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THE SUSPENSION OF DINESH SINGH FROM THE PARTY IS REVOKED.

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The two Lal(l)s

THIS JOURNAL does not have its "man of the year." If it were its practice to nominate some one, its choice on this occasion would promptly fall on "The Two Lal (l)s", Mr K.B. Lall, our Ambassador in Brussels, and Air Chief Marshal P.C. Lal, lately of the Indian Air Force and currently with the Indian Airlines.

If the commercial cooperation agreement signed last month between the European Economic Community and India owes its being to one person more than any other, that person definitely is Mr K.B. Lall. For some seven strenuous months he had been pushing and pulling the government of India as much as the governments in the Community into negotiations for a meaningful, larger-than-trade treaty that could open a new phase of commercial and more general economic cooperation between the nations of western Europe and India. Realizing earlier than most others that the Generalized Scheme of Preferences by itself could bring but limited benefit to the trade of India with the Community he had set himself the task in Brussels of campaigning for a framework of understanding which could link creatively the industrial and export potential of India with the dynamic growth of the import sector of the world's largest trading regional complex.

One of his problems here was the difficulty he had in convincing the EEC that the government of India itself was in dead earnest about a forward-looking commercial cooperation agreement which would not merely help to bridge India's chronic trade deficit with the Community at any given point of time but would promote higher and still higher levels of two-way trade over the years. While Mr Lall had been simultaneously fighting some very hard battles on specific issues of tariff barriers in the Community as affecting India's exports and while he had endeavoured heroically to secure the Community's consent to the continuation of duty-free entry of Indian jute manufactures and coir products into the UK (and Denmark), he had never lost sight of the fact that the reduction or the elimination of tariff barriers or even non-tariff restrictions would not by itself adequately serve the purpose of enabling the Indian economy to exploit for its development its trade possibilities with the Community to the optimum extent. He had therefore made it the first purpose of his present assignment in Brussels to incorporate into the commercial cooperation agreement between the Community and India a machinery for continuous consultation and dynamic collaboration in the light of a set of agreed general principles which could guide and coordinate structural changes in production and marketing in terms of the needs and capacities of the contracting parties. From the point of India this should mean that a basis has now been established for a conscious activisation of investment and production programmes in our country in such a way that its export sector is strengthened to explore and exploit the markets in the Community. In this sense the Brussels agreement should be at least as significant and useful for the Indian economy as the 20-year economic cooperation treaty which the government of India has concluded with the Soviet Union.

If exports have always been important for our development, they become vital now in view of the tremendous increase in world oil prices and the certainty that India will have to pay very much more for its import of crude and petroleum products even if its consumption of these materials were to be restricted to the barest minimum. Whereas in the draft fifth Plan exports are programmed to increase by Rs 890 crores over that period, there is grim speculation even now of India having to spend as much as Rs 1,000 crores more per year on petroleum imports in the immediate future. In these circumstances it is obvious that the phrase 'export or perish' has become compellingly real and assumed a grim urgency. Consequently, it has become academic to debate whether this country could achieve an increase in exports at an annual rate of growth of 7.6 per cent as assumed in the draft fifth Plan. The very much more pertinent question is whether this country could afford to do with less than a 10 per cent rate of growth in its export sector. It is therefore apparent that men with the creative imagination of Mr K.B. Lall will have to be encouraged and enabled to lead the nation's commercial policy and commercial diplomacy in exciting and rewarding directions. There is for instance an immediate need for opening a dialogue with Japan.

Another positive contribution of similar relevance to the future of this country has come from Air Chief Marshal P.C. Lal. To him goes the credit of stopping the rot in industrial relations which has been taking the country into the terminal stage of cancerous disintegration. He has taken his stand on the basic principle that it is the prerogative of management to manage and by staking all on this position he has blazed a new trail in the conduct of the national economy. It is possible that even he might not have acted so decisively had not the collapse of discipline in Indian Airlines been so complete. But it is tragically true that there are many other areas of industrial relations, especially in the public sector steel plants at Durgapur and Rourkela and the nationalized banks, where conditions are no better but have still not goaded those responsible for management in these cases to face their moment of truth. It is to be hoped that the political backing which the Chairman of Indian Airlines has received does denote a basic change in the prime minister's and the government's attitude towards and policy for industrial discipline and industrial peace. It is also to be hoped that the government will attach as much importance to the promotion and safeguarding of these virtues in the private sector of industry as in the public sector. On this note the New Year indeed could start almost cheerfully despite everything.

The PL-480 rupee

THERE IS considerable confusion over the role played by rupee counterpart funds arising out of the grant of US aid to our country in the financing of Plan schemes in the past decade and more and the role that will be played by the funds released as a result of the agreement that has been arrived at between India and the USA in order to remove what is called one of the major irritants in the way of establishing normal relations between the two countries. As has been clearly indicated in the summary of the initialled agreement placed before Parliament, by the union Finance minister, Mr Y. B. Chavan, the aid in the form of PL-480 loans and loans from other agencies have amounted to the colossal figure of dollars 4.8 billion which enabled the import of 60 million tonnes of wheat besides large quantities of cotton, edible oils and various other items. It cannot be overemphasised that the concessional food imports and liberal dollar aid were highly beneficial to the Indian economy and no single country has so far granted such massive aid in a short period on an easy repayment basis.

At the time assistance under the PL-480 agreements and under DLF loans, which involved repayment in rupees and dollars, were granted it was not clearly visualised what would be the method of repayment of these obligations and how the accumulating funds would be liquidated. Indeed some of the US government spokesmen even contemplated the ultimate full repayment of these funds and it was sincerely thought that the rupee would strongly appreciate over a period and the export surpluses generated by our country would be helpful in repatriating outstanding debts.

The actual developments however have come about in a different way and a decision had to be taken in regard to the disposal of unutilised funds. The US administration has been making outright grants out of rupee funds for financing many schemes apart from meeting the expenditure of the US embassy and other agencies in this country. Substantial loans were also extended to the agencies indicated by the central government and it is common knowledge that the rupee funds were utilised for implementing hydel and thermal projects, river valley schemes, irrigation projects, minor irrigation schemes, development of ports and national highways, promotion of Indo-US industries in the private sector, the financing of public sector projects in the fertiliser field and so on. The investment in these and other schemes has been over Rs 1410 crores. The loans granted to the central government by the US administration out of these funds are repayable on soft terms like those relating to the original loans granted by the latter involving instalments over a period of 40 years.

The question of arriving at a satisfactory settlement of the problem of repayment of outstanding funds assumed importance as regular repayments will have to be made in the coming years. In the absence of any arrangement for repatriation of the accumulating funds, there was the prospect of the balances swelling steadily in spite of the expenditure incurred by the US embassy and other agencies for their normal operations in this country. As Mr Chavan indicated in Parliament recently, these balances would have risen to the astronomical figure of Rs 3600 crores by 2013 even with the utilisation of some portion of the accumulating funds by the US embassy. As the interest accretions alone will be taking care of US rupee expenditure in this country, there was little prospect of the huge balances being liquidated and if it became necessary to find the required foreign exchange for their repatriation or permit unrequited exports, it would have imposed an intolerable strain on our balance of payments position.

The arrangement now proposed is highly beneficial from the point of view of our economy as the US government has virtually agreed to write off a major portion of the outstanding balances and retain for itself only such an amount that it will be in a position to utilise for itself in the next 10 or 15 years. In order not to give the impression that the US government has been condescending and trying to behave like a patron, the terms of the agreement have been couched in a manner suggesting that what has beer proposed to be done does not involve any major sacrifice. At the same time the impression is sought to be given to the US Congress that the Indian government has repaid all its obligations and only the unrepatriated portion of rupee funds would be written off. The dollar element in repayment of DLF and PL-480 loans is being used for retaining the balances that will accrue to the US government and will be entitled for repatriation. These balances also are proposed to be retained in this country presumably under the feeling that the US embassy would have in any case to secure dollars for its requirements and the absence of any need for remittance from USA for this purpose would mean so much saving for the US administration.

There is of course no need for maintaining large balances which could be utilised only over a long period. Nevertheless both the governments have arrived at a workable understanding which is highly favourable for our country. The greatest advantage arises from the fact that the outstanding amount of Rs 2,497 crores will not carry any interest henceforth. The US government will be writing off Rs 1,664 crores, virtually the whole of the funds repayable in rupees, and the central government will be required only to make an attribution in the central budget in the next five years indicating that this amount has been worked off for financing various development plans in 1974-79.

Out of the outstanding amount of Rs 833 crores notionally repayable, the actual remittance may relate to the financing of assistanc to Nepal on US account, payment for exports to USA of some approved commodities and the payment of freight for some beneficial purposes in respect of goods imported into this country by US charitable agencies and others. In no instance however will there be actual use of foreign currency except for a small amount of dollars 75 million. Even here, cash remittances will not be involved and it may at best be argued that some foriegn exchange earnings would not be accruing to this country because of unrequited exports. The US government has of course introduced a clause in the agreement to protect itself against any deterioration in the value of the rupee and an increase in expenditure that may take place on account of the US embassy in the coming years by stating that dollars 500 million or Rs 390 crores would be utilised in equal instalments in a 10-year period. The implication of this dollar equivalent expression is perhaps emphasising the need to have a larger rupee equivalent in the event of any decline in the external parity of the rupee in respect of the US dollar.

It will therefore be seen that nearly Rs 2500 crores will not be bearing interest charges and no serious strain will be imposed on our economy as a result of the working of Rs 833 crores over a period of 15 years. The central budget on the other hand will benefit greatly by the new arrangement, as it will be possible to secure additional resources or effect a considerable saving in expenditure that would had to be incurred otherwise. The loans granted out of PL-480 funds as stated above have been utilised for implementing power and irrigation schemes, river valley projects, industrial schemes and so on. The central government has been extending loans to the state governments, particular industrial undertakings and for its own projects.

In all these instances it has been proposed that interest charges should be paid on a stipulated basis and loan instalments also effected over a period. These repayments should be coming in from various sources to the central government which in turn has been meeting its obligations against the loans granted by the US government and crediting also accruing interest charges to the US government account with the Reserve Bank. These repayments would have been in excess of the immediate requirements of the US embassy and there would be a continuing accumulation of rupee balances which would have to be again reinvested in special securities created by the government.

This process would have gone on endlessly and the budgetary total of central government and the outstanding amount of the debt owing to the US government would be swelling all the time, The central budget will now be saving a sizeable amount in interest charges on its own account besides getting credit for interest payments made by outside agencies. The exercise will have to be continued for the period of the duration of the pending loans as a large number of agencies are involved.

What is however significant to note is the indication that so far as the US government is concerned the written off portion of rupee funds amounting to Rs 1664 crores would have been acknowledged in the central budget in a five-year period. But there will be a hangover as many loans granted by the government to other agencies would still be outstanding and the repayment would be coming in regularly. It should be said that the credits derived by the centre as a result of the waiver of interest charges by the US government and the repayments of loans will constitute a new source of rupee resources for the fifth Plan.

While no precise estimate can be made of the advantage accruing to the budgetary position in this manner its will be easily over Rs 1000 crores and this availability may be considered non-inflationery in character and therefore non-inflationery financing. It remains to be seen however whether the recipients of loans out of the rupee funds outside the central governmment will ask for a waiver of interest charges or writing off of outstanding amounts though this claim on their part may confer on them an unfair advantage if the central government was agreeable in some manner to accept these suggestions. Whatever may be the character of the new problems that will arise, a ticklish question is being satisfactorily solved and it should be gratefully acknowledged that the US government has found a satisfactory solution which is of course more beneficial to the borrower than the lender.

Eastern Economist 30 Years Ago

JANUARY 7, 1944

THE Employers' Association has given a lead to the country in the matter of adopting measures for rolling back wage rates. While in England the cost of living index number at the end of 3½ years of war stood at 128, that for the working class in Cawnpore stood at the peak figure of 359 for the week ending the 26th September, 1943 over the August 1939 base. Rise in the cost of living led to a rise in wages, and ultimately, until last month, there was a race between rising prices and rising wages in Cawnpore. In the case of mill workers, where the dearness allowance has been linked with the cost of living, certain category of workers were enjoying over 200 per cent increase in wages in September last (all workers whose basic wage was up to Rs 42 per month were entitled to Rs 32/9 dearness allowance) and a good many between 50 and 70 per cent increase in their basic wages which have, however, remained unaltered.

In spite of these, however, it has been found that the rise in wages can never keep pace with the rise in prices and consequently of the cost of living. Hence the employers of Cownpore have at last commenced rolling back the prices of essential commodities to lower the cost of living. Food-grains and other essentials are being sold to workmen at rates which are in several cases lower than those ruling in the "controlled" market. Wheat is sold at 4 seers, Juar at 8 seers, sugar at 6 annas a seer and salt at 1½ annas a seer. It has been found that it is wiser to subsidise the workers in kind than by cash payment. With the increase in such operations by mill shops, the cost of living index number has begun to fall, and in due course the wages and cost of living might be stabilized at a reasonably high level. This should affect the course of open market prices for otherwise the stabilization would remain artificial and unrelated to the country's economy.

Records and Statistics

In order to provide at least partially for the increase in production costs, the rate for new subscriptions and renewals for the quarterly bulletin "Records and Statistics" has been raised from Rs. 15 to Rs. 20. The price per single copy has been raised from Rs. 4 to Rs. 5.

Potential for farm incomes on dry lands

R. C. Agarwal, D. Rao & M. Singh

THE "GREEN revolution" in our agriculture is largely confined to the areas with assured irrigation. Agriculture in this country is still heavily dependent on monsoon and only about 22 per cent of the total cropped area is irrigated. Nearly one-third of the total cropped area is under low rainfall region, having an annual precipitation of 750 mm or less. Moreover, the distribution of irrigated acreage under various crops is lop-sided. A lion's share of the total irrigated area (62.5 per cent in 1969-70) goes to wheat and rice, and crops like jowar, bajra, oilseeds and pulses have only a very small fraction of their acreage under irrigation. While the productivity of wheat (and to some extent rice) has registered a marked increase in the last few years, the yields per hectare of jowar, maize, small millets, pulses (as a whole), and rapeseed and mustard are lower for 1971-72 than those for 1968-69. The latter account for a major part of the acreage under crops on dry lands.

Though, of late, agricultural scientists have turned their attention to the problems of dry farming, much has yet to be done in evolving high-yielding, short-duration, drought-resistant varieties of crops, or prescribing specific, well-tried packages of improved dry farming practices to improve the lot of the cultivators farming under dry conditions. The problem has been further accentuated by the fact that the income gap between the farmers with and without irrigation facilities is widening which is contrary to the national goals.

three propositions

Depending on the prevalent conditions, the whole strategy of the well-being of dry land farmers should perhaps centre around the following three propositions:

(a) In the long run, whenever feasible, irrigation facilities should be extended to such dry farming areas where the potential expected additional returns, due to the provision of these irrigation facilities, shall be at least as high as the additional costs involved in these irrigation projects.

(b) Evolution of high-yielding, short-duration, drought-resistant varieties and package of improved practices for areas where irrigation facilities are either not available presently, or are not feasible or are not a paying proposition. This approach would be somewhere between long-run approach of extending irrigation facilities as stated above in (a) and the immediate steps mentioned below in (c).

(c) Till the irrigation facilities are provided or new varieties or improved package of dry farming practices are involved, tried and recommended, the immediate steps that could be taken to help the farmers in dry areas should include examining the present pattern of their resource use under the available technology, and finding out the possibility of augmenting their incomes by suitable reallocation of their resources.

dispassionate assessment

An attempt has been made in this article to answer the question related to the proposition outlined in (c) by examining whether the farmers, in a given area are using their resources in a manner that is consistent with the maximum profits (given a certain level of stability) and, if not, what is the difference in their present plans and the profit-maximizing cropping pattern. Efforts have also been made to examine the additional benefits, (in the form of higher production and higher incomes) that are likely to accrue to the farmer if the irrigation facilities are extended to the rainfed areas.

The study was conducted in selected villages of Hathras tehsil of Aligarh district in the state of Uttar Pradesh. The annual rainfall[1] of the area ranges between 500 and 850 mm. The summers are hot and dry with desiccating winds. The rainy season is confined to July—September with occasional showers in the winter. The soils vary from sandy loam to loam with patches of sand.

Purposively, a list of such cultivators was prepared, only part of whose holdings were irrigated and the rest unirrigated. This was done with a view to comparing the yields, profits and the extent of resource use under the two sets of conditions, i.e. irrigated and unirrigated on the same farms. These cultivators were then divided into three size groups[2] and 15 farmers were randomly selected from each group.

linear programming

Information on the details of farm operations, inputs used, expenses incurred, yields obtained and returns realized were collected for each crop separately for the rainfed and irrigated parts of the holdings for the year 1970-71. 'Synthetic' farm situations were developed for each group of cultivators for their rainfed part of the holding and optimum farm plans for the rainfed constituents of the holdings were prepared for each group using 'linear programming technique' '*under the usual assumptions* of the model. Naturally, the optimal plan would hold good for conditions similar to those prevailed in 1970-71 (for which the data on yields, resource use, prices and resource availability etc. were collected and on the basis of which optimal plans have been prepared).

We quite realize this limitation because, from the data collected just for one year, one cannot have any idea of variability in yields over time. Perhaps it would have been more desirable to gather information for the last 5-10 years to prepare farm plans. However, as the farmers did not keep any formal record, the accuracy of information for a given year was inversely related to the period of time that had elapsed. It was also observed that the crops taken by the farmers on purely rainfed plots had a low coefficient of variation in yields. Therefore, given to choose between less reliable time series data based completely on the memory of the farmer and relatively more accurate data for the most recent year, the latter was preferred. Another assumption of this study is that though the farmer would be allocating his limited resources between his "irrigated" and "rainfed" parcels in the same way as he did in 1970-71, he could, if need be, reallocate his resources within each part (i.e. rainfed and irrigated).

I. Optimum plans and their comparison with the existing plans on "rainfed" part of the holding. Table I gives the cropping pattern actually followed by the farmers whereas the optimal plans for different size groups are given in Table II. A look at these tables will reveal that the crops prescribed by optimal plans are less in number than those actually grown by a farmer for each size group.

One reason for this could be that whereas the farmer acts under uncertainty and perhaps prepares himself for the worst (and hence, a large number of crops on smaller areas), the optimal plans have been prepared under the assumption that the relevant coefficients are known with certainty.

significant difference

Small farmers, in their optimal plans, have wheat and gram (the dominant mixed crops of the group) and peas in the rabi season and maize and jowar in the kharif season. In the existing plan, the additional crops raised by the farmer were barley and bajra, taken either as 'pure' or as mixed crops. The optimum plan should yield Rs 396.33 which is about 61.08 per cent higher than that obtained from existing plans. This difference in the incomes was found to be significant.

Under the existing plans, for medium farmers, 'pea' was the most important crop in rabi followed by wheat and barley while, bajra and maize were important crops of kharif season. In the optimum plan also, pea continued to be the major crop in rabi and maize and bajra (with reversed order) in kharif season. The optimum plan should provide a net profit of Rs 878.02 which exceeds the existing profit by Rs 110.67 or nearly 14.42 per cent. This improvement in income was also found to be significant.

On large farms, under the existing system, peas and barley were the major rabi crops commanding about 3.70 acres of land. Under the optimum plan, they continued to be the major crops but 'pure' barley was completely eliminated. In kharif, the area under bajra was replaced by jowar. It was because, though the resource requirements of the two crops were almost similar, the net profit per acre of jowar was of the order of Rs 117.93, which was more than the net profits realized from an acre of bajra (i.e. Rs 83.56). The net profit from optimal plans should be Rs 1460.37 which is 23.25 per cent more than those obtained under existing plans. Except for the medium farmers, the increase in net profits is obtained by reducing the fallow land and increasing the cropping intensity (175 to 199 per cent for small and 142 to 169 per cent for large farmers) by reallocation of resources.

The net profits per acre of cultivated rainfed land under the existing crop plan were the highest for medium farms (being of the order of Rs 123.77). The figures for the large and small farmers were Rs 93.30

TABLE I

Existing Cropping Pattern Under Dry Conditions

Sl No	Crops/Size groups	On a small farm		On a medium farm		On a large farm	
		Crop area	Net profit	Crop area	Net profit	Crop area	Net profit
1.	Wheat	0.18	9.69	0.65	80.26	—	—
2.	Barley	0.06	3.40	0.60	78.34	1.20	215.21
3.	Peas	0.72	102.80	1.45	279.42	1.25	252.01
4.	Gram	0.22	24.20	0.30	60.53	0.25	71.69
5.	Barley+peas	0.26	19.93	—	—	1.25	155.26
6.	Wheat+gram	0.08	14.22	—	—	—	
7.	Bajra	1.00	36.32	2.25	170.84	3.75	313.35
8.	Jowar	0.14	8.31	0.15	21.22	0.30	35.38
9.	Maize	0.42	26.10	0.70	76.74	1.10	142.03
10.	Rabi fallow	0.24	—	0.10	—	2.40	—
11.	Kharif fallow	0.20	—	—	—	1.20	—
	Total	3.52	244.97	6.20	667.35	12.70	1184.93

TABLE II

Optimum Crop Plans Under Existing Resources

Sl	Crop/Size group	small farm		medium farm		large farm	
		Crop area	Net profits	Crop area	Net profits	Crop area	Net profits
1.	Barley	—	—	0.20	26.11	—	—
2.	Barley+peas	—	—	—	—	4.17	517.95
3.	Peas	0.67	95.20	2.75	529.93	1.56	314.51
4.	Gram	—	—	0.15*	30.26	0.25*	71.69
5.	Wheat+gram	1.09	193.80	—	—	—	—
6.	Maize	1.46	90.72	2.10	230.22	0.28	36.15
7.	Jowar	0.28	16.61	—	—	4.41	520.07
8.	Bajra	—	—	0.81	61.50	—	—
9.	Rabi fallow	—	—	—	—	0.37	—
10.	Kharif fallow	0.20	—	0.10	—	1.68	—
	Total	3.52	396.33	6.20	878.02	12.70	1460.37
	% increase in profits over existing plan		61.08		14.42		23.25

*restricted

and Rs 51.93 respectively, under the existing plans. Under the optimum plans, these figures were Rs 141.62, Rs 113.41 and Rs 62.85 per acre, respectively.

II. Comparison of rainfed and irrigated conditions. A comparative picture of variable costs, yields and net returns per acre under rainfed and irrigated conditions is presented in Table III. Small and medium farmers raised wheat under both conditions but the large farmers did not cultivate any wheat under rainfed conditions. Likewise, gram and 'barley and peas' were grown exclusively under rainfed conditions.

The magnitude of variable costs reflects the level of input use. For all the crops, the variable costs as well yields per acre are higher on irrigated plots.

In the small and medium group, wheat is found to be the least paying rabi crop under rainfed conditions (large farmers did not grow any wheat under rainfed conditions). Gram, peas and barley are more profitable. However, under irrigated conditions wheat becomes the most remunerative crop; the profits per acre being Rs 360.68 and Rs 422.44 as against Rs 53.81 and Rs 123.47 under rainfed conditions for the small and medium farmers respectively.

Looking at the overall picture, the yields as well as profits from wheat, peas, barley, bajra, maize and jowar (the crops grown under both conditions) could be increased substantially in most cases by extending irrigation facilities.

It can thus be concluded that:

(1) There is considerable scope for increasing farmer's incomes from dry lands by a suitable reshuffle of cropping pattern. The optimal crop plans include only two-three crops on a farm in each season as against at least three crops in any season under existing plans.

(2) Wheat, as a pure crop, is not as profitable as peas, gram or even barley to grow on rainfed lands. If it has to be grown to meet the needs of the farm family it should be taken as a mixed crop with gram.

POINTS OF VIEW

(3) Peas in rabi and maize in kharif have come in the optimum plans for all size groups of the farmer on rainfed land. In fact, taking both the pure and mixed crops into consideration pea comes out to be the most important rabi crop. It should pay the small and medium farmers to devote a larger proportion of their dry plots to deshi (local) maize in kharif.

(4) The extension of irrigation facilities, in the area under study should add most to the wheat production because of its per acre yields and net profits in the locality. Some of the area brought under irrigation may also switch to jowar and sugarcane which was found to be quite remunerative under irrigated conditions.

References:

1. The areas where annual rainfall ranges between 375 mm and 1125 mm have been included under the dry farming projects programme (Economic Survey, Govt. of India, 1970-71).
2. (a) Small: having 5 acres or less.
   (b) Medium: having more than 5 acres but not more than 10 acres.
   (c) Large: having more than 10 acres.

TABLE III

Comparison of Irrigation and Rainfed Conditions

Analysis of variable cost (in Rs), yield (in qtls) and net returns (in Rs) per acre

Crops	Particulars	Small		Medium		Large		Average for all farmers	
		Rainfed	Irrigated	Rainfed	Irrigated	Rainfed	Irrigated	Rainfed	Irrigated
Wheat	Variable costs	130.54	206.92	168.98	175.32	—	109.48	147.76	193.91
	Yield	4.44	9.33	4.55	8.89	—	10.70	4.40	9.64
	Net profit	53.81	300.68	123.47	422.44	—	519.67	88.64	434.26
Peas	Variable costs	67.52	85.27	51.75	66.75	55.33	—	56.20	76.01
	Yield	4.90	7.00	5.28	6.90	4.95	—	5.04	6.95
	Net profit	142.09	253.12	192.70	283.23	201.61	—	178.80	267.67
Barley	Variable costs	83.75	—	60.19	61.03	46.53	79.42	63.43	69.22
	Yield	5.83	—	4.89	8.00	6.15	7.50	5.62	7.75
	Net profit	56.68	—	130.57	318.95	179.34	295.67	122.67	307.31
Bajra	Variable costs	41.64	53.32	40.56	81.26	18.51	—	37.46	62.45
	Yield	4.14	6.66	4.51	7.50	4.30	—	4.34	7.08
	Net profit	36.32	135.47	75.93	107.57	83.56	—	65-27	153.02
Maize	Variable costs	50.98	70.27	47.64	66.24	79.67	108.89	65.66	75.60
	Yield	4.03	6.00	5.44	5.88	5.50	5.73	5.13	5.72
	Net profit	62.14	92.75	100.63	120.11	129.12	138.04	100.29	116.97
Jowar (fodder)	Variable costs	58.22	—	9.98	57.14	9.74	43.72	25.98	50.43
	Yield	101.00	—	100.00	132.16	97.00	204.10	99.33	169.58
	Net profit	59.86	—	146.15	168.18	117.93	276.52	107.78	222.35
Gram	Variable costs	75.82	—	49.99	—	82.69	—	69.50	—
	Yield	3.66	—	3.60	—	4.50	—	3.92	—
	Net profit	109.89	—	201.77	—	286.70	—	199.51	—
Wheat+gram	Variable costs	85.00	—	—	—	—	—	86.00	—
	Yield (wheat	6.00	—	—	—	—	—	6.00	—
	(gram	6.60	—	—	—	—	—	6.60	—
	Net profit	177.80	—	—	—	—	—	177.80	—
Barley+peas	Variable costs	—	—	—	—	127.35	—	127.35	—
	Yield (barley	—	—	—	—	2.84	—	2.84	—
	(peas	—	—	—	—	1.83	—	1.83	—
	Net profit	—	—	—	—	124.21	—	124.21	—

Taxation of company profits

London

Jossleyn Hennessy

WINDOW ON THE WORLD

I

An Assessment of Policy

DURING THE last ten years many OECD countries have changed (or thought about changing) their systems of taxing corporate profits—and often in contrary directions. Which system to adopt remains an important policy issue in many countries and this has led OECD's Committee on Fiscal Affairs to make a detailed assessment of the advantages and disadvantages of the various choices open to governments and of their policy implications, both domestic and international. Detailed analysis of the taxation systems in force in OECD countries and the reasons for their adoption is offered in a forthcoming publication "Company Tax Systems in OECD Member Countries", which in addition to the general analysis describes the schemes in force in France, West Germany, Ireland, Spain, the United Kingdom and the United States and how these countries treat dividends paid across frontiers.

Here are the highlights of the OECD report:

Under the so-called separate or classical system, which is practised in ten OECD countries, the corporation tax on company profits is regarded as a completely different tax from the personal income tax which shareholders have to pay on dividends received. Accordingly under this system, little or no tax relief is given to the shareholder to take account of the fact that the profits out of which he has been paid have already borne corporation tax. Under the separate system companies have a tax incentive to prefer bonds to shares. Governments wishing to modify this bias have done so by:

1. Taxing the company's distributed profits at a lower rate than retaining profits (the split rate system), or

2. Giving a tax credit to the shareholder for part of the tax paid by the company on the profits that it distributes (the imputation system). Within these broad groupings there are numerous variations (see chart p. 11). In particular distributed profits may not be taxed at all at company level, as in Greece, or the shareholder may get credit for *all* the tax paid, as has been proposed in Canada and West Germany, but nowhere put into effect.

There has been a great deal of switching between these systems in the last ten years (see table p. 11) Thus for example the United Kingdom moved from a kind of imputation system to the separate corporate tax in 1965, the same year that France made the switch in the opposite direction; and in 1973 the UK switched back again.

II

The Domestic Effects

Though questions of neutrality, equity and administration all play a part, the most important factor governing the choice of company tax system is whether or not it enhances the quantity and quality of investment. And the argument that it does has been advanced for each of the major systems at various times.

One school of thought argues that a system in which there is economic double taxation of profits (the separate system) encourages corporate investment, because it gives companies an incentive to retain and reinvest earnings (self-financing). Against this it has been argued that survival of the fattest does not necessarily mean survival of the fittest, that efficient allocation of economic resources as well as increased investment can better be encouraged by stimulating the equity market and that this should be done by lightening the burden on the shareholder (whether by reducing the tax rate on distributed profits or by granting a tax credit to shareholders).

no conclusive proof

The detailed analysis by OECD's tax experts shows no conclusive proof that either approach is more efficient in promoting investment. And it seems likely that other tax factors, such as levels of personal income tax and capital gains tax and terms of double taxation treaties have more influence on investment decisions than the system of company taxation. Indeed it is because income taxes have become increasingly higher over recent years that the question of economic double taxation has come to the fore as an issue in OECD countries.

It cannot be said that one system is better than any other, the experts conclude. It depends on the objectives of the government and the overall context of the tax system. France, West Germany and the United Kingdom believe in relieving some of the present burden of taxation on company profits paid out as dividends. On the other hand Spain, given the need to increase self-financing and the relatively low level of corporate taxation, finds the separate system more appropriate to her needs, while in the United States the separate system has encountered little opposition, pressure is concentrated instead on reducing the rate and taxable base.

If a country chooses to reduce the total tax burden on distributed profits, the report concludes, both the split rate and imputation systems have certain advantages and disadvantages. The split rate has greater simplicity and preserves more clearly the distinction between corporate and personal income tax, while the imputation system benefits shareholders directly and only those shareholders normally subject to income tax.

But company tax systems also have an impact on foreign investment, both direct and portfolio, and international considerations are increasing in the choice of governments as to which system should be adopted. For example the European Communities are hoping to agree on a harmonised system, because they believe that the existence of different systems affects capital flows.

Considered by itself, the separate tax system is neutral towards international capital flows, since resident and non-resident are treated alike. And if the separate system were to exist in a world of separate systems, the flow of profits, and hence of investment, would not be affected by the choice of tax systems as such, though it would of course be influenced by varying levels of tax, by withholding and repatriation practices and by many factors that have nothing to do with taxation.

But if, as is true in the real world, the separate system in one country coexists with a system in another country, which gives tax relief for distributed profits, the resident of the country with the separate tax system will have an incentive to invest in countries which give such relief, providing that he benefits from these provisions, while there will in general be a disincentive to flows towards countries which do not grant relief.

A country with a split rate system would, other things being equal, tend to attract non-resident investment, because the lower rate for distributed profits automatically applies to non-resident portfolio investment and to direct investment in the form of subsidiaries. Branches of foreign firms do not, however, get the benefit of the lower rate.

Under an imputation system, the tax credit on dividends is not automatically extended to non-residents and hence discrimination against foreign investors may be involved. In fact, the only countries with this system to give relief to non-resident investors are France and the United Kingdom, and then only to portfolio investors from countries with whom France and the United Kingdom have tax treaties which provide for such credit.

Governments, which have split rate or imputation systems, do not give tax relief to residents who invest abroad, as the purpose of such relief is usually to make investment at home more attractive. In this context it is logical to give relief to non-residents who invest in the country giving relief rather than to residents who invest abroad.

Tax systems also may affect governments' share of revenues from international investment. Thus, for example, when the government of the United Kingdom changed tax systems in 1973, one of the factors which led it to prefer the imputation to the split rate system is that under existing patterns of bilateral tax treaties, where each of the two countries levies the same rate of witholding tax on dividends paid abroad, the split rate system involves a sacrifice of tax revenue from international investment.

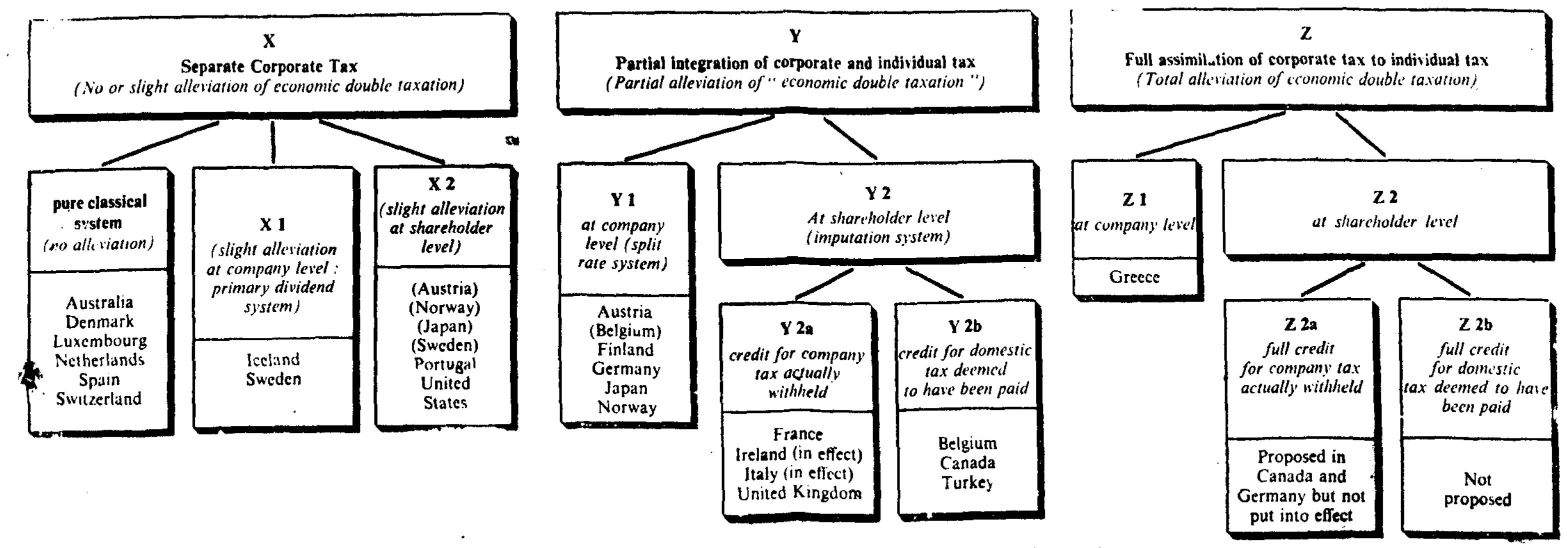
A number of the issues raised in the report of OECD tax experts are being taken up in OECD's Fiscal Affairs Committee, e.g.

1. A Working Party on Double Taxation is exploring how far international friction due to the coexistence of different systems can be resolved through bilateral tax treaties.

2. A newly formed Working Party on Multinational Enterprises will be looking at the effects of the different systems on direct investment in the context of a larger study of the tax position of such enterprises.

Changes & Proposed Changes in Taxation Systems

1962	Neumark Report recommends split rate system for EEC.
1965	United Kingdom replaces former imputation type system by separate system.
1965	France replaces former separate system by imputation system.
1966	Carter Report recommends that Canada adopt fully integrated imputation system to replace present partial imputation system.
1968	Austria replaces former separate system by split rate system.
1968	Netherlands renounces its intention to abandon separate system.
1968	Italy proposes to replace its schedular system by separate system.
1970	Norway replaces separate system by split rate system.
1970	EEC Consultant report recommends separate system as harmonised EEC system.
1971	United Kingdom announces intention to replace separate system by either split rate or imputation system.
1971	Germany announces possibility of replacing split rate by full integrated imputation system.
1971	Canada proposes to adopt a more extreme version of the imputation system (33⅓ per cent instead of 20 per cent credit).
1972	United Kingdom adopts imputation system to come into effect in April 1973.
1972	Ireland puts out discussion paper recommending adoption of an imputation system.
1973	New proposals expected from EEC Commission on harmonised EEC system.



(Another difference is that payment may be made to the taxpayer under Y2a but not under Y2b.)

Brackets indicate subsidiary features, of the regime in the country concerned, but the diagram conceals the fact that the substance as distinct from the form of the system depends on the amount of tax relief. Thus, for example, while the primary dividend can be regarded as a mild form of the split rate, if there is little difference between the two rates of a split rate system (e.g. Japan, where maximum rates are 36.75 per cent for undistributed and 26 per cent for distributed profits) the system may be regarded in practice as closer to XI than YI. Similarly, if the credit under the imputation system is relatively modest (e.g. in Canada it was 20 per cent of the taxable dividend) it approaches an X2 system in substance. On the other hand if relatively slight alleviations, are given both at company and shareholder level (e.g. Sweden), the system might in substance be regarded as closer to Y though it remains formally X.

Reproduced from 'Company Tax Systems in OECD member countries.'

MOVING FINGER

EVR, or "Periyar" as he was known for at least two generations in millions of households in Tamil Nadu, came from a town in Coimbatore district—Erode—which was also the place of my childhood and the subsequent years at school. I like to recall him as he was in his early 50s—which was more than forty years ago—walking briskly down our street as he took to his regular constitutional and as regularly stopping for a while to pass the time of the day or exchange pleasantries with my grandfather. He was already a striking figure then, somewhat short perhaps but broad-shouldered and bearded.

I do not remember at this distance in time whether his hair had turned white already or only greyed, but my impression is that the beard itself was more or less in its full glory. Although some more years had to pass before he became the father-figure of a potent cult, his awesome reputation as a total atheist had been firmly established even by that time. For me, a Brahmin boy from a rather orthodox family, EVR therefore had all the attraction of a forbidden fruit. My first encounter with him was, in the circumstances, both a natural and an unusual event and I recollect with pride my bearding the lion in his den and coaxing the donation of a four-anna bit from him for the *Vinayaka Chaturthi* (Ganesh Puja) celebration at my school.

Possibly because of this "personal background" I felt rather peeved at the President, Mr V.V. Giri, and the prime minister, Mrs Indira Gandhi, employing the most common of cliches to describe EVR in their stilted and obviously formal tributes on his passing away. They called him "colourful", which is just like calling a tiger a yellow cat with black stripes. The adjective was not merely inappropriate but impertinent when applied to the personality of EVR because, as it happened, EVR had no use for colours at all. Not only did he dress himself only in black and white but he also saw the great issues with which he concerned himself simply and only in terms of black or white. He ruled out all colours in between. To him the rainbow was truly an illusion.

As a social revolutionary he was in the company of Ambedkar and Gandhi, but he was very much more authentic than the former and definitely more complete than the latter. This was because the finality of his atheism enabled him to dismiss in their entirety the postulates or prescriptions of religion which would impose inequality or at least gradations of equality among men. EVR made a name for himself as a relentless baiter of the Brahmin and while few would dispute the daemonic quality of his personality, many might argue that its moving force was merely hate. It is not possible for anyone, unfortunately, to make omelettes without breaking eggs and EVR surely had a grand demolition job to do. The excesses of his more militant crusades are therefore to be ignored as incidental to his intellectual and emotional conviction that most of the things that went with religion and even more so with its rituals are at once the vilest obscenity and the grossest violence perpetrated on the dignity of man. In any case, when the last word has been said in criticism of him or his consequences, it would still be true that he had done more for the social emancipation and, more important still, the emotional reconstruction of the under-dog than any other Indian who was at any time his contemporary, with the possible exception of Gandhi himself.

The prime minister of New Zealand, who was in New Delhi in the last week of December, is a statesmen in a liberal tradition His country may not dispose of big battalions, but this has rightly not deterred his government from taking an enlightened stand on controversial issues in world politics from time to time. India has reason to remember with gratitude Wellington's heart-warming responses during the crisis preceding the birth of Bangladesh as well as on earlier occasions in the troubled history of Indo-Pakistan relations.

Mr Kirk's visit was essentially an exercise in goodwill and neighbourliness, but both New Zealand and India could profitably tell themselves on this occasion that trade is recognized to be the cement of international fellowship. Actually, talks have been going on for some time about India buying skimmed milk powder from New Zealand. That country seems to feel that a fairly long-term agreement on the quantities India might regularly buy would be the best way of going about the business.

Dairying calls for investment over time in both herds and equipment and since India is sadly deficient in protective foods for its undernourished population, particularly children and pregnant or lactating women, it would seem to be both economic wisdom and social good sense for New Delhi to look at the New Zealand proposals in a constructive way.

Dr Minhas, who recently resigned from the Planning Commission because of differences with the Planning minister who is also the deputy chairman of the commission, obviously has his own thesis on what a proper fifth Plan should be. It is therefore a pity that he has been unfortunate in some of the self-appointed elucidators of his ideas. The weirdest of this odd lot undoubtedly is Mr Kuldip Nayar who is so given to reading between the lines that he seems to have lost the capacity for looking at the lines themselves. Writing in *The Statesman* of December 25, Mr Nayar allows rather patronisingly that "Dr Minhas was right in pointing out that, in a country where prices have soared by between 20 per cent and 25 per cent since the publication of the first paper on the Plan called 'Towards and Approach' (sic), the increase to Rs 29 in terms of purchasing power would only mean that people would have far less than what they are having at present." Subsequently Mr Nayar mentions that Dr Minhas "favoured a growth rate of between 4.8 per cent and 5 per cent" as against the target of 5.5 per cent in the Draft Plan. It is not immediately obvious that a higher growth rate would not improve the position of the poor whereas a lower growth rate would, except of course on the assumptions that (a) aiming at the higher growth rate would necessarily lead to not even the lower rate being reached and (b) the very attempt at a growth rate of 5.5 per cent would generate self-defeating inflation, a consequence which was sure to be avoided if the rate of growth aimed at were only between 4.8 per cent and 5 per cent. Whether this position is valid needs to be considered, no doubt; but I do submit that Mr Nayar certainly has not made out a case for it on behalf of Dr Minhas, who had therefore better take a hand himself.

Incidentally, Mr Nayar finds fault with Mr D.P. Dhar for depriving Dr Minhas of the Agriculture 'portfolio'. He should have mentioned in fairness that the Member of the Planning Commission to whom this responsibility has been transfered and entrusted has qualifications for the job which it should be difficult to challenge.

Mr Timeri Murari, inter-viewing Mr Ravi Tikkoo for *The Guardian* (London), quotes the oil tanker tycoon to the following effect:

> "I am not affected by anything that happens in the oil industry. Yes, Saudi Arabia can blow up its oil fields, the oil companies who rent my tankers can order me to tie them all up. I can let them rust from now on and I'd still be unaffected. Yes only if the world blows up or the earth's orbit is affected and we move to the sun and burn up or out into space and freeze to death will my formula fail. It will make no difference then because we will all be dead."

The formula referred to is Mr Tikkoo's celebrated but secret arithmetic which has enabled him to buy his way to the top of the world oil tanker business with a capital of £100. Mr Tikkoo modestly admits that he did not foresee the present oil crisis as it happened, but he asserts that his formula "did cover any eventuality that may have arisen." If I am not mistaken, Mrs Gandhi should still be shopping for the financial wizard she some time ago said she was seeking for setting our economy right. Why does she not invest, then, in a telephone call to Mr Tikkoo at his office on Park Lane or in his Hampstead home? I should warn her, however, that Mr Tikkoo, as Mr Murari puts it, is "a brash, confident man who believes totally in himself and in his mental ability to conquer any problem," for it could prove to be a case of Greek meeting Greek. Meanwhile Mr Tikkoo's opinion of Mr Aristotle Onassis, the most famous shipping magnate of them all, is interesting in many ways (and reassuring too):

> "I think there is something lacking in a person if he has to be seen in some night club or at a party flirting with some famous lady or has to marry a famous lady. There's something lacking in them I think. I don't need that."

Talking of the oil world, one naturally thinks of oil as well—i.e., assuming that one has not been thinking about oil all the time any way. I may say at once that I am not impressed by the outpourings of sympathy from the Shah of Iran for this country faced as it is with prospects of an oil import bill that could make its balance of payments go bankrupt. It is no doubt good of the monarch to have recognized that the Indian economy would be facing great hardships or that its development could be easily jeopardized. It is good of him, again, to have suggested that something had to be done to temper the wind to the Indian or other sheep in the developing world which are about to be shorn. But I would still prefer to wait and see what is to be the *quo* for the *quid*—or should it be the *quid* for the *quo*? I confess my Latin is virtually non-existent.

The Shah has gone on record as being totally opposed to the Arab oil exporters using that commodity as a political weapon, but I nevertheless take leave to doubt that he himself could or would resist the temptation in all circumstances. It is well-known that he has been taking an active interest in Indo-Pakistan relations and there have indeed been occasions when that interest was blatantly partisan in favour of Pakistan. Would it be wholly uncharitable then to suggest that New Delhi should not hesitate to look any gift horse from Teheran deeply in the mouth?

