27.0	31.6	35.0	72.5	97.5	205.0	200.0	200.0	
(iv) Transmitting and receiving tubes incl. cathode ray tubes	..	5.0	6.1	5.0	Nil	5.0	10.0	8.0	8.0	
(v) Connectors, switches and relays	..	2.4	2.9	3.0	2.6	Nil	5.6	5.0	5.0	
(vi) Sophisticated Microwave components & antennas	Rs million	NA	NA	NA	NA	NA	NA	50.0	50.0	
(vii) Ferrites & Magnets	Tonnes	150.0	149.7	150.0	Nil	275.0	425.0	1500.0	1500.0	
(viii) Thyristors & Variators	M Nos	0.8	0.4	2.0	Nil	5.0	7.0	6.0	6.0	
(ix) Textile Testing & Control Equipment	Rs Million	NA	NA	NA	NA	NA	NA	500.0	500.0	
(x) Wireless and Micro-wave Equipment	..	NA	NA	NA	NA	NA	NA	670.0	670.0	

*Figures indicate total machine tool production in the organised sector.

(*) Position as on 1.4.1971. NA—Data not available.

TABLE III
Industrial Development in Selected Industries

Sl No	Name of the Industry	Unit	Installed Capacity as on 1-4-71	Production during 1971-72	Installed Capacity as on 1-4-72	Additional capacity covered by capital goods approvals	Additional capacity not yet covered by capital goods approvals	Total capacity licensed and covered by letters of intent (6+7+8)	Estimated Production 1973-74
1	2	3	4	5	6	7	8	9	10
ENGINEERING INDUSTRIES									
I. Industrial Machinery									
(i) Metallurgical & other heavy equipment machinery	Rs Million	85.0	65.4	85.0	Nil	20.0	105.0	75.0	
(ii) Coal & Mining Machinery	..	300.00	73.5	300.0	Nil	Nil	336.0	20.0	
(iii) Cotton Textile Machinery	..	450.0	351.3	450.0	NA	NA	670.0	45.0	
(iv) Cement Machinery	..	260.0	32.0	260.0	Nil	Nil	260.0	190.0	
(v) Sugar Machinery	..	210.0	164.0	210.0	Nil	Nil	210.0	210.0	
(vi) Heavy Fabricated Machinery for Fertiliser & Chemicals	..	34.0	17.8	34.0	216.0	Nil	250.0	20.0	
2. Steel Castings	Th. tonnes	129.0	54.5	137.5	15.2	28.6	181.3	225.0	
3. Steel Forgings	..	147.0	65.7	141.7	Nil	24.9	166.6	220.0	
4. Cranes Excluding Mobile Cranes	..	37.8	9.7	45.4	2.7	13.5	61.6	32.0	
5. Ball & Roller Bearings	M. Nos	17.2	20.0	20.7	2.0	25.5	48.2	20.0	
6. Heavy Pump & Compressors	Th. Tonnes	NA	NA	NA	NA	NA	NA	5.0	
7. Dumpers-Scrapers	Nos	250	115	325	155	226	706	500	
8. Crawlers Tractors & Wheeled Loaders*	..	480	359	700	370	400	1470	1200	
9. Seamless Pipes	Th. tonnes	39.6	36.0	39.6	Nil	Nil	39.6	90.0	
0. Gas Cylinders LP HP	Th Nos	350.0	323.7	350.0	NA	NA	NA	30.0	
1. Power Driven Pumps. (Organised Sector)	..	400.0	243.7	471.2	Nil	Nil	471.2	450.0	
2. Diesel Engines (Stationery)	..	155.0	82.7	155.0	15.0	50.0	220.0	200.0	
3. Commercial Vehicles	..	62.4	40.6	62.4	—	—	NA	85.0	
4. Motor Cycles, Scooters, Mopeds & Three Wheelers	..	167.0	135.8	167.3	50.0	—	317.3	220.0	
5. Bicycles (Organised Sector)	..	2970.0	1800.2	3642.0	Nil	Nil	3642.0	3200.0	
5. Sewing Machines (do)	..	493.0	314.0	534.0	Nil	3.5	537.5	600.0	
7. Electric Fans (Do)	..	1816.0	1624.0	2390.0	340.0	475.0	3165.0	3000.0	
3. Dry Batteries	Mill. Nos	479.0	490.0	534.0	536.0	300.0	1375.0	600.0	
2. Storage Batteries	Th Nos	1242.0	1000.0	1293.0	214.0	2594.0	4101.0	1800.0	
1. Radio Receivers (Organised Sector)	..	2310.0	2024.0	2588.0	430.0	500.0	3518.0	3800.0	
II. Heavy Electrical Equipment*									
(i) Turbine Hydro	Mill KW	0.50	NA	0.85	0.83	Nil	1.68	1.65	
(ii) Turbine Thermal	..	1.5	NA	2.1	1.5	Nil	3.6	1.3	
(iii) Power Boilers	..	1.3	NA	1.3	0.4	Nil	1.7	1.3	
1. Electric Transformers	Mill KVA	11.5	9.1	11.8	Nil	1.5	13.3	11.9	
1. Electric Motors	Mill HP	3.1	2.6	3.3	Nil	0.1	3.4	3.4	

(Contd.)