India has a thousand reasons for wishing for peace in the sub-continent and Pakistan much more than a thousand. Therefore, if Iran or other neighbouring countries, which obviously have a stake in that peace, were to offer their good offices, there is no reason why both Pakistan and India should not respond constructively. Unfortunately, the Shah's record in this context has not been above criticism and it is to be hoped that, in the future at least, his diplomacy will ensure that the Indian people need have no reservations about the interest he takes in Indo-Pakistan relations. Meanwhile India, along with other developing countries, will no doubt welcome and respond positively to any coordinated effort on the part of the oil producing countries to make crude oil or refinery products available to the less developed countries on terms which will not break the back of their agricultural or industrial growth processes.

As I write this column I see in the papers that the Chairman of the Indian Airlines will be meeting the pilots for discussions on the avoidance of wasteful labour practices and the proper working of the airlines under conditions of restored discipline. Air Chief Marshal Lal has my good wishes—and he needs the good wishes of all of us. The pilots have never been the most reasonable element on the staff of the Indian Airlines. On the contrary, it was their successive, successful defiance of authority, which demoralized a series of chairmen and managing directors and turned Dr Karan Singh, until recently minister for Civil Aviation, into soft putty, which was mainly instrumental in causing the mess which the Air Chief Marshal is now trying to clear up. Individually and collectively the pilots have been among the financially most-favoured of the airline's personnel, but this has never deterred them either from undermining administrative discipline or the financial basis of the airlines. By resorting to agitational or other coercive methods regularly to secure excessive gains in their pay differentials or other conditions of service, they had seen to it that the airlines could neither be solvent on the ground nor perform adequately safely in the air.

The irony of it is that one of the reasons why they could get away with it all was that such of the public opinion as had taken an interest in the matter at all had allowed itself to be persuaded that, because of the nature of their job, the pilots could never ask for or be given too much. The following observations of Mr Elliott Jaques, a distinguished name in psychoanalysis, should therefore be useful:

> "The extent to which phantasy can override reality was also shown in the widely used and accepted argument that locomotive drivers were responsible for the safety of hundreds of passengers and for countless thousands of pounds' worth of property. The reward for this supposed responsibility was to be an increase to a minimum wage of some £10 per week. The disjunction in thought needs only to be pointed out to be self-evident. A moment's reflection makes it clear that in fact no discretion which could affect lives is left to the driver. The safety system works according to a set of prescribed rules, non-conformance to these rules constituting negligence. Objective examination of any work situation will demonstrate that we simply do not make payment relative to the possible consequences of negligence. Yet in the heat of conflict we readily and publicly discuss and argue the ludicrous as though it were fact.

By the time these lines appear in print I should have completed a week's visit to Japan and the first few days of another week or so in Australia. This is only another way of saying that MOVING FINGER will be off these pages for the next two issues.

VB

BOOKS BRIEFLY

Reviewed by
Academicus

Research in economics

A Guide to Research in Economics: Edited by C.T. Kurien; Madras Institute of Development Studies, Madras; 1973; Pp 476; Price Rs 30.

Bhoodan and the Landless: K.R. Nanekar and S.V. Khandewale; Bombay Popular Prakashan; 1973; Pp 125; Price Rs 25.

Chit Finance: C.P.S. Nayar; Vora & Co. Publishers Pvt. Ltd, Bombay; 1973; Pp 190; Price Rs 30.

Some Thoughts on Industries and Transport: N. Mahalingam; Sri Bhagawathi Textiles Ltd, Pollachi; 1973; Pp 190; Price Rs 7.50.

Agricultural Policy in India: O.P. Kalra; Bombay Popular Prakashan; 1973; Pp 202; Price Rs 25.

25 Years of Independence—A Survey of Indian Economy: Edited by Vadilal Dagli; Vora & Co. Publishers Private Ltd, Bombay; 1973; Pp 245; Price Rs 30.

Why is the quality of Indian economic research generally poor? Why does it not compare favourably with that in developed countries? Among others, the main reason appears to be the ignorance about methodology to be adopted in economic research. An individual economic researcher, who is generally left to himself and is often without proper guidance from his research guide (who is himself often ignorant of the methodology) meanders and generally gets lost or sometimes arrives at the destination, more by chance than by design. It is high time that economic research gets a proper direction and purpose. The Madras Institute of Development Studies have therefore taken the right step in organising two methodology workshops for Ph.D. students and in bringing out *A guide to Research in Economics*, an excellent book containing a number of valuable articles on various aspects of research methodology by eminent research workers in the country.

purposive investigation

Attention can be drawn here only to a few among the nineteen important articles. C.T. Kurien in his articles has stated that research in economics means "purposive investigation directed towards the discovery of some aspect of the network of those interrelationships which constitute the economy and which are systematised in and through economic theory."

The initial and the most ticklish problem which every researcher meets at the very outset is the problem of the choice of subject for research. Kurien has done well to advise students on this vexatious subject. In this respect the author has suggested that the researcher should take into account factors like personal interest and inclination, utility of the subject, material available, work already done, etc. etc.

theory and facts

P.R. Brahmananda has discussed in his scholarly article the nature of link between economic theory and facts. He holds the view that the possibility of verifying one with reference to the other or supporting one by means of the other is rather remote. According to him there are no enduring bridges between the two! He therefore wants that young research workers should equip themselves with both theory and facts. It is difficult to agree with Brahmananda. Theory does not fall like manna from the skies; it is derived from facts. Theory and facts are like the shadow and the substance and a discerning eye should be in a position to observe the relationship between the two. Reading his recent articles one gets the impression that Brahmananda is becoming a little cynical these days and one may venture the view that cynicism is the greatest enemy of learning. The researcher should therefore proceed on the assumption that there is a great and enduring bridge between theory and facts!

K. Krishnamurthy and Kamta Prasad have analysed the important problem of formulation and testing of hypotheses. Is hypothesis absolutely necessary at the very commencement of the research study? Many authors in this volume believe so. But Kamta Prasad holds the view that while a hypothesis is useful, it is not always necessary. Useful facts and theories may be discovered, organised and presented purposefully even without a hypothesis, other than the one which might be incidentally suggested in the course of the investigation. This view of Kamta Prasad on the whole appears to be more convincing than regarding the absolute necessity of an hypothesis at the very commencement of the study.

Use of statistical methodology in economic research is growing and Tares Maitra has therefore done well to analyse this problem. The author has analysed the nature of statistical methodology and its general role, general issues of economic research and the use of statistical methodology and the practical problems of availability of data in a suitable form. Increasing use in being made of the case study method in social sciences including economics.

K.S. Sonachalam in his excellent article on the subject has traced the evolution of the case study method and has analysed the fields suitable for this method, its organisation and procedure and the equipment necessary for using this methodology. Survey and sampling techniques are also becoming very popular in economic research.

National Sample Survey

P.G.K. Panikar has explained in great detail the vast amount of research and survey work done so far by the National Sample Survey (NSS) of India which has been covering the fields of agriculture, industry, other household enterprises, consumption expenditure, capital formation, employment and so on. It is a matter of disappointment that only a tiny portion of published data has been used by government agencies and academic research workers. The most regrettable aspect of NSS surveys is that even the National Income Committee and the Central Statistical Organisation do not care to use NSS data which possibly is held as unreliable and suspect by them!

Even granting that one may not fully agree with the definitions, concepts, reference periods and survey methods of NSS, the fact remains that under the existing circumstances, much use can be made of the vast amount of NSS data so meticulously collected. The same can be said about the vast amount of decennial census data in India which is not put to proper use as has been pointed out by Leela Visasia and Pravin Visria.

There are also articles on topics like typology and research design by Gautam Mathur, methodology of econometric model building by T.V.S. Rama Mohan Rao, forecasting and model building by N. Srinivasaraghavan, benefit cost analysis by B. Sarveswara and methodology of research in long term span by V. Shanmugasundaran.

Appropriately enough the last article on the structure of a Ph.D. thesis by A. Ramaswamy. He has given a very clear idea of how to plan the thesis and its structure — the preliminaries, the text, the abstract, the conclusions, the references, quotations, footnotes, tables, references and final editing etc., etc. This will certainly be of great assistance to Ph.D. students who often leave these matters to typists who have specialised in this type of work.

scissors and paste

If today most Indian economic research is a matter of a pair of scissors and paste, among many other reasons the most important is the lack of knowledge about the methodology to be adopted by researchers many of whom are quite sincere and hard working. Malcolm S. Adisehiah's suggestion made in the foreword that a compulsory course for Ph.D. students in methodology along the lines of Delhi University should be introduced in all the other Indian universities is an excellent suggestion which should immediately receive attention of social sciences faculties in various Indian universities.

While this book will serve as an excellent introduction to the subject of methodology of research, one or two warnings would not be out of place here. It is extremely frustrating to see that without exception all authors have relied heavily on foreign authors as is evident from their references. It must be realised that such wholesale borrowing of methodology from developed countries with different socio-economic and cultural backgrounds is not only likely to prove unfruitful but may prove positively dangerous It is a sad reflection on our senior research workers and on research institutions that they have not evolved methodology suitable to an underdeveloped country like India with its own institutional and cultural background. Earlier this wholesale borrowing from western countries in all fields of our physical and intellectual activities stopped, the better would it be for the country.

It is also unfortunate that there is no reference in this book to a new type of research that is catching the imagination of ambitious researchers. Knowing that it pays to be a radical these days, much politically motivated economic research masquerading as purely academic research is being trotted out by the unscrupulous academic opportunists who have thus already managed to be in high seats of power and prestige. Academicians will have to guard against such psuedo-research which in effect is economic propaganda meant to bolster up this or that credo of different political parties in the country, mostly the party in power. There is no place for committed research in economics!

Bhoodan

The future of land ownership and cultivation constitutes perhaps the most fundamental issue in national develop ment. The problem of who owns land and the application of various inputs to land are in a sense interrelated issues. If the 'rightest' political parties on the whole put greater emphasis on the problems of production and application of inputs to land irrespective to who owns it, the 'leftist' political parties on the other hand give greater importance to the problem of ownership of land. The scope of Bhoodan movement from its commencement in 1951 is mainly limited to the solution of the problem of land ownership. *Bhoodan and the Landless* was undertaken as part of the contribution to Gandhi Birth Centenary celebrations during 1968-69. The authors have in this book dealt with various aspects of Bhoodan movement. They have described the ideological background of the movement and have traced the history of the movement in India from 1951 to 1967. The authors have mostly concentrated on Bhoodan movement in Vidharbha. What observations have the joint authors to make?

The Bhoodan movement which began in 1951 with the first donation of 100 acres, collected 4,81,871 acres by 1957. It was obvious that the movement had exhausted its potential by 1957 when the Sarvodaya Samaj shifted its emphasis from Bhoodan to Gramdan. This shift in emphasis possibly was due to the relisation of the impossibility of attaining the target of 500 lakh acres.

This study shows that in Vidarbha there were considerable differences between initial donations and effective donations. Of course what has happened in Vidarbha was characteristic of what happened all over the country. The authors find that though the Bhoodan movement appears like a countrywide movements, it is in fact concentrated only in a few parts of the country. About 50 per cent of national donation is concentrated in Bihar only and about 80 per cent in the four states of Bihar, Rajasthan, Uttar Pradesh and Madhya Pradesh. Even within each state, the movement is concentrated in certain regions only. For example, in Maharashtra, it was Vidarbha and again in Vidarbha the two districts of Yeotmal and Wardha were predominant in land donation. This may be due to intensive activity of important Bhoodan leaders in those areas. It is also possible that Bhoodan received better response only in certain states and only in certain regions of states because disparities in ownership of land there were greater as also population of the landless. It may further be noted that distribution of donated land is not uniform in all the states. In this respect Bihar stands much lower and Maharashtra which donated only about four per cent of the total donated land, stands very much higher in respect of distribution (71 per cent) of donated land. Vidarbha's share in distribution is still higher at 76 per cent of donated land, namely 94,478 acres.

donated areas

In Vidarbha, there were about three donors per village, the donated area per donor amounting to 5.64 acres. The average distributed area per village came to about 17.51 acres. There were about three Bhoodan-holders per village and on an average each one held about 5.37 acres.

It is said that "it would be wrong to measure the success of Bhoodan by acres of land received. What is important is a change in the views of people." The authors' survey of Vidarbha however shows that only about 16 per cent land (i.e. 33 per cent donors) was donated on ideological considerations, the rest being donated under moral or social pressures or in return for some material gain to donors, their relatives or to tenants of donors. Also the authors found that some land was distributed among Bhoodan-holders who according to the guiding principles, were undesirable elements. Thus while according to the guiding principles, one-third of distributed land should have gone to scheduled castes, in fact they got only about 12 per cent of distributed land. The authors maintain that from their study it is obvious that so far as all-India level is concerned, the organisers of Bhoodan have failed to achieve the target which they spelled out in 1952.

The land donated amounted to 42,64,096 acres as against the all-India target of five crore acres and possibly effective donation was much lower than the above figure. Not only this but much of the distributed land is of very low quality and very little has been done to help the Bhoodan-holders in increasing the productivity of their lands. According to the authors therefore it would be unrealistic to say that Bhoodan movement can satisfactorily solve the problem of the landless in India. In Vidarbha for example the landless receiving Bhoodan-land do not constitute even one per cent of the landless labour there.

Different and often opposite opinions have been expressed on Bhoodan movement. For example while Shriman Narayan considers the movement as "a revolutionary step in the process of rural transformation in India", others hold the view that it is "a meaningless diversion" and actually a hindrance to progress. One is inclined to agree with the views of the authors that a voluntary attempt on such a scale to solve the most crucial agrarian problem is unprecedented.

It is a typical Indian solution. According to the authors however there is an urgent need for an integrated approach in which the government and voluntary agencies come together. It is necessary that the government should help the existing Bhoodan-holders in all possible ways. In conditions where moral values are rapidly collapsing, such moral fervour, however feeble, is certainly welcome, for the quality of such efforts if not for the results such movements produce. They create hope in human bosom. There appears some hope of redemption when otherwise everything seems lost! While such essentially moral and spiritual movements may therefore be studied critically as has been done in this book by Nanekar and Khandewale, the above aspect must not be lost sight of.

Chit Funds

In many parts of India, particularly in the south, the indigenous institution of chit fund has been in existence for long. It certainly predates the spread of western-type modern banking institutions and the advent of the British rule. What is more significant, this institution has gone from strength to strength during the post-Independence period, in spite of the fact that government is sparing no efforts to expand modern banking along with cooperatives and other specialised financial institutions. It is therefore not surprising that one should be curious to know how these chit funds operate, what functions they perform and if and whether they can be or should be incorporated in the organised financial institutional structure of the country. *Chit Finance*, a revised version of the author's doctoral dissertation submitted to the University of Bombay, attempt to study all the important types of chit funds, their functioning and role in the economy.

According to the author the underlying principle behind a chitty, whether a lot or auction chitty, is the accumulation of saving. It helps not only to pool savings of those who have the capacity to save, but also encourages the poor to spare something out of their daily earnings for a rainy day. The chit fund is truly a thrify fund. Unlike savings associated with banks and post offices, there is a sort of compulsion in effecting savings in the case of a chit fund. Once the member of a chitty, the subscriber is bound to make subscriptions punctually at all periodical instalments till the end of the chitty period. The importance of this element of compulsion in effecting savings in a country, where the will as well a the ability to save is extremely low, cannot be overemphasised, especially in the context of development. The chitty, in addition to providing instrument of saving, also provides its members with an agency for supplying credit on fairly easy terms thus effectively competing with money-lenders.

chitty habit

The 'chitty habit' among the people in Kerala and Tamil Nadu almost took the place of banking habit among the westerners. Further the chitty helps not only to bring about new economic ventures but also enables the members to go in for bigger economic activities. The chit fund thus plays a very positive role in the economic development of the country. What is to be particularly noted is that this role of the chitty is in a sphere which is generally avoided by commercial banks. Another significant thing about a chitty is that it causes no drain of savings to outside areas. This is because in a chitty the savers themselves are the borrowers who spend the prize money generally in the same locality. It is also found that prize money of Rs 5000 and above is generally used for productive purposes. The prize money is generally invested in trade, agriculture and small-scale industry. This is what has been revealed by this study.

The author has made some useful recommendations. He has warned that the term chit or chitty should be dissociated from a lucky number scheme or purely a gift scheme as that association may confuse people. Another suggestion is regarding the provision for refinancing facilities. Since the foreman receives some sort of security from every prize winner for the future payment of instalments, banks and financial institutions on the basis of those securities may provide refinance facilities. According to the author, the government, if necessary should take the initiative in establishing a Chit Refinance Corporation for this purpose. This will enable the chit funds to grow on sound lines. The author is of the opinion that chitty business can also be undertaken by commercial banks along with their normal banking functions. This is really a good suggestion.

certain abuses

The chitty has been often exploited for personal advantages by some unscrupulous foremen. Some of the state governments (e.g.Tamil Nadu, Kerala, etc.) have already passed acts putting a number of restrictions on foremen. The author wants that there should be a central enactment applicable throughout the country. The author also favours the formation of an all-India federation of chitty foremen. The government may help the establishment of such a federation which will be in the wider interests of chit fund operations.

The chit fund is truly an indigenous banking institution with vast potentialities. It is therefore unfortunate that people more out of ignorance or due to evil practices of some foremen have come to have generally wrong impressions about chit funds. It may take very long before commercial banks reach more than half a million villages in India and even then these western-type institutions may never take deep roots in Indian villages for a very long time, if even that happens.

On the other hand chit fund is something that is known to all as it has been in operation in one form or another for centuries. Why not systematically develop this indigenous institution under the purview of the Reserve Bank of India so that it can be made an effective saving and investing financial institution? Our habit of blind adherence to all that is western and modern is so deep-rooted that one wonders if ever our prejudices against purely Indian institutions like the chit fund will ever disappear. C.A.S. Nayar deserves our congratulations for systematically analysing this institution and bringing out its potentialities which appear significant, especially in the context of our developmental efforts and needs.

Industry and Transport

Very often the expert and the specialist are lost in the maze of complexities and come out with solutions which are highly sophisticated and therefore impracticable. On the other hand a so-called non-expert but with abundant practical experience suggests policies and solutions which are eminently practicable. This is precisely what we found in N. Mahalingam who

with his sturdy common sense and great practical experience in the spheres of trade, industry and transport, can get to the bottom of a problem and come out with the right solution. *Some Thoughts on Industries and Transport* which contains articles of Mahalingam contributed to various papers from time to time therefore makes refreshing reading.

The articles in this book deal mainly with two major subjects, namely industry and transport. The inter-connection between the two is quite obvious. The author is of the opinion that quite useful lessons can be drawn from European experiences in the industrial field. He has insisted that we make the best use of our human and natural resources. His emphasis is on standardization and mechanisation. He also wants that we reorientate our methods of management and learn to become self-reliant.

Speaking about collaboration, Mahalingam is of the opinion that if "we are able to choose the proper consultants, it will be possible for us to reduce the cost of collaboration... the foreign exchange component could be redued by buying capital goods direct from manufacturers." The author wants that adequate opportunities be provided to workers for promotion. He has emphasised the importance of solving the problem of housing which at present can be easily built within eight to ten weeks with the aid of mechanical devices. One of the most fustrating things in India is the acute shortage of housing in urban as also rural areas, in spite of the abundance of housing material. The author's suggestion therefore needs careful consideration.

vast scope

N. Mahalingam is of the opinion that there is vast scope for the development of power, engineering units, pharmaceuticals and rice mills in Tamil Nadu. What is however necessary is the creation of proper environment. He has emphasised that "Pragmatism and an anxiety to develop resources on continuous and coordinated basis are necessary if future planning is to become meaningful." The author finds that the textile industry in Tamil Nadu is in doldrums. According to him, the solution of the problems lies in "the reservation of the entire organised sector for export, while domestic consumption must be met by the Handloom Sector." If mass poverty is to be removed this appears to be the only means of helping the millions, especially in the rural areas, to supplement their meagre incomes. Similarly the ills of silk industry which is adversely affected by artificial fabrics, can be removed only by strong revival of internal demand. There is, according to the author, urgent need for new thinking on textile industry as a whole, as it is bound to face critical problems in years to come.

The author has also some very useful things to say regarding spun pipes and progress of pump industry, engineering units, forest-based industries and transport in Tamil Nadu in particular and in the country in general. He rightly feels that transport can make momentous contribution to economic growth. What is however necessary is growth-oriented transport system. He therefore has insisted on cordinated development of different means of communication.

In the case of books containing articles written over a course of years, certain amount of topicality and overlapping is inevitable. Since reediting is almost impossible, the readers will have to bear with it. And yet Mahalingam appeals to us because of his directness, simplicity and practicability characterising his constructive suggestions which abound in practically every article. All this is the fruit of his vast practical experience in the industrial field and also of the considerable amount of thinking on the subject which he has done. On jargon-affected ears, articles in this book will come like a breeze of fresh air.

Indian Farming

What is it that accounts for our failure on the agricultural front? Why is it that instead of evolving our own indigenous solutions to our agricultural problems, we have been seeking their solutions in Russian state farms and the Chinese collective farms? Why this sense of inferiority as a nation? Or, if as is said, philosophy governs history, have we bungled in choosing our philosophy? Why is our thinking so superficial so that twenty five years after independence, India with as much acreage under food crops as the USA should be required to import vast quantities of foodgrains year after year just to ensure the minimum standard of living for her people? These are all burning questions which are not receiving due attention from the government which is tackling these problems superficially and on an ad hoc basis. The subject needs some serious thinking and that is what O.P. Kalra has done in articles which appeared in *The Indian Express* between 1966 and 1970 and which are now compiled in *Agricultural Policy in India*.

The author is convinced — almost fanatically convinced — that the various policies of the government are urban and industry-oriented and are therefore having adverse effect on Indian agriculture. Thus PL 480 imports of wheat, tobacco and cotton depressed the agricultural prices in India. While this benefited urban industries and city people including industrial workers, it had extremely adverse effects on agricultural prices and incomes of the vast masses. PL 480 imports did not provide the necessary price incentive to produce more agricultural output. The author is also very critical of the zonal system. It has not at all achieved the stabilisation of agricultural prices providing incentives to producers and reasonable prices to consumers. It only depressed agricultural prices in surplus states adversely affecting agricultural production there, without benefiting either the deficit states or consumers. The zonal system has also opened the Pandora's box, each state or even a distruct puting ban on export of its surplus goods to other states or even districts. This will certainly have a distorting effect on agricultural production by diverting investment.

a myth

The author believes that though there is much talk of giving agriculture top priority, all that is myth. It is the large scale industries which are being favoured with export incentives and import entitlements, tax holidays and railway rates concessions by the government dominated by western-educated personnel. The banking system in the country is also siphoning off vast funds from rural areas to urban centres and large-scale industries. The same is true of LIC, defence bonds and postal savings. The credit facilities made available to agriculture are insignificant.

The large-scale industries with protective markets have dealt a mortal blow to village industries reducing villagers' level of income, saving and capacity to invest. This has only brought further deterioration of agriculture. Also these large scale industries have not come to the assistance of Indian agriculture. The prices of chemical fertilisers in India are the highest in the world as also the prices of tractors and agricultural implements. The prosperity of the rural sector according to the author, is a pure myth. Taking the rising costs into account, there is absolutely no ground for putting additional tax burden on the agricultural sector.

If agricultural reconstruction is to be brought about in India, according to the author, we must bring a totally new outlook on agriculture. Government must give it top priority and must make all the necessary inputs available to farmers. Land reforms must be expeditiously implemented. Rural sector which has long remained neglected must receive its due, for it must be realised that stable agricultural community is the best guarantee of democracy. And so the exhortation of the author to turn our attention from large-scale industries, urban intelligentsia and industrial labour (who are all fattening at the cost of agriculture and rural sector) towards agriculture, rural industries and agricultural labour who constitute the majority of Indian population.

Though O.P. Kalra has sometimes taken a biased and one-sided view of things, there is no doubt that on the whole large-scale industries and the urban sector have received the lion's share of the country's resources and attention. This is true especially since 1956 when India adopted the Russian strategy of planning with emphasis on capital-intensive basic industries. Indian agriculture which supports about seventy per cent of the country's population, needs much more attention than it has received so far. 'Garibi Hatao' programme can succeed only by making agricultural sector the central part of our planning. Prosperous agriculture will also mean prosperous industrial sector. While there is no conflict between the two in the long run, there is no doubt that the present imbalance in favour of large-scale industries will have to be tilted in favour of agriculture. Without stable agricultural base chances of stable and rapid economic development appear remote.

The articles in this book make refreshing reading and are all the more readable for being short and well written.

India since Independence

25 Year of Independence—A Survey of Indian Economy contains learned articles summing up the progress registered by the Indian economy during the first quarter of her independence. What have been the achievements of India's five year plans? And its failures? Was the strategy adopted appropriate? What have been the achievements and failures on the agricultural front? And of the public sector? And of the corporate sector? Has our planning created any worthwhile impact on the vast number of poor in India? If not, for whom are we planning? These are the questions which are agitating the minds of average Indians and if suitable answers to the above problems are not found and found quickly economic and political disaster seems to await the country. The articles by learned thinkers in various fields have made an attempt to examine the positive and negative aspects of India's economic growth mainly with a view to facilitate the formulation of a more rational and effective policy for growth in future in the light of our past experience.

Vadilal Dagli has posed, in the very first article, the basic problem: Growth for whom? No doubt there has been impressive growth in industrial and agricultural fields and the planning strategy has imparted a certain amount of dynamism to our economy. But the fruits are being reaped by a microscopic minority who have adopted the western modes and standards of living. This minority has created "an island of Western culture in the midst of endless Sahara of medieval poverty". This has been due to perpetual misallocation of the real resources of the community. While our planning strategy was based on the Russian model, the financial institutions continued to grow in the laissez-faire fashion of western societies, commercial banking even after 25 years of independence, still remaining "a five-metropolitan-city affair". This misallocation of resources, according to the author, must be stopped by boldly closing down industrial units and other establishments which serve the needs of only a small minority. The author rightly maintains that the pangs of poverty will be cheerfully borne by the people if they are convinced that poverty, if inevitable, is being shared by all without any exception whatsoever. Or else there is every likelihood of miscarriage of both planning and democracy in this country.

faulty strategy

V.V. Bhat has explained what went wrong with our development strategy. He is of the opinion that in India planning strategy was formulated without much regard to the choice of possibilities either over time or at a point of time. This resulted in imbalances and inefficiencies. It was not recognised that available resources in regard to managerial talents, skilled personnel, productive power and foreign exchange were limited and needed to be used rationally. The result was inordinate delays in executing big industrial and agricultural projects, appearance of various bottlenecks and under-utilisation of capacities produced in large scale industries. No rational criteria were adopted for the choice of plans which was often done on an ad hoc basis.

In agriculture the instruments that were relied upon for agricultural reconstruction were extension of irrigation, agricultural extension and community development programme. These instruments proved inadequate for the task and even at present we are required to import foodgrains and other agricultural commodities. The author is of the opinion that emphasis instead should have been on research and technical break-through along with institutional changes for creating the right motivation for agricultural development.

Agricultural development would have opened out immense possibilities of employment. Bhat's complaint is that there is no machinery at present to evolve co-ordinated policies and each policy-making authority takes decisions on the basis of partial and limited view of the economy. These fragmentary and isolated decisions can hardly be said to constitute planning, the essense of which is to evolve "co-ordinated set of policies to guide the development process along desired lines.." The most regrettable fact is that even at present we have not evolved a suitable and effective strategy and have been yet following in the same old footsteps which have not taken us to the road of rapid economic progress.

initiating the process

Has there been any decided evidence of sustained and sustainable growth? And has economic and social policy contributed to this change? P.R. Brahmananda holds the view that stable growth postulate holds only for wheat, tea, coffee and rubber. It does not hold good in regard to agriculture as a whole and in regard to livestock. According to the author, the notion of a stable growth process is also not applicable to industrial production, though the position appears to be better here than in agriculture. He maintains that "the inability of the Indian plan process to initiate a process of growth, to cause structural changes and overcome poverty has been largely due to the very strategy of development which was imposed on the economy." This has been the view-point that is being propounded by P.R. Brahmananda for quite some time and facts being what they are, we are left with no alternative but to agree with him.

A.S. Kahlon writing about diversification of agriculture has insisted that "our institutional structure should be reoriented to eliminate biases against small cultivators and provide safeguards in these institutions to ensure that the small farmers are no longer exploited by the well-to-do farmers." This alone according to him, will bring about rise in farm incomes and make Indian agriculture much more progressive, productive and profitable.

Dharm Narain, writing about imbalances in the production basket affirms that if the overall problem of Indian agriculture in coming years is to achieve a growth rate of about five per cent, the problem in its specific aspects is one of "correcting certain imbalances" that have of late been developing within the production basket. Slowing down of the rate of increase in the output of cash crops relatively to that of foodgrains, decline in the output of pulses, rapid growth of wheat

EASTERN ECONOMIST

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ABBREVIATIONS

Leading Article	LA
Without Charity	WC
Points of View	PV
From the Press Gallery	PG
Window on the World	WW
Moving Finger	MF
Trade Winds	TW
Books Briefly	BB
Readers' Roundtable	RR
Records and Statistics	RS
Special Report	SR

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EASTERN ECONOMIST

production relative to other cereals, sluggishness in the growth of rice output and regional imbalances are some of the imbalances. Their solution, according to the author, calls for research to provide suitable high-yielding varieties of cash crops pulses, more efficient water control and and management, solution to the problem of dry-farming and programmes for providing employment to small farmers.

According to V.S. Vyas, there is a strong association between poverty, agricultural production and institutional change. He has emphasised that unless institutional changes are brought about, agricultural production will not increase substantially and no dent can be made on mass poverty. Phiroze B. Medhora has made a review of a quarter century of industrial development in India and has shown what is wrong with industrial licensing, regional development, pricing policy, pattern of investment etc., which has resulted lately in slowing down of the industrial growth rate in the country.

Raj K. Nigam has made an attempt to discuss how the organisational transformation has taken place in the industrial sector and how the new management has been evolving. He however feels that there are still some defects left. Erstwhile managing agents, secretaries and treasurers have taken up appointments as consultants, advisers and secretaries and are thus imposing an unduly heavy burden on the finances of the erstwhile managed companies. Also, representation of labour on the boards of management is still a far cry. Professional managers have yet to take their due place in the industrial sector. The company managements have yet to eschew considerations of 'self-interest' and bring about a just equilibrium of interests of management, share-holders, employees and society.

a way of life

A.N. Banerji voices his faith that though many pessimists predict a very bleak future for public enterprises, the public sector has become a way of life with us and is perhaps one of our important vehicles that will take us to our ultimate goals of industrialisation and socialism.

Analysing the problems of small-scale industries in India, A.R. Bhat has repeated the words of Nehru that "There is enormous scope for small manufacturers in India. Sky is the limit"

In his masterly article on the growth of foreign trade, Manubhai Shah has stated that factors which impinge on our export situation are near stagnation in production of items having large growth potential, inadequacy of infrastructure development, especially in the field of shipping, rail road and power, adverse impact of rising shipping freight rates, rising internal demand, non-restoration of competitive strength of Indian products and non-availability of sufficient raw materials including steel and non-ferrous metals. But he is hopeful that given the necessary will and ability to order our affairs, "it should not be difficult to create a sound base for export." The articles on energy, union-state financial relations, trade union movement and progress of Adivasis are all equally instructive.

Analysing the problem of poverty in India M. Mukherjee and his colleagues have raised a fundamental issue. According to them those who talk about eradication of poverty have a standard of living much above that of the poor and also above that of the average Indian. Our bureaucracy, intelligentsia and our political leaders and cadres are all accustomed to have standards of living much above that of the poor. Can this group of people organise and run a sufficiently large anti-poverty programme? What are the incentives?

Twenty-five years is an important watershed where we can stop a while and look back to review the ground we have covered, as also our achievements and the failures. This book with imformative tables at the end, provides an excellent panoramic view of India's journey over a quarter of a century.

While one may not always agree with the views expressed by all the writers, one certainly comes to have a better perspective of the vast and varied economic and social developments taking place in India since independence. One is therefore also better placed to chalk the journey into the future, provided one is prepared to learn from past experience.

Books Received

Education and Manpower Planning in India (A Case Study of Calcutta Region): David E. Kidder; Progressive Corporation Pvt. Ltd., 51, Mahatma Gandhi Road, Bombay-1; Pp. 182; Price Rs 24.

The Management Process: Rustom S. Davar; Progressive Corporation Pvt. Ltd; Pp. 707; Price Rs 21.

Resource Utilization in Indian Manufacturing (A Mathematical Analysis): Gary L. Bergstrom; Progressive Corporation Pvt. Ltd.; Pp. 171; Price Rs 24.

Elements of Agricultural Finance: G. Kathuria and K. Chandrasekharan; Progressive Corporation Pvt. Ltd; Pp. 244; Price Rs 18.

Industrial Adjudication with Special Reference to Reinstatement: R.S. Kulkarni; Progressive Corporation Pvt. Ltd.; Pp. 347; Price Rs 28.

Personnel Management and Industrial Relations in the Public Sector: Lallan Prasad; Progressive Corporation Pvt. Ltd; Pp. 252; Price Rs 28.

Modern Marketing Management in the Indian Context: Rustom S. Davar; Progressive Corporation Pvt. Ltd.; Pp. 746; Price Rs 28.

Regional Aspects of Indian Industrialization: Yoginder K. Alagh; University of Bombay, Fort, Bombay-32; Pp. 79; Price Rs 12.

The Press Under Pressure: D.R. Mankekar; Indian Book Company, 36-C, Connaught Place, New Delhi-110001; Pp. 167; Price Rs 30.

Dissent in the Soviet Union: Complied by A.P. Jain; Published by M. Ruthnaswamy, M.P., for the Institute of Public Affairs, 5 Bishamberdass Road, New Delhi; Pp. 92; Price Rs 3

Co-operation in Maharashtra: Review and Perspective: Chandra K. Dalaya and Ravindra S. Sabnis; Centre for the Study of Social Change, 4 Joothica, Naushir Bharucha Road, Bombay-400007; Pp. 73; Price Rs 6.

Tripartite Conferences and Committees: 196?-1973, Recommendations and Conclusions: Published by the Employers' Federation of India, 148, Mahatma Gandhi Road, Bombay-1; Pp. 319; Price Rs 15.

Wage Incentives Theory and Practice: Editor G.K. Suri; Shri Ram Centre for Industrial Relations and Human Resources, 5 S. Vaswani Marg, New Delhi-110005; Pp. 231; Price Rs 32.

Industrial Democracy: Some Issues and Experiences: Editors: C.P. Thakur and K.C. Sethi; Shri Ram Centre for Industrial Relations and Human Resources; Pp. 368; Price Rs 40.

Green Revolution: M.S. Randhawa; Vikas Publishing House Pvt. Ltd., 5 Daryaganj, Ansari Road, Delhi-110006; Pp. 207; Price Rs 35.

India's Trade with East Europe: Dr (Mrs). Sumitra Chishti; Indian Institute of Foreign Trade, H-24 Green Park Extension, New Delhi-110016; Pp. 118; Price Rs. 11.

TRADE WINDS

New Role for IDBI

THE PUBLIC financial institutions laws (Amendment) Bill, introduced by Mr Y.B. Chavan Finance minister in the Lok Sabha recently sought to restructure the Industrial Development Bank of India as the principal financial institution for co-ordinating the working of institutions engaged in financing, promoting or developing industry and for assisting the development of various financial institution. Hitherto, the Reserve Bank of India, through its subsidiary the IDBI, has been managing the operations and business of the term lending institutions, both at the all-India and state levels. It is now proposed that the development Banking having come of age, the IDBI should stand on its own as an independent financial institution.

The Bill seeks to have the Reserve Bank of India as the central bank of the country dealing with monetary matters, the IDBI as the development bank dealing with development of industry, and the Life Insurance Corporation as the premier investment institution.

Under the new dispensation it is proposed that the entire share capital of the IDBI, held at present by the Reserve Bank of India, will be transferred to the government of India. With the IDBI becoming independent of the Reserve Bank, the capital held by the Reserve Bank in the Unit Trust of India and the State Financial Corporations will be transferred to the IDBI. Since IDBI already holds fifty per cent share capital in the IFC, there is no change in the share capital structure of the IFC. Since LIC is already held wholly by the government, there is no change in its structure. ICICI is an institution in the private sector; thereis, therefore, no change in its capital structure.

Since 50 per cent of the capital of the IRCI Ltd. is already held by the IDBI, no change in its capital structure is contemplated. As the principal financial institution for the development of industry, the IDBI's main functions will be to co-ordinate the functions and operations of all member institutions, both at the all-India and state levels. It will also assist in the growth of member institutions and will directly finance major projects and export-oriented projects and refinance other institutions. In addition, it will function as the development agency by utilising the expertise available in member institutions.

The role of the IDBI is being enlarged widely by redefining 'industrial concerns' to cover a wide variety of fields including financing infrastructure development, research and development, and consultancy services. Since the IDBI will be the principal financial institution, there will be a co-ordinated approach to appraisal of major projects.

The IDBI will thus be the leader of a family of institutions engaged in financing industry—of term lending financial institutions, commercial and co-operative banks in so far as they finance industry and regional developmental corporations engaged in promoting industry. Hitherto the board of the IDBI has been the board of the RBI. It is now proposed to have a separate Board for the IDBI on which member financial institutions will be represented, as also public sector banks and state financial corporations.

Petroleum Products Prices

The union minister for Petroleum & Chemicals, Mr D. K. Borooah recently told Members of Parliamentary Consultative Committee for his ministry that in view of the expected hardening of world crude oil prices further in the near future, the government might have to allow refineries in the country further increases in the prices of petroleum products. Mr Borooah said that, as it were, the Persian Gulf oil producing countries were charging for their crude more than the prices announced by them on October 16 when the market selling price of the marker crude, Light Arabian, had been fixed at $3.65 per barrel.

The minister said that crude prices were rising in a unilateral fashion and at the recent Tehran auction, Light Iranian had been sold at $ 16 to $ 17 per barrel. There was no stability of prices either, due to exporting countries now quoting prices on a tanker to tanker basis, he added. Another factor adding to the costs was increased transportation charges. The freight charges which only six months ago averaged 26 cents per barrel of crude had currently increased to as much as 75 cents per barrel, marking an almost three-times increase.

Applications for Industrial Licences

Under the new procedures for approval of industrial licences introduced from Novemder 1, 1973, a comprehensive preliminary scrutiny of applications is undertaken at the receipt stage. Based on this scrutiny, applications, which are incomplete or deficient, are returned to the applicants for resubmission with the deficiencies rectified. A large proportion of the applications had to be returned because information as required for the various columns of the application form was not duly furnished. In particular, additional information which is required to be furnished as per the press note dated April 21, 1973 was not availablein many cases.

The other types of eficiencies which were frequently noticed were : (*i*) The treasury receipt in original for Rs 50 was not attached to the application. (*ii*) In some cases, the fee was credited to the wrong head of account. The correct head of account is "XXIX-Industrial-Miscellaneous-Central". (*iii*) the number of copies furnished was inadequate. The required number of copies is eleven. (*iv*) Undertakings, which are registered under the MRTP Act, 1969, will have necessarily to furnish MRTP applications along with their industrial licence applications unless they claim exemption from the provisions of the MRTP Act in which case a clear statement of the reasons based on which such exemption is claimed should be furnished.

In cases where applications are returned for rectification of defects, it will not be necessary for applicants to pay the licence fee again.

Shipping in Fifth Plan

The fifth five-year Plan provides for a shipping tonnage target of 8.6 million GRT by 1978-79. In addition, advance orders for about one million GRT may be placed for ships which would be delivered in the sixth Plan. By the end of the fourth Plan, the net operative shipping tonnage is expected to reach about three million GRT. An additional tonnage of about 1.8 million GRT is on order which will enable the country to have the operative tonnage of more than four million GRT in the early years of the fifth Plan

after allowing for scrapping of over-aged vessels.

In keeping with the modern trend, 3.56 million GRT during the fifth Plan will constitute bulk carriers, tankers, accounting 1.37 million GRT. Three VLCCs (very large crude carriers,) each of 269,000 DWT as also eight large-sized vessels ranging between 85,000 to 115,000 DWT will be delivered in the fifth Plan period or earlier.

With the attainment of these targets, the Indian ships will be able to carry 100 per cent of country's overseas trade in crude oil and petroleum products, 50 per cent of iron ore export to Japan, 100 per cent iron ore export to Europe and about 50 per cent of the liner trade in other commodities. The fifth Plan provides Rs 243 crores to be advanced to the Shipping Development Fund Committee for acquisition of ships. Besides, Rs 10 crores have been provided for grant of subsidy to SDFC for charging concessional rate of interest. A provision of Rs 5 crores has been made for expansion of training facilities and welfare programme for the seamen.

Municipal Taxes on Central Properties

A draft bill authorising levy of municipal taxes on the central government properties is ready for introduction in Parliament. The bill is likely to come up in the budget session early next year. This information was given by the union minister for Works, Housing and Urban Development, Mr Bhola Paswan Shastri in his opening address at the meeting of the executive committee of the Central Council on Local Self-Government recently.

Madhya Pradesh Stock Exchange

The union government has decided to renew the recognition granted to the Madhya Pradesh Stock Exchange, Indore under Section 4 of the Securities Contracts (Regulation) Act, 1956, for a further period of five years commencing December 24, 1973. The terms of the renewal stipulate that dealings shall not be permitted on the exchange except for spot delivery and for delivery and payment within a period not exceeding 14 days following the date of the contract.

Awards for Export Performance

Six exporters and organisations have been declared eligible for the Awards for Outstanding Export Performance during the year 1971-72. Fourteen others have been nominated for Certificates of Merit. Names of the exporters and organisations declared for 1971-72 Awards are as follows: 1. Ceat Tyres of India Ltd., Bombay. 2. Century Rayon, Bombay. 3. Export Credit & Guarantee Corporation Ltd, Bombay. 4. Gedore Tools (India) Pvt. Ltd, New Delhi 5. Indian Dyestuff Industries Ltd, Bombay. 6. Nava Bharat Enterprises (P) Ltd., New Delhi.

The union government instituted a scheme for the grant of Awards in 1968. Rotating trophies are given for overall outstanding performance or for a significant break-through. Certificates of Merit are given to the best exporters in different groups of export products. For the selection of exporters for for Awards and Certificates in 1971-72, a committee headed by Mr J.C. Shah, ex-Chief Justice of India, was appointed by the government.

The same committee also scrutinised the export performance of exporters and organisations for the year 1970-71 and selected the eight exporters organisations for Awards and nineteen for Certificates of Merit. Those selected for Awards are as follows: 1. Ashok Leyland Ltd, Madras 2. Engineering Export Pro motion Council, Calcutta. 3. Hero Cycles Pvt. Ltd, Ludhiana. 4. Hindustan Steel Ltd, Ranchi (Bihar), 5. Kamani Engineering Corporation Ltd, Bombay. 6. Mahindra & Mahindra Ltd., Bombay 7. Militon's (Pvt) Ltd., Bomday 8. Tata Finlay Ltd, Bangalore.

Import of Raw Material

There should be a long-term plan for the import of raw materials for export purposes, so that the rising prices in the international markets may not hamper India's export efforts. This was suggested in the meeting of the Zonal Export-Import Advisory Committee (Northern Zone) held recently. The Committee was informed that advance licensing procedure will help the exporters to get their requirements much in advance. This will make them able to meet their export commitments. The Committee was also informed that to assist exporters, the ministry of Commerce has appointed Mr K. Rikhy as Export Commissioner and Mr L.N. Saklani as Export Director. On the suggestion for taking more advantage from the Generalised System of Preferences (GSP), the Committee was informed that the Commerce ministry has set-up a Task Force to study the possibilities of exploring the GSP areas for more exports.

Indo-Nepal Trade

An eleven-member official Trade Delegation, led by Mr Shiva Narayana Das, Secretary Industry and Commerce, Nepal, arrived recently in Delhi. Both the Indian and Nepalese sides noted that there had been considerable progress in the trade and economic cooperation between the two countries. The Nepalese delegation sought India's help in the economic development of Nepal and in exports of Nepalese goods and imports of essential commodities. Nepal was assured of full co-operation from India in the field of trade and development. Indian delegation expressed satisfaction over the most-favoured nation treatment being given to India in tariffs The volume of trade between India and Nepal increased significantly from Rs 23.83 crores in 1964-65 to Rs 44.58 crores in 1972-73. India's exports to Nepal was of the order of Rs 35.07 crores in 1972-73.

Bangladesh Jute Delegation

Mr Shamsul Haq, minister for Jute of Bangladesh led an eight-member delegation on a visit to New Delhi recently. In a meeting with Mr D.P. Chattopadhyaya, union minister of Commerce, he discussed the problems of Jute industry. Emphasis was also laid on short-term and long-term studies on jute in the context of the respective economies. Earlier, officials of both the sides reviewed different aspects of the jute policy of the two countries. The Jute delegation from Bangladesh included Mr Lutfur Rahman, Secretary, Jute Department, Dr Muzaffar Ahmad, and Dr Hassan Imam of Planning Commission, Chairman of Jute Export Corporation and Jute Trading Corporation of Bangladesh, Mr Shamim Ahsan, Joint Secretary of Commerce, Bangladesh.

Alternative Sources of Energy

The Railway minister, Mr Lalit Narayan Mishra, recently called for all out efforts to evolve alternative and indigenously available source of energy in the context of the energy crisis faced by the country.

He was inaugurating a meeting of the Central Board of Railway Research. The Railway minister stated that the energy crisis, particularly in regard to the shortfall in the supply of crude oil and the price hike, was a matter of serious concern. under the circumstances, Mr Mishra added, it would perhaps be prudent for us to utilise the limited resources of crude oil available in the country for more productive spheres such as rail transportation in preference to road haulage. Unlike the road and air transport the consumption of oil by the railways was comparatively low being only 13 per cent of the total consumption in the country. The railways consumed only about one sixth of the fuel that is consumed by the road vehicles for the haulage of the same load, Mr Mishra added.

Fertilizer Corporation of India

The Fertilizer Corporation of India has made a record net profit of Rs 5.42 crores during the year 1972-73. The gross profit for the year was to the tune of Rs 19.92 crores. Among the five operating units of the Corporation, the Trombay unit earned a record profit of Rs 8.15 crores. The profit earned by Nangal unit, Gorakhpur unit and Planning Development Division was Rs 3.49 crores, Rs 0.25 crores and Rs 0.23 crores respectively. But for the performance of the ageing Sindri plant, which has its own peculiar problems and has to be kept running in the larger national interest, the profit position would have been still better.

All the five operating units of the Corporation maintained satisfactory production during the year with Trombay achieving 91 per cent, Gorakhpur 86 per cent, Namrup 78 per cent, Nangal 68 per cent and Sindri 88 per cent of the attainable capacities.

The sales turnover during the year was Rs 92 crores against Rs 95 crores during the preceding year (1971-72). This shortfall was entirely due to non-availability of imported fertilizers from the central pool for seeding programme. The total turnover of industrial products produced by various FCI units amounted to Rs 13.4 crores. This showed an increase of Rs 4 crores over the preceding year. The chairman disclosed at the meeting that the FCI had 11 major projects in hand for execution which when completed will raise the production capacity of the FCI by about two million tonnes of nitrogen. The Corporation also prepared feasibility reports for joint venture projects in Kuwait and Baharain.

COMPANY AFFAIRS

Siemens India

SIEMENS INDIA Ltd has reported impressive improvements in its working results during the year ended September 30, 1973. Its sales during 1972-73 reached the record level of Rs 43.72 crores and it outstripped its previous year's performance by as much as Rs 5.21 crores. Gross profit too moved up sharply by about 12.3 per cent from Rs 4.08 crores to Rs 4.58 crores. The directors have however maintained the equity dividend for 1972-73 at 18 per cent. One third of the recommended dividend will be tax-free in the hands of the shareholders while the entire dividend was tax free in the previous year. The company's orders on hand totalled Rs 46.87 crores, Rs 3.33 crores more than in the preceding year while pending orders amounted to Rs 30.16 crores as compared to Rs 26.55 crores in the earlier year. The company expects a further expansion of business during 1973-74.

In the electrical field, power is the coefficient of expansion. When all the schemes now on the drawing boards of government and state electricity boards are translated in to more power generation, the company is confident of receiving a fair share of the additional demand for electrical equipment. Out of the gross profit the directors have allocated a sum of Rs 75.98 lakhs to the depreciation reserve, Rs 12 lakhs to development rebate reserve, Rs 243 lakhs to taxation reserve and Rs 5 lakhs to debenture redemption reserve and Rs 129 lakhs to general reserve as against Rs 73.70 lakhs Rs 8 lakhs, Rs 179 lakhs and Rs 5 lakhs and Rs 142 lakhs provided respectively in 1971-72.

Indian Aluminium

Indian Aluminium Company has announced the issue of 31,90,477, ordinary shares of Rs 10 each at a premium of Rs 11 per share for a total issue of Rs 6.7 crores. Out of this, 12,42,132 ordinary shares are being offered to the existing shareholders—Indian nationals resident in India — who are registered holders of ordinary shares as on November 20, 1973 in the ratio of one new share for every five ordinary shares held. The remaining 19,48,345 shares are being offered for public subscription. Out of these, 3,89,670 shares have been reserved for the unit Trust and the Life Insurance Corporation and the employees of the company. The list will open on January 29, 1974 and close on February 8 or earlier at the discretion of the directors of the company but not earlier than January 31. The issue will finance a part of the expenditure being made to increase Indal's metal production facilities at its smelter at Belgaum in Karnataka from 40,000 to 60,000 tonnes annually. This project, along-with the related additions to fabricating facilities envisages a capital expenditure of Rs 20.1 crores.

Kothari (Madras)

Kothari (Madras) Ltd has embarked on an ambitious diversification and modernisation programme. The company has already made considerable progress in the implementation of these schemes. The company will shortly commence production of tereviscose yarn in its two textile mills, one at Coimbatore and another at Adoni. At one of its textile mills at Coimbatore machinery is being installed for undertaking diversification of its products. The company is also branching out into new lines of activities by going into the manufacture of caustic soda and wrist watches. Other gainful lines of activities are also being explored. It is possible that the steps regarding the implementation of the manufacture of caustic soda may be taken up during next year. As regards the manufacture of wrist watches, it may take another two years from now. Necessary sanctions are awaited in respect of these two projects. These observations are contained in the Chairman, Mr D.C. Kothari's annual statement circulated to the share-holders of the company.

The company's financial year has been changed. Hence its accounts will be presented hereafter for the year ending as at June 30 every year. The company's gross profit for the ten-month period ended June 30, 1973, is of the order of Rs 77 lakhs and the gross profit for a period of 12 months up to August 1973 is about Rs 130 lakhs. The gross profit would have been significantly higher if the increase in power cut has not been so steep as it had been. The gross profit for the current year, from July to October 1973 is over Rs 120 lakhs. If this trend is maintained the company's gross profit for 1973-74 will be one of the highest achieved so far on the basis of the combined profits of all the amalgamating units. The textile division has earned a gross profit of Rs 48.68 lakhs for 10 months as compared to Rs 37.57 lakhs for the preceding year of 12 months and this is indeed a satisfactory performance. The company exported textiles to the the tune of 44 lakhs as against Rs 42 lakhs during 1971-72. The exports for the year under review could have been much higher but for the power cut which inhibited undertaking export orders on a large scale.

During the current year from July to October the company has already exported textiles to the value of Rs 25.16 lakhs and if the export market continues to be favourable, the company's textile exports might easily touch a new peak during 1973-74. The working results for the current year as far as the textile division is concerned is quite encouraging. The gross profit for the textile division for the four-month period ended October 1973 is around Rs 120 lakhs. The company would be least affected by the unprecedented increase in the price of Egyptian cotton which is about three times the price prevailing in the previous year. The company has enough stocks of cotton to last for the entire period of 1973-74 and hence the company will not be purchasing the Egyptian cotton at the prevailing prices.

Larsen & Toubro

The sales of Larsen & Toubro Limited have shown an encouraging rise in the first eight months of 1973-74, according to a statement made by the Chairman, Mr H. Holck-Larsen at the extraordinary general meeting held on December 18. Whereas sales in the first eight months of 1972-73 were Rs 16.96 crores, in 1973-74 they have already reached Rs 22.69 crores, recording an impressive rise of 34 per cent.

The extraordinary general meeting was held to approve resolutions which renewed Mr N.M. Desai's terms as Managing Director for a period of five years from April 1, 1974 and appointed Mr K.S.S. Mani, Mr. U.V. Rao, Mr D.L. Pradhan and Mr

B.G.N. Patel as wholetime directors of the company for five years effective from the date when approval of the central government is received. The meeting passed a resolution amending the Articles of Association of the company to increase the permissible maximum number of directors to seventeen from fifteen. The meeting also approved the setting up of a new undertaking to manufacture multi-purpose hydraulic excavator loaders and combine harvestors.

Gujarat State Fertilizer

With the commissioning of Larsen & Toubro's sulphur dioxide and oleum plant, Gujarat State Fertilizers Company Limited (GSFC) has set the scene for putting on strean India's first caprolactum plant. The products of this plant will provide the feedstock for the caprolactum plant of GSFC which is scheduled to go on stream shortly. The indigenous production of caprolactum will, for the first time, replace imported caprolactum, which is a critical raw material for the nylon industry. The sulphur dioxide and oleum plant was formally inaugurated recently at Manali, near Baroda, by Mr Chimanbhai Patel, Chief Minister of Gujarat. Designed, fabricated, erected and commissioned by Larsen & Toubro Limited (L&T) on a turnkey basis, GSFC's sulphur dioxide and oleum plant incorporates some unique features. The special feature of this plant is the double absorption process by which the effluent gas is freed of polluting gases. This, not only eliminates environmental hazards, but improves sulphur utilisation efficiency.

L & T has long been associated with GSFC. It had earlier successfully carried out the mechanical and electrical erection, instrumentation piping and commissioning of GSFC's ammonia and urea plants in the first phase. The L&T has contributed in a big way in the caprolactum plant, which includes fabrication of sophisticated equipment such as stainless steel reactor and columns. It has also supplied low tension switchboard and valves. The L&T's subsidiary, Engineering Construction Corporation Limited, has done a large portion of the civil work in the caprolactum plant.

United Bank of India

The United Bank of India has taken over the assets and liabilities of Hindustan Mercantile Bank, a scheduled bank, along with its six branches, including those at Kanpur, Delhi and Bombay. Started in 1944 the total deposits and assets of Hindustan Mercantile Bank as on December 31, 1972 amounted to Rs 3.20 crores and Rs 4.40 crores respectively. The merger raises the number of branches of the United Bank of India to 403.

Mahindra and Mahindra

The government of India has granted recognition to Mahindra and Mahindra Limited as a manufacturing export house. The Chief Controller of Imports and Exports while granting the eligibility certificate to Mahindra and Mahindra Limited has assessed the f.o.b. values of the exports made by the company during 1972-73 at Rs 1.56 crores.

News and Notes

(Expansion and Diversification)

The efforts of **Acme Manufacturing Company Ltd** to diversify its lines of manufacture have amply been rewarded. The first asphalt paver finisher, manufactured in collaboration with Millars Machinery Co. Pvt. Ltd has been field tested and has proved successful. The first prototype road roller will also be field tested this year and production is expected to commence by the end of the year. With the delinking of the company from the MRTP Act, the company has been able to double the licensed capacity for the manufacture of valves and push rods. The management is also considering the feasibility of setting up a new unit in Gujarat for the manufacture of 900,000 valves and 300,000 push rods per annum to utilise the additional licensed capacity which has been granted by the government. The company is also negotiating to manufacture sophisticated diesel engines to replace the old Cooper Engines for which the market is slowly receding and production has become uneconomical. The company is developing a few more new products which will be introduced during the course of the year. They are expected to yield better results.

New Issues

Universal Glass Ltd, promoted by Jagatjit Industries Ltd, is setting up a plant at Sahibabad in Uttar Pradesh for the manufacture of glass bottles, containers and a host of other miscellaneous hollowwares with a capacity of 18,000 tonnes per annum. The plant is so planned and designed that it is capable of manufacturing bottles of all shapes and sizes with narrow or wide nicks within the weight range of about 200 to 500 gms. This will enable the company to cater to the beer, liquor, soft drink, milk, milk food, pharmaceutical and package industries.

The company has entered into an agreement with Nickolaus Sorg GmbH of West Germany for the supply of complete furnace, design and technical know-how. Nikolaus Sorg is one of the leading firms in Europe specializing in designing of furnaces for the glass industry. Under the agreement, the foreign collaborator will provide all technical assistance till the start up of production. The company has also entered into an agreement with Emhart Corporation of the USA for the supply of the main production equipment including two automatic glass forming machines and automatic feeders as well as the installation, erection and commissioning of the plant. Work on the project has already commenced and the erection of the plant is expected to be completed by December 1974. Commercial production is expected to commence by January 1975.

The plant is being set up to augment the supply of glass bottles which have become in short supply due to increasing demand of breweries, distilleries and soft drink plants in the area. With the setting up of more breweries, the supply position of glass bottles is likely to become more critical. In addition Jagtjit Industries is expected to take up one-third of the production for its use. The company, therefore has no difficulty in marketing of its products.

To raise part of the resources required for the implementation of the project the company will be entering the capital market by offering to the public for subscription 540,000 equity shares of Rs 10 each for cash at par. The subscription list opens on January 9 and will close on January 19 or earlier but not before January 11. The entire public issue is underwritten. Barring unforeseen circumstances the company hopes to earn reasonable profits from the very first year of commercial production and declare a maiden dividend of not less than 10 per cent for the financial year commencing from January 1, 1975.

Bengal Arc Steel Ltd, is offering to the public for subscription 238,500 equity shares of Rs 10 each for cash at par. The subscription list for this fully underwritten issue opens on January 2 and will close on January 12 or earlier at the discretion of the directors of the company but not before January 4. The proceeds of this issue will provide part of the finance required for setting up a mini-steel plant with a 10/12 tonne electric arc melting furnace in the Purulia district of West Bengal. The annual installed capacity of the plant will be 18,400 tonnes of mild steel ingots.

The plant and utilities are so planned as to permi further diversification and expansion at minimum cost and without interruption to production. The success of a plant in the conditions prevailing in the country depends largely on the regular and uninterrupted supply of power and the availability of steel scrap. The project located at Purulia is at a relatively short distance from the Santaldih generation which being a thermal power station located near the coal field of eastern India is least likely to be affected by either the vagaries of nature or transport bottlenecks affecting the coal supply. Since the project will be getting its power from the Santaldih power station, reliable and uninterrupted source of power is also assured.

Further, Purulia is geographically located in the heart of the scrap generating areas as four major steel plants are in the close vicinity of which the Bokaro steel plant is of particular importance to the project. Besides, the coal fields of Jharia-Ranigunge are at a short distance from Purulia and considerable quantities of scrap from these regions will be available. It must also be considered that Calcutta is one of the largest scrap collecting centres of India and that the eastern region accounts for 53 per cent of the total scrap collection of the country. Hence, this project has a basic advantage as compared to similar installations elsewhere. The company has made considerable progress in the implementation of the project. Construction work is in full swing, and is expected to be completed by February/March, 1974. The W.S. Atkins Private Ltd has been selected as technical consultants to the project. The capital outlay on the project is estimated at Rs 105 lakhs and it will be financed by equity share capital of Rs 40 lakhs and long-term borrowings of Rs 65 lakhs. The project with its additional advantages of location from the point of view of scrap supply, availability of power, the incentives and subsidies available to industries in centrally declared backward areas, has a bright future.

Yamuna Gases Limited, a new company will be entering the capital market in February 1974 with a public issue of 120,000 equity shares of Rs 10 each at par. The company has an authorised capital of Rs 25 lakhs divided into two lakh equity shares of Rs 10 each and 5,000 preference shares of Rs 100 each. Out of this, 80,000 equity shares have been paid-up to the tune of Rs 5 per share. The present issue is for 120,000 equity shares. The company will make application to the Delhi Stock Exchange for listing the shares. The company was initially incorporated as a private limited company on March 13, 1973 styled Yamuna Gases Private Ltd which has now been changed to Yamuna Gases Limited. The company has been granted an industrial licence for the manufacture 4-5 lakh cubic metres of oxygen and one lakh cubic metres of dissolved acetylene gas per year. The manufacturing unit is being set up at Jagadhri in Haryana state.

The oxygen plant is being imported from Germany and cylinders from Hungary and will go on stream in June, 1974. The cost of the project is Rs 42 lakhs which will be met by equity share capital, loans, borrowings and security deposits. With the rapid increase in the number of mini steel plants and increased construction activity, the demand for oxygen is increasing. With an assured market combined with tax benefits and other tax reliefs, the company will be able to declare a substantial dividend from the very first year of its working.

Interim Dividends

The directors of **India Tobacco Company Ltd** have decided to declare an interim dividend of seven per cent for the year ending March 31, 1974 payable on or after January 31, 1974 to registered shareholders whose names appear on the Register of the company as on January 17, 1974. The Register of Members will be closed from January 3 to 17, 1974 both days inclusive.

The directors of **Chemical and fibres of India Ltd** have announced a second interim equity dividend of 10 per cent for the year ended September 30, 1973.

The directors of **Savamali Estate Ltd** have proposed an interim ordinary dividend of 10 per cent for the year ended October 31, 1973.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Higher Dividend			
Glaxo Laboratories (India) Ltd.	June 30, 1973	18.0	17.0
Tata Chemicals	June 30, 1973	19.0	17.0
Sree Akkamba Textiles	June 30, 1973	15.0	Nil
Shree Madhusudan Mills	June 30, 1973	10.0	Nil
Mysore Kirloskar	June 30, 1973	12.0	10.0
Same Dividend			
Modi Spg. & Wvg. Mills	April 30, 1973	12.0	12.0
Moped India	June 30, 1973	Nil	Nil
Sun Paper Mill	June 30, 1973	Nil	Nil
Oriental Industrial Investment Trust	Sept. 30, 1973	7.0	7.0
Tribeni Tissues	Sept. 30, 1973	15.0	15.0
Arlabs Ltd	June 30, 1973	Nil	Nil

KAMANI METALS & ALLOYS LTD.

Statement of Shri R. R. Kamani, Chairman, Kamani Metals & Alloys Ltd., on the occasion of the 28th Annual General Meeting of the Shareholders of the Company in Bombay on December 28, 1973.

Shri R. R. Kamani

I extend to you a very hearty welcome to the 28th Annual General Meeting of your Company.

I would like to begin the proceedings with a reference to our sense of grief at the sad demise of Sir Datar Singh on the 17th of May this year. He was a senior member of our Board of Directors and we remember his association with the company with a profound sense of loss.

During the year under review, the economy had to pass through a difficult phase marked by droughts and floods in many parts of the country, power shortages and persisting paucity of industrial inputs. The resultant shortages have pushed up prices for a wide range of commodities including both capital and consumer goods to unprecedented levels. This, in turn, has created widespread unrest in the country. A number of policy measures recently taken by Government, ranging from procedural innovations in the matter of licensing to the restraints now in force under what is popularly known as the "credit squeeze" on the flow of credit to speculative channels, are positive proof of the fact that government is seriously seized of the situation. The number of successful capital issues during the recent months are encouraging evidence of a much-needed revival in the capital market, more so in the background of the adversities we have faced during this period. We have reasons, therefore, to believe that the worst is perhaps over and the economy of the country, after a phase of disturbing developments, is now beginning to look up. We need to re-inforce our optimism with a measure of faith in ourselves. In our relation with other nations, we have played our cards with prescience and skill. Internally, despite occasional discord and sporadic acts of violence, we have managed to forge and preserve a substantial measure of national unity; in the community of nations, this is indeed our chief pride and glory.

We now need to translate, for our illiterate and dumb masses, our political triumphs into useable goods of the world. The task perhaps lacks the drama inherent in political action but is full of sterner challenges.

In key sectors like steel, power, cement, fertilisers and foodgrains, achievements have fallen far short of the targets laid down in the fourth Plan. In 1973-74 the production of foodgrains may be around 115 million tonnes and this would mean an increse of around 6 per cent over the production level of 1970-71 but during these three years the estimated increase in population would be nearly 7 per cent. Thus we have not achieved any improvement in the per capita production of food grains during this period and we continue to depend on sizeable imports despite the "green revolution" on our farms. Industrial production during the first ten months of 1973 has been stagnant at the level of the previous year. The power famine in the country continues substantially unabated, with huge generation and transmission losses, persisting undiminished. All the states, barring, Kerala have sizeable power deficits. It is common knowledge that the current power shortages are in no way related to droughts as the shortages are, far the most part, not in hydro-power but in thermal power. In foreign trade, too, the picture is altering in undesirable ways. Exports have no doubt increased by perhaps as much as 10 per cent in 1973-74 over the previon year but this increase has to be seen against the substantially higher import bill this year, For the first time in several years, we now have a trade deficit to cope with. The current international oil crisis is of far greater consequence for us than is generally realised. The common belief that since the oil crisis is a product of the war in the Middle East, the crisis will resolve itself with the ending of the war is illogical in the face of the realities of the situation. Oil prices will continue, to climb irrespective of any settlement in the Middle East probably by as much as 100 per cent in one to two years and even if we were to freeze the level of consumption of oil at the current physical level, the increase in oil price is bound to exert unbearable pressures on our foreign exchange resource. A carefully worked out national energy plan is now a stark necessity. In recent years, prices in general have continued to rise at an unprecedented rate and in consequence, there has been country-wide clamour for higher emoluments in all employment sectors, Inflation has been feeding on itself and the result of this process has been an all-round escalation of costs and prices and consequent erosion of the living standards of all.

The Credit Squeeze

In an obvious effort to arrest the inflationary trends and to check the flow of bank finance into speculative channels, the Reserve Bank of India has issued the series of directives restricting the availability of funds from the banking sector. There cannot be two views on the need for containing inflation and checking speculation or on the importance of regulating money supply to achieve this purpose but one would hope that there cannot be two views, similarly, on the positive undesirability of starving the productive sectors of the economy of their day-to-day credit needs. As a part of initial steps towards implementing the directives of the Reserve Bank, the commercial banks have stalled the processing of applications for additional facilities, frozen unutilised facilities already sanctioned and raised margins from 10 per cent to 20 per cent on stocks and book debts. These measures, coming as they do in the wake of unparallel spurts in the prices of non-ferrous metals, are bound to seriously dislocate our industry and cripple production, exports and employment. The requirements of finance for working capital have increased in proportion to the increases in the prices of raw material but as against this, the manufacturing units are now faced with substantial shrinkages in the volume of credit available to them from the banking sector on the one hand and large increases in the margins they are required to provide, on the other. Scaling down of operations by these units would mean further sagging of production levels and this in turn would only mean further accentuation of inflationary measures and frustrating of the very objectives of the "credit squeeze". Surely, this cannot be the intention of the Reserve Bank. I hope that the banks will soon gain greater clarity about the objectives of the squeeze and develop appropriate norms to operate the new controls in a way as not to jeopardise the priority sectors or disrupt production, exports and employment. I would urge that the banks ascertain the views of important sectors of the industry and assess their needs realistically before developing these norms so that the controls become truly effective. The industry expects that the banking system will implement the directive of the Reserve Bank with understanding and awareness of their larger implications and with a measure of selectivity and discrimination.

Prices of Non-ferrous metals

The copper based industry is long accustomed to living with wide fluctuations in raw material prices. Even so, the recent fluctuations in prices of copper and zinc are profoundly unsetting. The industry recently witnessed the unusual spectacle of the MMTC raising its prices for copper in the middle of the quarter despite its avowed objectives of ensuring stability in prices. The continuing unpredictability of the prices of the main raw material is a persisting source of worry to the manufacturers and users alike of non-ferrous products.

Linked with the question of prices there is a further question of the availability of material. Raw material is allocated to industry by Government in terms of value and not in specific quantities. With the prices of material fluctuating widely and unpredictably, the quantum of material that would be actually available to the various units in the industry is anybody's guess today. Be that as it may, at the current level of prices, the quantum, however, uncertain, is certain to be too meagre in relation to the needs of the industry, unless the price factor is kept in clear focus by Government while formulating its allocation policies and procedures. It is indeed our hope that Government will act in this matter with understanding.

In the context of the spurt in the prices of material, the credit "squeeze" and the resultant strain on the liquidity of manufacturing units, the MMTC can play a vital role by regulating the flow of material in an even manner, so that these units are enable to operate within their permissible credit limits.

Modernization

I had, in the Chairman's statement last year, made pointed reference to the problem of modernization of facilities in the non-ferrous industry. There have been some promising developments in this matter since then. The Committee on modernization of the non-ferrous semis industry set up by Government a few months ago has already examined the problem in great detail and has submitted specific proposals to Government in this regard. The proposals contain specific enumeration of the products at present being imported but may be taken up for manufacture indigenously and of the equipment that may have to be imported into the country for this purpose. Your company, as leading manufacturer in the field of non-ferrous semis, was represented on this Committee and it is with considerable satisfaction that I speak on this subject. The dialogue between the Government and the industry has been in this instance, earnest intense and ultimately productive in terms of concepts and ideas.

But concepts and ideas, however, cogent and satisfying, are no substitute for tangible, concrete action. Delay in implementing the proposals now before Government, on account of temporary foreign exchange difficulties, would only mean continued dependence in imports involving still more serious drain on our resources. We await with keen interest the action being taken by Government on the proposals for modernisation since this, in our view, is an essential pre requisite for any sensible, practical programme of import substitution.

Exports

Along with our programme of import substitution, in fact, as an essential complement to it, we need to evolve a coherent rationale for our policy on the export of non-ferrous semis. As I had pointed out in my statement to you last year, experience of other countries like Japan conclusively proves that self-sufficiency in raw material need not be a pre-condition for the development of exports.

Percentages of value added if stipulated as a criterion for exports can only be arbitrary and misleading; what is significant in practical terms is not percentage of value added in the product exported but the absolute volume of earnings resulting from such exports. From high-value items like non-ferrous semis, the volume of earnings from exports is substantial and can increase significantly if we develop our export market with imagination and far-sightedness. Expansion of exports can yield other vital pay-offs too; by helping us maintain higher levels of activity, it will help us contain the rises in the costs of products within limits, generate additional employment opportunities for our people and keep our manufacturing units abreast of technological developments in the relevant fields in other parts of the world. We earnestly hope that the Government will overcome any possible pre-occupation with the short-term arithmetic of value added and adopt a dynamic approach to the whole question of export of non-ferrous semis.

Assessment of capabilities

The non-ferrous semis industry has a long history of chronic underutilisation of its capabilities and this has been a matter of repeated dialogues between industry and the Government. Regretably, no assessment of the actual extent of such under-utilisation has so far been made and this deficiency, in turn, makes any kind of perspective planning for this industry extremely difficult. We are continuing our efforts, collectively and individually, to impress on all concerned the crucial importance of this matter.

Company's operations

The Directors' report and the statement of account for the year ended 30th June 1973 are already with you and with your permission I take them as read. As may be observed from these documents we have achieved a steady improvement in many directions this year and this has resulted in improved performance in terms of production, turnover and profits in comparison. The results could have been better but for the unpredictable increases in raw material costs. The dividend has been stepped up from 11 per cent for the year 1971-72 to 12 per cent for the year under review. The turnover during the first four months of the year in progress has been substantially higher compared to the corresponding period of 1972-73.

The operating results presented in the statement of accounts reflect and include the results of the working of our new unit in Bangalore for a full year. The production performance of the new unit could have been much better but for the severe power cut imposed in the state of Karnataka. I am happy to state that the products of our new unit have been well received in the market.

Our exports, too, have increased substantially by over 45 per cent over those of the previous year and this, again, is a matter of considerable satisfaction to us. Our policy of stepping up of our contribution to different industries and other priority sectors continues to be an important plank in all our plans.

Relations with Governmental Agencies, Banks & Financial Institutions

Our relations with the various governmental agencies have been, throughout the year, marked by spirit of mutual understanding. We are grateful to our bankers and the Industrial Finance Corporation of India for their continued support and for the promptness with which their support was made available to us.

Relations with Labour and Staff

Our relations with the labour and staff have been most cordial throughout the year. I record my keen appreciation of the dedicate efforts of all our personnel — labour, staff and managerial. Their dedication is the indispensable basis of our success. I am grateful, too, to all my colleagues on the Board for their wise counsel.

CHAIRMAN'S SPEECH

Shri Deorao S. Patil

NATIONAL SEEDS CORPORATION LIMITED

Delivered by Shri Deorao S. Patil, Chairman, National Seeds Corporation Limited at the Tenth Annual General Meeting held at New Delhi on the 19th December, 1973.

Gentlemen:

It gives me great pleasure to welcome you to this Tenth Annual General Meeting of the NSC. The occasion is of special interest in as much as it marks the glorious culmination of the first decade of valuable service rendered by the Corporation to the country. Ever since inception in 1963, the NSC has been the torch bearer of quality seed and giving leadership to the seed industry which is now poised for an accelerated growth to sub-serve the needs of the country.

Despite striking firm roots, the seed industry is still young and so is your Corporation. A decade's time is indeed a very short period for a country-wide organisation; nevertheless, your Corporation has attained a status that has won respect in India as well as outside. Last year we had done a bit of introspection and a review of the significant developments in the seed industry pointing out that the development of the seed industry was a necessary pre-condition for the development of Indian agriculture. While doing so we had tried to focus attention on some of the fundamental issues requiring action by the authorities concerned. To-day we should take stock of the present situation and survey the horizon in the context of future development of the NSC.

I would like to begin with the establishment of seed certification agencies as stipulated under the Seeds Act 1966. The NSC introduced the gospel of certification in seeds ten years ago. After the Seeds Act came into operation from December 1969, it was expected that the state agencies would take over certification in line with the national policy. However, so far only six states have taken over this function and in the rest of the country the function is still being performed by your Corporation. Our persistant efforts to know the likely period upto which the states will like the NSC to continue certification have not yielded any conclusive result. In the meeting of the Seed Policy Committee on 26th May 1973 under the auspices of the Ministry of Agriculture, Government of India, the State Governments were asked to take over the certification as early as possible. While it is a matter of pride that the concerned State Governments continue to have faith in NSC certification, it is our endeavour to fall in line with the national policy and therefore the sooner this function is shed off the better it may be. The certification work has an element of promotion and is not altogether a commercially viable activity. Therefore, the State Governments who may wish NSC to continue as the certification agency would do well to offset the loss that is coincident with this function.

Two seasons of drought have shown the importance of having buffer stocks of both foundation and certified seeds. Years ago NSC had proposed to the Government a scheme for creating buffer stock for seeds but at that time it could not be accepted. It is now gratifying to inform you that the Planning Commission has accepted the latest proposals of the NSC in principle and provisionally an amount of Rs. 3 crores has been provided during the Fifth Five Year Plan. It is hoped that the availability of buffer stock will have a stabilising effect and will go a long way in breaking the feast and famine cycle in seeds.

Your Corporation would continue to play a dominant role in the production and supply of foundation seed of varieties of all-India importance. In this context, we do appreciate the Government policy not to allow monopoly of foundation seed to a single organisation, but the specialisation and expertise required to handle foundation seed is so great that the danger of unscrupulous seed producers going into foundation seed business in the lure of profit is much too obvious to be ignored. Apart from our efforts to supply larger quantities of foundation seed, the strictness with which the state certification agencies would judge the genuieness and source of foundation seed will help in eliminating the spurious foundation seed. So far as your Corporation is concerned, earlier there was no systematic arrangements for assessing the requirements of foundation seed and the estimates were based on discussions in Zonal Conferences and NSC's own estimates. Since the targets were not always realistic and reliable the NSC has now evolved a system of advance indents backed by ten percent payment from State Governments and private producers. Judging from the large number of advance indents received for hybrid maize, jowar and bajra for the forthcoming kharif 1974 season, it is clear that the State Governments and producers have accepted the system of advance indents by the NSC. By the adoption of this system, assessment of demand on a reasonably accurate basis will be possible.

In the field of certified seed production, precise assessment of demand has always been a difficult task. In the absence of any official machinery for assessing varietywise demand, NSC has evolved its own techinque of demand forecasting. Moreover, to reduce marketing uncertainities, a new approach of custom production is being tried your Corporation has entered into custom production against bulk orders from some of the States during the current year. We believe that forward planning of seed requirements by all concerned is a step in the right direction which would enable the seed industry as a whole to render a better service in increasing agricultural production.

With an eye on the future growth and an all-round qualitative improvement, time is ripe now to undertake some research and development programme. Research and development are undoubtedly the backbone of innovation. It is gratifying that the Board of Directors in 51st meeting held on 15/16th March, 1973 have taken far-reaching decisions in this regard and have approved of a separate Division of Research, Development and Quality Control. So far NSC has been dealing with seeds of primarily food crops and the varieties evolved by IARI. There is now a need to test a wealth of new varieties available at the numerous research institutes and agricultural universities. The processing equipment used also consists, by and large, of only the basic machinery. It has so far relied largely on technology developed in the advanced countries; some of these are inappropriate to the general situation in a developing country like ours. The question of choice and suitability of technology available from developed countries is thus becoming a major issue.

To cope with the ever-increasing demand for the NSC quality seeds, a considerable step up of production programme in the following years is anticipated. Especially, the volume of cereal seeds is likely to increase manifold. It has, therefore, become necessary to suitably increase the processing and storage capacity on a priority basis. Some of the equipment may have to be imported which is in turn indicative of the need to gear up the quality of indigenous equipment. The Industry Development Cell of the NSC has been giving a lead and guidance to the manufacturers in this regard but, on a commercial scale, the manufacturing units have to pay greater attention to perfection in critical items such as air-screen cleaners of large capacity.

A number of entirely new problems have been thrown up for the seed industry by the general price rise and shortage of inputs for seed production. Your Corporation is also feeling the pinch of hindrances in the inter and intra-state movement of seed, imposition of levy on the seed growers in certain states, non-availability of optimum doze of fertilizer to the growers etc.

The year 1972-73 was a period of mixed fortunes. Due to extreme drought in several parts of the country, it was not a too favourable year from the stand point of production, but on the marketing side the demand tended to out-strip the supply position. In spite of the difficulties, the production of foundation seeds was very encouraging and it has recorded an overall increase of 45 per cent over the previous year. In this context the non-availability of adequate land in suitable agro-climatic regions under direct control of the NSC continued to be a sang and the intensified efforts to obtain land for setting up more farms could not bear any tangible result during the year.

The interim recommendations of the National Commission on Agriculture concerning seeds and individual crops formed an active subject matter for discussions at various levels. A high level Seed Policy Meeting held on 26th May, 1973 under the auspices of Ministry of Agriculture deliberated on different aspects of recommendations concerning the seed industry at large and important decisions such as delineation of the role of each agency, formation of Coordination Committee for the production and distribution of breeders and foundation seeds were taken. It is hoped that with proper follow-up of these decisions, the growth of the seed industry on healthy lines will be facilitated.

In the field of vegetables, your Corporation has earned a good name in the market by supplying quality seeds at reasonable prices. It is estimated that at the current level of supply of seeds by the NSC, an area of nearly one lakh hectares is being covered under vegetable cultivation by the farmers.

I now come to the working results of your Corporation for the year 1972-73. The financial position of the Corporation remained exceptionally sound enabling it to show a record net profit. The turn-over of the Corporation rose to Rs 719.95 lakhs compared to previous year's turn over of Rs 529.27 lakhs and Rs 460.72 lakhs during the year 1970-71. The cash balance of the Corporation considerably improved compared to the pevious year. It stood at Rs 198.82 lakhs without over-draft as on 31st May, 1973 compared to cash balance of Rs 90.99 lakhs last year. Thus there has been an improvement of Rs 107.83 lakhs in the drawing power of the Corporation during the year under review compared to the previous year. The Corporation made gross profit of Rs 122.63 lakhs before providing for interest on loans, depreciation, bonus to employees, staff gratuity, income-tax etc., and its working resulted in a net profit of Rs 44.28 lakhs after tax. You will be pleased to know that the Board has decided to earmark a sum of Rs 20 lakhs towards Research and Development Reserve. The Board has also appropriated a sum of Rs 1 lakh towards staff welfare reserve to help the staff of the Corporation and their families in the event of death, accident, disability etc. On the whole, as I said earlier, the Corporation is looking up for a bigger role in the national development programme.

The Corporation created an atmosphere of goodwill and accommodation and its employer-employee relations during the year under review are cordial.

I take this opportunity to place on record the appreciation of the work done by officers and staff, at all levels, during the year, both on behalf of the Board of Directors and on my own behalf. I am sure that their sense of involvement and dedication will continue and grow so that your Corporation successfully face the bigger challanges and take full advantages of the several opportunities in the coming years.

Before concluding, I would like to say that the level of performance of your Corporation for the year under review was more than adequate. I also wish to acknowledge with gratitude the valuable advice and assistance I have received from my colleagues on the Board, the Ministry of agriculture, State Governments, the Indian Council of Agricultural Research and the Indian Agricultural Research Institute.

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

The Scindia Steam Navigation Co., Ltd.

Summary of Speech of Shri Krishnaraj M. D. Thackersey, Chairman, The Scindia Steam Navigation Co., Ltd., made at the 54th Annual General Meeting of the Shareholders on Wednesday, the 26th December, 1973 at Patkar Hall, Bombay-400001.

I am glad to inform you that the Company has maintained a steady progress during the year under review. The earnings of the Company have gone up from Rs 47 crores to Rs 56 crores. This increase has been offset to a certain extent by rise in the operating expenses. During the year under review. arising out of revision of the terms and service conditions of floating staff, petty officers and ratings, there has been a substantial increase in the wage cost. The National Maritime Board Agreement concerning seamen ratings concluded in March, 1973 has had to be revised early this month as a result of which there will be an additional burden of about Rs 60 lacs per annum.

The shipping lines have to view with great concern the deteriorating conditions in ports, particularly in Indian ports. The delays suffered by your ships during the current year have increased substantially. Among the causes, berthing delays have been conspicuous, others being slow despatch and strikes. Port delays to ships significantly contribute to the ever increasing cost of operation of ships.

Since last few years the types of ships that are built throughout the world are rapidly changing. Shipowners are building various types of ships for carrying cargo at lesser expense. The ships are equipped for carrying pelletised cargo and many ships are being built as container ships. In order to compete, Indian shipowners will also have to change the type of the ships and this will necessiate modernisation of the ports in India to keep in line with the ports of other maritime nations.

During the year under review, two modern vessels, m.v. Jalamokambi and m.v. Jalayamini were added to the Company's fleet. In addition to the above, two small bulk carriers of 21,450 DWT each have been ordered from Hindustan Shipyard for delivery in 1976. The largest ship in Company's fleet of 103,100 DWT, m.v. Walchand, was delivered by Messrs A.B. Gotaverken, Gothenburg, on the 10th May, 1973. After the close of the year, we have also taken delivery of 53,579 DWT, m.v. Jalvallabh, built in Emden on 9th October, 1973. We have also on order another bulk carrier of 75,000, DWT with Lithgows Yard, Scotland the delivery of which is expected to be in 1976. In addition to the above we have signed a preliminary contract with GDR, shipyard for two 13,819 DWT vessels, subject to Government approval.

In the matter of acquisition of ships. Indian shipowneres, unlike shipowners of other maritime countries, are required to undergo too many formalities before obtaining the sanction of the Government. Experience has shown that these avoidable formalities and procedures often cause undue delays resulting in favourable opportunities of acquiring ships at competitive prices beinglost. In the interest of the healthy and speedy growth of Indian tonnage, Government should revise and streamline the procedures so as to ensure quick disposal.

As I said last year, the Monopolies and Restrictive Trade Practices Act is being applied to the Shipping Industry. Almost all leading shipping companies come within th purview of this Act as the value of their assets exceed Rs. 20 crores. Considerable time is lost in getting each proposal for acquisition of ship cleared under the Act. Shipping being truly international in character concentration of economic power to the common detriment is not possible more so when public sector shipping occupies commanding position in the industry. In the interest of accelerated growth of Indian Shipping and of facilitating unrestricted display of initiative and enterprise on the part of the shipowners. Indian Shipping companies should be exempt from the application of the Act.

Fiscal incentives given by the Government to the shipping industry have substantially helped the speedy expansion of Indian tonnage. However, in this context, the proposed withdrawal of Development Rebate as from 31st May, 1974 is a retrograde step which will impede growth of tonnage. The grant of Development Rebate ensured that shipping companies were able to deduct over a period of years, 140 per cent of the cost of the ships in determining the taxable income. The tax, attributable to the extra 40 per cent, provided resources for meeting the increases in the cost of replacement of the ship. Shipbuilding costs have been continuously on the rise and in the absence of development rebate, shipping companies will have to rely only on loans for financing the acquisition of new ships. This will retard the speedy growth of Indian Shipping. I would, therefore, again urge that the Government should reconsider their decision and continue to grant development rebate even after May, 1974. If the Government do not wish to reconsider the same. I would suggest that equally effective alternative incentives like investment allowance or free depreciation may be considered. The Government's alternative proposal of providing initial depreciation allowance of 20 per cent in the case of the Shipping Industry, will not be a proper substitute for the development rebate, as such depreciation allowance would mean nothing but accelerated debit of depreciation to the Profit and Loss Account in the earlier years.

I welcome the new Minister of Shipping and Transport Shri Kamalapathi Tripathi. With his varied experience for the last many years. I am sure that he will give more encouragement to Indian Shipping.

I take this opportunity to convey our special thanks to Shri Raj Bahadur, ex-Minister of Shipping and Transport and Shri M.B. Rana, Minister of State, for their valuable help to Indian Shipping. Our sincere thanks are due to the Secretaries, Joint Secretaries and other officials in the Ministries of Transport and Finance, the Director General of Shipping and his officials as well as the officials of Transchart, the officials of the Shipping Development Fund Committee. Reserve Bank of India and other Government Departments for their co-operation and assistance. I convey our thanks to our patrons, shippers and other well-wishers of the Company, the Management, Officers staff and the agents at various ports.

NOTE:—

This does not purport to be the proceedings of the annual general meeting of the company.

RECORDS AND STATISTICS

Fifth five-year plan 1974-75 —1978-79

THE DRAFT fifth five-year Plan envisages a total outlay of Rs 53,411 crores over the five year period 1974-79. Out of this an outlay of Rs 37,250 crores will be in the public sector and Rs 16,161 crores in the private sector. In the public sector Rs 31,670 crores are provided for investment and Rs 5,580 crores for current outlay.

The Plan envisages an average rate of growth of 5.5 per cent in Gross National Product (GNP) at factor cost. According to the document, the concrete objectives of the fifth Plan are derived from the long-term perspective for the Indian economy and the two strategic goals of removal of poverty and attainment of economic self-reliance. The fifth five-year Plan is embedded into a long-term perspective plan for the Indian economy covering the period 1971-75 to 1985-86. The Perspective Plan describes the emerging demographic structure, the trends in urbanisation, the increase in labour force, the external sector of the economy and the long-term output sructure of the Indian economy in consonance with the objective of removal of poverty. The long-term rate of growth which Indian economy has to achieve on self-sustaining basis will be 6.2 per cent per annum. One of the fundamental conclusions of the Perspective Plan is that the creation of employment is going to be the single most important challenge to development planning during the perspective period.

The document can be broadly divided into four sections. Section I deals with the performance of the economy in the fourth Plan period and the objectives and policy framework of the fifth five-year Plan. The rate and pattern of the growth, development outlays and pattern of Plan finance figure in Section II while Section III deals with the salient features and strategy for the major sectoral programmes, e.g. agriculture, industry, minimum needs programme, etc. Section IV is concerned with Plan implementation.

Section I

Review of the Fourth Plan

In terms of 1960-61 price, the net domestic product at factor cost will increase from Rs 17,351 crores in 1968-69 to Rs 22,862 crores in 1973-74. During the fourth Plan period against the targeted growth rate of 5.7 per cent, the economy experienced fluctuating annual growth rates. The overall growth rate during the fourth Plan pe;iod is likely to be 3.7 per cent per annum. Table I summarises the rates of growth experienced by Indian economy during the fourth five year Plan period.

It is very clear that the rate of growth experienced in the fourth Plan is inadequate in relation to our requirements and objectives. The reasons for shortfalls in different sectors have been analysed and discussed in the different chapters and the lessons drawn from the fourth Plan period have been taken into account in working out the overall framework as also the development programmes for the different sectors in the fifth Plan.

The concrete objectives of the fifth five-year Plan are derived from the long-term perspective for the Indian economy and the two strategic goals of removal of poverty and attainment of economic self-reliance. The fifth five-year Plan is embodded into a long-term perspective Plan for the Indian economy covering the period 1974-75 to 1985-86. The Perspective Plan describes the emerging demographic structure trends in urbanisation, the increase in labour force, the external sector of the economy and the long-term output structure of the Indian economy in consonance with the objective or removal of poverty. Long-term rate of growth which Indian economy has to achieve on self-sustaining basis will be 6.2 per cent per annum.

One of the fundamental conclusions of the Perspective Plan is that the creation of employment is going to be the single most important challenge to development planning during the perspective period.

To attain the basic objectives of removal of poverty and attainment of self-reliance, it is necessary that we achieve higher rate of growth, better distribution of incomes and a very significant step-up in the domestic rate of savings during the fifth five-year Plan. The fifth Plan has projected a target rate of growth of 5.5 per cent and attainment of these objectives requires a higher level of investment apart from a higher level of efficiency. The Plan programmes are designed to bring about a positive impact on the levels of consumption and income of the lowest three deciles of the population.

Instruments of Policy

The main instruments of the economic policy shall be:

(a) Appropriate allocation

TABLE I

Rates of Growth during Fourth Five Year Plan

Sector/Sub-sector	Fourth Plan projections	1969-70	1970-71	1971-72	1972-73
1. Agriculture	5.0	5.1	4.7	—1.7	—5.5
2. Mining & Manufacturing	7.7	5.0	1.8	2.9	4.2
3. Electricity, Gas and Water Supply	9.3	9.4	4.8	6.6	7.2
4. Construction	8.6	6.7	24.8	1.8	9.2
5. Transport & Communications	6.4	5.8	4.9	5.0	3.8
6. Public Administration and Defence	2.0	7.4	2.5	12.1	8.9
7. Other services	4.7	6.5	—1.0	3.8	4.1
8. Net Domestic Product at factor cost	5.7	5.2	4.2	1.7	0.6

Note: The rates of growth given above are subject to revision as and when the estimates of Net Domestic Product ge revised.

and utilisation of investment outlays for different sectors, including the private sector;

(b) Package of incentives and disincentives to direct the flow of private investment into socially preferred uses and away from areas of low social profitability;

(c) Institutional reforms which will release production forces leading to higher levels of production and more equal distribution of benefits of extra production;

(d) Fiscal and monetary measures to direct the process of development in non-inflationary manner.

Non-inflationary financing

Non-inflationary development is the centre of the scheme of financing the fifth five-year Plan. This will be done by achieving the needed rate of growth of wage goods especially agricultural for mass-consumption and accelerated development of the 'core' sectors i.e. steel, coal, oil, cement, fertiliser, power, etc.