1	2	3	4	5	6	7	8	9	10
24. ACSR/AAC Conductors	Th tonnes	103.0	78.2	103.4	Nil	Nil	103.4	125.0	
25. Dry Core Cables	Lakh KM	4000.0	2038.0	4000.0	8780.0	6000.0	1878.0	16000.0	
NON-ENGINEERING INDUSTRIES									
26. Heavy Chemicals									
(i) Caustic Soda	Th Tonnes	372.1	391.0	395.0	226.1	63.1	684.2	500.0	
(ii) Soda Ash	"	470.8	479.0	500.0	204.0	1010.5	1714.5	550.0	
(iii) Sulphuric Acid	"	1920.0	1380.0	1920.0	717.5	580.0	3217.5	2500.0	
27. Paper & Paper Board	"	767.9	801.0	903.0	228.7	907.3	2039.0	850.0	
28. Cement	Mill tonnes	15.6	14.9	19.1	1.4	2.5	23.5	18.0	
29. Automobile Tyres	Mill Nos	3.8	4.8	4.6	13.0	36.0	53.6	6.0	
30. Bicycle Tyres	"	21.3	22.7	26.9	10.0	2.1	39.0	35.0	
31. Oxygen Gas*	Mill Cu. Meters	62.0	53.8	74.3	5.0	14.0	93.3	50.0	
32. Dye Stuffs*	Th Tonnes	12.6	13.0	18.0	1.0	19.0	38.0	14.0	
33. Drugs & Pharmaceuticals	Mill Rs		NA	NA	NA	NA	NA	2500.0	
(i) Penicillin	MM Units	264.0	222.9	314.0	Nil	Nil	314.0	NA	
(ii) Streptomycin	Tonnes	235.0	175.7	315.0	Nil	Nil	315.0	NA	
(iii) Tetracycline	"	40.0	82.8	150.0	Nil	Nil	150.0	NA	
(iv) Sulpha Drugs	"	975.0	1006.0	1020.0	Nil	Nil	1020.0	NA	
(v) INH	"	145.0	60.1	206.0	94.0	Nil	300.0	NA	
(vi) PAS & its Salts	"	340.0	485.5	600.0	Nil	Nil	600.0	NA	
(vii) Halogenated Oxyquinolines	"	97.8	96.0	101.8	Nil	Nil	101.8	NA	
34. Glass*	Th tonnes	410.0	260.0	425.0	114.0	132.5	671.5	450.0	
35. Refractories*	"	1081.0	745.0	1137.0	Nil	Nil	1137.6	1250.0	
36. Soap	"	217.8	272.2	217.8	Nil	Nil	217.8	250.0	
37. Leather Footwear	Mill Pairs	23.3	16.0	23.3@	NA	NA	NA	25.0	
38. Paints & Varnishes	Th Tonnes	98.0	69.1	114.3	11.0	7.0	99.0	140.0	
39. Petrochemicals & Plastics									
(i) PVC	Th Tonnes	50.0	42.3	43.7	Nil	23.5	67.2	90.0	
(ii) Polythelene	"	39.1	51.0	42.0	Nil	40.5	82.2	90.0	
(iii) Polystyrene	"	17.5	9.0	17.5	Nil	10.0	27.5	30.0	
(iv) Polypropylene	"	Nil	Nil	Nil	Nil	7.0	7.0	15.0	
40. Viscose Filament Yarn	"	38.5	37.8	37.7	Nil	9.2	46.9	64.0	
41. Viscose Staple Fibre	"	72.0	61.3	72.0	Nil	14.0	86.0	90.0	
42. Nylon Filament Yarn	"	8.0	10.5	9.4	5.5	36.3	51.2	29.0	
43. Nylon Tyre Cord	"	1.5	0.6	2.4	4.2	Nil	6.6		
44. Polyester Filament Yarn	"	0.7	0.5	0.7	Nil	0.7	1.4	22.0	
45. Polyester Staple Fibres	"	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
46. Acrylic Fibre	"	Nil	Nil	Nil	Nil	19.5	19.5	12.0	
47. Cotton Yarn	Milli Kg.	NA	881.0	NA	NA	NA	NA	1150.0	
48. Cotton Cloth (Mill Sector)	Mill Mtrs	NA	3857.0	NA	NA	NA	NA	5100.0	
49. Jute Manufactures	Th Tonnes	NA	1083.0	NA	NA	NA	NA	1400.0	
50. Woollen Cloth	Mill Mtrs	NA	14.3	NA	NA	NA	NA	20.0	
51. Sugar	Th tonnes	NA	3718.0	NA	NA	NA	NA	470.0	
52. Vansapati	"	NA	593.0	114.8	NA	NA	NA	62.0	

*Position as on 1.4.1971. (NA) Data not available. (@) Western Type.
NOTE: Production figures for 1971 are for most of the items and not for 1971-72.

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