The principal instruments of resource mobilisation are taxation, borrowings and pricing policies in relation to public enterprises. In essence, the stepping up of public savings is the corner-stone of the resource mobilisation strategy. This will mean higher rate of direct taxation especially of urban property including socialisation of land, differential system of excise duty on non-essential and luxury goods and widening the tax base by bringing a system of direct taxes on agriculture which is consistent with increased productivity and equity. Similarly, adequate measures have to be devised for collecting taxes from un-incorporated enterprises, and for improving the tax-collection machinery and procedures.

As physical and financial plans constitute an interrelated system, utmost care has to be taken in incurring expenditure whether on Plan or non-Plan account. For public invsestment along with choice of appropriate investment projects, it is essential that right projects are started and completed in right time. The process of project formulation and management should make the increased use of various analytical techniques and these skills have to be strengthened both in the state and central governments.

The Plan will be implemented amongst uncertainties. Two principal sources of uncertainties for public sector projects are, (i) amount and pattern of rainfall; and (ii) availability of crude oil and derivatives, like fertilisers. Therefore, energetic execution of irrigation programmes and production of energy from indigenous sources deserve very high priority. Organisation and management of public enterprises need to be reviewed from the point of view of production and profitability. In fact the surpluses of the public sector enterprises will form an important source of public savings.

Important Role

The Plan envisages an important role for the private sector in relation to savings and investments. Fiscal policy along with expansion of rural banking will be useful in stimulating the household savings. The consumption of non-essential items will be discouraged and the savings will be channelled towards productive investments. Similarly, appropriate mix of incentives and disincentives will be used to stimulate and channelise corporate savings into appropriate areas of investments. A system of 'administered prices' consisting of two parts may be considered for the outputs of the critical core-sector.

Industrial development of backward areas is an important means of raising the level of income and reducing the regional disparities.

The fifth Plan envisages that only a small fraction of total investment will be financed by means of external assistance. This requires that (i) our food needs are met from domestic sources except in any emergency situation; and (ii) the restructuring of energy base of the economy. A policy of energy substitution is an imperative necessity for growth as well as for self-reliance. The Fuel Policy Committee report will make available the details of policy-mix for energy substitution. Similarly, the contemplated growth of the core sector will substantially reduce the import requirements.

The export policy will aim at generating sufficient exportable surpluses and developing the competitiveness of our export produce. The thrust of the policy is of exporting commodities in more finished forms and developing the non-traditional exports e.g. engineering goods, chemicals, etc.

The Science and Technology Plan as an integral part of the fifth five-year Plan, is one of the major policy instruments for achieving the objective of self-reliance. Maximum utilisation and development of indigenous science and technology and through research and development displacing the imported technology would be the thrust of the Science and Technology Policy.

Basic Objective

One of the basic objective of the Plan is to increase the consumption of the lowest 30 per cent of our population. The principal instrument that will be utilised for this purpose is creation of additional employment opportunities and this will depend to a great extent on maximising the amount of additional productive employment per unit of investment outlay.

Specific schemes have been worked out in the Agricultural Plan which take into account that the population belonging to backward classes and backward areas constitute a very high proportion belonging to the lowest three deciles of our population. All these schemes emphasise the fact that the production base of the small and marginal farmers has to be increased. Implementation of land reforms can help the rise of income to a great extent. For this purpose, reforms should be conceived as an integral package along with distribution of essential inputs. Improvement of tenurial conditions and measures aimed at sealing down the indebtedness will lead to both higher output and better distribution of incomes for share-croppers and small tenants.

In agriculture, allied activities, like dairying, poultry-farming etc. will play a very important role in ensuring that the benefits of the different programmes get distribu ted equitably.

Distribution of income in the organised sector can improve by both increasing the total value of the production and the share of wages of it. This requires that improvement of wage-share should be brought about at the expense of the consumption of the owner of property. To ensure the consumption levels of working class, the supplies of needed commodities through public distribution system is essential. It is also important to ensure that the distribution costs are as low as possible. Public distribution system will thus also function as countervailing power to discourage speculative activities in trade and to ensure a steady growth of production.

National programme of minimum needs which improves the supply of social services has an important role to play in improving the distribution of consumption for the lowest three deciles.

Section II

Rate and Pattern of Growth

The fifth Plan envisages an average annual rate of growth of 5.5 per cent in GNP at factor cost. Even this rate of growth calls for greater efficiency in planning and implementation, hard decisions, vigorous discipline and considerable sacrifice. A rate lower than 5.5. per cent would be unsatisfactory as it will involve scaling down the rate of growth of key and basic industries which will make it more difficult to sustain an adequate rate of growth

in future from country's own resources. The increasing international prices of the maintenance imports point to the need of accelerated creation and fuller utilisation of activities in the field of core sector, i.e. steel, *POL* products, basic chemicals, fertilisers, etc. A satisfactory balance of payments can be achieved only with a reasonable high rate of growth in sectors like basic industry and agriculture. In spite of the increase in the price level, it has been found possible to maintain the target growth of 5.5 per cent by increasing the total outlay compared to the Approach Document by Rs 2246 crores. It is possible as(i) a rise in the price of investment goods has been much smaller than the general rise in prices, (ii) the base year capacity had production achieved in several important fields are likely to be lower than in the Approach Document, and (iii) it is envisaged that the growth of output in the fifth Plan will depend primarily on, (i) fuller utilisation of capacity (ii) speedy completion of projects already under implementation.

In working out the pattern of growth, the technological characteristics of the economy and inter-industry relationship have been taken into account by the elaborate system of material balance. The sectoral growth rates are thus mutually consistent and take into account a fair degree of evening out of the existing wide disparities between the consumption level of the rich and the poor. This means the well-to-do section must be induced and obliged to provide bulk of the private savings thus ensuring the equitable distribution of consumption. Table II summaries the projected sectoral growth during the fifth five-year Plan.

It is necessary to complete the preparatory steps for implementation well in time for the launching of the Plan to achieve the principal targets especially in the core industrial sector and the agricultural sector.

An outlay of Rs 53,411 crores is envisaged for the fifth five-year Plan. Of the aggregate outlay Rs 37,250 crores is in the public sector and Rs 16,161 crores in the private sector. In the public sector Rs 31,670 crores are provided for investment and Rs 5580 crores for current outlay.

Table III Summaries the Public Sector Outlays

Within the constraints of available resources, the distribution of Plan outlays has been attempted to optimise the use of resources while keeping in mind (i) speedy completion of projects and programmes already under way, (ii) the fullest utilisation of capacity, yielding better returns on investment, (iii) achieving at least the minimum target of additional capacity in core sectors and (iv) attainment of certain minimum levels of development especially for the last three deciles of our population.

Out of the total investment of Rs 47561 crores, Rs 45130 crores will be financed by demestic savings and Rs 2431 crores from the net inflow

TABLE II

Projected Sectoral Growth

Sector	Average annual rate growth (%)	
	Value of output	Value added
1. Agriculture	4.67	3.89
2. Mining and Manufacturing	8.27	8.11
(a) Mining	10.47	9.86
(b) Manufacturing	8.21	7.98
(i) food products	5.12	4.78
(ii) textiles	5.12	4.10
(iii) wood and paper products	6.90	4.93
(iv) leather and rubber products	7.65	7.32
(v) chemical products	12.43	12.35
(vi) coal and petroleum products	10.61	6.87
(vii) non-metallic mineral products	8.70	8.20
(viii) basic metals	12.58	11.76
(ix) metal products	8.86	8.64
(x) non-electrical engineering products	13.58	13.56
(xi) electrical engineering products	9.49	8.91
(xii) transport equipment	7.24	7.24
(xiii) instruments	9.28	8.20
(xiv) miscellaneous industries	8.60	8.41
3. Electricity	10.84	9.87
4. Construction	8.77	8.70
5. Transport	6.13	5.63
6. Services	6.27	6.65
Total		5.50

TABLE III

Public Sector Outlays (Rs crores)

Heads of development	Centre	States	Union Territories	Total
1. Agriculture	1946	2717	67	4730
2. Irrigation	140	2515	26	2681
3. Power	738	5343	109	6190
4. Mining & Manufacture	8180	742	17	8939
5. Construction	25	—	—	25
6. Transport and Communcation	5727	1297	91	7115
7. Trade & Storage	194	11	—	205
8. Housing and Real Estate	237	338	25	2600
9. Banking, Insurance	90	—	—	90
10. public Administration & Defence	60	30	8	98
11. Other Services	1953	3580	257	5790
(i) Education	484	1155	87	1726
(ii) Health	253	517	26	796
(iii) Family planning	516	—	—	516
(iv) Nutrition	70	330	—	400
(v) Urban development	252	272	19	543
(vi) Water supply	16	924	82	1022
(vii) Social welfare	200	26	3	229
(viii) Welfare of backward classes	55	167	4	226
(ix) Labour welfare	15	38	4	57
(x) Miscellaneous	92	151	32	275
12. Science and Technology*	419	—	—	419
13. Hill and Tribal Areas	—	500	—	500
Total	19577	17075	600**	37250†

*Includes provision for the Departments of Atomic Energy Space, Science and Technology, Council of Scientific and Industrial Research, Supply and Anthropological Survey. In addition, a provision of Rs 614 crores for Science and Technology is included in the respective sectors. **Tentative.

†The sectoral outlays total upto Rs 37382 crores. A reduction of Rs 132 crores would be effected to keep the total at Rs 37250 crores or alternatively additional resources to this extent would be found.

of funds from the rest of the world. This means rise in the rate of investment from 13.7 per cent GNP in 1973-74 to 16.3 per cent GNP in 1978-79. The distribution of total investment between different sectors is given below:

	Rs (crores)
1. Public sector	31400
2. Private sector	16161
(i) Corporate	5261
(ii) Cooperative	684
(iii) Household	10216
3. Total investment	47561

In terms of GNP, the rate of savings has been estimated to grow from 12.2 per cent in 1973-74 to 15.7 per cent in 1978-79. Out of the total domestic savings, the public savings comprising savings of government (states and centre), autonomous public undertakings has been estimated at Rs 14907 crores. The balance of Rs 3223 crores is accounted by private savings comprising corporate, cooperative and household savings.

The sectoral composition of domestic savings is given in table IV.

The public disposable income will be increased by increasing (i) gross factor income from government proprty and enterprises, (ii) direct and indirect taxes and (iii) reducing the subsidies and net current transfer to private sector. The government consumption comprising non-developmental and non-Plan expenditure will increase from Rs 6025 crores in 1973-74 to Rs 8331 in 1978-79.

The average rate of government savings will increase from 11.2 per cent in the year 1972-73 of government disposable income to 22.8 per cent in 1978-79. The public corporate savings are projected to grow from Rs 634 crores in 1973-74 to Rs 1636 crores in 1978-79.

As there is now a sizeable cooperative sector, it is necessary to focus attention on running the cooperatives efficiently so that it makes reasonable contribution to domestic savings. Cooperatives savings are estimated to grow from Rs 50 crores in 1973-74 to Rs 68 crores in 1978-79.

The additional resource mobilisation for the fifth Plan by the public sector has been taken at Rs 6850 crores—Rs 4300 crores at the centre and Rs 2550 crores in the states. Centre will mobilise resources through (i) revision of pricing policy of the Railway, P &T and other

TABLE IV

Estimated Financial Resources for the Fifth Plan by Generating Sectors

	(Rs crores at 1972-73 prices)
1. Budgetary provision for current development outlays	5850
2. Domestic Savings	45130
(a) Public sector	14336
(i) Central and State budgets	8348
(ii) Central and State non-financial enterprises	5988
(b) Financial institutions	739
(i) Reserve Bank of India	461
(ii) Others	278
(c) Private sector	30055
(i) Private corporate non-financial sector	4139
(ii) Cooperative non-credit institutions	169
(iii) Household sector	25747
3. Draft on Foreign Saving	2431
(a) Fresh net inflow of funds to finance the balance of payments deficit on current account	2231
(b) Accrual back from interest and amortisation payments in rupees on PL 480 debt and deposits	200
Total	53411

Public savings will depend upon the public disposable income and the outflows.

public sector entetprises so that they can achieve satisfactory rate of return and investment. (ii) widening the tax base for central income and wealth tax, (iii) reduction of fund subsidy, (iv) increasing the urban property tax, and (v) increasing commodity taxation which will not only raise additional revenue but will restrain the consumption of efficient section of the society. Additional resources will be mobilised by the states through (i) increasing direct taxation on Agriculture, (ii) increasing irrigation rates and (iii) revising the electricity tariffs upward.

The suggested approach of raising additional resources would not only enlarge the availability of resources but also achieve the other Plan objectives such as self-reliance, price stability and reduction in disparities of income and consumption.

The resources for the Plan in the private sector are estimated at Rs16161 crores, out of which Rs 10216 crores would represent the investment in physical assets leaving Rs 5945 crores for investment in corporate and cooperative sector.

Projection of balance of payement takes into account the recent sharp rise in the world prices of some of our major imports, i.e. steel, POL products, newsprint and fertilisers, etc., and the growing burden of debt servicing. The main assumption for balance of payments are the following:—

(i) Restructuring of energy base of the economy along the lines suggested by indigenous availability.

(ii) Restraint on imports contributing to non-essential consumption.

(iii) Efficient management of food economy.

(iv) Adequate and vigorous efforts to develop the exports of non-traditional commodities.

(v) The foreign exchange gap to be met by gross assistance of Rs 4000 crores, which will be available on concessional terms. The debt servicing charges add up to Rs 2557 crores and thus the net aid is of Rs 1451 crores.

The exports are projected to grow from Rs 2000 crores in 1973-74 to Rs 2980 crores in 1978-79. The combined rate of growth for exports works out to 7.6 per cent which is about the same as actually realised in the fourth Plan period. In export earning large increases are expected to be from engineering goods, textiles, marine products and leather products.

The imports have been projected to grow to Rs 3100 crores in 1978-79. This does not include any provision for food imports. During the fifth Plan, major imports would be POL products, metal products, steel, fertilizers, etc. The thrust of the import substitution effort has been directed towards these products. In case of POL, the substitution has to be made by (i) greater use of coa and (ii) stepping up the pace of development of hydro-elect ric power.

Section III

National Programme for Minimum Needs

The national programme for minimum needs as incorporated in the fifth Plan envisages a frontal attack by attempting to allocate adequate rsesources for social consumption for all areas. 'In this programme, attention is concentrated on the programmes relating to elementary education, rural health, nutrition, drinking water, provision of house sites, slum improvement, rural roads and rural electrification. For evolving the minimum norms, a detailed exercise was undertaken to minimise growing disparities between different areas and also to determine what could possibly be accomplished in a Plan of five years within the limitation of organisational, material and manpower resources. The national programme for minimum needs

will be of significant importance to the backward areas.

It is anticipated that the various schemes included should be viewed as integral parts of a package of facilities for careful implementation. To ensure this it will be necessary that arrangements are made for detailed planning at the district level. In the fifth Plan, an outlay of Rs 2803 crores has been allocated. Item-wise details are given in Table V. It is also assumed that in order to ensure that minimum needs programme is executed with greatest possible efficiency, steps would be taken to work out the material requirements for each item and tie up the supplies well in advance, according to a carefully phased programme of implementation. It has been anticipated that considerable contribution would be available from local communities and there will be considerable decentralisation in implementation which will ensure widespread participation of people with regard to locational decisions. In this context, the concept of *multi-level planning* which strengthens the planning process at the state and district level will be important in *implementation of such location-specific programmes.*

In the fifth Plan, unlike the previous Plans, the main targets of cropped production have been conceived for the five-year period as a whole. The intention behind this approach is to determine the task of the Plan against the time horizon of the entire Plan period thereby evening out fluctuations on account of seasonal factors. Apart from the country as a whole, state-wise five yearly targets also have been worked out. Table VI shows the implicit growth rates in the fifth five-year Plan targets.

For achieving the targets for the fifth Plan, one of the essential requirements will be that the growth by the cropped area must be faster than the recent past. In the fifth Plan, through extension of irrigation by about 11.2 million hectares and increased stress on intensity of crop, efforts will be necessary to step up *the rate of increase in gross* cropped area to an average 2.2 million hectares per annum. Apart from the overall *increase in gross cropped area,* it will be necessary that various commercial crops get a share of additional area substantially *in excess of what was in the* recent past.

TABLE V

Outlays for National Programme for Minimum Needs

(Rs crores)

Item	Expenditure in the fourth Plan	Outlay in the fifth Plan	Remarks
Elementary Education	225.88	451.51*	*This is in addition to Rs 249.52 crores for support programmes under Elementary Education.
Rural Health	22.79	291.47	
Nutrition	1.38	530.20@	@Including CARE assistance in the form of food mainly for mid-day meal programme.
Rural Water Supply	165.11	554.00	
Rural Roads	206.28	498.00	**This is in addition to Rs 400 crores under Rural Electrification Corporation.
House sites for landless	4.46	107.95	
Slum Imptovement	6.91	94.63	
Rural Electrification	427.11	276.03**	
Total	1059.92	2203.79@@	@@Excluding outlays for Union Territories.

Growth in Productivity

For all selected crops taken together, the growth rate of cropped area is expected to contribute to an extent of 1.2 per cent, thus much greater reliance will have to be placed on growth in productivity. For achieving this requisite growth multi-pronged efforts will be necessary. The main elements of these efforts will be: (i) execution of land reform measures, (ii) effective operation of Agriculture Price Policy, (iii) efficient water and land management, (iv) strengthening of agriculture extension in administration, (v) increase in consumption of chemical fertilisers, and (vi) expansion in institutional credits and certified seeds programmes.

The small farmers and marginal farmers schemes are proposed to be unified and enlarged in the fifth Plan. The new programme will cover not only irrigated agriculture but also dry farming on a large scale. The drought-prone areas are being tackled in a systematic way during the fifth Plan period, aiming at preparing a strong protection base and drought immunisation base, through emphasis on animal husbandry, along with a proper fodder economy.

In coming years, there will be a higher rate of growth of demand for milk, eggs and meat. The fifth five-year Plan envisages a groth rate of five per cent for these products. In the fifth Plan, it is intended to develop animal husbandry as an important economic occupation for the small marginal farmers and agricultural labourers. For this purpose, provision has been made in the state and central Plans for giving assistance to small farmers and agricultural labourers for rearing cross breed heifers and for undertaking poultry, sheep and piggery activities. In the fifth Plan, one of the sectors to which special boost will be given is that of fisheries. The principal objectives in respect of fishery development are: (i) to step up annually a level of fish production, *(ii) to improve the socio-*economic conditions of fishermen, (iii) to improve the system of marketing, fish and fishery products. The fish production will be increased by stepping up both inland fisheries and marine fisheries. *The development of traditional marine fishing* and deep sea fishing will be the basis for the expansion of the marine fisheries.

The fifth Plan lays special emphasis on intensive forest development and it will be *necessary to ensure that forest* areas are not deforested. Efforts will have to be made to afforest to compensate for the *forest areas already lost.*

Commercial man-made forests will be a major activity *in the forestry sector in the fifth* Plan. Plantation over 1.11 million hectares are proposed to be

TABLE VI

Compound Rate of Growth of Crops

Crop	Fifth Plan Targetted Growth Rate	Fourth Plan Targetted Growth Rate
Rice	4.2	5.9
Wheat	4.8	5.9
Maize	4.2	5.2
Jowar	3.0	8.5
Bajra	4.2	6.5
Other cereals	—	2.1
Pulses	4.0	3.7
Food-grains	4.2	5.[illegible]
Sugarcane	4.9	4.[illegible]
Oilseeds	5.8	4.[illegible]
Cotton	4.3	5.[illegible]
Jute Mesta	2.9	3.[illegible]

raised during the period of the fifth Plan.

Building up of a strong and viable cooperative sector with special emphasis on needs of peasants, workers, will be one of the major objectives of national policy in the fifth Plan. The structural reforms in the cooperative sector will receive pointed attention. For the small and marginal farmers, wherever the cooperative system is week, a new concept of "farmers services society" with professional management will be used.

In the fifth Plan cooperatives will continue to be the principal institutional agencies in the field of agricultural credit. Particular stress will be to strengthen the primary agricultural credit society. Over dues constitute the most formidable problem facing the cooperative credit institutions. Various arrangements are visualised for effecting better recovery of both short-term and long-term credits.

Integrated Development

Integrated rural development will be possible only through cooperation and participation of the people. This would be secured by strengthening Panchayati Raj institutions at various levels. In the fifth Plan, agricultural development programmes will be re-oriented to ensure that the mass of small and marginal farmers and agricultural labourers will increasingly benefit from this programme. The fifth Plan visualises two major programmes of development of command area of selected irrigation projects and development of specific drought-prone areas.

Several deficiencies of the working of SFDA/MFAL projects are being studied and analysed and in the fifth Plan, one of the obvious tasks would be to take steps towards requisite operational improvement in these projects. It is proposed to continue the programme in the fifth Plan and to expand coverage in all 160 projects. The additional projects will be composite in character and will serve both small and marginal farmers. Beneficiaries of these projects restricted to farmers with land holding up to two hectares and agriculture labour.

The strategy for the fifth five-five year Plan will include concrete operational programmes, improvement of implementing machinery and peoples' involvement.

It is imperative that immediate legislative measures are undertaken for plugging the loopholes in the existing tenancy laws, conferment of ownership rights on tenants and share-croppers according to time bound programme. Among the operational programmes high priority will be given to the comprehensive programmes of preparation and maintenance of tenancy records and land consolidation. Similarly important changes in the implementing machinery will be affected.

Plugging the Loopholes

The Irrigation plan will have two main objectives: (i) substantial increase in the creation of irrigation potential having regard to needs of the drought-prone areas, (ii) improvement in utilisation of credit potential and efficient management of water and land for achieving maximum productivity. In the fifth Plans for major and medium irrigation, the outlay of Rs 2401 crores and target of 6.2 million hectares are being aimed at.

For efficient use of water for agriculture, measures are to be taken for (i) improving the efficiency of irrigation system, and (ii) on-farm measures to derive optimum agricultural production. To achieve these objectives, an integrated area development, i.e. command area development, approach will be adopted. There is a necessity of having inter-disciplinary authority for command area development programme. These programmes will vary in scope and extent from project to project and state to state depending on the developments that have already taken place and the relevant factors. Similarly, a number of policies and measures in the realm of irrigation, engineering and agriculture developments are proposed.

In the fifth Plan, an increase of six million hectares is envisaged for benefits from minor irrigation. The total outlay will be of Rs 810 crores. It will consist of groundwater development, service irrigation and lift irrigation schemes. In many states, suitable groundwater legislations will be necessary for proper regulation, control and management of groundwater.

Electricity Generation

The electricity generation requirements in 1978-79 are estimated to be of 130 billion KWH. for supplying which an installed capacity of 33 million KW will be required. It is proposd to add 16.55 million KW of new capacity during the fifth Plan. Energisation of 1.5 million pump-sets and electrification of 110,000 villages is programmed during the fifth five-year Plan period. The total financial outlays will be of the order of Rs 6190 crores during the fifth five-year Plan. The details of the financial outlays are given in Table VII.

The strategy for power sector consists of stabilisation of power supply, implementation of the programme at a faster pace, ensuring regular and adequate power supply to core industrial sector and orienting the power programme to suit social objectives.

Firm Arrangements

Firm arrangements have been made for the manufacture and supply of power generation plants and equipment for thermal, hydro and nuclear power projects. During the fifth Plan period advance action is proposed to be taken for several new hydro schemes.

The plan for industries and minerals sector aims at annual growth rate of 8.2 per cent with the following emphasis: (i) rapid growth of core sector industries, (ii) adequate supply of mass consumption goods, (iii) creation of surplus capacity for export promotion, (iv) encouragement of Village and Small Scale Industries, and (v) the development of industrially backward areas. Appropriate policy framework comprising Licensing Policy, Foreign Investment and Technical Collaboration Policy, Price and Credit Policy, Energy, Science and Technology Policy is formulated. The total outlays envisaged in the fifth Plan are of Rs 13,529 crores for industry and mining sector. Out of this, private and cooperative sectors will account for Rs 5200 crores.

TABLE VII

Details of Financial Outlays (Rs crores)

	States	UTs	Centre	Total
1. Generation	2765.84	15.00	542.97	3323.81
(a) Spillover schemes	984.66	—	241.90	1226.56
(b) New schemes	1781.18	15.00	301.00	2097.25
2. Transmission & Distribution	1429.81	74.46	130.00	1634.27
3. Rural Electrification	1079.55	18.69	—	1098.24
(a) Minimum Needs Programme	271.03	1.30	—	272.33
(b) Normal State Programme	408.52	17.39	—	825.91
(c) Rural Electrification Corporation	400.00	—	—	—
4. Miscellaneous	67.37	1.55	64.76	133.68
Total	5342.57	109.70	737.73	6190.00

The broad strategy to be followed in the fifth Plan would entail a considerable enlargement of the development programme for providing assistance and facilities in various forms in the village and small-scale industries. The proposed outlay is about Rs 611 crores in public sector. In addition to this, about Rs 1050 crores are expected to be invested from private sources including institutional finance. Various programmes such as consultancy services, technical improvement, cooperatives etc. are being proposed in the fifth Plan.

Co-ordinated Approach

The main emphasis in the fifth Plan will be on a coordinated and 'systems' approach to the development of the various parts of the transport system so that the system is viewed as a whole with different parts being inter-dependent and supplementing each other as far as possible. The total outlay in public sector is of the order of Rs 5691 crores, the details of which are summarised in the table VIII.

The expansion of road transport is envisaged along with the emphasis on rural and village roads. It is proposed to utilise coastal shipping more fully in the fifth five-year Plan. Similarly, the role of inland water transport is expected to expand during the fifth Plan.

The thrust of the Plan is in four main directions, (i) ensuring equality of educational opportunities, (ii) establishing closer links between the pattern of education and the needs for development and the employment market, (iii) improvement of quality of education, and (iv) involvement of academic and community, including students, in the task o social and economic development. The technical education will be consolidated and the quality of the technical education in the Plan period will be improved. The educational opportunities proposed to be created in the fifth Plan will primarily benefit the backward communities and weakers sections of the population. The total outlay of Rs 1726 crores for education has been provided in the fifth Plan. Elementary education will get 43 per cent of the proposed outlay and thus will consitute one of the major thrusts in the fifth Plan. Proposed expansion of mid-day meals programmes will be of significance to the expansion of elementary education.

Public Health

The primary objectives during the fifth Plan are to provide maximum public health facilities integrated with Farmily Planning and Nutrition for vulnerable groups, children, pregnant women and lactating mothers. The accent during the fifth Plan will be on (i) increasing the accessibility of health services to rural areas, (ii) correcting the regional imbalances, (iii) intensification of control and eradication of communicable diseases and (iv) qualitative improvement in the education and training of health personnel. It is considered that a proper integration of this programme is desirable and the delivery of the integrated health care programme will be through multi-purpose health ancillaries — a new category of para-medical personnel to be specially trained for this purpose. The total outlays for the fifth five-year Plan would be of the order of Rs 796 crores, out of which the states and union territories schemes would account for Rs 543 crores.

The Family Planning Programme will continue to receive the highest priority and will be a centrally-sponsored programme in the fifth and sixth five-year Plans. The main objective will be to achieve the target of reducing the birth rate to 30 per thousand by the end of the fifth Plan. The strategy for Family Planning Programme would be of integrating family planning services with those for health, MCH and nutrition There will be selectivity in approach to obtain optimum results from the view of demographic effectiveness and cost effectiveness Emphasis will be laid on community involvement by offering package of community incentives and awards. An outlay of Rs 516 crores has been provided in the fifth five-year Plan for the Family Planning Programme.

Nutrition

It is proposed to expand the nutrition programme sufficiently during the fifth five-year Plan period. It is anticipated that during the fifth Plan, the coverage under the mid-day meal programme will go up to 16.3 millions and special nutrition programme to about 10 millions. An outlay of Rs 405 crores has been provided for nutrition in the fifth five-year Plan.

In the fifth Plan, the main objectives for urban development would be: (i) to augment civil services in the urban centres, (ii) to make efforts to tackle the problem of matropolitan cities on comprehensive basis, (iii) to promote the development of smaller towns and new urban centres to share the pressure of incrasing urbanisation and to assist the implementation of the projects related to metropolitan cities. One of the serious problems for urban planning to be tackled is the excessive rises in urban land values. In this context, formulation of urban land policy assumes a certain urgency. In the fifth Plan, an outlay of Rs 578 crores is proposed.

Better Housing

In this context, increasing demands for the housing and non-availability of building material at reasonable prices in the fifth Plan addresses itself to the following limited objectives in the housing sectors: (i) improvement of the existing housing stocks, (ii) provision of house sites to four million landless labourers, (iii) continuance of the existing schemes to provide subsidised houses to a certain weaker section of the community, and (iv) extension of support to institutional agencies.

The total outlay that is proposed in the housing sector is Rs 580 crores out of which the State and Union Territory sectors would be Rs 343 crores.

The scheme for the development of backward classes in

TABLE VIII

Total Outlay in Public Sector (Rs crores)

Head of development	Centre	Centrally sponsored	States	UTs	Total
1. Railways	2550*	—	—	—	2550*
2. Roads	620	94	961	73	1768
3. Road Transport	26	—	256	3	285
4. Ports	320	10	19	3	352
5. Shipping	258	—	—	2	260
6. Inland Water Transport	48**	14	6	2	70
7. Lighthouses	12	—	—	—	12
8. Civil Air Transport	391	—	2	1	394
Total	4225	118	1264	84	5691

*Including metropolitan rail transport.

**Includes Rs 22 crores for Farakka Barrage Project.

the fifth Plan will aim at improving the quality of life of these people and narrowing the gap between hill and tribal and other areas in the level of development. For the development of hill and tribal areas, an integrated area development Plan will be undertaken. To minimise the scheduled castes dependence on land owning classes, modernisation and diversification of occupation of this group will be taken up. Efforts will be intensified towards eradication of untouchability and mechanisation of unclean occupations. A provision of Rs 255 crores —Rs 170 crores in the state sector and 85 crores in the central sector has been made for programmes in the backward classes sector in the fifth Plan in addition to Rs 500 crores for the development of hill and tribal areas.

Social Welfare Concept

The concept of social welfare will be enlarged in the fifth Plan and the new approach would aim at proper integration of welfare and development services. A majo thrust in in this field during the fifth Plan will be expansion of preventive and development programme of social welfare. Out of the total outlays of Rs 229 crores provided for social welfare, Rs 200 crores are under the central sector.

The policy for the fifth Plan with regard to accelerated development of backward areas has been formulated broadly on the basis of the following considerations:

(i) That the problem of backwardness is a long-term problem,

(ii) Along with adequate financial resources, other essential measures are of choice of technology, strengthening of institutional structure and organisation and consultancy services;

(iii) The states would have to continue to bear the main responsibility for the development of backward areas though the central government would also actively participate in this task by making special allocations to hilly and tribal areas and by providing technical assistance and special incentives for the flow of private investments.

Local planning will continue to be the main plank of the strategy for the accelerated development of backward areas. The Minimum Needs Programme, programmes for drought prone areas and programmes for SFDA/MFAL will be of significance for the backward areas.

The basic objective of the Science and Technology Plan is to support the drive for self-reliance in the core sector of the economy. The science and technology programme is included in the Plan for the first time aims at giving further impetus in the fields where capability and competence already exists and in removing weak nesses in crucial areas like design, consultancy and natural resource assessment.

The use-orineted Science & Technology Plan emphasises links between the generator and users of technology. Similarly, extensive organisational and managerial changes are proposed to be made.

Facilities in the states will be strengthened for undertaking industrial testing, consultancy services to small-scale industries, etc. It is proposed that at the state level, a committee on science and technology (on the pattern of National Committee on Science & Technology) is constituted.

Total financial outlays on science and technology will be of the order of Rs 1033 crores.

Section IV

Implementation

In contrast to earlier Plans which dealt, in a general way, with the problems of implementation, the chapter on Implementation goes into some detail in outlining the stops that have or will be taken to improve the implementation process. It thus deals with how weaknesses in organisational structure are being dealt with, how the manning of organisations is proposed to be improved as well as with streamlining procedures, including greater delegation of authority,s teps for improving industrial relations and setting up effective monitoring and evaluation systems at various levels.

The measures referred to above vary to some extent with the various sectors of the Plan. Steps for improving implementation capabilities at the level of the apex agencies namely the departments of government at the centre and states down to the field agencies in actual charge of executing and operating Plan projects and schemes have been outlined.

The relatively better state of preparedness for executing projects particularly in the core industries at the beginning of the fifth Plan as compared to the fourth Plan, the importance of producing detailed plans the network type of format before the fifth Plan period begins, measures for ensuring that these Plans are effectively monitored and that an integrated approach is taken in regard to the phasing of projects in inter-related industries and towards the allocation of the scarce resources are some of the points that have been highlighted.

Sixth Finance Commission Report

THE recommendations of the Sixth Finance Commission regarding devolution, grants-in-aid to states under Article 275(1) of the Constitution and debt relief have been accepted by the government. Necessary action to implement these decisions is being taken.

In addition to the sharing of the Income-tax and basic union excise duties, distribution of additional excise duties and payment of grants-in-aid under Article 275(1) of the Constitution, the Commission was required to make recommendations about the distribution amongst the states of estate duty on property other than agricultural land, grants payable to the states in lieu of the repealed Tax on Railway passenger fares and grants on account of wealth tax on agricultural property. The Commission was required to make an assessment of the non-Plan capital gap of the states on a uniform and comparable basis and to suggest changes in the terms of repayment of central loans to the states. The Commission was also required to consider the feasibility of setting up a National Fund for financing relief expenditure by states affected by natural calamities. The recommendations of the Commission were to cover a period of 5 years commencing from April, 1 1974.

At present 75 per cent of the net proceeds of taxes on income other than portion representing the proceeds attributable to union territories is allocated to the states. The Commission has increased states, share to 80 per cent. The share attributable to union territories has been prescribed at 1.79 per cent. The share of each state continues to be determined on basis of 90 per cent on population and 10 per cent on assessment.

The Commission has not suggested any change in regard to sharing of basic union excise duties and the states' share would, therefore, continue to be 20 per cent of the total net proceeds as at present. The Commission has, however, recommended that the auxiliary duties of excise introduced from the current year which are not shareable with the states at present should also be shared with the states as in the case of basic union excise duties from 1976-77. Backwardness as measured by the relative per capita income (25 per cent) and population (75 per cent) are the two criteria adopted by the Commission for determining the share of each state in the divisible pool. The weightage given to backwardness by the last Commission was 20 per cent and they had also adopted a variety of factors for determining backwardness of the states.

The entire net proceeds of additional excise duties other than those attributable to union territories accrue to the states. As for the distribution of these proceeds among the states at present certain sums are guaranteed to each state and the proceeds over and above the total guaranteed amount are also distributed to the states on the basis of population and sales tax collection. The Sixth Finance Commission has, however, felt that there was no need to set apart any guaranteed amounts to the states and the entire net proceeds after deducting the portion attributable to the union territories to be distributed among the states on the basis of population, state Domestic Product at state current prices and production of the commodities subject to additional excise duties in the ratio of 70:20:10.

The Commission has not suggested any change in the existing principles of distribution of estate duty and grant in lieu of the repealed tax on railway passenger fares. In regard to grant on account of wealth tax on agricultural property the Commission's recommendation is that the amount be distributed among the states in proportion to the value of agricultural property located in each state and brought to assessment in that year.

In determining the needs of the states for *grants-in-aid Article* 275(1) of the Constitution, the Commission was required under its terms to take into account (i) the requirements of the states to meet the expenditure on administration taking into account such provision for emoluments of government employees, teachers and local body employees as obtaining on a specified date and (ii) the requirement of the states which are backward in standards of general administration for upgrading the administration with a view to bringning them to the level obtaining in the more advanced states over a period of 10 years.

In regard to the provision for emoluments of government employees etc., the Commission has allowed full provision for the requirements of the states on the basis of scales of pay and allowances as obtaining on January 1, 1972 and has made additional provisions to cover the increases from January 1, 1972 to May 1, 1973 on the basis of certain objective norms in regard to the level of emoluments in various states.

As regards the needs of the backward states for raising the standards of their administration, the Commission has adopted the per capita expenditure on different administrative and social services like primary education, medical and public health and welfare of Scheduled Castes and Scheduled Tribes and other backward classes in different states as the yard-stick for assessing the requirements of the backward states. The financial provision required for upgrading the standards of administrative and social services in the backward states to come up to the level of average of all states during the fifth Plan period has been estimated by the Commission at Rs 838 crores. These requirements of the states have been taken into account by the Commission in de ermining the needs of the states for grants-in aid under Article 275(1) of the Constitution.

The Commission has not favoured the setting up of a National Fund for financing relief expenditure. It has, however, urged that instead of incurring large scale expenditure on relief on *ad hoc* basis provision should be made on a much larger scale for development of drought and flood prone areas in the fifth Plan both in the central and state sectors and the assistance provided to the states for purposes of relief should be subject to the overall ceiling of central assistance for the Plan period as a whole. In the computation of the needs of the states for grants-in-aid, however, the Commission has made provision required by the states for gratuitous and other relief on the basis of average expenditure in the past years aggregating to about Rs 51 crores a year.

The Commission has assessed the revenue receipts and non-Plan revenue expenditure of the different states for the five-year period 1974-75 to 1978-79, including the requirements for revision of emoluments, upgradation of standards of administration and has estimated the total non-Plan revenue gap of eighteen states at Rs 7748 crores without devolution of taxes. The states of Haryana, Maharashtra and Punjab are, in the assessment of the Commission, expected to have non-Plan revenue surpluses amounting to Rs 312 crores even without any tax devolution. The tax devolution to all the states during the fifth Plan period on the basis of the recommendations of the Commission would amount to about Rs 7099 crores. With this devolution seven states will have a surplus aggregating Rs 2176 crores. The non-Plan deficit arising even after the devolution for the remaining 14 states is estimated to be Rs 2510 crores and the Commission has recommended grants-in-aid of this order under Article 275(1) of the Constitution for the period 1974-79.

The Sixth Finance Commission was also required to make an assessment of the non-Plan capital gap of the states on uniform and comparable basis for the five years ending 1978-79 and in the light of this assessment recommend changes in the existing terms of repayment of central loans outstanding as at the end of 1973-74. The Commission has made a detailed study of the debt position of states and recommended the total debt relief of the order of Rs 1970 crores to all states for the fifth Plan period. While a part of this relief is based on uniform principles applicable to all states, the Commission has adopted a discriminatory approach on some valid principles in respect of several loans with a view to afford larger relief to states in need of such relief. With the proposed relief bulk of the non-Plan capital gaps of most states over the fifth Plan period would be covered.

The table below summarises the recommendations of the Commission accepted by the government.

Summary of Accepted Recommendations

(Rs crores)

	Share of Income-tax	Share of Union Excise Duties		Share of Estate Duty	Grat in lieu of tax on Railway fares	Grant-in-aid under Article 275(1) (Substantive portion) for the five year period: 1974-79	Debt relief for the five year period: 1974-79
		Basic	Additional				
Distributable pool	80	20	98.59	97.50			
			(in Percentage)				
Distribution among the states							
1. Andhra Pradesh	7.76	8.16	8.39	8.04	8.01	205.93	91.20
2. Assam	2.54	2.71	2.47	2.70	2.70	254.53	162.49
3. Bihar	9.61	11.47	9.36	10.41	10.58	106.28	133.35
4. Gujarat	5.55	4.57	5.91	4.93	7.47	—	36.25
5. Haryana	1.77	1.53	1.94	1.86	2.57	—	33.14
6. Himachal Pradesh	0.60	0.63	0.59	0.64	0.17	160.96	34.57
7. Jammu & Kashmir	0.81	0.90	0.73	0.85	0.02	173.49	133.43
8. Karnataka	5.33	5.54	5.62	5.41	3.47	—	127.04
9. Kerala	3.92	3.86	3.58	3.94	1.61	208.93	109.77
10. Madhya Pradesh	7.30	8.15	6.98	7.70	9.89	—	87.16
11. Mahrashtra	11.05	8.58	11.65	9.31	8.87	—	66.58
12. Manipur	0.18	0.21	0.17	0.20	..	114.53	15.23
13. Meghalaya	0.18	0.19	0.17	0.19	..	74.67	7.64
14. Nagaland	0.09	0.11	0.08	0.10	0.01	128.84	5.84
15. Orissa	3.73	4.06	3.59	4.05	2.24	304.73	157.32
16. Punjab	2.75	1.87	2.68	2.50	5.06	—	15.18
17. Rajasthan	4.50	5.00	4.17	4.76	6.59	230.53	258.14
18. Tamil Nadu	7.94	7.43	7.27	7.61	5.14	—	87.05
19. Tripura	0.27	0.30	0.25	0.29	0.02	112.50	14.35
20. Uttar Pradesh	15.23	17.03	16.10	16.32	19.85	198.83	150.77
21. West Bengal	8.89	7.79	8.30	8.19	5.73	234.86	143.12
Total	100.00	100.C0	100.00	100.00	100.00	2509.61	1969.62

Guidelines for regulation of foreign investment

DETAILED guidelines for adminstering Section 29 of the Foreign Exchange Regulation Act were placed before Parliament by the Finance minister, Mr Y.B. Chavan. The Act will come into force from January 1, 1974. Section 29 of the Act provides that theReserve Bank permission should be obtained for carrying on in India any activity of trading, commercial or industrial natute or the establishment of a branch office or a place of business for carrying on such activity, or for acquisition of the whole or any part of the undertaking in India by branches of foreign companies operating in India, companies having more than 40 per cent foreign holding or by non-resident foreigners.

These guidelines envisage that all branches of foreign companies(except airline and shipping companies) operating in India will be required to convert themselves into Indian companies with a minimum Indian equity participation of 26 per cent and all companies incorporated in India will be required to have a minimum Indian equity participation of 26 per cent. Thus, no Indian company will have more than 74 per cent foreign equity holdings.

In the case of companies engaged in internal trading no fresh foreign equity participation will be permitted and the existing companies engaged in such trading activities will be required to bring down their foreign holdings to 40 per cent within a specified period. Such trading companies will have an option to convert themselves from predominantly trading into predominantly manufacturing activities in the areas specified in Appendix I of the Industrial Licensing Policy or into predominantly export-oriented industries, viz. minimum exports being sixty per cent of total production.

A number of manufacturing companies are engaged in marketing the products of others not manufactured by them. Such companies will not be denied permission for internal trading in respect of essential or associated products provided the articles so traded are functionally related to the company's main manufacturing activities and constitute relatively a small portion (not exceeding 25 per cent of ex-factory value of the production or five crores of rupees whichever is less) of the overall activities. No company will, however, be permitted to use for internal trde their trade mark or brand names in respect of products not manufactured b·· them.

In the case of companies engaged in manufacturing operations, the guidelines envisage that foreign shareholding, except in the case of those engaged in the production of items specified in Appendix I of the Industrial Licensing Policy. 1973 or involving highly sophisticated technology or predominantly export-oriented industries, is brought down to 40 per cent within a specified period and the branches of foreign companies will also be required in such cases to convert themselves into Indian companies with foreign holdings not exceeding 40 per cent. It would not be necessary to review the cases of recent approvals (given after February 1970) in respect of companies engaged in the production of items specified in Appendix I of the Industrial Licensing Policy or predominantly export-oriented industries.

In view of their significant contributions to tea exports, it has been decided to treat tea companies at par with manufacturing industries engaged in the production of items specified in Appendix I of the Industrial Licensing Policy 1973. This will however not apply to other plantation companies.

The functioning of airline and shipping companies will be considered on the basis of reciprocity.

In the case of 100 per cent export--oriented industries, the minimum Indian equity participation of 26 per cent may be relaxed on the merits of each case.

Guidelines for Administering Section 29 of the Foreign Fxchange Regulation Act, 1973.

These guidelines will apply to Indian companies having more than 40 per cent foreign holdings and branches of foreign companies operating in India while seeking approval for carrying on any activity of a trading, commercial, or industrial nature or for starting fresh activities. These will however not apply to non-residents of Indian origin who have been allowed by the government to make investment in India on a specific condition that neither the capital nor profits/dividends will be allowed to be repatriated.

Branch of foreign companies (except Airlines and Shipping companies) seeking approval under the Foreign Exchange Regulation Act will be asked to convert themslves into Indian companies as per policy of government. This would be without prejudice to any other conditions that may be laid down.

Category	Proposed Action
I. Industrial Activities	
(*a*) Indian companies having more than 40 per cent foreign shareholding and branches of foreign companies engaged in the production of items specified in Appendix I of Industrial Licensing Policy, February 1973 or engaged in a predominantly export oriented industry (minimum exports being 60 per cent of total productioi).	(*i*) Such Indian companies will be allowed to continue on the basis of the existing approvals subject to the condition that they will increase, within a specified period, Indian participation to not less than 26 per cent of the equity of the company.
	(*ii*) The branches of foreign companies will be required to convert themselves, within a specified period, into Indian companies with Indian participation being not less than 26 per cent of the equity of the company.
	(*iii*) Such companies will be subject to dilution formula as and when they come up for expansion.
(*b*) Indian companies having more than 40 per cent foreign shareholding who have been granted and industrial licence after February 1970 for manu-	(*i*) They will be exempt from the provisions of Section 29 subject to the condition that they will increase, within a specified period, Indian participation to

Category	Proposed Action
facturing activities in the production of items specified in Appendix I of the Industrlel Licensing Policy, 1973 or engaged in predominantly export-oriented industry (minimum exports being 60 per cent of total production).	not less than 26 per cent of the equity of the company.
(*c*) Indian companies having more than 40 per cent foreign shareholding and branches of foreign companies having a valid Industrial Licence and engaged in production of items not specified in Appendix I of Industrial Licensing Policy, 1973 but engaged in the manufacturing activities which need sophisticated technology.	(*i*) The extent of foreign shareholding in the existing Indian companies will be considered on merits of each case subject to the condition that they will increase within a specified period, Indian participation to not less than 26 per cent of the equity of the company. (*ii*) The branches of foreign companies will be required to convert themselves within a specified period, into Indian companies with Indian participation of not less than 26 per cent of the equity of the company. (*iii*) In determining whether a technology is sophisticated or not, Department of Science & Technology will be consulted and consideration will be given, *inter alia*, to aspects such as (*i*) whether the technology is used for the manufacture of products which would otherwise necessitate imports, (*ii*) whether the discontinuance of the manufacture of products with the technology would have adverse impact on the economy, etc.
(*d*) Indian companies having more than 40 per cent foreign shareholding and branches of foreign companies engaged in other manufacturing activities.	(*i*) Such Indian companies will be required to bring down, within a specified period, foreign shareholdings to the level of 40 per cent. (*ii*) The branches of foreign companies will be required to convert themselves into Indian companies having foreign shareholding not exceeding 40 per cent, within a specified period.

Category	Proposed Action
	(*iii*) Alternatively, they will be required to change, within a specified period, their character from existing manufacturing activities to predominantly manufacturing activities in the areas specified in Appendix I of Industrial Licensing Policy, 1973 or to engage themselves in predominantly export-oriented industries (minimum exports being 60 per cent of total production).
II. Trading Activities	
(*a*) Indian companies having more than 40 per cent foreign shareholding and branches of foreign companies engaged predominantly in internal trading and commercial activities.	(*i*) No fresh foreign equity participation will be permitted. (*ii*) Existing Indian companies will be required to bring down their foreign shareholding to 40 per cent within a specified period. (*iii*) The branches of foreign companies will be required to convert themselves into Indian companies having foreign holding not exceeding 40 per cent within specified period. (*iv*) In exceptional cases where they have developed expertise, skills, or facilities (distribution network, etc.) which are not readily available indigenously and are contributing significantly to exports, foreign shareholding more than 40 per cent but not exceeding 74 per cent may be allowed depending upon the merits of each case. (*v*) Alternatively, they will be required to change, within a specified period, their character from predominantly manufacturing activities in the areas specified in Appendix I of Industrial Licensing Policy, 1973 or to engage themselves in predominantly export-oriented industries (minimum exports being 60 per cent of total production). (*vi*) If the above alternatives

Category	Proposed Action
	are not acceptable to them, they will be allowed a reasonable time to wind up their business activities in India.
(*b*) Manufacturing companies i.e. Indian companies with more than 40 per cent foreign shareholding and branches of foreign companies engaged in trading activities in respect of products *not* manufactured by them.	(*i*) They will not be denied permission for internal trading in respect of essential or associate products in the overall interest of the consumers as also of development of ancillaries provided the articles so traded are functionally related to the company's main manufacturing activities and constitute relatively a small portion of the overall activity (not exceeding 25 per cent of ex-factory value of the annual production or Rs 5 crores whichever is less). The approval shall also be subject to the condition that the companies shall not be permitted to use, for internal trade, their trade marks or brand names in respect of the products not manufactured by them.
III. Others :	
Indian companies having more than 40 per cent Foreign shareholding and branches of foreign companies engaged in:	
(*a*) Construction activities.	(*i*) Indian companies having more than 40 per cent foreign shareholding will be required to bring down their foreign shareholding to 40 per cent within a specified period. (*ii*) In exceptional cases where they have developed such expertise or skills or technology which is not indigenously available, higher foreign shareholding not exceeding 74 per cent of the equity may be allowed. (*iii*) Branches of foreign companies will be required to convert themselves into Indian companies with

Category	Proposed Action
	foreign shareholding not exceeding 40 per cent within a specified period.
(*b*) Plantation activities.	(*i*) Tea plantations will, by and large, be treated at par with manufacturing industries specified in Appendix I of Industrial Licensing Policy, 1973 subject to the condition that they will increase, within a specified period, Indian participation to not less than 26 per cent of the equity of the company. (*ii*) Branches of foreign companies will be required to convert themselves, within a specified period, into Indian companies with Indian participation being not less than 26 per cent of the equity of the company. (*iii*) Branches of foreign companies engaged in other than tea plantation activities will be required to convert themselves into Indian companies with foreign shareholding not exceeding 40 per cent and the Indian companies will be required to bring down their foreign shareholding to 40 per cent within a specified period.
(C) Consultancy	
(*i*) Technical and engineering consultants.	(*i*) Indian companies having more than 40 per cent foreign shareholding will be required to bring down their foreign shareholding to 40 per cent within a specified period. (*ii*) Branches of foreign companies will be required to convert themselves into Indian companies with foreign shareholding not exceeding 40 per cent within a specified period. (*iii*) In exceptional cases, if they are engaged in such technology skill which are indigenously not avail-

Category	Proposed Action
	able higher foreign shareholding not exceeding 74 per cent of the equity may be allowed on merits.
(*ii*) Non-technical consultants.	(*i*) So far as the management, financial and accountancy firms are concerned and since sufficient indigenous expertise in these spheres is available in the country, the Indian companies with foreign majority shareholding as well as branches of foreign companies will be required to reduce their foreign shareholding to 40 per cent within a specified period.
(*d*) Manufacturing companies engaged *in* consultancy work.	(*i*) They will be allowed to act as consultants in respect of those areas in which they have developed specialisation. Such facilities will however not be available to companies predominantly engaged in trading and non-manufacturing activities.
IV. **Airlines and Shipping Companies**	(*i*) The functioning of branches of air and shipping companies operating in India will be decided on reciprocity basis.
V. **Miscellaneous**	
Indian Companies having more than 40 per cent foreign shareholding and branches of foreign companies engaged in activities *other than* those specified hereinbefore.	(*i*) The branches of foreign companies will be required to convert themselves within a specified period, into Indian companies with Indian participation of not less than 26 per cent of the equity of the company.
	(*ii*) Indian companies having more than 40 per cent foreign shareholdings will be required to bring down their foreign shareholding to 40 per cent within a specified period.
	(*iii*) In exceptional cases, if they are engaged in such technology or skills which are indigenously not available higher foreign shareholding not exceeding 74 per cent of the equity may be allowed on merits.
Explanatory Notes :	(*i*) While giving fresh approvals to the cases in accordance with the above guidelines, aspects such as the research and development programme initiated by the Indian company and stipulations which restrict the transfer of technology from the foreign collaborator to the Indian company, restrictions on sub-licensing of technology and stipulations for the acquisition of raw materials and components from the foreign collaborator, existing regulations in respect of the patent law etc., will be borne in mind.
	(*ii*) Where a company is engaged in multi-activity operations, a total view will have to be taken of all the activities in which a company is engaged while considering the question of allowing it to continue to carry on business. The proportion of activity covered by Appendix I of the Industrial Licensing Policy, February 1973 and those falling outside thereof will be a material consideration. In such cases, if activities outside Appendix I constitute only a minor part of the total activities (not exceeding 25 per cent of ex-factory value of the annual production or Rs 5 crores whichever is less) it will be allowed to continue on the basis of existing approvals, provided Indian participation is not less than 26 per cent of the equity of the company.
	(*iii*) While it will be open to companies primarily falling under Clause I(d) "other manufacturing activities" or Clause II(a) "Trading activities" to change their character and become predominantly manufacturing companies in the areas covered under Appendix I of the Industrial Licensing Policy, February 1973 or other approved categories under Clause I(c), they would have to obtain the requisite Industrial Licence and other government approvals in the normal way, within the framework laid down by government from time to time.
	(*iv*) In the case of 100 per cent export oriented units the foreign equity participation of more than 74 per cent may be allowed on merits of each case.

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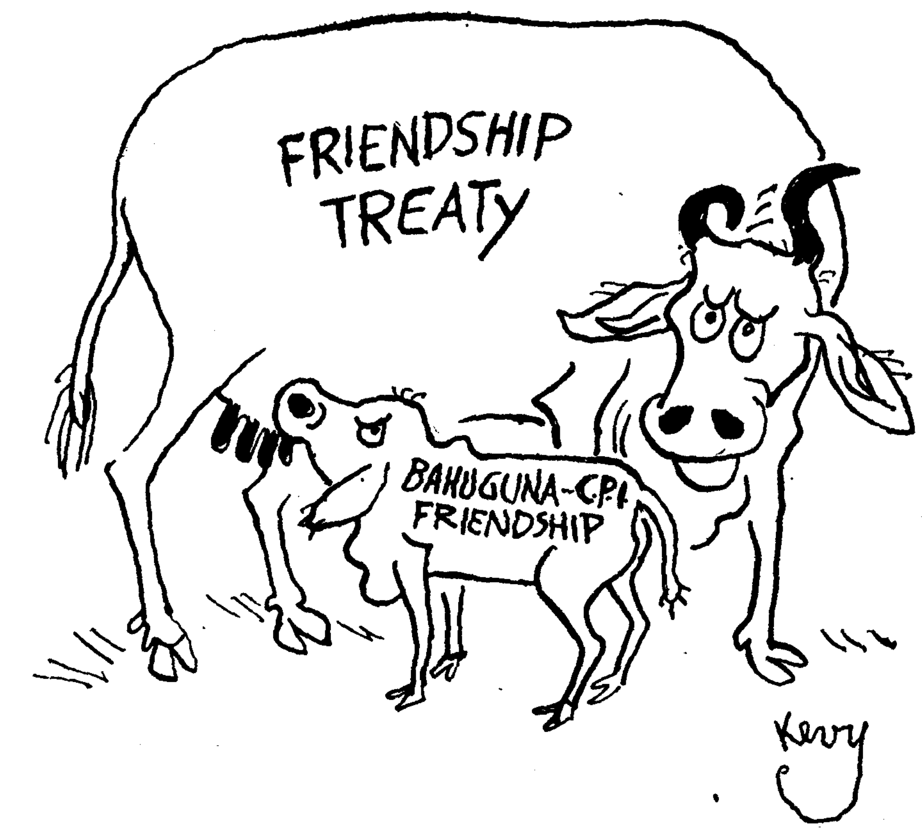

THE SYMBOL IN U.P.

No blanket ban on foreign investment

THE CURBS on the activities of foreign companies under the Reserve Bank of India directive of December 31, 1973, are the result of the passage of the Foreign Exchange Regulation Act by Parliament and the issuance of guidelines (see *Eastern Economist* dated January 4, 1974, page 43) in this regard by the ministry of Finance. The central idea of section 29 of the aforesaid Act is to dilute the share of foreign capital in the shareholdings of foreign companies or branches of foreign companies. The attempt to regulate foreign investment cannot be described as a blanket ban on the activities of foreign companies. In fact, the foreign companies are being encouraged to participate increasingly in the economic activities of this country provided they take up the challenge of expanding those sectors of the economy in which this country is interested.

As a first step all Indian companies having more than 40 per cent foreign holdings and branches of foreign companies have been asked to get themselves registered with the Reserve Bank of India, the exceptions being airlines and shipping companies. This will help the Reserve Bank to study each case thoroughly and ascertain the steps that each company wanted to take in order to comply with the various provisions of the Foreign Exchange Regulation Act. Each company will be given sufficient time to chalk out its future course of action. All branches of foreign companies will be asked to change themselves into Indian companies with " a minimum Indian equity participation of 26 per cent." Thus no Indian company will be allowed to have more than 74 per cent foreign equity holding. Surely it will have no adverse effect on the functioning of these companies as they would retain their managerial hold on them.

In the case of Indian companies having more than 40 per cent foreign shareholding and engaged in the production of "core" items—and there is a long list of such items including fertilisers, chemicals, drugs and pharmaceutical industries, boilers and steam generation plants, electrical equipment and shipping—or industries wherein 60 per cent of total production is exported, no change in shareholding is envisaged except raising the Indian participation to a minimum of 26 per cent within a specified period.

The question of further diluting of foreign shareholdings will be raised only when these companies come up with plans for expansion. If, however, the industrial licence was granted after February 1970 for core or export-oriented industries, no further reduction in foreign shareholding would be sought. This concession would also be made available to those companies which are engaged in manufacturing activities needing sophisticated technology. In this way, a sizeable number of foreign manufacturing companies would be able to continue their operations unhindered except for having a minority Indian shareholding where they had none hitherto.

Real curb in the activities of such foreign trading companies would result as refuse to alter their course in keeping with the spirit of section 29 of the Foreign Exchange Regulation Act, 1973. Those foreign trading companies which do not agree to bring down foreign shareholding to 40 per cent of the total or to change over to the manufacture of core or export-oriented industries, may have to wind up their business activities in this country. Of course, these companies would be allowed a reasonable time for performing harakari but according to current indications, hardly any foreign company is likely to adopt this course of action.

It needs to be stated here that this drastic action by the government had become necessary because of the unnecessary burden caused by some of the manufacturing and trading companies on our foreign exchange resources. A recent study made by the Economic and Scientific Research Foundation, New Delhi, on foreign technology in India has come to the following conclusion: "There are a few foreign enterprises in India which have earned excessive profits on transactions in India through overpricing of intermediate inputs in the manufacture of drugs or tied purchases of crude oil at higher prices by foreign oil companies. There are other striking instances like Colgate, Palmolive, Singer Sewing Machine Co. etc. where sizeable profits are transferred abroad on investments. The drain of foreign exchange for the use of foreign brand names, such as Coca Cola, Singer, Volga, Maidenform, Jockey, Cadbury, Helen Curtis, Max Factor etc. mainly tagged to luxury consumer products, is wasteful. On balance, it appears that in such cases the imports of technology and brand names led to net drain of foreign exchange after a short pay-back period." It was mainly to slow down the outflow of foreign exchange that the Foreign Exchange Regulation Act was passed by Parliament, especially when foreign exchange

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was being spent either for luxury goods or for such products as could be equally efficiently manufactured by Indian companies without foreign participation. The case of the Singer Sewing Machine Co. illustrated the point in a lucid manner. This company has been marketing sewing machines in this country which have been made by Indian companies and has been earning sizeable profits simply on the strength of its marketing network. Our country has acquired the technical know-how to manufacture sewing machines; our reliance on a foreign company for marketing them is sheer wastage of our resources.

The guidelines framed by the ministry of Finance for the regulation of foreign investment are sufficiently flexible. In exceptional cases, there is room for allowing the foreign company to retain its majority in shareholding. For example, in the case of the consultancy firms, which are engaged in such technology as is not indigenously available, the foreign shareholding would be allowed up to 74 per cent. This is a healthy approach which needs to be welcomed. It is to be hoped that both the ministry of Finance and the Reserve Bank of India will adopt a flexible approach so that no unnecessary scare is created among foreign investors. Surely this country does not wish to close its doors to new and sophisticated technologies which are being developed abroad.

Crisis in shipping

THE ENGINEERING Export Promotion Council has recently drawn the attention of the government of India to the severe shortage of shipping space especially for the countries of west Asia and south-east Asia. Dr B. V. Bhoota, the chairman of the council, has disclosed that though there was a 15 per cent increase in engineering exports in the first half of 1973, the rate of growth was much less than what was envisaged, namely, 32 per cent. The exports were valued at Rs 72 crores in April-September 1973 compared with Rs 62.29 crores in the same period of the previous year. It is reported that there has been a heavy accumulation of engineering cargo for Dubai, Doha, Behrein and several other distinations.

But it is not only the engineering goods whose exports have been affected due to inadequate shipping space. Even traditional exports such as jute manufactures and tea have suffered. In the beginning of December, there was an accumulation of 70,000 chests of tea for the UK ports. The foreign demand for jute goods has considerably improved owing to the scarcity and high prices of synthetics. But the absence of sufficient shipping space has been hampering the exports of jute goods. The shortage is being felt acutely practically for all destinations including the UK and the continent.

In this background, the scarcity of bunker fuel oils and the steep increase in their charges have created a very difficult situation for our exporters. The cost of bunker oils at the Indian ports is now estimated to be over 550 per cent of what it was in the beginning of December; and it is expected that at the foreign ports also these charges will substantially increase in the coming months. As a result, the freight charges are bound to increase further while the shipping schedules will become more uncertain.

At a press conference held in Calcutta recently Mr Sanjoy Sen, the President of the Eastern India Shippers Association, warned the country of "an unprecedented crisis in international shipping" which would hit hard Indian exports. He pointed out that even during the last six months there had been an acute shortage of tonnage which had affected not only shipping schedules but had also caused a sharp escalation in the freight rates in liner shipping in sympathy with "rocketing charter rates." He said that even at the very best of times, Indian exports had suffered from irregular sailings and inadequate shipping space, besides excessive and discriminatory freight rates.

Mr Sen conceded the case for levying bunker surcharges. But he made certain suggestions to mitigate their "deleterious" impact. He urged the imperative need for close coordination between exporters/carriers and government in order to ensure that the country derived the maximum advantages from the allocation of tonnage. He disclosed that a high-level liaison committee for eastern India, consisting of the representatives of shipowners and shippers, was being formed and he expressed the hope that the committee would be able to tackle some of the problems on a realistic basis. But Mr Sen did not clarify how exactly such a committee would help to improve the situation. In any case, there is clearly an urgent need for the government of India to keep in close and continuous touch with the shipowners and shippers in order to handle the critical situation as it develops from time to time.

Mr Sen severely criticised the revenue pooling system which is operated by the India-Pakistan/UK continent conference. He said that "this conference was a case in point of the classic example of the deterioration in Conference Services" and he expressed concern over the reported introduction of the pooling system in the India/USA route from the beginning of the new year. The government of India should look into this matter and take effective steps to ensure that the conference system does not operate to the detriment of our country's interest.

Mr Sen suggested that the present abnormal situation called for a selective freight subsidy to our exports. He did not elaborate this idea. Nevertheless, the government of India should examine this proposal, and evolve a suitable scheme, so that our exports especially of the non-traditional goods, do not suffer due to the impact of excessive freight rates. The problem of selecting the commodities for this subsidy and of deciding its quantum will not be easy. Even so, the union ministries concerned should take up this matter in right earnest and do something to protect and promote our exports.

At the same time, the government should also review the existing incentive schemes for export and make them effective. For example, it has been pointed out that the policy for giving cash subsidy is not being implemented in such a manner as to give a strong stimulus to exports. When the government considers the case of an industrial unit for cash subsidy, it generally disallows several standard items of cost including depreciation. The costing is prepared on the basis of marginal cost of production and the subsidy is decided on this criterion. Industry considers this approach to be wrong and unhelpful especially for units which export a substantial portion of their production. It is feared that, over a period, it will dissuade an increasing number of industrial units from turning their attention to exports. Therefore, while considering a scheme for the shipping freight subsidy, the government should also modify the basis for cash incentives so that our manufacturers will continue to take interest in selling their goods in the distant and difficult markets of the world.

In view of the unexpected developments in international trade arising from the petroleum crisis, the government of India should reconsider its attitude to the growth of the shipping industry. Though this industry has made considerable progress in recent years, it has been far less impressive than what has been achieved by several countries. This will be clear from the fact that the present Indian tonnage is not able to carry more than 20 per cent of our foreign trade. As a result, substantial sums of foreign exchange have to be paid to the foreign shipping companies. It is unfortunate therefore that when there is an imperative need to develop our shipping industry as vigorously as possible, New Delhi is creating more difficulties for it to expand its fleet.

For instance, the development rebate had been a source of very great help to our shipping industry. With this facility the shipping companies had been able to raise sizable funds for their expansion. But with its withdrawal, it has become more difficult for them to find resources for acquiring new tonnage. Mr K. K. Birla, the chairman of the India Steamship Company, pointed out recently that the initial depreciation allowance of 20 per cent will be "entirely inadequate" for the shipping industry. He said, "The proposed depreciation, in effect, means deferment of the payment of the tax to a later date and, as such, not quite beneficial to the growth of shipping, and, at best, is a poor substitute for development rebate. It is my sincere hope that the government will reconsider the decision and will find it possible to restore this much-needed incentive to the Indian shipping industry."

The crisis in shipping has come at a time when export promotion has assumed a new urgency in the context of the fifth five-year Plan. Our total exports in the first the six months of 1973-74 have been estimated at Rs 1075 crores which was 17 per cent more than in the corresponding period of the previous year. But in the coming months the exports may suffer due to lack of shipping space and high freight charges. Since about 90 per cent of our international trade moves by ocean transport, the government of India should maintain constant vigilance over the developments in the world of shipping and take timely and effective measures to safeguard our interests.

Home to roost

THE CREDIT policy of the Reserve Bank for the current busy season is coming home to roost. The monetary authorities may feel inwardly gleeful that they have now a strangehold on the banking system and that it is not in a position to expand credit in the coming months in an unbridled manner. There is an unprecedented squeeze in the money market and fantastic rates are being paid for call money by needy banks in Bombay and Calcutta. The rate at one stage rose to even 38 per cent and as there were violent fluctuations in short-term rates, the Indian Banks Association thought it advisable to conclude a gentlemen's agreement under which no member bank could borrow on a day-to-day basis at more than 15 per cent. This agreement has been unworkable as the exchange banks are anxious to derive the maximum benefit out of the present difficult situation by detaining remittance of funds to their head offices in London and elsewhere and earning a large income on those funds.

The high short-term rates do not in any sense suggest that the required funds are available for hungry borrowers. On the other hand, it is indicative of an extremely tight position in the banking system with every institution being keen on husbanding the resources left over after observing the higher cash reserve ratio and the minimum liquidity ratio. It has not been possible, however, for quite a number of banks to comply with the directive of the Reserve Bank and raise the liquidity ratio to 32 per cent as they had already a high credit-deposit ratio. It has, therefore, been necessary for them to utilise fully the quota of 1½ per cent of demand and time liabilities as on September 28, 1973, permitted by the Reserve Bank, for borrowing against refinance facilities. Even after utilising all opportunities for improving the resources position, it had been reported that many institutions have not found it possible to maintain the cash reserve or minimum liquidity ratios. It has also been necessary to approach the Reserve Bank for discretionary accommodation in order to meet the requirements of constituents.

The extremely precarious situation in the money market will be evident from the fact that many banks have been obliged to adopt measures for discouraging the use of their resources by constituents even though they had unutilised cash credit limits. Some banks have frozen the limits at the level of drawings on December 10, 1973, while some others have reduced the limits by 25 to 50 per cent. The freezing of limits on an unplanned basis has created unexpected and needless hardship to customers who had been using prudently bank funds. It has now become necessary for this class of borrowers to renegotiate fresh limits. While some accommodation has been grudgingly provided, some banks have raised the interest rate on "excess" borrowing to as high as 15 per cent on the plea that they have to find the required resources on a costly basis. Some others have found an excuse for charging this usurious rate on "irregular" drawings. These have come about because of the imposition of higher margins in respect of advances against book debts and inventories.

As the Reserve Bank had suggested that heavier margins should be imposed for reducing advances and these were not mandatory, it had been hoped that the constituents would be given the time for making the necessary adjustments. It has so happened that the opportunity has been utilised by banks for augmenting their incomes and offsetting the losses that are being sustained on the maintenance of higher cash balances with Reserve Bank and in respect of fresh investments in government securities.

The bankers are in a quandary and vigorous representations have been made to the Reserve Bank for a relaxation of credit curbs or for at least allowing time for adhering to the revised minimum liquidity ratio. It has also been urged that refinance facilities should be liberalised. The monetary authorities are aware that they have brought around themselves a hornet's nest and they are pursuing illogical policies. It is rather anomalous that there should have been sales of treasury bills to member banks on a large scale during the period between December 5 and December 15, 1973, for enabling banks to raise as far as possible a minimum liquidity ratio. In the process, additional borrowing against the refinance facilities had to be permitted. There was also the additional strain created by the need to complete advance tax payments before December 15.

Hardly before the crippling effect of

these adjustments could be got over, the reissues of loans by the central government for Rs 115 crores has added to the severe pressure felt by the banking system. The lists for the three central loans were opened on December 21. Having regard to the extremely tight conditions it should not have been possible to make a success of these loans on the opening day. But the Reserve Bank managed to find the required resources for the government by utilising fully the funds of the Life Insurance Corporation and provident funds. The scheduled commercial banks were not in a position to subscribe for the new loans in a big way. It is presumed that their fresh investments would not have been more than Rs 25 crores in these securities over and above the amounts provided by way of conversion of outstanding treasury bills. Assuming that the Life Insurance Corporation and other agencies put in subscriptions for another Rs 25 crores, the Reserve Bank should have felt obliged to take up the balance of over Rs 66 crores on its own account. One should perhaps be thankful for small mercies. The Reserve Bank has felt contented with making a "success" of the new loans by getting them only nominally oversubscribed and not trying to use the opportunity for accepting subscriptions up to 10 per cent of the notified amount. Aggregate subscriptions were thus only Rs 116.84 crores and all subscribers will receive full allotment.

The question may be legitimately asked why the Reserve Bank was keen to raise the liquidity ratio by two per cent calling for fresh investment by member banks in government and approved securities for nearly Rs 200 crores. The institutions should have been given the necessary time for diverting such a large amount when the busy season was active and when they have been already compelled to maintain a high cash reserve ratio of seven per cent. Even before the revised liquidity ratio could be complied with the new loans were floated. Technically, member banks were being called upon to invest not only an additional Rs 200 crores in gilt-edged securities by December 8, 1973, but also find additionally over Rs 50 crores for the new loans. How was this miracle to be achieved, it has not been satisfactorily explained.

The cumulative effect of the higher minimum liquidity ratio and the absorption of the funds of the Life Insurance Corporation and other agencies will be reflected in increasing frozenness of the banking system and the emergence of an even more chaotic situation in the money market in January-February 1974. An increase in the quota for borrowing from the central banking institution by half per cent after January 11, 1974, will provide only a little over Rs 50 crores freshly and the Reserve Bank may even come round and say that the earlier excess borrowings would be adjusted against the new quota.

Whatever may be the justification for the harsh attitude adopted by the monetary authorities, no satisfactory explanation has been forthcoming so far to the unusual increase in advances in the past 2½ months and indeed in a 12-month period. Between October 26 and December 14, 1973, advances of scheduled commercial banks have risen by as much as Rs 303.86 crores against only Rs 49.69 crores in the corresponding period in 1972. Again between September 28 and December 14, 1973, advances have risen by as much as Rs 469.14 crores against only Rs 88.59 crores.

The substantial increase in deposits by Rs 327.94 crores in 2½ months against Rs 299.83 crores in the same period in 1972 and an increase in borrowings by Rs 123.74 crores against only Rs 13.55 crores previously were helpful in meeting the exceptional demands for funds in the current busy season. It has also been necessary to reduce investments. As there had already been a big increase in advances in earlier months, the latest developments have resulted in a serious constraint on resources.

It is not therefore surprising that in the 12 months ended December 14, 1973, deposits of the scheduled commercial banks rose by as much as Rs 1,745 crores. Advances recorded a big rise of Rs 1,398 crores and as there was also an increase in cash balances by Rs 392 crores, investments rose by only Rs 176 crores. It became necessary in the bargain to increase borrowings of members banks by Rs 146 crores.

What is the reason for such a big expansion of bank credit and what would have happened if there had not been such a heavy rise in deposits? Clearly, some new factors are in operation and it will not serve any useful purpose if the Reserve Bank cannot identify properly the sectors which have been responsible for the credit inflation. There should certainly have been an accumulation of inventories in some directions. But there has also been an increase in the value of stocks due to higher prices.

Unless pressure is brought on borrowers who have increased their inventories for reducing their drawings and credit is made available for genuine needs, a continuance of the present situation will result in the emergence of an unmanageable situatiok by March next year. The Reserve Bann has been helplessly mobilising the resources required by the central and state governments and public bodies through open market loans and bonds in the hope that large uncovered overall gaps for 1973-74 can be avoided. By making available the required funds it has however not brought about the desired reduction in non-Plan expenditure. It can thus even be said that there has been a misapplication of available resources and credit for productive purposes is being denied. Is it too much to expect that there will be a sensible recasting of the credit policy and the controls will be exercised more realistically? Some intelligent changes are needed before the situation gets out of control.

Eastern Economist 30 Years Ago

JANUARY 14, 1944

The Fourth Conference of the Indian Society of Agricultural Economists was held in the last week of December, 1943 at Walchandnagar, a marvellous creation of Seth Walchand Hirachand who has demonstrated the practicability as well as the desirability of dovetailing industrial with agricultural development in a tract in Bombay Deccan which was not long ago a virtual wilderness, with a shallow unretentive soil, 20 inches of rainfall and a peasantry with small and scattered holdings unable, on account of the lack of initial capital, to make use of the Nira Canal irrigation facilities offered by the Government. A magnificent estate has been built up in the brief course of ten years, which commands an area of 16,000 acres, only 3,500 of which are so far owned and the rest have been taken on long lease (30 years) at rents which are said to be fairer by comparison with prevailing rents in the neighbourhood and are generally more than the net return the petty owners could realize by themselves. They are, on the other hand, mostly employed as labourers in the fields and factories of the big enterprise on wages which are definitely higher than elsewhere in the vicinity and supplemented by the facility to buy grains at rates much less than market prices, which adds greatly to the real wages — not to speak of the amenities offered free, such as education, medical treatment, recreation and sports, to the employees and the families.

POINTS OF VIEW

Role of exportable surplus for Nepal

Navin Chandra Joshi

WHILE formulating its foreign trade policy, a developing country such as Nepal has to bear in mind that cost inflation and dynamic expansion of exports go ill together. Under conditions of a high cost economy it is difficult to expand and diversify a country's international trade, particularly in the present situation of world competition. It follows that the major plank of export policy should be cost consciousness coupled with internal price stability, the latter being the sheet-anchor of a successful export drive.

It is true that the government can devise ways and means of subsidizing exports. It is also possible to force the home market to pay for the expansion of subsidized exports. However, measures like higher domestic prices to compensate for loss in exports, cash incentives, import entitlements, fiscal incentives and so on, are of secondary importance in the long run. Ultimately, it is the clear and direct price advantage alone that counts for deriving gains from trade. In fact, in a situation of budget-made inflation, it is the common man with fixed income who suffers. But more than that, the other great sufferer is the country's export drive.

domestic demand

When sales in domestic market fetch better price and rising profits, naturally no one would bother to sell domestic products abroad. And even if some tried, they would definitely be priced out in the world market. Every country looks at foreign trade from the angle of its own economic advantage. Therefore, even the best export policy would fail to produce desired results if prices keep on rising as has been happening during the recent past in devloping countries including Nepal. The kind of high-cost economy, both in agriculture and industry, that has become endemic, must be checked and corrected.

Nepal should have an aggressive infrastructure policy to boost her foreign trade. This will comprise transportation, banking, financial institutions and insurance facilities so that bottlenecks of the basic framework of her economic structure do not come in the way of giving a push to trade with other countries.

other factors

There are other factors as well that play an important part in the building up of an expanding foreign trade. For example, the impression that Nepal is a backward country with little trade possibilities has to be removed. This could be done by projecting Nepal's industrial and agricultural image abroad through direct contacts with foreign traders. One way to encourage this will be the frequent visits of trade delegations of industrialists and businessmen, apart from contacts through diplomatic channels. Secondly, joint ventures in collaboration with other developing countries can be profitably set up on a much wider scale.

Fortunately, Nepal has the proud privilege of retaining her independence through centuries despite adverse and tangled circumstances. The partyless system of panchayat democracy of the country gives tremendous scope to it for developing trade relations with foreign countries on a firm and sound footing without political overtones. In so far as India is concerned, the recent visit to India of King Birendra has strengthened the age-old bonds of mutual friendship and goodwill between the two nations. It is highly encouraging that King Birendra's keen desire for developing trade between India and Nepal has been reflected in the recognition that trade has benefitted both the countries and will benefit the two neighbouring countries in future also.

Nepal's total value of exports to foreign countries as percentage of her GNP is roughly 4.7 per cent which is much too low. With India it has been continuously having an unfavourable balance of trade. Exports to India increased from Rs 0.5 million in 1961-62 to Rs 144 million in 1969-70. Imports from India have also substantially gone up from Rs 0.11 million in 1961-62 to Rs 273 million in 1969-70. The deficit is evident and it has further mounted in the last three years ending 1972-73.

The trade deficit with India may even increase in the coming years. For Nepal, elimination of the trade deficit and creation of trade surplus in order to meet the existing unfavourable balance of payments, remains an unfulfilled task on the foreign trade front. However, the task is not beyond the range of possibilities in the coming years if Nepal concentrates on exporting items like hydro-electricity, wood, wheat, rice, dairy products, oil-seeds, etc., in abundance to India. But then Nepal has to improve productivity, both quantitatively and qualitatively with emphasis on lower cost of production.

significant treaty

The five-year Indo-Nepal treaty of trade and transit that came into force from August 15, 1971, is significant for agreement on the use of overland route and for measures to prevent deflection of trade. According to this treaty, each country will prohibit re-export of each other's products. Similarly, diversion of goods based on imported material in excess of 50 per cent of the ex-factory value is prohibited. Now with the growth and diversification of industrialisation in India and the rapid economic development of Nepal, the volume of Indo-Nepalese trade can be expected to expand rapidly in the years to come.

There are no two countries in the world that are more close to each other than Nepal and India. The close ties between the two countries are reflected in certain significant provisions of the existing trade treaty. For instance, the government of India has agreed to exempt from customs duty and quantitative restrictions the primary products of Nepal imported into India. Similarly, on the basis of nonreciprocity, India has granted specially favourable treatment to imports into India of industrial products in respect of customs duty and quantitative restrictions. It is also agreed that the Nepalese government shall endeavour to exempt, wholly or partially, imports from India from customs duty and quantitative restrictions as may be compatible with development needs and protection of Nepal's industries.

Article II of the protocol to the treaty mentions that the government of India shall reimburse to Nepalese government the excise and other duties collected by the government of India on goods produced in India provided (i) such reimbursement shall not exceed the import duties and like charges levied by the Nepalese government on similar goods imported from any country, and (ii) the Nepalese government shall not collect from the importer of such goods so much of the import duty and like charges as is equal to the amount reimbursed by the government of India. Apparently, the reimbursement of excise and other duties is provided for with a view to enable Indian goods sell in Nepal at a lower price, although the forces of demand and supply are supposed to take care of the market price at any given period of time.

The market prices themselves govern the demand and supply conditions of Indian goods in Nepal. In case Nepal subsidizes Indian goods to the tune of the extent of reimbursement of excise by our government to the Nepalese government, Indian goods can be sold at fairly competitive prices in the market for the benefit of the people at large. It is a known fact that, by and large, the gap in the cost of production of Indian goods and those of advanced countries is so wide that it cannot easily be wiped off even with the amount of subsidy that may be given to the maximum limit of the reimbursed excise duty. This explains why Indian goods are at a disadvantage and cannot compete successfully with similar goods of other countries in Nepal.

Another significant provision is clause 7 of the protocol to the treaty which says that the government shall pay to Nepal a sum not exceeding 25 per cent of additional duty collected by the government of India with a view to offsetting the higher cost of production of Nepalese goods as compared to similar goods manufactured in India. Thus, we see that both Nepal and India, which are developing countries are trying to help each other by meeting their mutual needs and solving their mutual problems for enhancing trade.

In conclusion, it may be pointed out that imports and exports of countries are said to be the two independent variables which together determine the trade balance. However, in real life, things are not that simple. For Nepal, import of goods is a dependent variable, it being equal to the sum of two other independent variables viz., exports and deficits. The real crux of Nepal's foreign trade problem is the extent of her continuing deficits with India.

A high growth rate in national income, even in developing countries, is necessarily accompanied by a high growth rate in export earnings. It has been estimated that even a five per cent increase in the GDP of Nepal through international trade will require nearly a 50 per cent increase in exports by Nepal. As such, domestic production at lower cost with ever-increasing surplus alone seems to be the solution for catching up with the burgeoning world trade. This kind of trade philosophy is both crucial and critical for Nepal's self-sustained growth in future.

Wage boards in India

D. C. Mathur

WAGE BOARDS are now one of the most common machinery of wage regulation in both developed and developing countries. The first wage board was appointed in 1896 in the state of Victoria in Australia. After that the system was followed in England, the USA, Canada, Norway, South Africa and India.

In this country, the system of wage boards was first adopted when the Committee on Fair Wages recommended for the establis hment of wage boards, The fist five year Plan also included the proposal for appointment of wage boards. But the first wage board was appointed only in 1957 for cotton textile industry. So far wage boatd for 19 industries and occupations viz cotton textiles, sugar, cement, journalists (two wage boards each) tea, rubber and coffee plantation, iron and steel, iron ore mining, limestone and dolomite mining, coal mining, port and dock workers, engineering, heavy chemicals and fertilizers, leather and leather goods, electricity undertakings and road transport have been set up. The Labour ministry's proposal for the appointment of the third wage board for journalists was approved by the cabinet on October 11, 1973. The composition and terms of reference of the board to be set up in terms of the Working Journalists Act, will be finalised by the Labour ministry. It is understood that a simultaneous revision of wages for non-journalists was generally favoured. However a wage board for them was not mooted as the All India Newspaper Employees Federation preferred bilateral talks.

The wage boards in India are appointed by the central government and usually consist of seven members, two representatives each of workers and employers, two independent members and a chairman. The terms of reference of all the wage boards include:

To determine the categories of employees (manual, clerical and supervisory etc.) who should be brought within the scope of the proposed wage fixation;

To work out a wage structure based on the principles of fair wages as enunciated by the committee on fair wages;

To consider the desirability of extending the system of payment by results;

To work out the principles that should govern the grant of bonus to the workers in the specific industry.

It is expected of the wage board that it will consider the needs of the specific industry in a developing economy, the special features of the industry, the requirement of social justice and the necessity for adjusting wage differentials in such a manner as to provide incentives to the workers.

The method adopted by the wage boards is to circulate the questionnaire to the management, workers and state governments and to draw conclusions on the

basis of their replies. The questionnaires include questions on wage rates and the wage policy.

The wage boards are useful instruments in the wage fixation. But the working of the wage boards has not been found satisfactory in India. First of all, the wage boards have taken a long time in submitting reports. Most of the wage boards have taken three to four years in the submission of the reports. The longest time was taken by the wage board for tea plantation which took five years and six months. Similarly wage board for rubber plantation took five years and one month and port and dock wage board took five years. Thus the wage boards have taken a long time, consequently conditions change before the submission of the report and the proposed wage rates still lag behind fair wages.

Therefore it is suggested that time limit for submission of reports should be fixed, say one year. The board should submit the report within the time allotted and if due to some unavoidable circumstances it is not possible to submit the report in time, it should make interim recommendations. Recently in a statement, the Indian Federation of Working Journalists expressed the hope that the government would direct the newly set up wage board for working journalist to give interim relief immediately and submit its final recommendations within a year. The National Union of Journalists has also demanded the immediate interim relief and the early submission of the report.

The terms of reference of all the wage boards include working out a wage structure based on the principles of fair wages. But all the wage boards have fixed the wage rates on the basis of the capacity of the industry to pay rather than the principles of fair wages. The wage boards have expressed their inability to concretise the norms of the need based wages on the norms prescribed by the 15th Indian Labour Conference. Thus their working is more or less just like minimum wage fixing committees constituted under the Minimum Wages Act 1948. The same type of work is now being done by the state governments by issuing notifications for fixing minimum wages in some industries where no norms are ever considered. It is true that the wage rates fixed by the wage boards are higher than the rates fixed by the minimum wage fixing committees or fixed by the state governments by issuing notifications. But the main reason for this is that the capacity of the industry to pay is higher in major industries for which wage boards have been appointed. Thougl the capacity of the industry to pay ha been considered by the wage boards, n standard procedure has been adopted t ascertain the capacity of the industry t pay.

It is therefore suggested that the wag boards should fix need based wages a minimum wages on the basis of the norm prescribed by the 15th Indian Labour Con ference, Industries with higher capacity t pay should pay higher wages, To ascer tain the capacity to pay, it is suggeste that profit or loss in relation to capita employed should be adopted.

In fixing wages also, the wage board have developed unsound wage differential Wage boards have divided the industries i several regions and fixed wages and dear ness allowance at different rates. N standard procedure has been adopted fo dividing the country in different regions For example, cement wage board ha fixed only one rate of wages for the whol country, sugar wage board divided th country in four regions viz. north, south central and Maharashtra regions while th engineering wage board divided the in dustry in four regions viz. southern northern, eastern and western. W do not, however propose that same re gions should be fixed for all the industrie

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but the characteristics of the particular industry and the needs of the workers should be taken into consideration for the purpose of dividing the industry in various regions.

All the wage boards have recommended the linking of dearness allowance with consumer price index numbers. But the series of index numbers to which the dearness allowance should be linked are different. For example, cement and sugar wage boards recommended to link dearness allowance with all-India cost of living index numbers while wage boards for cotton textile industry recommended to link dearness allowance with local series of cost of living index numbers. Dearness allowance in all the industries should be linked with the local series of index numbers and if there is no series of cost of living index numbers, the series of nearest region should be adopted for the purpose of revision of dearness allowance.

One of the recommendations of some of the wage boards like wage board for cotton textile industry is to merge a part of dearness allowance with the basic wages where 75 per cent of dearness allowance has been merged with the basic wages and the rest is still linked with the cost of living index numbers. It is necessary to have a balanced wage structure, but this allowed variation in the basic wages as dearness allowance was also paid at different rates when the recommendations were implemented in 1960. Thus the wage boards, instead of bringing uniformity in the wage structure, developed differences in the basic wages.

Various wage boards have attempted to reduce the number of grades and to adjust some differences. But a thorough re-examination of the wage pattern has not received top priority. These wage boards are working just like negotiating machinery to adjust the difference of opinion between the employers and employees.

Even the wage boards' decision hardly satisfy both the parties. In some of the cases like the wage board for engineering industry and the second wage board for cotton textile industry, they have not gained unanimity. In the case of engineering industry, the representatives of workers, employers and the chairman and independent members all have recommended separate wage structures. In such cases when the recommendations were accepted by the government, they have not been implemented by the employers.

Therefore the wage boards should consider the question of wage structure thoroughly, based on the needs of the workers. To achieve this objective, it is necessary that both the employers and employees should extend whole-hearted cooperation to the wage boards. At the same time the recommendations of the wage boards should be made statutory and they should not be questioned in any court of law. Generally political persons are included in the wage boards as chairman and independent members. This should be avoided and professors, lawyers etc should be included in the wage boards.

Since wage boards consist of the representatives of employers and workers, they introduce an element of self-government and democracy in solving labour problems. This helps mutual understanding and promotes harmony. But this is possible only when working of the wage boards is improved and co-ordination between various wage boards brought about. The wage board system is certainly better than other systems e.g. wages fixed under statute, as due weightage can be given to the peculier features of the industry or regions in fixing wages. Suggestions made above are important for the successful working of the wage boards and to bring about an end of disharmony in industries that retard economic progress so vital for the advancement of the country. Therefore before finalising the composition and terms of reference of the third wage board for journalists or any other wage board, the suggestions made above should be implemented.

"criticomments"

RIGHT OF WIVES AND CHILDREN

The Married Women's Property Act provides that a life insurance policy taken by a man specifically under the Act for the benefit of his wife and/or children will form a trust, free from control by his creditors.

Under the Estate Duty Act, the policy amount will not be added to his other estates, but will form an estate by itself, and estate duty leviable will be on the amount taken by itself.

This can mean a lot of tax saving for the man's wife and children, a right they enjoy under the Married Women's Property Act and the Estate Duty Act.

Let's take the example of a man with an estate worth Rs. 6 lakhs. The estate duty payable on his death is Rs. 1,02,000.

If instead his estate consisted of Rs. 5 lakhs and Rs. 1 lakh in a life insurance policy under the Married Women's Property Act, the estate duty leviable will be as follows: duty on Rs. 5 lakhs: Rs. 72,000. Duty on Rs. 1 lakh life insurance: Rs. 2,000. Total: Rs. 74,000. A straight saving of Rs. 28,000 for his wife and children, which is very useful when the breadwinner is no longer with them.

Another example: he leaves Rs. 3 lakhs as property, and Rs. 1 lakh each in life insurance under the MWP Act for his wife and two children. Duty payable will be as follows: on Rs. 3 lakhs: Rs. 27,000. On three Rs. 1 lakh policies: 3 x Rs. 2,000 = Rs. 6,000. Total: Rs. 33,000, instead of Rs. 1,02,000 on a Rs. 6 lakh agregated estate. Saving: Rs. 69,000.

This is in addition to the tax rebate a man enjoys in his own life-time on life insurance premiums. Thus a life insurance policy can help a family in more ways than one.

WINDOW ON THE WORLD

Towards the "information civilisation": I

Jossleyn Hennessy
London:

I

Challenge to Institutions

DR GEORGES Anderla, Professor at the Paris Institute of Political Studies and at the University of Paris, has, at the request of the OECD Directorate for Scientific Affairs, recently drawn up a report of supply and demand in the field of scientific and technical information over the next fifteen to twenty years. This study is an important contribution to forecasting the skills and numbers of information specialists required within that period.

Governments and the general public are beginning to take more and more serious interest in information because the volume and sheer weight of information which has become available in the last few years have implications that can no longer be ignored.

The quantitative growth in sheer volume is one of the factors which have brought information into the foreground. Information is now recognised for what it is, i.e., a vehicle for the transfer of knowledge and a basic resource, an essential ingredient of both the decision-making process and production processes of all kinds.

Dr Anderla has used a wide range of methods, from conventional extrapolation and model constructions to matrix analysis and morphological research, by way of the Delphic technique and scenario writing. They have led to a set of quantified forecasts, largely coherent, and mostly either convergent or complimentary.

Three conclusions emerge from Dr Anderla's study:—

First, nearly all the problems connected with the generation, transfer and use of information have until now largely underestimated their real dimensions, complexity and growth dynamics.

Secondly, information is at present inadequately handled by many competitive, fragmentary bodies using outdated tools and operating under the protection of a system which is itself obsolete.

Thirdly, to cope with the extraordinary dynamics of information, vigorous action accompanied by appropriate technologies is necessary. Action by governments cannot be effective, however unless it is based on an information policy designed to make use of this invaluable resource for the development of our future society.

Most of the current estimates, generally incomplete and incorporated without critical examination even in the official documents of several major international bodies, are gross understatements. To arrive at the volume of information that is in fact available, they need to be multiplied by three.

The accumulated stock of some 25 to 30 million documents is increasing rapidly because the annual output of knowledge and/or information already amounts to over two million articles and other primary sources. We are thus continually adding to a potential world library of more than 100 million books.

Nor is this the whole story. In addition, there are thousands of millions of raw observations, miscellaneous measurements and basic data which, though elementary, are just as essential for modern management and experimental research, because both of these rely on the statistical analysis of major series.

The exuberant growth of information is leading to a situation which, to say the least, is paradoxical. While we are being submerged under a rising flood of messages, documents and records of all kinds, there is at the same time a lack of reliable and relevant information in a directly accessible form in every area at every level. Although our society is (We hope!) fairly rational and administration and regulation play a great part in it, we have not yet learned how to channel the generation of this information adequately or how to organise its distribution. Information threatens to become a source of pollution rather than of greater wealth.

dissemination of information

Let us first glance at the generation and dissemination of information. Some 10 to 12 million authors are regularly, or occasionally, producing new information in the exact and human sciences, technology, engineering, medicine and education. Their papers are published at an increasingly rapid rate in some 50,000 to 100,000 journals, and they form the subject of more than 1,500,000 abstracts every year, which in turn are issued by more than 1,800 services specialising in bibliographic descriptions.

Since the value of this literature is by no means uniform, some authorities now urge quality control. The danger here, however, is that the cure could prove worse than the disease. On the other hand, better coordination would substantially reduce duplication and check waste, both of which occur on a huge scale and increase in geometric progression.

Another cause of proliferation is that our system of values sets a premium on mere quantity. The careers of doctors or professors, and increasingly of engineers or technologists, largely depend on the number and length of the technical papers which they publish. It is thus not surprising that their "literary productivity" increases on average from 2.5 to 4 per cent annually and this, of course, directly affects the quantity of information put into circulation.

The most serious weaknesses, however, are in the management of the services engaged in collecting, processing and redistributing information.

II

Anachronistic Organisation and Management

It is surprising, to say the least, that, in this age of third generation computers, about 99 per cent of all scientific, technical, medical, administrative and educational information should still be handled by manual or at best mechanical process, whereas banking transactions and the operations of airline companies, for example, are already largely computerised.

The few automatic data processing systems in operation have drawn criticism, often contradictory, bu it is generally agreed that their services are inadequate. Hence the number of users is ridiculously small, and the costly equipment and associated telecommunications hopelessly under-used. However, it is clear that current technology, though it may not be able to solve all problems, is sufficiently developed to allow better performance and a substantially higher degree of automation.

A motley collection of services belonging to central or local government, the universities or private enterprises now deal with information. No two scientific libraries, documentation centres or data banks are alike, nor do they have similar structure or equipment.

This diversity is partly but not wholly justified by ever-increasing specialisation. Acting in turn as cause and effect, fragmentation and specialisation preserve the parochial outlook which distinguishes almost all institutions in this vast field.

Information services are springing up like toadstools after the monsoon. New agencies are constantly being set up without considering whether an existing service could be organised to perform additional functions at lower cost. This proliferation is now so great that it is impossible to know whether the specialised libraries now existing in the world must be counted in tens or hundreds of thousands, and whether the total of industrial analysis and/or documentation centres is 30,000 or 100,000, and whether there are 400, 800 or 1,200 data banks. The number of personnel employed is just as unknown. No reliable or even approximate statistics are available, nor can they be compiled because the countries and institutions have agreed neither on the criteria of qualifications nor on the definition of job categories.

Depending on whether only certified librarians, university-trained information specialists, computer engineers and systems' analysts are considered, whether documentalists, middle-grade executives and technicians of all kinds are included, or whether all the operators are counted, the permanent staff of information services in all the developed countries may roughly be estimated at 60,000, or 100,000 or 150,000 men and women.

Well over half the flow of information bypasses the services, which, in theory, should be responsible for analysing and storing it.

handling documents

On the basis of several estimates which tally, research staff, working individually or in teams, spend ten to fifteen per cent of their time on compiling or handling documents. If this percentage is set against the total count of scientists of OECD countries the inference is that information and documentation occupy several hundreds of thousands of scientists and their assistants, or at least 300,000 to 400,000 persons.

Even if this last figure is added to the permanent staff of the established information services, the result is still far short of the total numbers who, in one capacity or another, also participate in the transfer of scientific and technical information. This total should also include not only the people, usually junior staff, whose task it is to record fragmentary items and data, but also the hundreds of thousands of scientists who analyse, summarise, evaluate and translate the writings of their colleagues, in most cases periodically and on a part-time basis.

It is possible that the management of scientific and technical information already accounts for a million man-years of work by professional and sub-professional staff.

III

Automation of Information

The magnitude of the resources already used proves that the transfer of information is no longer a minor matter — the preserve of a handful of specialists or a simple documentation problem for technicians alone. But to reach complete understanding of the part that information will be, or at least should be, required to play in world society, allowance must be made for its extraordinarily rapid growth and increasing complexity.

By various methods it has been possible to calculate a series of qualitative, as well as quantitative, forecasts for the next 15 years. These projections show that by around 1985, new information will probably be generated and circulated at the rate of some 12 to 14 million documents a year, — six times the present rate and 25 times the volume of 15 years ago.

The only solution to this staggering avalanche of information is intensive automation. By 1985, automatic data-processing systems should be able to cope with at least one fourth and possibly one third of all transfer operations. In other words, between today and 1985 the number and processing capacity of systems now in operation will have to be multiplied by 50 or one hundred.

Comparing these forecasts for 1985 with present quantities, it can be deduced that the growth of information will certainly be exponential and that the rate will reach 12.5 per cent a year. However, the use of automation in information processing will also increase, at a rate of some 20 to 30 per cent, between now and 1978-80, rising to 40 per cent thereafter.

The combined result of these successive geometric progressions will be equivalent to an exponential growth, assumed to be constant, of 33 per cent a year. In fact, the manufacturers of the equipment—terminals, reproduction media, microforms, cable television—for the new automation systems are reckoning on an even faster rate of market growth, i.e. 35 to 50 per cent a year over the next ten years.

Sources and acknowledgement: This is the first of two articles summarising the imporant report drawn up for the OECD by Dr Georges Anderla of the University of Paris, but he is not responsible for the emphasis of my summary nor for my interspersed comments, based on a variety of sources. A second and final article will appear next week.

Energy crisis casts its shadow

E.B. Brook

THE OLD year has closed overcast and with not a few storms. The need to use petrol and other fuels carefully has taken something of the glitter off Europe's most self-indulgent season; the outlook for 1974 is of continuing need for economy, of reduced growth, of threatened peace and of conflicts of interests within west Europe's economic grouping. The greatest cheer is to be found in the similar difficulties other parts of the world are experiencing and the greatest good in the urgent need and search for more self-reliance in industrial essentials among the most advanced industrial countries.

Not a little ironically the Market's latest big row has arisen because Britain, until lately the mightiest imperial power in Europe, is finding its Market partners —especially West Germany—unwilling to give it as much money as it urgently needs to develop its own poorer regions. Oddly, the British with the Irish and the Italians stand together as applicants for aid from the Market's regional aid fund and angrily demand more from the pool than the other contributors are willing to pay out. France has scarcely been able to conceal its glee at the uncommon sight of its two historical foes, Britain and Germany, at loggerheads and the other Market members are not a little nonplussed. Historically, the situation is almost ludicrous; factually, it serves to emphasize how utterly the world has changed. Its experience with the Market — two unsuccessful applications to join in the 'sixites and now a squabble to get some aid — does not make Britain love the organisation or the modern concept of Europe. For the British prime minister, who forced Market membership through his Parliament, the present struggle for sufficient aid is as politically vital as his own domestic economic problems.

British attitude

The situation is made unnecessarily difficult by the British government's habitual attitude with the Market of trying to hurry and force decisions. If the British Foreign minister had heeded the advice of one of Britain's own commissioners in Brussels — "What matters most about the size of the regional aid fund is not any magical sum finally inscribed in the Community budget for 1974, but the ability of the fund to grow steadily with good husbandry of its spending" — he would have done better. The fact is that the size of the fund will depend mainly on the West German tax payers' willingness to contribute, and in present circumstances — with expected growth next year down to one per cent and a price index rising eight per cent—that willingness is meagre. The Germans, like Britain's commissioner, feel that modest start with the fund and careful development of it is far preferable to a rash handing out of largesse to two poor applicants—Italy and Ireland—and to one, Britain which all Europe considers could do much better for itself.

The formation of the fund, like the monetary union, has been postponed. The principle of regional aid is not challenged; this aid is necessary if the Market is to retain its economic health. Europe — that is, west Europe — is too small to accomodate distressed areas. At the moment, however, there is little prospect of early and significant initiative on regional development or on monetary, industrial or economic policies in the Market area.

alternative sources

Meanwhile, Europe concentrates on oil and on alternative sources of energy. There is a sudden hurry towards the use of nuclear power: West Germany is fairly soon starting up a new large reactor and the West Germans and French are beginning to patch up their differences as to which means of producing nuclear energy should be used. But atomic energy stations take a long time to build—that at Dungeness is already six years behind schedule—and costs build up stiadily.

The oil shortage is at present in many ways more propaganda than actual. Britain is the only country to state frankly its basic necessities are covered. The French are suspect because they are understood to be negotiating a direct deal with Saudi Arabia for extra oil in 1974, a move which could further damage Market unity. President Bourgiba of Tunisia has assured Britain, France, West Germany and Austria that they will not go short of Arab oil and Libya remains an odd man out from the Arab oil cuts while Iraq is increasing its oil flow. In Holland, theoretically the country most hard hit, the oil storage facilities are full and reserves have actually increased. Some governments, notably those of Holland and West Germany, tend to be a trifle hysterical about oil; the French are coolly silent and generally business carries on very much as usual. There are threats of austerity in 1974 but some governments are crying wolf too often to be entirely credible.

The people who have little or no consideration in the oil supply cuts and, more especially, in the rising price of oil, are the industrially developing countries of Asia Africa and South America. The increased prices of oil — shortly to go up again— may very well lose the less developed industrial countries most of the ground they have so laboriously made up in the last 20 years. This loss will coincide with damaging debt problems

mounting pressures

The pressures will come from three directions. First is the rising cost of oil which may easily force up the total current account deficit of the combined industrially developing states by nearly four billion dollars to almost $ 12 billion. India, Brazil, Singapore and South Korea, the heaviest importers, will suffer the most. The second source of intense pressure will be the rise in non-oil import prices. The boom in recent years in commodity prices which has benefited the industrially developing areas will begin to have it boomerang effect in price increases of exports from west Europe and the USA. An increase of 10 per cent in 1974 seems to be a conservative estimate and could add another 2.8 billion dollars to the current account deficit. At the same time there is likely to be a rapidly decreasing rate of foreign exchange earning as downturns in the rates of growth in the USA and west Europe reduce their purchases.

This prospect of falling commodity prices and reduced sales combined by heavier expenditure for oil imports is made the more serious by the rapid increase in borrowing in the Eurocurrency markets by a number of the least developed countries. The problem will be greatest for these weakest countries which are neither so important nor so potentially prosperous as to attract funds from the areas, such as the Arab states, which have more money than they can handle. It is to be expected that the difficulties of the economically mighty will be darkly reflected in the economically weaker.

TRADE WINDS

RBI Curbs on Foreign Firms

THE Reserve Bank of India recently imposed restrictions on the trading, commercial and industrial activities of foreign companies, foreign nationals and Indian citizens residing abroad. The restrictions, imposed in the form of statutory obligations under Section 28 and 29 of the New Foreign Exchange Regulation Act, 1973, came into force from January 1, 1974. Under Section 28 of the Act, no person resident outside India (including Indian citizens) or a foreign citizen resident in India or a company (other than a banking company) incorporated abroad or in which the non-resident interest is more than 40 per cent, as well as its branches, can accept appointment as agent or technical or management adviser in India of any person or company without the permission of the Reserve Bank of India. Such companies or persons also cannot permit any trade mark, which it/he is entitled to use, to be used by others without the bank's permission. The Reserve Bank's permission is also required in cases where appointments as agents or advisers are held by the said persons or companies prior to January 1, 1974, or where the permission for the use of trade mark granted by them continues to be valid on that date.

Under Section 29, the persons and companies mentioned above, are required to obtain the bank's permission for carrying on in India any activity of a trading, commercial or industrial nature establishing an office or branch of any business in India, acquiring, either wholly or partly, any business undertaking in India or purchasing shares of Indian companies. This statutory obligation, which also comes into force from January 1 will also apply to cases where the persons or companies have been carrying on trading, commercial or industrial activities in India before January 1, 1974 or where offices and branches were established by them for the purpose before that date. Applications for permission to continue such activities or offices, falling within the purview of both the sections of the Act, should be made to the Reserve Bank of India within six months. Persons or companies holding shares of Indian companies at the commencement of the new Act should apply to the bank within this period for permission to continue to hold the shares.

Property Abroad to be Declared

The Reserve Bank of India has asked persons, firms or companies in India holding immovable property abroad to declare the holding to the RBI in a prescribed form before April 1. In a press release, the RBI announced that without its permission no Indian citizen residing in India or firm, or company registered or incorporated in the country could acquire, hold, transfer, or dispose of any immovable property situated abroad. Such permission was not, however, required in respect of immovable property acquired or transferred by way of lease for a period not exceeding five years.

Car Prices

In pursuance of the judgment of the Supreme Court delivered on November 24, 1971, directing the central government to review the selling prices of the three makes of cars manufactured in the country every six months and in consideration of the claims submitted by the manufacturers for increase in the prices of cars, the government has issued fresh orders amending the Motor Cars (Distribution and Sale) Control Order, 1969. Under the new Motor Cars (Distribution and Sale) Control (Amendment) Order, 1974, the ex-factory prices of the passenger cars inclusive of dealers' commission and exclusive of excise duties, central duties, central sales tax and local taxes, if any, and transportation charges would be as follows from January 1, 1974.

Ambassador Rs 18,300, Premier President Rs 17,980, Standard Gazel Rs 17,840. These prices will be operative upto June 30, 1974.

Excise Duty on Coal

The union government decided to put up the excise duty on coal marginally—by five paise a tonne. The increase will fetch the Coal Mines Authority of India an additional amount of Rs four crores to its present income of Rs 14 crores through this source.

Advisory Council on Trade

The sixth meeting of the Advisory Council on Trade was held in New Delhi in the first week of January under the chairmanship of the minister of Commerce, Prof. D. P. Chattopadhyaya. The council reviewed the performance of the commercial aspects of the economy of the country and discussed problems relating to expansion of exports and regulation of imports, especially in the context of rise in crude oil prices.

Use of Organic Manures

An all-India conference to discuss effective use of organic manures on a massive scale to increase agricultural production was held on January 4, 1974. Ministers of Agriculture, Urban Development and Local Self-government from states and union territories attended the conference which was inaugurated by the union minister for Agriculture, Mr Fakhruddin Ali Ahmed. The union ministry of Agriculture has prepared a comprehensive programme for exploiting local manurial resources for production of organic manures in the fifth five-year Plan. Provision has been made for an outlay of Rs 9 crores in the central sector and Rs 9 crores in the state sector. The ministry of Works and Housing has also provided Rs 10 crores for development of urban compost and sanitation.

It is proposed to set up mechanical compost plants in 45 cities and also undertake 300 sewage irrigation schemes. A large scale campaign for production of rural compost and establishment of 'gobar gas' plants is also to be launched. The programme for exploitation of organic waste for production of organic manures has assumed great importance in view of the shortage of fertilizers in the world market, oil crisis and increase in shipping freight charges.

More STC Offices Abroad

The State Trading Corporation proposes to introduce the "regional grid" concept in foreign countries by setting up more offices in unrepresented areas to widen its trading opportunities. The STC has already established 19 foreign offices at important trading centres in selected countries of the world. The overall performance of foreign offices is being reviewed and trading opportunities in the various regions being assessed. This may result in having regional headquarters in eastern Europe, western Europe, north America, south and central America, south-east Asia, west Asia and north Africa.

Bangladesh Plan

The Bangladesh government has approved the country's first five-year Plan. The Plan envisages an investment of Taka 4500 crores in the public sector. Highest priority has been given to agriculture in order to achieve self-sufficiency in food in the shortest time possible. An amount of Taka 1041.09 crores has been allocated for development of agriculture through various ministries of which the ministry of Agriculture will directly spend Taka 459.10 crores. Of the allocation made directly to the ministry of Agriculture, Taka 183.07 crores has been earmarked for sinking tube-wells for irrigation, Taka 74 crores for low-lift pumps, Taka 36.08 crores for fertilisers, Taka 80.92 for pesticides. Besides, Taka 25 crores will be spent for improvement of jute, cotton and tobacco cultivation. An amount of Taka 18.44 crores has been earmarked for improving agricultural marketing. Taka 500 crores has been allocated for the development of power generation and distribution. The first five-year Plan envisages to reach electricity to the country-side. The initial objective would be to provide power supply to all townships or large villages.

Role of Nationalised Banks

Steps to improve the performance of the nationalised banks, to remove any unintended effects of the credit squeeze by the Reserve Bank and to bring uniformity in the rates of sales tax all over the country were discussed at a series of high-level meetings. The Reserve Bank Governor, Mr S. Jagannathan, told a meeting of state representatives that nationalised banks could finance rural electrification and housing programmes only on a selective basis. These banks, which were already hard-pressed on their resources by increased commitments to the priority sector, could not accept some of the proposals which may not be bankable, he said at a meeting of the northern regional consultative committee on nationalised banks. The meeting presided over by Mr Y.B. Chavan, union Finance minister was also attended by the chairmen of several nationalised banks including the State Bank. While expressing satisfaction over the expansion of branches and dispersal of credit in the priority sector by the nationalised banks, Mr Chavan felt that much remained to be done in both directions.

G.D. Birla for Government-Industry Dialogue

Mr G. D. Birla recently pleaded for a "dialogue between businessmen and the government" to find a meaningful solution to the gigantic problems facing the country. Referring to the emphasis repeatedly laid by the Prime Minister, Mrs Indira Gandhi, on the imperative need for increasing production, Mr Birla stated, that the government should try to take greater advantage of the businessmen's experience in the field of industrial activity.

Inaugurating the silver jubilee convention of the Gujarat Chamber of Commerce and Industries, Mr Birla referred to the grave crisis faced by the country and the world as a whole due to the Arab states' oil squeeze. He also reminded the government that the credit squeeze imposed by the Reserve Bank had failed to bring down prices while it had hampered productive activity. Mr Birla pointed out that while measures like credit control might have their limited utility, it was only increased production that ultimately solved any economic crisis. Too much talk of long-term measures without emphasis on the implementation of immediate tasks would lead the country nowhere. Mr Birla wanted both the government and industrialists to show greater awareness of the problems created by the present world-wide oil crisis. Productive activity in Europe would suffer due to the oil scarcity, thus leading to a reduction of their imports from this country and this would result in a grave economic crisis in India, particularly as regards the foreign exchange requirements. He also urged businessmen and industrialists to realise that even if the government ignored them, it was their duty as patriotic Indians to do their best to accelerate industrial activity. It was no use continuing the traditional lament over various difficulties, for it was in adverse situations that the mettle of a businessman was tested.

Mr Birla emphasised that this country had not only brains and sincerity of purpose but also abundance of natural resources and a vast consumer market. It was for the government to find out as to how these favourable factors could be harnessed for the vital tasks of national progress. Mr Birla paid glowing tribute to the role played by Gujarati businessmen and industrialists both during the freedom struggle and after independence.

Imported Raw Meterials for Small Industry

The union minister for Commerce, Prof. D. P. Chattopadhyaya, assured the small scale industrialists that every effort would be made to promote and encourage the small scale units and informed that several distinct measures in this respect have already been taken. He said that additional allocation of imported raw materials was being made to the units, which were engaged in the industries exclusively reserved for the small scale sector. Such units would be granted import licences for a value 20 per cent higher than that of last year. Prof. Chattopadhyaya was addressing the annual convention of the Federation of Associations of small Industries recently.

The Commerce minister pointed out that in order to compensate for the rise in prices, the import entitlement of actual users, both priority and non-priority, in the small scale sector, would be enhanced by 25 per cent in respect of non-ferrous metals and mild steel. The basis of licensing to new units in the small scale sector has also been liberalised, he added. Entitlement of such units for imported raw materials, components and spares would be calculated at 40 per cent of the value of machinery as against 30 per cent in the last year. The maximum value limit for new units has also been raised from Rs 75,000 to Rs one lakh for non-priority and from Rs 1.5 lakhs to Rs two lakhs per annum for priority indus-tries, he said.

Referring to difficulty in procurement of raw materials and components from rupee area countries, Prof. Chattopadhyaya added that to remedy the situation, the surrendered value of rupee area licences, in respect of non-priority units, shall be taken as utilised; and for priority units, the surrendered value shall be taken as a value of consumption for the purpose of grant of licences. In order to provide greater flexibility to industries, actual users in priority industries will be permited to import against their A.U. licences any item of raw material and components upto 5 per cent of the value of the licence, subject to certain conditions, even though the items may not be normally permissible for import.

Names in the News

Mr G.D. Naidu, well-known industrial scientist, died on January 4, 1974. He was 80. Mr Gopalaswamy Doraiswamy Naidu, inventor of a variety of mechanical devices, was among the earliest to offer cheap radio sets and several other gadgets for sale in the market.

Mr Ron Dev Kohli took over as the chief executive of the Shipping Corporation of India, on December 31, 1973 relieving the chairman, **Mr C P. Srivastava**, who takes up charge as secretary-general of the Inter-Governmental Maritime Consultative Organisation in London.

Mr M. S. Lal has taken over as Chairman of the Hindustan Steel Works Construction, a public sector undertaking under the Steel Authority of India. Mr Lal has held senior managerial positions in the Bhilai and Bokaro steel projects.

A challenging future calls for greater austerity & hard work

Kamaljit Singh, Managing Director (Marketing Division), Indian Oil Corporation Limited

Shri Kamaljit Singh

Following is the speech delivered by Shri Kamaljit Singh, Chairman of the 14th Annual General Meeting of the Indian Oil Corporation Limited held on the 17th December, 1973 at New Delhi:

At the outset, and before going over the working results of the year, it is necessary to dwell on some recent developments in West Asia, which are of considerable importance to the oil industry in India. Various factors have helped to push up the world prices of crude oil to phenomenally high levels. Compared to the prices of crude oil prevailing about two years back, the present prices in West Asia are almost ten fold. Such a steep increase in so a short period has been unprecedented in the world crude oil market. These developments have, at one stroke, increased steeply the foreign exchange drain on the country for the import of crude oil and other petroleum products. It is also not easy to secure adequate supplies of oil, either on a short-term, or on a long-term basis. The outlook for the future is neither bright, nor even clear; and India alongwith several other Nations, has had no alternative but to tighten its belts and seek all possible steps for the conservation, and a very cautious utilisation, of the available energy resources. Obviously, such a major development is bound to affect the future outlook of your Corporation as regards growth, planning and profitability. While the Government of India and your Corporation are fully alive to this problem, it is much too soon to estimate what precise effects will be felt on the progress and profitability of your Corporation in future years.

YEAR OF CHALLENGE

Turning to the year under report, 1972-73 turned out to be a year of sustained progress for your Corporation, the details of which will be mentioned later. However, despite such progress, during the year 1972-73 itself, signs were evident of grave stresses in the national economy and steep increases in the cost of living; and these necessarily had their influence on the style and working of your Corporation. Even though your Corporation made increased profits during the year, it had to take several steps for economy and austerity in its operations, in the context of the overall national economy. For example, your Corporation has dispensed with the customary printing and distribution of Calendars and Diaries for the year 1974. At the same time, your Corporation was also called upon to shoulder increasingly higher responsibilities towards society and to foster the common weal. The year was one of severe drought and acute scarcity in several parts of the country and your Corporation made substantial donations to various Relief Funds. In brief, though your Corporation continued to be the leader in the corporate sector, with the largest profits of any company whether in the public sector or in the private sector, it has had to assume a dual role, on the one hand as a pace setter for economy and austerity, and, at the same time, as a torch bearer in fulfilling larger social responsibilities.

WORKING RESULTS

For your Corporation, it was a year of continued progress on all fronts. During the year, the three refineries at Gauhati, Barauni and Koyali processed a total quantity of 6·91 million metric tonnes of crude oil, as against 6·72 million metric tonnes in the previous year. The sales turnover of your Corporation amounted to Rs. 996 crores as against Rs. 862 crores in the previous year, resulting in an increase of 15·55%. The total volume of products sold also increased by 10·60% going up from 13·68 million kilolitres to 16·00 million kilolitres. The overall market participation of your Corporation increased from 54·2% to 59·2%.

FINANCIAL RESULTS

The total profits during the year, before providing for depreciation and interest, were Rs. 66·32 crores, as against Rs. 53·42 crores in the previous year. In 1972-73, the net profits, after providing for depreciation and interest and for adjustment of prior years, were Rs.49·17 crores as against Rs.36·94 crores during the previous year. Your Corporation is determined to make every effort to maintain its profitability, inspite of adverse conditions and the grave challenges looming ahead.

This does not purport to be a record of the proceedings of the Meeting.

The paid up capital of your Corporation continued to be Rs. 71·18 crores. During the last nine years, your Corporation earned net profits totalling about Rs. 127 crores, and channelised general revenues to the Government through Customs and Excise Duties to the tune of about Rs. 1900 crores.

Your Corporation has been repaying to the Government of India, according to schedule, the loans taken from them. Out of total loans of Rs. 94·53 crores drawn from the Government of India since 1964, your Corporation has repaid about Rs. 69·36 crores and the loan due to Government on 31-3-1973 stood at Rs. 25·17 crores. Various steps were also taken for the prompt collection of outstandings due to your Corporation from the customers. At the end of the year, the total outstandings from customers represented about nine days' sales.

CONSTRUCTION OF NEW REFINERIES

It was a day of great significance for your Corporation when the Prime Minister recently laid the foundation-stone of the proposed refinery near Mathura with an initial annual capacity of six million metric tonnes, and with provision for possible expansion at a later date. Various preliminary steps have already been taken in order to commence the actual construction of this refinery as early as possible.

As an adjunct to the refinery, a 1200 Kms long pipeline has been planned from Salaya, a village on the Gujarat coast to Mathura. Reconnaisance surveys and other investigations have been conducted over the proposed route of the pipeline. Your Corporation is also planning to commission the most up-to-date unloading facilities for crude oil at the offshore terminal near Salaya. Necessary hydrographic and Seismic surveys have been undertaken recently. This will be the largest refinery complex in India and, together with the pipeline and other related facilities, will cost about Rs. 217 crores. We are glad that technical collaboration has been promised by the U.S.S.R. in a large measure for the construction of this refinery.

The construction of the Haldia Refinery has reached an advanced stage, inspite of various difficulties and delays during the construction phase. Fuel part of the Refinery is expected to be commissioned in middle 1974.

OPERATION OF EXISTING REFINERIES

As regards the three operating refineries, the Gauhati Refinery had a crude throughput marginally less than in the previous year, due to emergency shutdowns and shortage of power. However, the refinery commenced production for the first time, of low-sulphur fuel oil for the use of the Chandrapur Power Station, and also of liquid petroleum gas (Indane). The Barauni Refinery processed 2·39 million metric tonnes of crude oil as against 2·28 million metric tonnes in the previous year. The refinery also processed imported crude for the first time during the year, after minor modifications were successfully made to the refinery facilities. Your Corporation has worked out a major scheme for revamping the Barauni Refinery, to enable it to process imported crude and achieve a capacity of 3·4 million tonnes per annum The Gujarat Refinery processed 3·73 million metric tonnes of crude oil as against 3·64 million metric tonnes in the previous year. Schemes for expanding the capacity of this refinery to 7·3 million tonnes per annum have already been approved by the Government and preparatory steps are in progress. Your Corporation also proposes to maximise the production of Benzene, to meet the demands inside the country and for possible export In order to improve the general working of all refineries, a service-group has been established as part of a Central Services Organisation. This group renders technical advice to the refineries in various fields like corrosion control, improved maintenance, import substitution, etc. It is gratifying to note that the Ceylon Petroleum Corporation of Sri Lanka has also been subscribing to this Central Services Organisation, thereby pooling the available expertise.

PERFORMANCE OF PIPELINES

The Gauhati-Siliguri, the Barauni-Kanpur, the Barauni-Haldia, the Haldia-Maurigram and the Koyali-Ahmedabad Product Pipelines transported a total quantity of 3·23 million metric tonnes of products during the year. Your Corporation commissioned the Haldia-Maurigram Section of the Product Pipeline during the year; this pipeline transported more than 6 lakh metric tonnes of products during the year.

Construction work on the Maurigram-Rajbandh section of the pipeline is in progress. From November 1972, the existing Haldia-Barauni product pipeline was used for the transportation during the rest of the year, of about 1·7 lakh metric tonnes of crude oil from the Haldia port to the Barauni Refinery. Your Corporation's pipeline engineers also successfully handled difficult assignments like realigning and lowering the submerged river crossing section of the Haldia-Maurigram pipeline to allow for desilting of the Damodar river bed and the emergency diversion of a section of the Koyali-Ahmedabad product pipeline due to change in the course of the river Watrak; and these tasks were completed without interrupting pumping operations. For the continuous and efficient maintenance and monitoring of pipeline operations, your Corporation is taking steps to introduce the most modern ultra high-frequency telecommunication system for the Haldia-Barauni-Kanpur product pipeline.

MARKETING ACTIVITIES

Storage Facilities:

Besides the existing network of 16 port installations, 8 pipelines installations, one inland installation and 115 bulk depots, the Corporation, has commissioned storage facilities for use by the Railways, Cement Companies, Fertilizer Companies, the State Trading Corporation etc. Additional bulk storage facilities are being commissioned at Mangalore, Tuticorin and Bombay.

Retail Trade:

Your Corporation's retail trade made impressive progress during the year. 159 new retail outlets were commissioned, bringing up the total to 3311 at the end of the year. Out of the existing retail outlets, 288 were further modernised by provision of additional facilities, remodelling, etc., thus enabling better service to the motoring public. With these steps, the average monthly sale per retail outlet went up substantially (Motor Spirit from 12 KL to 15 KL and H.S.D. from 31 KL to 39 KL per retail outlet). As a result, for the first time in the history of your Corporation, motor spirit is not being raised to sale to the private oil companies.

Your Corporation's retail trade has also helped to give gainful employment to several war veterans or their families. As on 31-3-1973, as many as 450 dealerships and distributorships were awarded to defence personnel, their widows or dependents, besides 340 to unemployed graduates, in terms of the older scheme. To improve the retail supply of kerosene, your Corporation has recently undertaken the sale of kerosene at selected points directly to customers, over and above the normal trade channels of supply through agents.

Indane:

The erratic supply of electrical energy and other fuels has created a sudden spurt in the demand for Indane (LPG) used as a domestic fuel and the number of enrolled Indane customers went up by more than 30%, as compared to the previous year. As cylinders were not available in adequate numbers, and as there were rail transport bottlenecks due to floods, etc., there have been sporadic difficulties in reaching Indane gas promptly to customers in some areas. Your Corporation is giving extra attention to these problems and has taken definite steps to ensure the prompt supply of Indane to customers in outlying cities also.

Imports:

During the year, your Corporation imported approximately 3·5 million metric tonnes of bulk refined products and base stocks, valued at about Rs. 60 crores. Your Corporation also arranged for the imports of more than 9 lakh tonnes of crude oil on behalf of Bangla Desh, besides despatching about 1·2 lakh tonnes of petroleum products from India to Bangla Desh.

Import Substitution:

Your Corporation continued to attach the greatest importance to developing indigenous equipment and processes, in order to reduce dependence on imported parts and to save foreign exchange. Three officers of the Aviation Department of your Corporation were awarded "Import substitution awards" and your Corporation received a silver shield for the development of the 45 kilolitre giant refueller for Jumbo Jets. In the field of lubricants, your Corporation accelerated the process of change-over from Mobil premium branded products to IOC's own brands. Several additional brands received the necessary authorisation from the standardisation authorities controlling the specifications. Thus, the proportion of IOC's own brands (in the total production by the Indian Oil Blending Limited, a 50-50 partnership concern between your Corporation and Mobil Corporation Inc.) increased from 40% during the last year to about 61% during the current year. Your Corporation's officers in the Refineries & Pipelines Division were associated with the "Technical Development Committee for indigenous materials" formed by the Refinery and Fertilizer Industry and several complicated items like high temperature service valves, tubes for heat exchangers, cathodic protection rectifier units, flow recorder charts, fuel injector pipes, etc. were got indigenously fabricated.

ECONOMIES AND IMPROVEMENTS

In the face of continuous challenges, your Corporation took several steps for achieving economies. By closer control on all operations during marketing, the percentage of stock losses during storage and handling was brought down from 0·06% in the previous year to 0·03% in the current year. Inland distribution arrangements were generally improved in consultation with the Railways. Your Corporation's fleet of tank trucks was also used more intensively (resulting in a 14·2% increase in utilisation). Likewise, the tanker fleet handled a larger number of shipments, as compared to the previous year. Efficiency Research Studies of Systems and Procedures were conducted to ensure better utilisation of manpower and other facilities. In order to instil productivity consciousness, various programmes and training schemes were carried out at all levels. These steps resulted in increased productivity, reduced cost per unit sale and improved profitability during the year.

WELFARE

Your Corporation took an active part in fighting drought conditions in various States by making several tankers available for distributing water. Apart from this, your Corporation also made liberal donations to the Drought Relief Funds of the State Governments. Apart from cash donations made directly by your Corporation, donations were also made voluntarily by your Corporation's employees and dealers.

Your Corporation continued to devote adequate attention to various welfare measures to the employees. The Industrial Relations were, by and large, satisfactory, consequent upon the management establishing a line of communication with the employees. The relationship with the union leaders is cordial and regular meetings are held with the staff at all levels to establish whether there are any problems and to evolve quick solutions. The Long Term Wage Agreement with the employees of the Marketing Division ended on 31-12-1972. The Agreement with the Refineries and Pipelines Division is due to expire on 31st December, 1973. Your Corporation entered into a Short Term Wage Settlement with the unions of the Marketing Division for the calendar year 1973, which hopefully would pave the way for wage negotiations for the future. It is my firm belief that a band of well trained and dedicated employees is the most precious asset for any Organisation. This is particularly true at this juncture when the country and the oil industry have to face major challenges in future. In order to prepare the staff and officers for the onerous tasks that lie ahead, your Corporation has an intensive training programme for the employees. The objective is to impart new skills and knowledge to the staff and officers, so that they are in a position to shoulder the responsibility and authority delegated to them. This has enabled your Corporation to fill up most management positions by promotion from within, instead of resorting to external recruitment.

I am confident, that whatever changes may take place in future in the overall energy picture of the country, oil will continue to have a crucial role. And therefore, while I take this opportunity to place on record the appreciation of the work of all employees and dealers of the Corporation during the year, both on behalf of the Board of Directors and on my own behalf, I once again invite all concerned to face the challenges of the future with an increased sense of dedication and by sustained hard work. I am sure your Corporation can meet the challenges of the future with confidence and competence.

With these remarks, I now propose that the accounts be adopted.

Dattaram-IOC-43

Thiru N. Mahalingam

SAKTHI SUGARS LIMITED

Text of Speech by Thiru N. Mahalingam, B.Sc., F.I.E., Chairman, Sakthi Sugars Limited Delivered at the 12th Annual General Meeting of the Company held at Coimbatore on 22nd December 1973.

adies and Gentlemen,

I have pleasure in welcoming you at the Twelfth Annual General Meeting of your company which, incidentally, is being held in a year which marks the first decade of successful operation of the sugar mill and which also promises to usher in a new era of further dynamic expansion in many directions. The Reports and Accounts for the year ended June, 30, 1973 have been with you for some time and I shall take them as read.

Before proceeding to review the activities of the sugar mill and the newly erected distillery, I like to review briefly the major developments in our economy which has passed through an extremely difficult period. It has just begun to recover from the severe effects of an unprecedented drought and acute power shortage all over the country. I must say that the Central and State Governments have generously extended relief to the drought and flood-affected areas and the economy has withstood the strain of the cumulative adverse effect of the heavy expenditure on refugees from former East Pakistan in 1971, the Indo Pakistan conflict and the sharp setback in industrial and agricultural production in 1972-73. Inspite of the mobilisation of resources with the imposition of heavy direct and indirect taxes and record borrowing through open market loans, there was resort to massive deficit financing. This resulted in an accentuation of inflationary pressures and a disconcerting rise in prices for agricultural commodities and manufactured goods. The difficulties would have become more acute but for a beneficial south west monsoon and the prospect of bumper khariff food crops in the current agricultural season. The output of cash crops also promises to constitute a new record in some direction.

I must point out, however, that the Central Government has acted courageously in giving succour to the drought affected areas and under the inspiring leadership of the Prime Minister, Mrs. Indira Gandhi, it has been rightly decided to embark on a large-sized Fifth Plan which, if implemented vigorously and fully, will result in a significant strengthening of the agricultural and industrial sectors and impart a measure of greater self-reliance to our economy. As has been appropriately pointed out by our Prime Minister, the foreign exchange content of expenditure on the Fifth Plan will be only 8 per cent of the total outlay. As the emphasis will be on the maximum utilisation of indigenous resources, there can be a considerable improvement in their availability with a better use of existing capacity and strategic expansion of manufacturing facilities with the installation of balancing equipment wherever necessary, the implementation of modernisation schemes and the execution also of profitable expansion schemes. I am sure, with the new industrial and fiscal policies now being formulated and reshaped, the economy will move forward on a defined basis and the growth rate of 5.5 per cent annually will be comfortably achieved. As the setbacks are accounted for mainly by the indifferent performance of the industrial sector, in particular stages, due to lack of unified effort in general, power-shortage and scarcity of raw materials, the various handicaps should be removed. In the short term, a growth rate of 10 to 12 per cent in industrial production can be easily secured if only there was an improvement in productivity and the power and transport bottlenecks could be eliminated. Since the agricultural and industrial sectors have the necessary vitality, it has become imperative that the best results should be secured out of the existing facilities. The irregular trends in industrial and agricultural development noticed in the past few years should be eliminated as far as possible. As there has to be greater attention to the production of mass consumption goods and easier availability of agricultural commodities, the new approach to Plan implementation will have to be a judicious combination of the old method of strengthening basic industries and planning for posterity and the new demand for bringing about a big immediate increase in the general standard of living. This will need the execution of projects which will yield quick results and which will cater more substantially to the needs of weaker sections of the society. While I am sure that the 70's will mark the emergence of new constructive forces and industrial and agricultural production will rise at a faster rate than now expected, I am happy to say that the sugar industry has provided an outstanding example of how a pronounced increase in production can be achieved with the provision of suitable incentives and proper pricing policies.

Working Results:

Coming now to the working results of your company for 1972-73, a new record was again established in respect of the quantity of cane crushed at 6.88 lakh tonnes against 5.26 lakh tonnes in 1971-72. For the season as a whole, the quantity of cane handled was 7.40 lakh tonnes against 5.91 lakh tonnes previously. Thus, for the fourth season in succession, there has been a substantial increase in the quantum of cane crushed giving again to Sakthi Sugars the distinction of occupying the first rank in the country in respect of cane crushed by any single unit. The output of sugar, however, was adversely affected by a deterioration of the quality of cane due to excessive rain fall in the last quarter of 1972 and the recovery dropped to 8.72% in the latest accounting period from 9.52 per cent in the previous year. The recovery for the season was also significantly lower at 8.56 per cent against 9.42 per cent. This resulted in only the third place being secured in the whole country in respect of sugar production in spite of a commandable effort.

The drop in recovery and the payment of a high price of Rs. 115/- per tonne of cane to growers from October 1, 1972, instead of the minimum price of Rs. 97.90 per tonne fixed by the Government, was responsible for the sharp decline in the net profit, before depreciation and development rebate to Rs. 74.99 lakh from Rs. 135.34 lakhs in the previous year. In absolute terms, however, the quantum of profits in the highest for any sugar mill in Tamil Nadu. Your Directors have decided to maintain the quantum of dividend at 15% taxable on equity capital increased by the issue of bonus shares. The amount payable will be Rs. 20.15 lakhs, as compared to Rs. 11.14 lakhs in the previous year. This policy has been adopted because it is felt that the prospects for the current year are quite promising in the absence of unforeseen developments. The amount provided for depreciation is Rs. 34.66 lakhs against Rs. 29.80 lakhs and development rebate Rs. 7.15 lakhs against Rs. 13.50 lakhs. The transfer to dividend reserve is Rs. 22.50 lakhs (Rs. 12.95) lakhs and provision for gratuity is Rs. 3.40 lakhs (6.50 lakhs). There is a separate provision of Rs. 9 lakhs relating to taxation though in respect of 1971-72 the estimated tax liability of Rs. 50 lakhs has to be met out of general reserve. Because of larger profits and no separate provision for taxation, this reserve got as much as Rs. 72.50 lakhs. A beginning has been made this year with an allocation of Rs. 50,000 to preference shares redemption reserve. I must also point out that the gross earnings were actually higher at Rs. 76.89 lakhs. This is because the allocation of Rs. 1.32 lakhs to the Molasses storage fund out of the sugar mills earnings and the transfer of Rs. 57,416 to the storage fund from the distillery's earnings have to be taken into account.

The distillery worked quite satisfactorily throughout the year having regard to the fact that it was commissioned only in the last week of June 1972 and its operations had also to be interrupted for sometime in order to increase its capacity by 50 per cent to 3 million gallons annually. It is really a happy matter that the distillery has made a good contribution to the company's earnings, with its not profit before depreciation and development rebate reserve amounting to Rs. 12.43 lakhs. It can certainly be expected that the profits may be much higher in 1973-74 with a larger output and the manufacture of absolute alcohol and neutral alcohol.

As a result of large capital expenditure, net fixed assets stood at Rs. 4.08 crores at the end of June this year against Rs. 3.39 crores on June 30th 1972. With the issue of additional capital in equity and preference shares and the raising of term loans from the financial institutions the distillery project has been completed successfully. The expansion scheme for increasing crushing capacity to 4,000 tonnes daily is also proceeding briskly. The cost of this project is estimated at Rs. 255 lakhs which is being met by term loans for Rs. 200 lakhs and internal resources for Rs. 55 lakhs. After the 4,000 tonnes capacity has been achieved and the new unit in the distillery is commissioned, the net block will rise to over Rs. 6.50 crores against which term loans will be for only Rs. 3.25 crores. The debt equity ratio is therefore quite satisfactory and there will be a further improvement in financial position in the current year with the prospect of substantial additions to reserve.

Sugar Policy:

Let us now consider the policy of the union and State Governments which has been steadily followed for the last two years. The consistent policy of partial decontrol permitting 70% of current production for controlled distribution and 30% for free sale has been helpful in bringing about significant rise in output resulting in a fall in open market prices. Tamil Nadu, which had a low average recovery, always suffered when the cane price was fixed for a minimum recovery of 9.4 per cent. The repeated representation of the Southern States was accepted by the Union and State Governments and the cane price was fixed for a basic recovery of 8.5 per cent with an increase of 9.4 paise for each rise of 0.1 per cent in the recovery. Under the new formula the cane growers in Tamil Nadu are getting about Rs. 10 more than what they got under the old arrangement and this incentive has been helpful in boosting cane cultivation and sugar production.

Tropical Region:

The four tropical States or Maharashtra, Tamil Nadu, Andhra Pradesh and Mysore have been making steady progress in the past decade and it is on the cards that they will be making the biggest contribution to total production in a year of creditable achievement for the whole industry. Their share of production is likely to be 22 lakh tonnes out of the total of 45 lakh tonnes while Uttar Pradesh and Bihar may be producing around 20 lakh tonnes. In the previous season of peak output, in 1969-70, the four tropical States accounted for a share which was only marginally less than that of Uttar Pradesh and Bihar. The current season will therefore constitute a major land mark in the history of this important agro-based industry.

Exports:

The increase in production in two season by nearly 14 lakh tonnes will be extremely helpful to the country in meeting not only fully the needs of the home market but also earn sizable amounts in foreign exchange through exports. With a record output of food and cash crop and a pick up in industrial production, it can certainly be expected that internal consumption of sugar will rise to 40 lakh tonnes in 1973-74 from a little over 36 lakh tonnes in the last season. The monthly releases upto now have been understandably cautious as shipments of sugar have to be expedited with firm conditions prevailing in the international market. With the likelihood of a big increase in output in the coming months, the releases for controlled distribution and free sale can be to a certain extent liberalised. It should, however, be the objective to export 5 lakh tonnes during the sugar year and earn foreign exchange of over Rupees one hundred crores.

The Government is therefore in a position to realise substantial profits on sugar exports as they are being effected out of quotas of levy sugar. The sugar mills are being paid only levy price and even here the Government is utilising only sugar from those States which have lower levy prices. As the industry has suffered losses in earlier years on exports some part of the gain now being realised should be made available to the industry as a whole on pro rata basis. I suggest that export of sugar will have to be treated as a pool arrangement and sugar should be exported from all the regions.

The achievement of an a time record in output w thus be found greatly advan tageous as there will be n serious problem of marke

...ng, as was experienced in 1969-70. In the absence of scope for substantial exports at remunerative prices there would probably be an increase in the carry over at the end of the season to over 12 lakh tonnes. This would have imposed a serious strain on the finances of sugar mills and the Government would be obliged to think in terms of maintaining buffer stocks of 5 lakh tonnes or providing suitable arrangements for financing a larger volume of stock.

Credit Policy:

Even now the industry may be experiencing strain on the ways and means position as under the new credit policy for the current busy season, the Reserve Bank has directed the member banks to raise margins against stocks of levy sugar to 15 per cent and on stocks for free sale to 25 per cent from 10 to 15 per cent fixed previously. The higher margins will necessarily create difficulties especially when larger stocks will have to be handled. I expect that these stocks will increase by 7 lakh tonnes at the peak level as compared to the corresponding month last year and it will become necessary to find additionally Rs. 125 crores allowing for the higher margins. The Reserve Bank should not hesitate to direct member banks to expand credit against sugar stocks of this order and more, over and above the last seasons expansion, as the increase will be seasonal and the industry also has scope for marketing only after the quantities have been released every month.

The delay in expanding credit suitably with rising stocks will create difficulties for the sugar industry which may cause delay in payments to growers against cane purchasers. Unfortunately, however, there does not seem to be any proper awareness of the needs of the sugar industry and appreciation of the creditable performance likely to be achieved by it in the current season. Even if the Banks were willing to provide the necessary credit, I am afraid they will not have the required free resources as the new curbs announced by the Reserve Bank on December 1, 1973 have hamstrung the institutions on all sides, even though they have got adequate resources at their disposal. There is every danger of the sugar mills not getting their full requirements unless special refinance facilities were provided for this purpose to the member banks. I need hardly say that there will be a compulsion to defer payments against cane purchases to growers, if there was an undue accumulation of stocks, and adequate Bank finance were not forthcoming. Any delay in making payments to growers will lead to discontent and affect the planting programme for the 1974-75 season. The Reserve Bank should therefore adopt a realistic approach to the special problems of the sugar industry and make the necessary adjustment in its credit policy.

There should not be a repetition of the happenings of 1969-70 as arrears of cane payments will affect adversely the cultivation of cane and reduce its availability in the next crushing season. Fortunately, the situation can be easily managed as the increase in advance will be only for a short period and the carry over at the end of the season is not likely to be much higher than that brought in from the 1972-73 season if the export effort proves to be of the dimensions not anticipated.

The importance of pursuing a correct credit policy in the present circumstances cannot therefore be overemphasized. The monetary authorities may feel justified in preventing undue credit expansion as there has been a severe accentuation of inflationary pressures in the past two years. But liberal credit will have to be provided for certain purposes like the procurement of foodgrains, the maintenance of buffer stocks of raw jute and raw cotton and regular financing of seasonal and exceptional increases in stocks of sugar as will be happening in the coming months.

The industry can be expected to maintain 7 lakh tonnes of sugar as basic stocks with the credit facilities normally available. However, any seasonal expansion of credit will have to take note of the peculiar developments in a particular season. As I have indicated earlier, the maximum level of stocks at the end of April or May is likely to be 35 lakh tonnes requiring an increase in advances of the order of Rs 300 crores against sugar alone. In this situation, it is hard to visualise how the Reserve Bank expects to restrict the growth in aggregate credit to Rs 450 crores in the current busy season when it is also likely that there will be a big demand for funds for procurement operations and for marketing bumper raw cotton and jute crops. If it is feared that there will be a diversion of funds for other purposes with a liberalisation of credit limits, the bankers can always watch the application of funds made available by them. In any case, the needs of the new situation have to be carefully studied and proper decisions have to be taken without delay.

Sugar Price:

The Central Government has taken a decision in regard to the revision of prices for levy sugar on the basis of the formula laid down by the Tariff Commission and the upward adjustments very widely. Even so, levy prices in respect of three States will be lower as compared to the previous season while Tamil Nadu will get only a marginal rise of Rs 2.08 per quintal. As usual, this revision does not compensate Tamil Nadu and probably elsewhere for the increase in the cost of production. Also, in order to offset the loss that might be sustained by the Central Exchequer on account of the reduction in the advalorem excise duty on levy sugar to 20 per cent from 26 per cent, the duty on free sale sugar has been raised to 37½% from 30%. This will mean an increase of Rs 19.50 per quintal on a tariff value of Rs .260 per quintal. With cheaper gur and khandsari becoming available in larger quantities in many regions, it will be difficult for sugar factories to avoid a reduction in the profitability of working and the ex-factory prices realised on free sale sugar are likely to be adversely affected.

Cane Price:

The revised policy for fixing the minimum price for cane with a basic recovery of 8.5 per cent and the payment of higher premiums for increases in sucrose content has functioned satisfactorily because the industry can now develop on healthy lines in the Southern region. Also, with the policy of partial decontrol being continued the mills are in a position to pay much higher prices than the minimum fixed by the Government. The growers are participating to a significant extent in the improved working of sugar mills and the average of cane prices paid in any region has been higher by 10 to 25 per cent than the minimum fixed by the Government.

In view of the growing demand for sugar in the home market and the new opportunities available for earning sizable sums in foreign exchange through regular exports, there should not be any shifts in policy regarding the pricing of cane or the quotas for levy and free sale sugar. There will henceforth have to be a sustained increase in sugar production and the all-India target of 65 lakh tonnes for 1978-79 can be achieved only if there was an annual growth of 8-10 per cent from the record level of 1973-74. In view of the fact that the efficiency of policy of partial decontrol has been amply demonstrated on two concessions, it should be continued in the same form for the period of the Fifth Plan. The sugar mills also should implement a systematic programme of development of areas under the command of factories for cultivating cane. I must draw here pointed attention to the

commendable work done by sugar factories in the southern region particularly in Tamil Nadu. Nearly every sugar mill in this region, is expanding its capacity and all the units in the private sector are growing in stature steadily. In the current season alone nine factories in the private sector will be handling 35 lakh tonnes of cane against 30 lakh tonnes in 1972-73 which was in itself a record. The six co-operative factories for their part will be crushing 15 lakh tonnes taking the total to 50 lakh tonnes and the sugar output will be 4.3 lakh tonnes.

Mills in Tamil Nadu:

The sugar mills in Tamil Nadu are capable of achieving a much higher level of production even with the existing capacity as the facilities are yet to be used fully in some cases and the benefits of expansion schemes also have not been completely realised. All the sugar mills in the private sector have new schemes on hand and it will be possible for them to increase the quantity of cane crushed in the next two seasons to even 45 lakh tonnes with an extension of the area under cane and an increase in the yield per acre. The co-operative sugar factories also can easily handle 2 million tonnes with the better use of capacity and greater attention to cultivation. While thus the output of sugar can be steadily raised there will have to be a further increase in the crushing capacity besides starting new mills in new areas for achieving at least a production target of 8 lakh tonnes by the end of the 5th Plan, a target outlined by the State Planning Commission. The future of the sugar industry in the country and in Tamilnadu particularly is therefore very bright.

Future prospects for Sakthi:

It is indeed a matter of pride to all of us that Sakthi Sugars has been steadily increasing its capacity and using it also to the maximum advantage. In four seasons the quantity of cane crushed is being more than doubled to one million tonnes and since 1971-72, your company has been having the distinction of occupying the first rank in the whole country in respect of the quantity of cane crushed. It will indeed be a unique achievement to reach the 10 lakh tonne mark in the 10th year of the working of the company. This consistent increase in cane handling and sugar production is due to meticulous planning and a systematic increase in the area under cane. The yield per acre also has risen from 35 tonnes to 43 tonnes and will rise further to 45 tonnes shortly. Better varieties of cane have been grown extensively and your Directors hope that the quantity of cane crushed can be raised further to 12 lakh tonnes in the 1974-75 season.

The difficult target for the current year is capable of being reached, because the scheme for raising capacity to 4,000 tonnes from 2,500 tonnes daily is being vigorously implemented. It is confidently expected that daily crushing will be of the order of 4,000 tonnes from February next year. The cost of this Project will be well within the estimate of Rs. 255 lakhs. With a continuance of the policy of partial decontrol, a higher recovery, larger sugar production and satisfactory selling prices for free sale sugar, the prospects for the current year should be considered reasonably encouraging.

Alcohol Industry:

The expanded capacity of the distillery too will be available throughout the year and the contribution to total earnings from this source will be much larger in 1973-74 than in 1972-73. I wish to stress in this context the new importance assumed by the alcohol industry. In view of the abrupt rise in the cost of petroleum products and the uncertainties relating to imports of crude oil and refined products, not to speak of the need to discourage expenditure in foreign exchange, the new opportunity provided for using alcohol for industrial purposes should be fully exploited. I have no doubt that larger quantities of polythene, acetate chemicals, synthetic rubber and other items can be produced with a larger output of alcohol out of molasses. The Central and State Governments should recognise the need for providing suitable incentives especially as the distillery units can be established with equipment secured from indigenous sources. Tamil Nadu's output of sugar may rise to 8 lakh tonns by 1978-79 and 12 lakh tonnes by the end of the 6th Plan. It will therefore be possible to more than double the output of molasses to 3.2 lakh tonnes at the end of the 5th Plan and 4 lakh tonnes by 1983-84. If available supplies could be used for manufacturing industrial alcohol the quantity produced can be easily 75 million litres in the 5th Plan and 100 million litres in the 6th Plan. It will be possible therefore to expand not only the capacity of the existing distilleries but also establish new units in convenient locations. The additional supplies of alcohol will be useful for promoting allied industries. Also, it should be our objective to promote the development of new industries based on alcohol and bagasse as these will be assured of the required raw materials on the basis of regular regeneration.

Labour management relation:

I am indeed very happy to state that during the period under review the workers, cane growers, and the staff gave very good co-operation to the management and enabled the factory to crush for 325 days. Hence in the matter of distribution of bonus to the workers, your Directors have been responsive to labour. You will be happy to know that a bonus of 8-1/3%, an exgratia payment of 17-2/3% and a production incentive of 15% was distributed to the workers in appreciation of the strenuous work they put forth during the year.

Welfare measures:

The Voluntary Health Services Scheme sponsored by your company during the last financial year has accelerated the establishment of the hospital and plans are proceeding well ahead for the construction of a modern hospital having adequate staff and all the necessary amenities. I am quite confident that it would become a Central Hospital and the many health centres to be established in the different villages of the area will be catered by this service. The construction of the labour colony consisting of 120 houses built under the subsidised industrial labour housing scheme of the Government of India, is almost nearing completion and is expected to be opened shortly.

I wish to express my thanks to the various financial institutions like the ICICI, the IFCI, the LIC, the TIIC and our bankers for having provided the necessary accommodation needed by the company as well as for rendering prompt service throughout the year. Also, I would like to place on record our thanks to the State Government for having given their support in all matters relating to the expansion of the crushing capacity of the factory to 4,000 tonnes daily.

This does not purport to be a proceedings of the Annual General Meeting of the Company held on the 22nd of December, 1973.

COMPANY AFFAIRS

Gwalior Rayon

THE BOARD of Directors of Gwalior Rayon Silk Mfg. (Wvg) Co. Ltd., at their meeting held in Bombay on January 1, 1974, decided to issue, subject to the approval of the Controller of Capital Issues, 39,60,000 fully paid bonus equity shares in the ratio of three such bonus equity shares for every five equity shares held by capitalising Rs 3.96 crores from out of the general reserve. It may be recalled that the Controller of Capital Issues had earlier stipulated that the company should set right the imbalance between the equity and preference capital ratio by increasing suitably its paid-up equity capital so as to bring the equity-preference ratio to 3:1. The company at present has an equity capital of Rs 6.6 crores in 66,00,000 equity shares of Rs 10 each and preference capital of Rs 3.48 crores divided into 1,48,274 preference shares (Series 'A') of Rs 100 each and 2,00,000 preference shares (Series 'C') of Rs 100 each. The proposed bonus issue will raise the paid-up equity capital from Rs 6.6 crores to 10.56 crores, bringing the equity-preference ratio to 3:1.

Mysore Cements

The change in government's policy, resulting in the issue of letters of intent and licences to new entrepreneurs, established manufacturers and big houses for an additional capacity of 13 million tonnes per annum, is a step in the right direction and Mysore Cements Ltd is one to receive such a letter of intent for setting up a plant of four lakh tonnes capacity in Madhya Pradesh. Meanwhile, balancing equipments are being installed which would increase the capacity of its Ammasandra plant by 50,000 tonnes per annum. The installation of the ropeway, which would not only reduce the transport cost substantially but would enable the company to get its requirement of raw materials regularly, especially in the present context of world-wide fuel shortage, is also now nearing completion. This was disclosed by the Vice-Chairman Mr Marthanda Varma while addressing the annual general meeting of the company. The union government, in response to the Tariff Commission's recommendation granted an increase in the retention price of cement by Rs 10 per tonne from September 15, 1973, to offset a part of the increase in the manufacturing expenses of cement in the last four years. Meanwhile, due to the abnormal increase in the wage bill, increase in the cost of gypsum, steel, lubricants and other stores materials, the manufacturing cost has recorded a sharp increase which will naturally tell upon the profitability of the company unless suitably compensated for by the final price increase. The gap between the demand and supply of cement during the last two years has been widening. It is estimated and acknowledged by the government that the current year will close with a deficit of four million tonnes. The Cement Controller reserves 60 per cent or more production of cement for consumption by government departments, 10 per cent for organised industries and qusi-government bodies and 30 per cent of even less for the general public while the position was quite reverse about two years back when the public used to get 60 per cent or more and the organised industries and quasi-govenment bodies eight to 10 per cent and government departments 28 to 30 per cent. This caused an acute scarcity of cement in the open market forcing the government to impose strict control on its distribution. Although the existing capacity of the industry is about 20 million tonnes only less than 80 per cent of it could be utilised. Moreover there has not been any significant increase in capacity during the last five-year Plan. New entrepreneurs, despite the attractive incentive offered by the government, are hesitant to enter into this field due to very high capital cost which has more than doubled in the last few years and the very meagre rate of return. Therefore, in order to restore the confidnce of the new entrepreneurs and investors, it is abosolutely essential thata fair return is granted to the industry.

Punjab National Bank

A flash back into the performance of Punjab National Bank will convince one of the stupendous progress it has made in terms both of volume and variety of business transacted. The Bank which started operating with one branch at Anarkali, Lahore on April 12, 1895 has since made progress by leaps and bounds and by the end of 1973 it had to its credit as many as 1020 offices. It is significant to note that although the target for number of branches for 1973 has been fixed at 1016, the Bank has surpassed this target by raising its number of branches to 1020 by the end of last year. This is indeed a magnificent achievement which any banking institution can legitimately be proud of. Not content with its past proud achievements, the PNB is embarking upon an ambitious branch expansion programme. It has budgeted to raise the number of branches to as high as 1146 by the end of 1974. It is noteworthy that out of the 1146 offices, 417 branches will be in rural areas. It will shortly be opening a branch at Kinnaur in the high Himalayas thereby providing banking facilities even in mountainous areas. As conventional methods of running banking are providing too inadequate to cope with the kind of present day problems, the PNB launching a number of novel schemes through a series of structural reorganisational measures, new systems and a new culture. The PNB, at the same time, is ceaselessly striving to achieve the objectives of nationalisation through such energetic steps as maximisation of deposits, credits and profitability, minimisation of expenditure, and maximisation of assistance to priority sectors and above all rendering prompt, efficient and courteous service to its millions and millions of customers. The PNB has given a very good account of itself in this regard. Its aggregate deposits, for instance, has more than doubled from

Rs 355 crores in June 1969 to Rs 720 crores at the end of 1973. Its total credit, during the same period, went up by about 75 per cent from Rs 243 crores to Rs 425 crores while credit extended to priority sectors leaped from Rs 23 crores to Rs 116 crores. Its branches, likewise, too recorded an impressive rise from 560 to 1020, the branches opened in rural areas being 366 at the end of last year as against only 84 as on June 1969. The Bank has budgeted to mobilise deposits of the order Rs 880 crores in 1974 as against Rs 720 crores in 1973 while the credit to be extended will be expanded to Rs 550 crores from Rs 425 crores at the end of last year. Assistance to be provided to priority sectors will be enhanced from Rs 116 crores to Rs 180 crores, an increase of as much as 55.2 per cent over 1973.

Scindia Steam

Fiscal incentives given by the government to the shipping industry have substantially helped the speedy expansion of Indian tonnage. However, in this context, the proposed withdrawal of development rebate as from May 31, 1974, is a retrograde step which will impede the growth of tonnage. The grant of development rebate ensured that shipping companies were able to deduct over a period of years, 140 per cent of the cost of the ships in determining the taxable income. The tax, attributable to the extra 40 per cent, provided resources for meeting the increases in the cost of replacement of the ship. Ship building costs have been continuously on the rise and in the absence of development rebate, shipping companies will have to rely only on loans for financ theign acquisition of new ships. This will certainly be retarding the speedy growth of Indian Shipping. Therefore, the Chairman of Scindia Steam Navigation Co. Ltd, Mr M.D. Thackersey while addressing the annual general meeting of the company has urged the government to reconsider its decision and continue to grant development rebate even after May. 1974. If the government has decided to discontinue the grant of development rebate at any rate after May, 1974, and do not wish to reconsider the same, the Chairman suggested that equally effective alternative incentives such as investment allowance or free depreciation may be considered. The government's alternative proposal of providing initial depreciation allowance of 20 per cent in the case of the shipping industry, will not, in the chairman's opinion, be a proper substitute for the development rebate, as such depreciation allowance would mean nothing but accelerated debit of depreciation to the profit and loss account in the earlier years. As shipping is a capital intensive industry and all the leading shipping companies came within the purview of the Monopolies and Restrictive Trade Practices Act, as the value of their assets exceed Rs 20 crores, considerable time is lost in getting each proposal for acquisition of ship cleared under the MRTP Act. Shipping being truly international in character concentration of economic power to the common detriment is not possible more so when public sector shipping occupies commanding position in the industry. In the interest of accelerated growth of Indian shipping and of facilitating unrestricted display of initiative and enterprise on the part of the shipowners, Indian shipping companies, the chairman said, should be exempt from the application of the MRTP Act.

Kamani Metals and Alloys

The committee on modernization of the non-ferrous semis industry set up by the government a few months ago has already examined the problem in great detail and has submitted specific proposals to the government in this regard. The proposals contain specific enumeration of the products at present being imported but may be taken up for manufacture indigenously and of the equipment that may have to be imported into the country for this purpose. Kamani Metals and Alloy Ltd, as leading manufacturer in the field of non-ferrous semis, was represented on this committee. The dialogue between the government and the industry has been earnest, intense and ultimately productive in terms of concepts and ideas.

The company, along with others, is awaiting with keen interest the action being taken by the government on the proposals for modernisation since this is an essential pre-requisite for any sensible and practical programme of import substitution. This was emphasised by the Chairman, Mr. R.R. Kamaniwhile addressing the annual general meeting of the company.

Along with its programme of import substitution — in fact as an essential complement to it — there is an urgent need to evolve a coherent and pragmatic policy on the export of non-ferrous semis. The experience of other countries such as Japan conclusively proves that self-suffciency in raw material need not be a pre-condition for the development of export. Percentages of value added if stipulated as a criterion for exports can only be arbitrary and misleading. What is significant in practical terms is not percentage of value added in the product exported but the absolute volume of earnings resulting from such expots.

From high-value items such as non-ferrous semis, the volume of earnings from exports is substantial and can increase significantly if concerted efforts are made to develop our export market with imagination and far-sightedness. Expansion of exports can yield other vital and fruitful results also. Maintaining higher levels of activity, for instance, will go a long way in containing the rising costs besides generating additional employment opportunities and keeping our manufacturing units abreast of technological developments in the relevant fields in other parts of the world. It is earnestly hoped that the government will overcome any possible pre-occupation with the short-term arithmetic of value added and adopt a dynamic approach ot the whole question of exports of non-ferrous semis.

National Seeds Corpn.

The National Seeds Corporation Ltd is looking up for a bigger role in the national agriculture development programmes. In the field of certified seed production, precise assessment of demand has always been a difficult task. In the absence of any official machinery for assessing veriety wisedemand, NSC has evolved itsown technique of demand forecasting. Moreover, to reduce marketing uncertainties, a new approach of custom production is being tried. The NSC has entered into custom production against bulk orders from some of the states during the current year. This forward planning indeed is a step in the right direction which would enable the seed industry as a whole to render a better service in boosting agricultural production.

The NSC would continue to play a dominant role in the production and supply of foundation seed of varieties of all-India importance. Earlier there was no systematic arrangements for assessing the requirements of foundation seed and the estimates were based on discussions in zonal conference and NSC's own estimates. Since the target were not always realistic and reliable, the NSC has now evolved a system of advance indents backed by ten per cent payment from state governments and private producers. Judging from the large number of advance indents received for hybrid maize, jowar and bajra for the forthcoming kharif 1974 season, it is clear that the state governments and producers have accepted the system of advance indents by the NSC.

By the adoption of this system assessment of demand on a reasonably accurate basis will be possible. Moreover it is gratifying to note that the Board of Directors of the NSC have taken a far-reaching decision to set up a separate division of Research, Development and Quality Control. So far NSC has been dealing with seeds of primarily food crops and the varieties evolved by IARI. There is now a crying need to test a wealth of new varieties available at the numerous research institutes and agricultural universities besides the question of choice and suitability of technology has also become a major issue. The NSC will be playing a dynamic and constructive role in this field. These were highlighted by the Chairman of the NSC, Mr Deorao S. Patil, while addressing the annual general meeting held recently in New Delhi.

News and Notes

(Expansion and Diversification)

Pursuing the policy of enlarging its activities to manufacture batteries to the highest international quality standards for every type of application, **Amco Batteries** has converted the existing Mysore Road factory as the Industrial batteries division and built an up-to-date large plant on Bellary Road in Hebbal, Bangalore, for manufacturing motor vehicle batteries to be termed the automotive batteries Division. The company has also entered into technical collaboration with Varta Batterie A.G., West Germany, Europe's pre-eminent manufacturer of all kinds of batteries, to implement its licence to produce 60 million dry cells. This plant is planned to be located near Mysore city, which has been declared an industrially backward area. The company has recently decided to accept fixed deposits from the public to meet part of the expenditure connected with the planned growth of the company.

New Issues

Bright Wires which is currently engaged in the manufacture of various types of wires is now embarking an ambitious expansion programme to raise its capacity to 15,000 tonnes per annum. The company is now setting up a plant for this purpose near Calcutta. It proposes to manufacture various types of sophisticated wires in different sizes, specifications and qualities and it will include in its product range such types of wires as prestressed concrete wires, shutter wires, various grades of spring steel wires, umberlla rib wires cold heading quality wires, card and gill pin wires, needle wires, cycle spring wires, chain link wires and galvanised chain link wires and galvanised wires. The plant is expected to go on stream by May 1974 so as to obtain the maximum benefit of development rebate.

The plant is so designed that further expansion and diversification is possible with the addition of balancing equipment and without interuption to production. The project has received the consideration and scrutiny of IDBI, IFCI and ICICI who apart from underwriting a part of the issue along with UTI are also participating by way of long-term loans to the tune of Rs 85 lakhs. The total equity capital of the company is placed at Rs 65 lakhs out of which the promoters have already subscribed to equity shares worth Rs 26 lakhs. The remaining equity capital of Rs 39 lakhs in 390,000 equity shares of Rs 10 each is now offered for cash at par to the public for subscription.

Thes subcription list opened on January 10 and will close on January 21 or earlier but not before January 14. In view of the enormous gap not only in the existing demand and supply but also the future demand, the company does not foresee any problem in marketing its products. As the prospects are indeed bright the directors are confident of declar ing a maiden dividend of 10 per cent from the very first year of full production.

Allied Steels which proposes to set up a Rs 134 lakh plant at Tatiband, Raipur, Madhva Pradesh with a licenced capacity of 50,000 tonnes of mild steel, carbon steel and spring steel billets per annum, is entering in the capital market some time in February for raising Rs 36 lakhs consisting of 270 lakh equity shares of Rs 10 each and 9,000-9.5 per cent redeemable cumulative preference shares of Rs 100 each. This issue is fully underwritten. The company plans to implement the project in two phases.

The first phase embraces the installation of one 10/12 tonnes gec/birlec arc furnace with a capacity of 18,500 tonnes of steel ingots — made up of 12,500 tonnes of carbon steel, 3,000 tonnes each of high tensile steel and spring seet ingots. The company hopes to commence productin by April next. The second phase of expansion includes the installation of a 15/17 tonnes arc furnace and a continuous casting machine.

Dividends

(Per cent)

Name of the Company	Year ended	Equity dividend declared for: Current year	Previous year
Higher Dividend			
Gammon India	March 31, 1973	5.0	Nil
Ravalgaon Sugar Farm	Sept 30, 1973	16.0	14.0
Balrampur Sugar	June 30, 1973	10.0	8.0
Same Dividend			
Indian Detonators	June 30, 1973	10.0	10.0
New Central Jute Mills	March 31, 1973	Nil	Nil
Jaipur Udyog	March 31, 1973	Nil	Nil
Sheveroy Estates	June 30, 1973	7.5	7.5
Carborundum Universal	August 31, 1973	15.0	15.0
Reduced Dividend			
Parkside (Neilgherry Hills), Estates Co.	June 30, 1973	22.5	27.5
Tube Suppliers	July 31, 1973	8.0	15.0

RECORDS AND STATISTICS

Review of India's foreign trade 1972-73 and 1973-74

EXPORTS from India during 1972-73 touched the figure of Rs. 1961 crores, recording an increase of Rs. 353 crores (or 22 per cent) over those for the year 1971-72. Imports, on the other hand, fell to Rs. 1797 crores, showing a marginal decline of Rs. 28 crores (1.5 per cent) compared to the imports of the order of Rs. 1825 crores during 1971-72. As a result, the balance of trade during 1972-73 became favourable to India (+ Rs. 164 crores) for the first time since independence.

The latest provisional data available up to September, 1973 showed that India's overall exports during April-September, 1973 at a total of Rs. 1075 crores registered a rise of Rs. 159 crores or about 17 per cent as compared to the exports in the corresponding period of 1972. During the same period imports grew at a higher rate of about 31 per cent mainly because of larger requirements of Food, fertilizers, petroleum and petroleum products, non-ferrous metals, steel etc., as a result of which India's Balance of Trade position turned into a deficit of Rs. 42 crores during April-September, 1973 as compared to a surplus of Rs. 66 crores in the corresponding period of 1972-73.

The large increase in exports during the year 1972-73 was helped by a number of factors such as a general improvement in economic situation of the country from the unusual strains of 1971-72 (year of Indo-Pak hostility), a strong overseas demand in respect of certain items, particularly, leather and leather manufactures, cotton textiles, handicrafts, oils and oilcakes, tobacco, marine products etc., accompanied by a higher unit value realisation in a number of products, emergence of sizeable trade with Bangladesh amounting to Rs. 158 crores during 1972-73 against Rs. 43 crores in 1971-72 and larger rupee realisation from the establishment of new sets of exchange rates between major world currencies during the year.

Among the important items which recorded increases in exports during 1972-73, were leather and leather manufactures, fish and fish preparations, oil and oilcakes, coffee, cashew kernels, tobacco unmanufactured, cotton textiles mill-made, handicrafts, engineering goods, and mineral fuels & lubricants. Exports of cereal and cereal preparations were also larger due mainly to exports to Bangladesh. The items of exports which declined noticeably during 1972-73, include sugar, jute manufactures, tea, and spices.

The performance of some of the comparatively more significant commodities has been reviewed in the succeeding paragraphs.

The international market for leather and leather manufactures has been buoyant during 1972-73. The international supply position continues to be tight and the international prices of leather and leather manufactures continue to soar high. These favourable factors have enabled India to almost double its exports of this item in one year (1972-73 alone—exports increasing from Rs. 90.77 crores during 1971-72 to Rs 174.51 crores during 1972-73. The increase was shared practically by all varieties of leather and leather manufactures, but foreign demand for E.I. tanned hides and skins and chrome tanned was exceptionally strong, particularly from E.C.M. and the East European Countries. At the same time, high exports of semi-processed items also posed the problem of shrinking supplies of raw materials required for leather industry in the country. To regulate supplies of raw materials the exports of semi-processed hides and skins were canalised through the State Trading Corporation of India and quantative restrictions has to be imposed.

It may, however, be mentioned that semi-processed varietits still constitute the bulk of exports of leather and leather manufactures, and semi-processed varieties yield comparatively lower unit values than the finished varieties. A shift to export of finished leather and leather manufactures would, therefore, be more advantageous to the country.

Exports of tobacco unmanufactured increased by Rs 18.82 crores from Rs. +2.25 crores during 1971-72 to Rs 61.07 crores during 1972-73. In terms of volume also, the exports rose substantially to 95 thousand tonnes during 1972-73 compared to 57 thousand tonnes in 1971-72. Bulk of increase in exports was, however, shared by two countries, viz. USSR and Bangladesh.

The exports of fish recorded a rise of about 30 per cent from Rs. 42 crores during 1971-72 to Rs. 54.45 crores during 1972-73. This increase was partly due to higher quantum of exports (from 33 thousand tonnes during 1971-72 to 35 thousand tonnes during 1972-73 or a rise of 6 per cent.) but mainly due to higher unit value realisations. There was strong demand from Japan which was the foremost market for this item. Exports to the USA also increased.

Exports of oil cakes registered an increase of over 86 per cent. from Rs. 40.15 crores during 1971-72 to Rs. 74.77 crores during 1972-73. The corresponding increase in quantum of exports was, however, 35% indicating higher unit value realisation resulting from tight international supply position for oilcakes.

The spectacular rise in exports of oil cakes was mainly due to sharp increase in the off-take by east European countries, particularly the USSR and Poland. Export to Japan and the U.K. also improved.

The exports of engineering goods at Rs. 138.70 crores during 1972-73 were higher by over 13% than those during 1971-72. Though this showed some recovery from the disturbing situation of 1971-72, in relation to the target of Rs. 200 crores set by the Engineering Export Promotion Council for 1972-73, the performance was much below expectations. Difficulties in the matter of supply of raw materials and power and high shipping freight rates continued to be major problems in the way of larger exports of engineering goods.

The exports of mill-made cotton piecegoods increased by about 27 per cent. from Rs. 66.63 crores during 1971-72 to Rs. 84.37 crores during 1972-73. Cotton yarn exports rose by Rs. 6.97 crores to Rs. 22.83 crores during 1972-73. Exports of cotton apparel also almost doubled. Among the factors contributing to this increase in exports were the availability of reasonably priced raw cotton, Indo-USSR Cotton Conversion Deal, and voluntary export scheme imposed by the industry. The exports to the USSR UK and USA rose appreciably. The exports to Sweden, GDR and France were also higher. Bangladesh emerged as an importer of textiles.

The exports of handicrafts increased by over 46% from Rs. 81.74 crores during 1971-72 to Rs. 119.67 crores during 1972-73. The increase was remarkable in the case of pearls, precious and semi-precious stones which increased by over 50 per cent. Other categories particularly hand-made carpet and druggets, and artware of metals also recorded appreciable increases.

The demand for Indian gems and jewellery was encouraging from the USA, Belgium, Hongkong, Japan and the UK. Liberal import policy adopted in respect of raw materials for export production and buoyant international market for gems and jewellery also contributed to the rise in exports.

The export of castor oil rose phenomenally from Rs. 6.18 crores to Rs. 22.60 crores, a rise of about 266 per cent. This spectacular increase resulted from strong demand from the UK, the USA, and the USSR. In terms of quantity also, the exports shot up from 18,000 tonnes during 1971-72 to 46,000 tonnes during 1972-73, an increase of over 155 per cent.

Among the declining items, sugar suffered the largest. Exports of this item declined from Rs. 30.20 crores during 1971-72 to Rs. 13.29 crores during 1972-73. This steep decline was mostly confined to the "quota countries" viz. the UK, and the USA because of smaller quantum of exports due to tight supply position.

The exports of jute manufactures declined by Rs. 15.32 crores from Rs. 265.28 crores during 1971-72 to Rs. 249.96 crores during 1972-73. The fall was a little unexpected because upto the middle of 1972-73, the exports of jute manufactures were doing quite well. In the latter half, however, the exports of jute manufactures were shrinking mainly due to factors like resumption of increased supplies from Bangladesh and growing threat from synthetics in the wake of high prices of jute manufactures. There was sharp decline in our exports of this item to the USA (carpet backing cloth being the worst sufferer). There was also fall in exports to the USSR, Canada and ECM countries. In order to make Indian jute goods more competitive in relation to synthetics, export duties on carpet backing and other jute goods had either been reduced or abolished from time to time.

Tea is another major commodity, exports of which declined considerably both in terms of quantity and value. The quantum of exports of tea declined by 14 thousand tonnes, from 207 thousand tonnes in 1971-72 to 193 thousand tonnes during 1972-73. The fall in terms of value was of the order of Rs. 9.02 crores (from Rs. 156.31 crores during 1971-72 to Rs. 147.29 crores during 1972-73). Exports to Sudan and the UK fell sharply. There was also a marginal decline in exports to the USSR.

An analysis of our regional pattern of exports showed a significant increase in the exports to ECM, East Europe and the ECAFE regions. During the year exports to the ECM rose by 79.0 per cent while those to east Europe and ECAFE increased by 37 per cent. and 31 per cent respectively. On the other hand, exports to regions of Africa and Latin America were lower by 23 per cent, and 66 per cent. respectively. In the case of North America, the exports remained more or less at 1971-72 level. While exports to the USA increased by about Rs. 13 crores, those to Canada decreased by Rs. 11 crores.

Increase in exports to east Europe was mainly due to substantial increase in the export to USSR. The increase to Poland and Czechoslovakia was also notable.

The rise in exports to the ECAFE regions was influenced by the emergence of a new trading partner, viz. Bangladesh. Exports to Japan were also higher at Rs. 217.16 crores during 1972-73 compared to Rs. 182.27 crores during 1971-72, an increase of 19 per cent.

Larger exports to ECM resulted inter-alia, from the higher exports of leather and leather manufactures, gems and jewellery and cotton apparel.

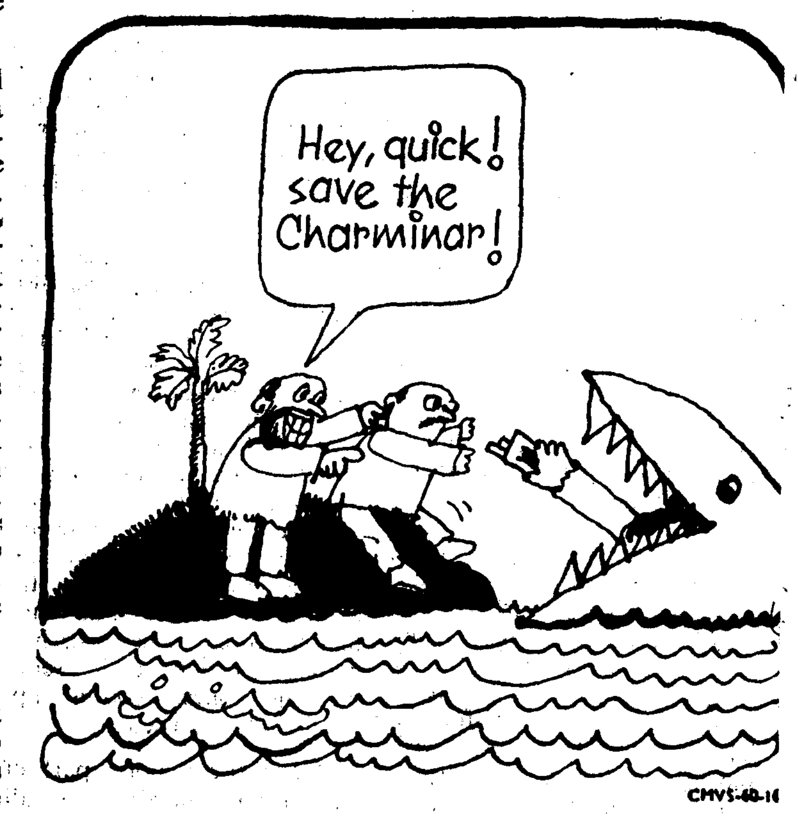
Among our trading partners, exports to the USA, the UK, Bangladesh, Japan, West Geramny, France, Italy, the Netherlands, the USSR and Poland were at a higher level compared to those effected during 1971-72.

Total import during 1972-73 fell by 1.5 per cent. from Rs. 1824.54 crores during 1971-72 to Rs. 1796.24 crores during 1972-73. Following are some of the comparatively more important items which recorded fall: (i) wheat, (ii) raw cotton, (iii) fixed vegetable, oils and fats, (iv) medicinal and pharmaceuticals products, (v) paper and paper board, (vi) iron and steel, (vii) copper and aluminium and (viii) transport equipments.

On the other hand, the main items which recorded increase during the year 1972-73 include: (i) fruits and vegetables (ii) petroleum and petroleum products, (iii) chemicals, (iv) fertilizers, (v) precious and semi-precious stones, (vi) lead, zinc and tin, (vii) machinery other than electric and (viii) electric machinery.

The biggest decline was noticed in the case of import of wheat which fell from Rs. 102.80 crores during 1971-72 to Rs. 48.16 crores in 1972-73 a fall of Rs. 53.1 per cent largely as a result of comparatively easier foodgrain supply position in the country in the earlier part of the year coupled with steep decline in the import particularly from USA due to stoppage of PL 480 imports.

The imports of raw cotton fell by Rs. 22 crores from Rs. 113.39 crores to Rs. 90.88



crores during 1972-73. The decline was almost entirely confined to the imports from the USA (due to PL 480) which more than offset the increase in the imports from Sudan. Comfortable supply position in regard to indigenous crop of raw cotton was also a contributory factor.

The stoppage of PL 480 imports from USA was responsible for the sharp fall in import of soyabean oil, imports of which declined from Rs. 37.80 crores during 1971-72 to Rs. 14.59 crores during 1972-73.

Imports continued to maintain their upward trend. Total imports during the year 1972-73 were higher at Rs. 204.04 crores as compared to Rs. 194.14 crores during 1971-72 and Rs. 135-89 crores during 1970-71.

There was a further increase in the imports of fertilizers (both crude and manufactured) reflecting the growing requirement for higher agricultural imports. In the case of manufactured fertilizers the imports increased to Rs. 89.90 crores from Rs. 81.20 crores during 1971-72 and Rs. 61.20 crores during 1970-71.

The imports under this category amounting to Rs. 284.97 crores showed a further rise during 1972-73 as compared to imports of Rs. 270.86 crores during 1971-72. Imports in respect of metal working machinery, textile and leather machinery, power generating machinery and machinery and appliances and parts n.e.s. registered rise while those in case of agricultural machinery and implements and office machinery etc. were lower.

The imports from West Europe showed a significant increase particularly from ECM area which rose from Rs. 254 crores during 1971-72 to Rs. 318 crores, thereby rising by almost one-fourth. These imports comprised mostly machinery and transport equipment, iron and steel, non-ferrous metal, chemicals and allied products and fertilizers. Imports were also higher in the case of Africa and Asia nearly by 14 per cent and 12 per cent respectively. Sudan shared the largest increase in the imports from Africa becaust of larger consignment of cotton to India. Among the Asian countries there was a marked increase in the imports from Kuwait, Afghanistan, Republic of Korea and Newzeland. Imports from East European countries at Rs. 218 crores during 1972-73 were higher by Rs. 9 crores. As against this imports from the continent of America, particularly the USA dropped by Rs. 194 crores or by 46 per cent from a level of Rs 419 crores in 1971-72 to Rs 225 crores in 1972-73. Such a heavy decline in the imports from USA can be attributed to sharp reduction in the imports of foodgrains mostly wheat, cotton etc.

The recent drought and acute shortage of power have had an adverse impact on the production of a number of agricultural and industrial items. Despite this weakening tendency on the production front, India's exports (including re-exports) have shown a rise of about 17 per cent during the first half of the year 1973-74. The higher unit value realisation in respect of a number of export products has been a helpful factor.

The commodity-wise details of exports are available only for the first quarter of the year i.e. April-June, 1973. In terms of value the major increases in exports during the quarter were confined to items like oils and oilcakes, leather and leather manufactures, iron ore, cotton piece-goods and tobacco. On the other hand there was a considerable decline in the exports of items like jute manufactures, tea, cashew kernels, precious and semi-precious stones, cotton apparel and sugar etc.

Since the major part of our increase in the overall exports occurred in the second quarter (July-September, 1973) the commodity trend of exports for the period April-June 1973 does not reflect the growth of exports over the first half of 1973-74. The commodity position seems to have under-gone some change during the second quarter. On the basis of current trend exports have been doing well particularly in respect of items like oilcakes, leather and leather manufactures, cotton piecegoods, pearls, precious and semi-precious stones, basic chemicals and pharmaceutical products. Items like fish, spices, coffee, iron ore, other textiles are also reported to be faring well.

Although there has been considerable decline in the exports of jute manufactures, but in the light of substantial reduction in the export duty and the prices of jute goods becoming increasingly competitive in relation to synthetics (due to recent oil squeeze), the export of this item is expected to show a considerable recovery in the second half of 1973-74. Prospects of sugar are also considered better than last year. But in respect of iron & steel the possibility is dim due to continued domestic shortage.

Unlike last year, the imports have grown at a faster rate than exports during the first half of the year 1973-74. During the first quarter of April-June 1973 for which the commodity-wise information is available, imports have shown a steep rise in respect of foodgrains. There have also been significant increase in the imports of petroleum and petroleum products and machinery. Chemical elements and compounds, fertilisers, non-ferrous metals and transport equipment have also tended to rise while cotton and iron and steel have witnessed decline.

The current inflationary trend in world prices and abnormal increase in the prices of imported crude oil is likely to have serious repercussions on India's balance of payments. The situation therefore demands serious efforts to maximise our exports to the extent possible.

Imports, Exports (including re-exports) and balance of trade since 1968-69

(Rs crores)

Year	Imports	Exports (including Reexports)	Balance of Trade
1968-69	1909	1358	—551
1969-70	1582	1413	—169
1970-71	1634	1535	—99
1971-72	1825	1608	—217
1972-73*	1797	1961	—164
April '73-Sept., '73	1117	1075	—42
April '72 Sept. '72	851	916	+65

*Figures re provisionnal and subject to revision.

**Figures are based on press notes and are subject to revision.

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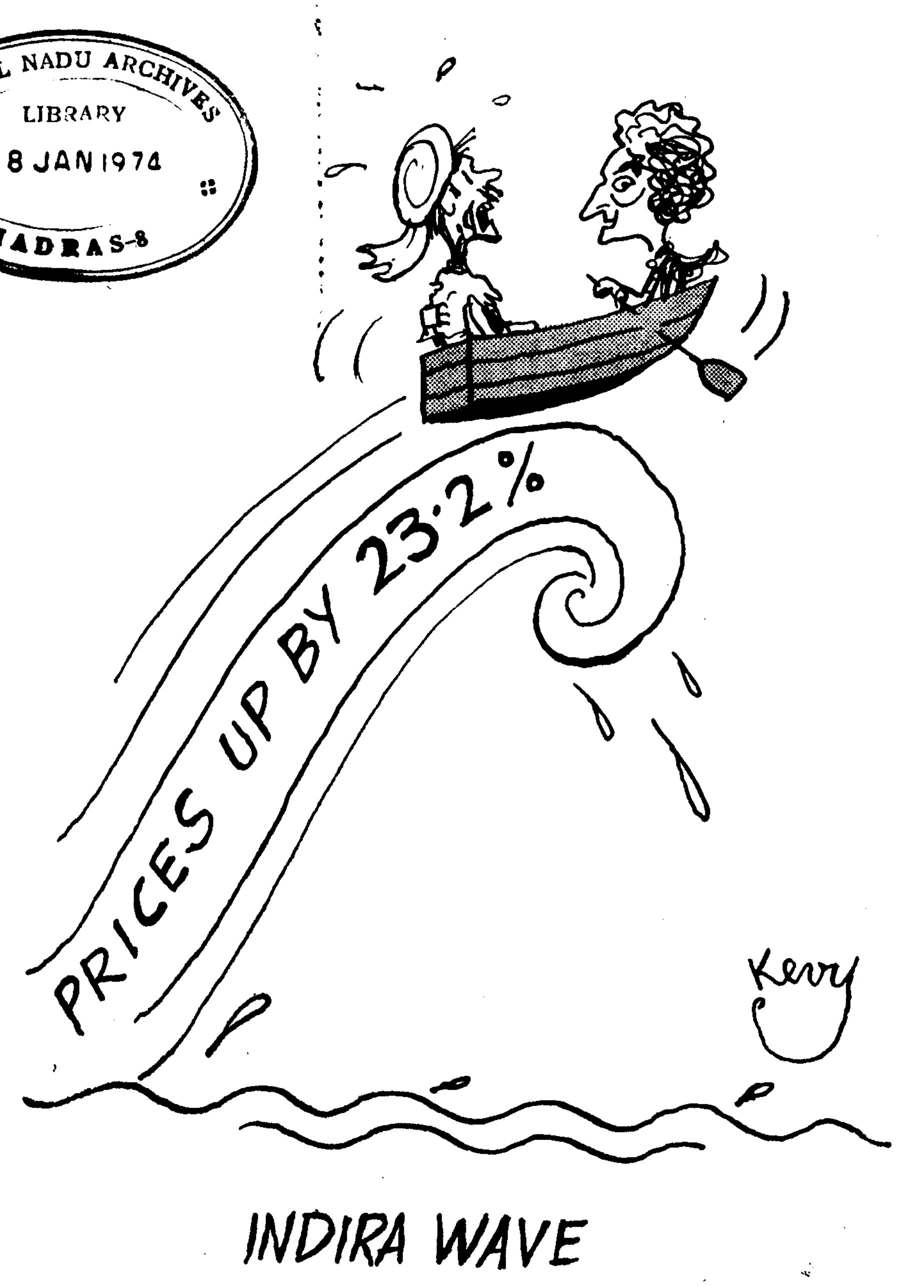

FAITH
PEOPLE
FUTURE
GROWTH
INVESTMENT
DEVELOPMENT
PROGRESS
COMMUNITY
PLANNING
WELFARE

Centre-state financial relations

THE REPORT of the Sixth Finance Commission released recently by the government makes interesting reading as it tackles all the controversial issues in an objective and unbiased manner. The constructive approach of the commission was abundantly clear in its handling of the oft-repeated grievance of the states that their dependence on the centre for resources had increased during the past two decades and that the centre had all the elastic sources of revenue whereas the states' revenues were inelastic. Stated the commission: "The centre can be financially only as strong as the states and vice versa. The task of a Finance Commission ought to be one of settling the optimal distribution of the resources of the public sector between the centre and the states". Following the dictum that "resources belong to the nation and they should be applied at points where they are most needed", the commission has recommended distribution of these resources in such a way that while the grievances of the states have been redressed to a certain extent, suggestions have been made for further examination of areas which did not fall within the terms of reference of the commission.

The income-tax collected by the centre is shareable between the centre and the states. The First Finance Commission had fixed the share of the states at 55 per cent which had been raised to 75 per cent by the Fifth Finance Commission. Some of the states were of the view that the entire proceeds of income-tax should be distributed among the states and union territories. The Sixth Finance Commission has recommended that the percentage of distributed income-tax should be raised from 75 to 80. The formula for distribution gives 90 percentage weightage to population and 10 per cent to income-tax assessment. The states would be largely satisfied with this allocation but their major complaint is against the non-inclusion of corporation tax in the divisible pool.

Before 1959-60, the tax on the income of companies was a part of the divisible pool. In a reclassification of the budget heads, corporation tax was separated from income tax. Over the years, it has been seen that corporation tax is much more elastic than income tax. However, the explicit provisions of the Constitution forbade the commission in making any recommendation about the corporation tax. It has therefore stated that "having regard to the near unanimity in the views expressed by the state governments, we would suggest that the question of bringing corporation tax within the divisible pool be brought up for examination before the National Development Council". The commission has expressed the view that the inclusion of corporation tax in the list of shareable taxes would not upset the relative balance between central and state resources. This has thus remained an open question to be taken up by the states in other national forums.

The share of the states in basic union excise duties has not been changed by the Sixth Finance Commission; it will be 20 per cent of the total revenue from basic excise duties as fixed by the preceding commission. Some minor changes have however been recommended for auxiliary duties. The distribution of yield from these duties is to be on the basis of population (75 per cent) and per capita income (25 per cent). In the case of additional excise duties, the entire net proceeds have been allocated to the states with the distribution formula as follows: population—70 per cent; state domestic product—20 per cent; and production of commodities subject to additional excise—10 per cent. It may be stated here that the additional excise duties are in lieu of sales tax and there does not appear to be any possibility of extending the items in this list as it would further reduce the sphere of operation of the states.

Some of the states suggested enhancement in their share of the revenue from excise duties from 20 to 50 per cent but this plea was turned down by the commission "to ensure equity in the aggregate transfer of resources as between surplus and deficit states". The commission felt that the prosperous states would thus receive an excessive share in the divisible pool. Again, a number of indicators were suggested by the states for adoption as measures of backwardness but the commission felt that per capita state income alone was the best measuring unit in this regard.

The principles on which the distribution of estate duty is based have not been altered by the commission; similarly, the grant in lieu of the repealed tax on railway passenger fares has remained unchanged. The grants to the states under article 275(1) of the Constitution would total Rs 2509.61 crores while a sum of Rs 1969.62 crores has been provided for debt relief for the five-year period ending in 1978-79. In all, a sum of Rs 9,609 crores is proposed to be allocated to the states during the fifth Plan period as against Rs 5,316 crores proposed by the Fifth Finance Commission.

The emergence of the Planning Commission as a powerful instrument for the transference of resources from the centre to the states has been justified on the basis

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of further strengthening the bonds of "financial kinship" between the centre and the states. The debate is however an unending one. The study team appointed by the Administrative Reforms Commission to go into the centre-state relations had given the following opinion: "In the states, excessive dependence on the centre tends to produce irresponsibility and operational inefficiency. At the centre, dominant financial power in relation to the states gives central authorities exaggerated notions of their importance and knowledge and does not allow sufficient place to the points of view of the states. It is important, therefore, that the degree of financial dependence of the states on the centre should be reduced to the minimum, because that minimum would be adequate from the point of view of giving the centre controlling powers in the context of ensuring national integration." The wrangle for additional funds between the states and the centre will without doubt continue and there is every likelihood of the centre conceding increased share of taxes to the states in the coming years. As the share of the states in the tax revenue increases, their dependence on the centre would be reduced though an effort should be made at the same time not to weaken the centre in the process.

New role of stock exchanges

Mr I. K. Gujral, the union minister for Information and Broadcasting, has been urging the press to curtail the space allotted to the coverage of news relating to the stock exchanges and allied activities as one of the methods for tackling the newsprint shortage. He seems to think that the stock exchanges are not doing any particularly useful type of work and that only a handful of people are interested in them. Mr Gujral has also said that it is a waste of newsprint to publish the speeches delivered by the chairmen at the annual meetings of companies. In a recent speech in Calcutta he wondered whether the public were really interested in reading them other than the wives of the chairmen ! Mr Gujral does not appear to have a proper idea of the role of the stock exchanges or of the corporate sector in the country's economy.

The union minister for Information and Broadcasting will therefore do well to read the speech delivered by Mr G. S. Pathak, Vice-President of India, while inaugurating the educational programme of the Calcutta Stock Exchange on December 26. Mr Pathak lucidly explained how the stock exchange had been playing "an increasingly useful role in promoting the rapid economic growth in the country". He said, "A stock exchange is an economic institution of great public importance. Its utility in a developing nation is of particular significance. It serves the interests not only of investors but also of the economy of the nation in general. It helps the people to participate in the nation's economic progress. The fruits of such progress must be shared by many. It should therefore educate the masses in the art of investment. There is no doubt that the activities of the stock exchange result in the diffusion of the ownership of the means of production."

The Vice-President of India thus made it clear that the stock exchanges have to play an important role in ushering in a socialistic pattern of society. He said that these institutions were particularly important in the context of the fifth five-year Plan which involves an outlay of Rs 53,250 crores in order to achieve an over-all rate of growth of 5.5 per cent. A large part of this investment has been set apart for industrial growth in the private and the public sectors. He said that investments of the magnitude proposed in the Plan called for "determined efforts to attract and mobilise savings from all sections of the pupulation to the maximum extent".

The educational programme of the Calcutta Stock Exchange has therefore been launched at an opportune moment. Mr. G. S. Mantry, the President of the Calcutta Stock Exchange, explained that the education programme was "of great significance for the eastern region in particular". He said that the vigorous growth in this region had assumed urgency in view of the prolonged stagnation of the economy in this part of the country. The programme is primarily for the benefit of the members of the stock exchange and assistants but others who are interested are also invited to join free of charge. This has become necessary in order to reorient the ways of the stock exchange for coming into contact with the new class of savers and for persuading them to invest their funds in various productive undertakings.

The education programme is claimed to be the first of its kind in India. The authorities of the stock exchange have decided that new members and assistants should give an undertaking to the effect that they will join the education programme. The course will cover twelve weeks, comprising sixty lectures. The syllabus includes stock exchange procedures, bye-laws, rules and regulations, government notifications and guidelines; investments and securities ; fiscal and monetary policies as well as the functions of banking; company law and practices especially relating to securities dealt in in the stock exchanges, and discussions about the impact of current economic and political events on the securities handled by the stock exchanges.

The programme and the syllabus seem to have been well conceived. But it is not clear how exactly the members of the stock exchange and their assistants are going to mobilise the savings of the small investors. The education programme will, of course, make the members better informed adout the fiscal and other policies of the government. But unless some positive measures are taken to contact the investors especially in the rural areas, how will it be possible to attract their savings? Mr Pathak said that a steadily increasing proportion of the national income was flowing into the hands of the farming community, industrial workers and small entrepreneurs. He observed, "It is in this section of the population that savings are being increasingly generated, and therefore it is this section of the population which has to be approached and persuaded to divert its savings for investment in productive enterprises.

In this process of broadening the base of ownership of industrial and commercial concerns to cover millions of small investors, the stock exchange has come to play an important role. The stock exchange offers a great incentive to the common man to have a share even in the largest concerns through the investment of his modest savings. It is the function of the stock exchange to help the small investors in this respect and secure for him the economic and psychological satisfaction of playing his part, however small, in the promotion of national development".

The Vice-President has rightly stressed the imperative need to woo the small investor. The Calcutta Stock Exchange therefore should not confine its education programme merely to a course of lectures for the benefit of its members and assistants. It should evolve a suitable programme to spread the investment habit among the rural communities, industrial workers, and others. It should publish periodically brochures and other literature in local languages, explaining in simple style the part played by the stock exchanges in the country's economy. The severe shortage of newsprint is a great handicap in publicising the activities of the stock exchanges and the opportunities provided by them to the small savers.

Even so, these institutions, individually and collectively, should do their best to keep the public continuously and correctly informed about the various aspects of investment. The fact that the banks and the Life Insurance Corporation have been vigorously expanding into the rural areas should be a great advantage to the stock exchanges in promoting their publicity programme. The move to accelerate the development of the backward areas by providing them with infrastructure and by attracting industries should also, in course of time, help in creating a wider class of investors in the country.

But the stock exchanges cannot, by their own efforts, stimulate savings in a big way, unless the tax policies of the government of India are suitably modified to help this process. The corporate sector should be enabled to operate profitably and pay a reasonable return to the shareholders. There should also be some stability in regard to economic policies. Sudden take-overs or nationalisation of industries, and the failure to pay prompt and adequate compensation, will shake the confidence of investors especially the small ones. As Mr Pathak said, "Before we can have mobilisation of private savings and the acquisition of financial assets by many people, there must be suitable conditions for increase of income and creation of savings. Accelerated rate of growth is essential before the important question arises of equitable distribution and for carrying out egalitarian policies. Increased productivity and reduced inequality has to be the motto. But for all this, a favourable climate in the country is essential".

In many advanced countries, the number of shareholders runs into several millions. In India too it should be possible to make industrial democracy a reality if the economic policies are truly growth-oriented and the stock exchanges and other financial institutions display greater initiative and imagination in mobilising the people's savings.

Eastern Economist 30 Years Ago

JANUARY 21, 1944

Public opinion in this country has at all times been alive to the injury arising out of the meagre participation of her nationals in the financing of her foreign trade and has clamoured for its correction. Even the majority of the Central Banking Enquiry Committee, despite their halting acceptance of the weight of commercial opinion in the matter, came to the definite conclusion that "it is not desirable that India should rely for all time on the facilities afforded by non-Indian institutions for the financing of her foreign trade.'

The advantages of the increased share of Indians in their nation's trade and in financing it are not to be reckoned merely in terms of the profit or loss which will accrue to the agencies involved in the business but with reference to the valuable commercial contacts which can be built abroad which will prove of enduring value both in retaining existing markets and developing new ones. The example of German and Japanese foreign exchange banks in causing the rapid growth of their country's foreign trade, and of non-British banks in this country must afford sufficient evidence. Nor are the purely banking advantages negligible. The impetus to domestic banking, the growth of the much longed for bill market, increased business to Indian insurance companies, saving on brokerage, commission and other 'invisible' services — all these are no mean gains.

Made in middle east

The crisis in the international oil situation as a result of the developments in west Asia has made nonsense of the balance of payments position of many developed countries and there is now speculation about how the adverse effects of an unconscionably dearer oil bill will be overcome by the latter. Even assuming that oil exports from west Asia will be around 600 million tonnes annually and there will be some discouragement to consumption on account of higher prices, the major consuming countries will have to foot an additional dollar 50 billion yearly. This may result in the wiping out of the surpluses of Japan, France and even West Germany. Britain's position will become extremely vulnerable while USA also will have to spend additionally dollars nine billion in spite of the fact that a good portion of its requirements of oil are found from internal sources. This is because higher prices will also have to be paid for imports from Venezula and Canada.

The actual benefit derived by the west Asian countries alone will be dollars 30 billion and the question is now being asked in financial circles how these surpluses will be sucked back by the developed countries in the shape of higher prices for their exports and other adjustments. There will certainly be an attempt on the part of Japan, west Europe and USA to pass on the incidence of a higher oil bill to the oil exporting countries with larger trade at higher prices. It is of course being debated whether the oil prices jacked up to artificial levels can be maintained and whether a stabilisation at much lower levels will not take plae as a result of efforts to evolve long-term strategies. The members of the Organisation of Petroleum Exporting Countries themselves have been hinting at the need for a long-term price policy though it is not clear what exactly they have in mind.

Whatever be the ultimate outcome of the new efforts that might be made to reduce oil prices by the middle of next year, it is quite on the cards that oil prices may fluctuate between dollars 8-10 per barrel rather than dollars 4-6 per barrel anticipated sometime back. If the oil bill has to become at least four times costly than it was in 1971 and the trading nations have to maintain their export surpluses at reasonable levels, there has to be a rise in prices for armaments, industrial machinery, consumer goods and various other items. Japan and Britain particularly are nations trading mainly in differences in prices for imports and exports. It is difficult at this stage to anticipate precisely the course of developments in 1974. But there is no doubt that there will be a general rise in prices for manufactured goods and even for agricultural commodities all over the world and every effort will be made to get back from the Arabs as much as possible of the additional amounts paid by the developed countries for oil supplies, by supplying to them goods on a dearer basis.

The west Asian countries however will get the better of the bargain as they will have a problem of spending all their surpluses. There will of course be an attempt to develop the region industrially and already plans are under way for promoting petrochemical industries constructing a huge pipeline across Egyptian territory to the Mediterranean and creating infrastructure facilities. Even so, there will be unspent surpluses and the Shah of Iran has hinted that a development fund may be created for extending aid to the poor countries. There may also be schemes for intra-regional cooperation.

The foreign exchange budget of our country has naturally been thrown out of shape and even before the fifth Plan has got under way, it has become necessary to reassess the availability of net foreign exchange resources and determine how foreign exchange earnings can be augmented through larger and dearer exports for meeting a costlier oil bill. It has been estimated that the cost of crude oil and petroleum products in 1973-74 alone may increase by over Rs 400 crores. The rise would have been more pronounced but for the fact that the big increase in prices has come about only in the last five months. Luckily the trend of exports in the first six months of the current financial year has been satisfactory, there being an increase of Rs 163 crores to Rs 1090 crores in spite of various handicaps. With a recovery in gunny exports and a higher level of industrial output in the latter half of the year, it is expected that the value of exports for the whole year will be around Rs 2200 crores, representing an improvement of roughly Rs 300 crores as compared to 1972-73.

The import bill however may increase by more than Rs 600 crores even allowing for the possibility of a shortfall in imports of fertilisers, steel and other items. Between oil and food imports alone there may be a rise of Rs 600 crores. As there was a trade surplus of Rs 185 crores in 1972-73 and exports are likely to be higher by Rs 300 crores in 1973-74 the net deficit on trade account may not be more than Rs 115 crores which can be easily managed by utilising net foreign aid. The real difficulty will however be felt in 1974-75 when the cost of oil imports will rise by Rs 500 crores to Rs 1000 crores and there may be an increase in prices of other imports by at least 20 per cent. It is probable therefore that imports may reach the staggering figure of Rs 3300 crores in the next financial year and if there was only a normal growth in our exports, to Rs 2500 crores there will be a forbidding gap of Rs 800 crores. Indian exporters will therefore be compelled to secure higher prices for their products and the new opportunity for realising more on exports of gunnies, iron ore, cotton textiles and plantation products should be carefully explored. The new year will therefore pose many challenges for the developed and developing countries and it remains to be seen how the new affluence of the oil rich nations will affect the fortunes of the different countries and a new pattern of world trade and prices will emerge.

Value management audit in public sector

Paresnath Chattopadhyay

VALUE MANAGEMENT embraces value analysis and value engineering. In some quarters these two expressions have been used synonymously. Its major objectives are (a) to enhance the value of products and services produced by an enterprise and (b) to promote new uses of these products and services. There are different ways of realizing these objectives and thus are decision points for management. Mention may be made here of (i) substituting current materials and components by those much cheaper for the same end-uses; (ii) altering, modifying or changing product processing or product design in such a way as would make the manufacturing processes and operations easier and smoother—this may be done either by eliminating or adding to the existing procedures and practices; (iii) producing higher value products or services for the same input-factors; (iv) reduction of cost for the existing levels of value of the products and services; and (v) improving the performance of the products and services for the same cost but a higher price.

optimum utilisation

The approach of value management is that there exists a better way of producing and utilizing the products and services. Value management audit contributes to this conscious effort of management towards reaching an optimum of economics of resource utilization within the constraints that condition the productive atmosphere of a unit. In addition, the value managers cannot handle all or most items at the same time. The attention that each item gets over time is unavoidably meagre when the number of items calling for attention is large. A gap thus remains in value management function that requires to be covered. Value management audit does this job among other functions.

Value management audit is a system of regular periodic review and appraisal of the value management function of an industrial enterprise. Though it is relevant for all types of productive activities of various sizes, its effectiveness is more manifest in large-scale manufacturing units in which management is innovative and "thrusting" rather than lethargic and "sleeping". This audit presupposes that value management as an organized activity exists as a normal production management function and that management is sincerely interested in initiating possible improvements in products and processes wherever feasible. Value management audit in fact closely studies this activity and helps the concerned management with ideas, methods and approaches while determining the cost-effectiveness of not only the value management function, but also of the value management audit function itself in various ways.

wider connotation

Here it is relevant to point out that value analysis and value engineering are generally understood to be the purview of engineers and technologists and are not considered to pertain to top management policy. However, value management has a much wider connotation than that of being limited to engineers. In the wider sense, value management implies a composite of techno-managerial, techno-economic, socio-technical and socio-economic considerations. The perception of value by the consumer or end-user himself has to be matched by that of the manufacturer and, significantly, also by that of the nation as a whole, as to what should be produced and how. Value management audit has the important purpose of causing the required synthesis in managerial approaches to the question, so that the perspective is not lost while technological sophistication is achieved in an organized way. Audit of value management thus ensures that no lopsided emphasis is given to any aspect of value maximization at the cost of other aspects and considerations.

Value management audit as a system of internal review and appraisal acts on behalf of the top management. Its aim is to find out feasibility of initiating further improvement than what has been done by the value management experts, to know and judge the innovations effected, the possibilities of substitution of factor-inputs for greater economy and to improve product performance by introducing features not present now. The audit specialists do not and should not end their work with throwing up suggestion. They should also see to their implementation, stressing the "demonstration effect" of recommendations.

gauging the worth

This responsibility implies that the value auditors should size up the value management system in vogue and gauge its worth in the context of the products in view, factor supply, factor cost and factor utilization, as against demand, manifest and potential, in markets, *domestic and international.*

Value management seeks to maximize value of products and services. Value in this context underscores (a) use value (b) low cost and (c) image of the products and services or sentimental value irrespective of other considerations. The enhancement of use value can be effected through different means that have been indicated earlier. Cost reduction in this context suggests enhancement of other values at lower, constant or even higher costs when the movements in the former are more than proportionate increases in the latter. The third type of value augmentation stresses creation of products that enhance prestige, social status, distinction in the sense of uncommonness, in short, pleasing particular tastes, as against mass consumption items. In conditions in which everyone seeks to look different this third type of value has a significance not always recognized. Though this is applicable more in consumption industries, in specific cases, this applies to other industries as well. In the context of audit of value management, esteem value should receive due consideration, inclusive of factors that make the products desirable to the consumers.

In value management, functions of the

product are under close examination. These functions rendered by the products at *minimum* cost are said to give maximum value thereof. These functions include reliability, maintainability, producibility, human factors, parts availability, production lead time, quality, weight, logistics, performance and packaging, apart from cost. For audit purposes, these criteria should be examined in the context of the products and methods of improvement considered in detail with reference to the work of the value management team in the enterprise. There are two *important* aspects *in* such scrutiny. First, it is necessary to trace, assess and classify these functions so that no criterion is left out of view. Secondly, there should be evaluation of these functions on the basis of accepted scales of reference. Since judgement is involved in the evaluation, careful consideration is necessary for avoiding bias, for guarding against underplaying achievements or for minimizing the glare on failures. In a multi-plant, multi-product firm, considerable care is called for to ensure that no product is sidetracked and that no criterion is ignored. Where ABC analysis applies, it should be considered whether the grouping of items has been logical, whether substantial possibilities exist in regard to B and C items and whether alternative factor inputs can give better results or similar results at less cost.

criteria used

To reduce bias in the context of evaluation of functions the value management team may have applied several ways, evolving suitable scales of reference against *which individual functions are tested.* The value management auditors should underline these scales and examine their appropriateness on the one hand, and the evaluation process, on the other. The criteria used for the evaluation of functions are (1) comparing with a product performing similar functions; (2) comparing with an item *having similar physical* appearances; (3) in relation to an item having similar properties; (4) examining an item having similar processes of production; and (5) any other detail considered relevant for this purpose. It will be noticed that almost the entire effectiveness of this evaluation process depends on the selec*tion of products or items for purposes of* comparison. Here it should be noted that for purposes of comparison, a product or its individual parts or components *may be taken.* When several products are there each should be examined as well as similar parts or components in different products having similar or different enduses. The basic approach in respect of evaluation is to avoid complacency, find out the present situation and think of ways of betterment of the existing situation.

objective assessment

In many public sector units, small achievements are magnified many times and major failures are either underplayed or not brought to light at all. The private sector units are not free from this motivation but not much is known about them. Audit can, on behalf of management, assess the true character of these achievements and advise management accordingly. Audit, however, does not undermine the achievements. Objectivity is the sole criterion of such assessment while to ensure easy acceptability the auditor should operate through the value management team and enlist its support. Frictions, tensions or complexes are easily aroused and the auditor has to guard against these possibilities. Push and pull factors are far too many and the auditor can ill afford to ignore them. For all practical purposes, this aspect should form part of his audit report plan. After all, the auditor is a member of the internal management.

In respect of organization for value management audit, several questions arise as to how it will function, what should be the pattern of departmentation, powers and responsibilities, manning of cadres and, above all, cost of the audit set-up. Where a streamlined value management system exists, the nature of its functions *may* partially determine the set-up of the audit function. It is, however, logical that value management audit as an internal appraisal system should be organized as a part of the other audit systems in the enterprise. The value management team being there, one member of the team, may be the seniormost member, should be assigned the responsibility. In a way, this practice may have its advantages and disadvantages.

As for advantages, communication between the team and the author will be easier; being a senior member if not the seniormost, acceptability of audit findings will be better; and, more significantly, being well aware of the *modus operandi* of value management the process of review and appraisal is likely to be more penetrating and knowledgeable. As for the disadvantages, *freshness of approach* may be lacking in view of the lengthy exposure to stereotypes; the practices followed in other units may not be intimately studied; subjective approach *arising out of intima*cy with the value management team may come in the way of the best results; and, being accountable to top management, *objective audit reporting may expose* the auditor's weakness as a member of the value management team. Establishment of the set-up will thus have to take account of both sides of the coin. Practices may vary depending on the nature of circumstances.

a rarity in India

In India, value management as an organized activity is a rarity. Results of value analysis products and materials substitution and import substitution—are of course flashed in the press from time to time regarding several enterprises. Audit of value management function is almost non-existent. But value management and its audit can bring results not known now. Their bearing on the ultimate performance of an enterprise needs appreciation. In the context of resource scarcity and the need for factor substitution, value management and its audit deserve to be steamlined. Particularly in large-scale, multi-plant, multi-product, manufacturing enterprises, value management audit should be organized as a discrete activity. The urgent need for import substitution, stress on self-reliance and possibilities of cost savings underline the *importance of value management* and its audit as a self-adjusting, dynamic mechanism for achieving better results on the basis of existing resource constraints. In the fifth Plan, this role of value management may be better appreciated as a saver of scarce national resource if a planned, deliberate effort is made in this direction.

In conditions in which the same resource set-up can produce several products commanding different profit potential the normal commercial *motivations* would make the enterprise produce those products which yield the highest profit whereas society requires other articles that may have been rejected. Value management audit in the public sector may assist management in selecting the most desirable product-mix irrespective of profit. In the western countries and the USA, health hazards have acted as a factor in banning several chemical and pharmaceutical articles like DDT, fertilizers and medicines. In determining the use value of products, value management auditors may take serious note of such warnings to recommend alternative products for similar end-uses but free from hazards. On the other hand, using scarce resources for producing items low in the list of national priorities, may be discouraged in preference to items considered essential. U-sector items not meant for export are a case in point. Be*fore entering into* commitment of a permanent nature, if management is advised not to produce certain items and to produce certain others, it gets an opportuni*ty to exercise its discretion in this con*text. Value managers or value management auditors do not decide on behalf of management. On the basis of facts culled from internal and external sources they supply information and advise management for decision making. Sound analysis and interpretation of facts help management to adopt the most desirable course of action. In this, the assistance of value management auditors is quite significant. Value management audit acts in close cooperation with R & D function, marketing and production engineering, in this respect.

Poverty in India

Murad Ali Baig

IT IS seldom realised just how many people have a vested interest in India's poverty. Without a firm faith in a poor and backward India, there would be legions of frustrated revolutionaries. Politicians would be deprived of handy slogans; labour would not need to be pampered and classes classified as backward would cease to be objects of political patronage.

While vast areas of poverty and backwardness in India cannot be denied, it must, at the same time, be recognised that over-emphasis of this poverty has been used for ends which have resulted in policies damaging to India's progress.

There is perhaps no country in the world which, in the name of the weaker sections, has created so many incentives for backwardness and so many disincentives for growth. The facts of poverty in India must be fairly faced but the fiction needs to be ruthlessly cut to size.

starvation line

The picture of poverty in India conjures up visions of millions of starving peasants. This vision has been supported by the frequently quoted slogan that two thirds of our population live below the 'starvation line'. In this context it will be interesting to examine what exactly is this so-called 'starvation line' and whether in fact it really does exist.

According to Colin Clark in "Starvation or Plenty", the idea of the 'starvation line' was first propounded in 1945 by Lord Boyd-Orr, the first Director General of FAO. According to some rather doubtful calculations it was estimated that a person's minimum daily calorie requirement was around 2300. The 'starvation line' concept gained great popularity, but was soon found to be totally false and was rapidly retracted *and has not been* used by serious scientists ever since. Nevertheless, the champions of poverty continue to use this convenient and emotionally charged slogan to the present day.

minimum requirements

If the minimum calorie requirement of a human being was in fact 2300, it is quite clear that the population of China, *which in 1961* had *an* average consumption of 1600 calories, would have been decimated long ago. Similarly, Japan which has a high standard of living, but a diet *traditionally low in* calories, has for generations been living below this so-called 'starvation line'.

Calorie intake requirements vary according to the climate, body weight and numerous other factors. Colin Clark states that one kilo of wheat or equivalent foodgrain, after milling, provides 3150 calories and that means a minimum food requirement is, therefore, about 190 kgs, per adult, per year. As India's average "grain equivalent" agricultural production is estimated at round 380 kgs per capita, it is clear that we are producing double of our minimum agricultural requirements.

The Planning Commission's "approach to the fifth Plan" has defined a poverty level at a per-capita consumption of Rs 29 per month 1960-61 prices, corresponding to Rs 40 at current prices. However, per-capita data is meaningless, because consumption, especially of basic consumption items, is always in terms of family or household units, Rs 40 per capita therefore, means an average consumption of Rs 228 per month for the average Indian household of 5.7 members. This is by no means a small sum.

It may certainly be argued that while averages are all very well, the poorer sections may in fact be below this 'starvation or subsistence line. However, it is noteworthy that, after examining numerous reports from the National Sample Survey, National Council of Applied Economic Research, numerous studies of individual districts and states and the report of Messrs Dandekar & Rath in 'Poverty in India', there seems to be very little evidence to really support this view.

Table I (p. 90) gives a study by the National Council of Applied Economic Research of income changes in rural India between 1962 and 1967/68 and these tcertainly do not show that the poor are getting poorer. Standards of living may be low in India but they always have been and they are steadily improving in almost all sectors of the community.

eradication of poverty

The eradication of poverty must begin in rural India, because though it engages 80 per cent of population, it provides only slightly more than half of India's net domestic product. Urban India, therefore, not only has to make up this shortfall but also carries an unfair burden of taxation. India's problems, urban and rural, can, therefore, be solved in rural India through increased rural productivity. This aspect, therefore, needs careful examination and the interesting areas of industrial and urban growth can, therefore, be covered separately.

Many rural income studies do, however, point out several problems which affect the lowest fractile groups. It is observed that the lowest income groups are facing genuine hardship but in most such cases their hardship is not due to any lack of employment opportunities but because of sickness, old age, infirmity etc. of the earning members. It is often forgotton that India has 2.5 million lepers, over three million blind and deaf, eight million TB patients many million others suffering from other serious ailments. This is a large percentage out of only 92 million families in rural India and 20 million families in urban areas. Their welfare is a special problem and their poverty cannot be removed by any amount of employment opportunities, land redistribution or other economic efforts.

In some states there are problems also of depressed or backward tribals who are a special problem which also cannot be generalised as problems of rural employment or land distribution.

seasonal unemployment

A large section of the rural population also suffers from seasonal unemployment caused by the highly seasonal nature of the Indian monsoons and the consequent seasonal foodgrains production. This is a special problem chiefly found in the states of Bihar, Andhra, Orissa and in a few famine prone districts of other states. Landless labour is chiefly found in these states and its problem is not caused by the shortage of land, but by the uncertain and poor productivity of land. The bulk of this rural labour consists of in fact small or marginal farmers and not the so-called landless labour.

There are several false notions concerning the eradication of poverty. The first such myth is the idea that India's poverty is due to the inability of the state to provide for the basic needs of the weaker sections of society.

It is, however, observed that even though foodgrains account for a large portion of the consumption of India's poor, it is by no means the only item which is crucial to their existence. It has, therefore, been wrongly assumed that the farmers' main expenditures need to be confined to such items as food, clothing shelter, medicine etc.

In this connection a very interesting report by the U.P. Agricultural University, Pantnagar, entitled "Problems & Prospects of Small Farmers in Two Districts" reveals interesting insights about the average expenditure of small farmers (under two hectares) in two districts. The average household expenditure of these small farmers selected, firstly from a rich Tarai area of Nainital district, and secondly from a block of the poor and backward district of Badaun are given in the tables II and III.

TABLE II (in Rs)

Average Household Expenditure per year

Consumption items	Badaun	Nainital
House grown farm produce	1761	1543
Cash expenditure	1574	2287
	3335	3830

TABLE III

Details of Cash Expenditure

(in per cent)

Consumption items	Badaun	Nainital (Tarai)
Wedding	35	24
Clothing	18	19
Food	15	14
New housing (durable)	8	16
Other durables	5	4
Medicine	4	6
Education	4	3
Ceremonies, recreation & personal	4	3
Travel	4	3
Fuel and light	2	2
House repair	1	1
Other	—	6
	100	100

From this study it is clear that poor farmers, even in a backward district, spend considerable sums of items beyond their direct material needs. In fact it may be argued that the basic needs are not just these material needs. The social status needs, expenditure on weddings, religious ceremonies and the farmers' need for the excitement of travelling, entertainment etc. are no less his inescapable basic requirements.

It has to be understood that the rural buyer is exactly like his counterpart in urban areas and is dominated by the human needs of status, stimulation and security as much as the so-called animal needs of food, clothing and shelter.

The poverty of India's poor is much greater in the area of his human needs and aspirations than in the area of his animal needs.

The second myth is the recurring theme of all discussions of India's poverty, the idea that land reform or land redistribution, is the answer for helping the backward sections. It is, however, not realised that land, while certainly a potential source of wealth and income, is also capable of making people captive to it, and depriving them of the opportunity of seeking gainful and satisfying employment elsewhere.

It has been estimated that there are today some 92 million families in rural India of whom 64 million, or 70 per cent have land and of whom 27 per cent are actively and gainfully engaged in trading, commerce, transport, industry, forestry,

TABLE I

Income Changes in Rural India : 1962—1967-68

Income/class (Rs. pa)	Number of households ('000) in rural india: Rural household survey 1962 Nos.	%	Present study 1967-68 Nos.	%	% change
Upto 360	4,285	6.5	1,376	1.5	—71.0
361 — 480	4,680	7.1	1,817	2.5	—65.0
481 — 600	6,356	9.7	2,600	3.6	—63.0
601 — 720	6,488	9.9	2,991	4.1	—59.0
721 — 900	8,821	13.4	6,449	8.8	—34.0
901 — 1200	10,531	16.0	11,441	15.6	+ 2.5
1201 — 1800	12,451	18.9	13,347	18.2	+ 3.7
1801 — 2400	5,436	8.3	9,665	13.3	+60.0
2401 — 3600	3,786	5.8	8,943	12.2	+110.0
3601 — 4800	1,512	2.3	5,459	7.6	+230.0
4801 — 7200	809	1.2	4,547	6.2	+417.0
Above 7200	578	0.9	4,418	6.0	+567.0
All income classes	65,733	100.0	73,142	100.0	

mining, quarrying, contracting etc., which do not require any ownership of land. In fact, studies of any prosperous district show that growing agricultural prosperity causes a positive decline in the number of people engaged on the land and a rapid shift to more satisfying and remunerative areas of activity.

This is demonstrated by the case of Punjab where only 23 per cent of the rural population today are cultivators and agricultural labourers, and Punjab is the granary of India.

unproductive employment

This decline is due to the fact that in backward areas there tends to be abnormally high unproductive employment. As a district gets more prosperous the employment reaches a level of normalcy. It is understandable that, if a man can afford it, he would not like his wife to undertake hard labour, nor his young children or elderly parents. As a district becomes prosperous, there is a sharp shift from foodgrain production to dairying and to the growing and successfully marketing of fruits and vegetables and also more shifting to trade, transport, small industry etc. These require far less manual labour from the weaker members of the households, who also consider these more honourable and rewarding forms of employment. Small farmers also become more and more rare. They increasingly shift to better employment leaving farming as a secondary source of income.

Where poverty in some districts causes abnormally high degrading employment, it seems ridiculous that some planners are seriously considering the creating of more unproductive employment in the form of stone-breaking, road construction etc.

The proper answer is to encourage agricultural productivity so that labour can be gainfully employed in handling the fruits of increased prosperity in the form of more labour to handle, transport and store more harvested crops, more employment from more consumption expenditure which also requires more local manufacture and trade. So much more can be done even in backward districts with the existing limitations of irrigation, as has been demonstrated by the International Crop Research Institute for the semi-arid tropics.

With prosperity, there is increasingly a trend of young adults to be better educated and better able to shift into small industries making agricultural machinery, implements and servicing of pumpsets, tractors, etc.

Karnal district today has over 40,000 pumpsets and 4,500 tractors plus threshers, implements and numerous other types of agricultural machinery which probably engage nearly 30,000 workers full time, on their sales, supplies operation and maintenance. This is a large percentage out of the workers in this district.

Similarly, in the case of Saharanpur, although 77 per cent of the population lives in rural areas, only 45 per cent are cultivators and agricultural labourers. In other words, over 41 per cent of the rural population are gainfully employed outside direct agriculture.

Examples from other states show that in East Godavari district only 73 per cent of the rural workers are actually engaged as cultivators or farm labourer. In Thanjavur district of Tamil Nadu the percentage is 80 per cent, the rest of the rural workers are gainfully employed elsewhere.

sentenced to hard labour

A landless farmer given two acres of redistributed land is in fact being sentenced to a long term of rigorous hard labour for himself and all his family. In fact, small farmers should be given every encouragement to shift from marginal agriculture to more productive and dignified forms of activity. More productive agriculture leads to more successful extra-agricultural diversification. The only land ceiling really necessary, is a ceiling on minimum holdings to make all holdings productive.

The short-sighted fixation on land has also been destructive to the very important area of forestry. Forests are capable of providing considerable employment potential and productive use of land. India should shift from forest conservancy to timber harvesting which has huge potential. Instead, forest lands are ruthlessly cut down, destroying animal life, accelerating soil erosion and reducing rainfall retention. Forests in fact appear to be the stepchild of the ministry of Agriculture, where the chief efforts seems to be the enhancement of area under crops even at the expense of our forest wealth.

Apart from the myths surrounding the importance of providing basic necessities and concerning the redistribution of land, there is also the fiction that technological change, by itself, is capable of producing sudden miracles. Irrigation projects in particular are heralded as though they were capable of changing the entire pattern of our lives.

limitations of irrigation

It has taken 80 years for irrigation to reach the 18 per cent of our land and according to the best estimates, this irrigated area can be increased at a rate of only one per cent per year. It is thus clear that whatever irrigation can do, will take a very long time to achieve and that while the importance of irrigation should not be minimised, it is not capable of producing any miracles within the period of our life time. Irrigation is no substitute for natural rainfall. Seasonally variable rainfall is a fact of life to farming communities all over the world. Irrigation is only the recycling of natural rainfall. India will always have periods of floods and droughts and this must be accepted and provided for in planning.

There are no short cuts to the eradication of poverty and any strategy for the generation of growth and employment is bound to see an uneven growth and development in the early periods. Nevertheless, there is increasing evidence that the growth of wealth, even if initially confined to certain sections has beneficial effect on the weaker sections of society. Attempts to simultaneously achieve social justice with growth will, however, be counter-productive to growth.

It has been claimed that growth without social justice, would lead to undesirable social tensions. There has been very conflicting evidence to support this view in areas of established growth and prosperity like Punjab and western UP. In fact, the growth of prosperity in all such areas has seen the fastest improvement of weaker sections. The undoubted tensions, are really due to the increased bargaining power and self-assurance of the weaker sections which have sometimes been resented by the richer farmers. In absolute terms the rich may have got richer but in relative terms it is the poor who have gained most. In Punjab the agricultural wage rate has gone up at an average of 20 per cent per year during the past eight years which is far higher than the growth rate of agricultural product value.

According to the UP Agricultural University's study of small farmers in Badaun and Nainital districts; increasing consumption expenditure results in positive compensation in the form of paid employment to persons down the line. In Table IV is given an estimate of consumption expenditure which results in such local compensation.

According to this estimate, at least 50 per cent of the total consumption expenditure results in compensation to persons providing such services. As these services are usually provided by the weaker sections of the community, it is clear that the prosperity of the richer sections does have an immediate impact upon improving the position of the weaker sections.

social disabilities

Depressed classes and Harijans are economically very well off in most of the prosperous districts. They continue to suffer from social disabilities which are in fact often aggravated by the special concessions they enjoy.

The basic problem of poverty in India lies in the unpalatable fact that India is a land of very unproductive farmers. The highly satisfying results of the many good farmers all over India is in sad contrast with the average farm productivity in every state of the country.

India is a land of bad farmers mainly because most farmers are content with subsistence, and have not been motivated either by incentives or compulsions to seriously take up commercial farming. As long as the farmer makes enough for his family subsistence, this sufficiency is enough, and even with the availability of credit, he does not very seriously consider increasing the cost of his inputs in order to get a higher output.

As the Indian farmer is grossly under taxed (at a rate of less than 0.87 per cent of his income) it is very easy for him to continue at a subsistence level. To change the farmer from subsistence farming to commercial farming is not an easy task, but the goverment could seriously consider substantially increasing the land revenue and deploying all these extra resources back to the farmer in the form of subsidies and incentives for modernisation.

If there were price subsidies on fertilizers, seeds, pumps, tractors, threshers, etc. and incentives for high yields, land development, reclamation etc. it would contribute to quickly improving the productivity of land which in turn would help abolish poverty. Simultaneously the increased taxation would force the farmer to improve his profits through modernisation. Increased land revenue would also have the beneficial effect of reducing the inflation in land prices thus discouraging speculative purchase by non-farmers.

The need to encourage mechanisation is also seriously misunderstood. Mechanisation should not be considered as a substitute for human or animal labour, but as a means to further opportunities for seasonally stable employment. The problem of India's agriculture is that our monsoonal climate needs tremendous labour in the short period of planting and harvesting which are followed by long periods of idleness. The available resources of power from all living and mechanical sources are insufficient to meet the peak labour loads and are over-abundant in the slack periods.

Power in any form is essential for agricultural production because without power, none of the other resources in the form of water, seeds, fertilizers, chemicals, etc. can be put into the soil. Mechanisation, therefore, contributes to meeting these peak power needs and, by better land preparation and higher cropping intensity, leads to bigger harvests which in turn, requires more labour during the post-harvest slack periods for threshing, storage, transport and trade.

A package of incentives, covering mechanisation, seeds, fertilizers, land development and productivity are all necessary because far more can be achieved more quickly by motivating 64 million farmers than by trying to achieve these with the limited resources of government departments.

If a large rural development fund were thus developed from increased land revenue, it could also be used to help famine or drought prone districts and, collectively, these could completely change the face of agricultural productivity.

The political strategies of land ceilings and foodgrain take-over can, therefore, be seen to be completely unrelated to the real problem of poverty in India. These tactics, in fact, smack of the old strategem.

TABLE IV

Effects of Expenditure Resulting in Local Compensation

(Rs)

Item	Estimated % Resulting compensation	Badaun		Nainital (Tarai)	
		Expense per family	Amount for compensation	Expense per family	Amount for compensation
Wedding	40	548	219	560	224
Clothing	60	285	171	443	266
Food	60	231	139	328	197
New housing	60	124	74	385	231
Other durables	20	74	15	85	17
Medicine	50	69	35	80	40
Education	70	67	47	80	56
Ceremonies etc.	75	65	49	78	56
Travel	40	69	28	41	16
Fuel & light	30	23	7	56	17
House repair	60	19	11	33	—
Other	—	—	—	118	—
Total	—	1574	795	2287	1143

of avoiding one problem by creating another.

It is high time India were committed to an objective instead of to an ideology. Dedication is no substitute for direction.

There are many valid alternative courses to the objective of banishing poverty, and ideology should be used to accelerate movement and not retard it through fruitless doctrinaire debate and consequent dithering.

India has a huge agricultural potential and with the existing resources of land and water, India's agricultural output could be doubled.

Agriculture essentially is nothing more than the conversion, by photosynthesis, of sunshine into food. Because of excellent sunshine conditions, India is capable of producing twice as much food per hectare as any temperate country provided the other resources of good seeds, fertilizers, human effort and mechanical power are also available. It is the shortage of human effort and motivation that generates the real poverty of India.

Phosphorite: India's new mineral wealth

R. K. Sinha

PHOSPHORITE OR rock-phosphate is the most common mineral of phosphorus, with variable chemical composition represented by formula $Ca_3(PO_4)_2$. It is of sedimentary origin. It is valued for phosphorus content which is one of the main plant food, the other two being nitrogen and potassium. Phosphorus is also valued for several phospho-chemicals, used in match industry, poisonous smokes for military purposes and to some extent in the production of high phosphorus pig iron for casting purposes. The other mineral of phosphorus is apatite; it is of igneous origin. Nearly 85 per cent of the world requirements of phosphorus in terms of its various chemical and fertilizer compounds are met from mining phosphate rock. Fertilizer industry is the bulk consumer of phosphatic minerals.

Till 1968, India depended entirely on imports of rock-phosphate for her fertiliser industry in addition to import of phosphatic fertilizers, as there was no production of phosphorite in the country. Small production of apatite comes from Visakhapatnam district in Andhra Pradesh and Singhbhum district in Bihar. Annual output ranges from 11,000 to 15,000 tonnes which is quite insignificant for the country's fertilizer industry.

Although occurrences of phosphatic rocks in Cretaceous sediments were known at Pondicherry, South Arcot and Tiruchirapally districts of Tamil Nadu and in Jurassic formations at Mussoorie in Dehra Dun district of Uttar Pradesh, yet except for Tiruchirapally no area ever reported production. Minor production from Tiruchirapally district was being reported incidental to mining of gypsum. Output never exceeded more than 150 tonnes a year. No production from this area has, however, been reported after 1960.

It was only during 1966, that a new light dawned on the Indian horizon when R.P. Sheldon of the United States Geological Survey who had come over to India under USAID programme indicated possibilities of finding phosphorite beds in western Rajasthan. After studying the geological set-up of Jaisalmer area, established by the ONGC, he indicated possibilities of getting phosphorite beds in that area. He himself for the first time in March 1966 located a phosphorite horizon in Birmania formation of Palaeozoic age near Birmania village in Jaisalmer district. It was the first discovery on the Indian sub-continent after a lapse of 80 years. Birmania is situated in the heart of Thar desert, about 120 km. NW of Barmer railway station, which is the nearest rail-head.

Soon after, the Geological Survey of India organised different geological parties for search of phosphorite in Rajasthan and other states which led to the discoveries of numerous deposits right from pre-Cambrian to Tertiary formations. The credit of bringing to light Mussoorie deposit as an economical proposition, which was known as early as 1885, also goes to Sheldon.

In Rajasthan, the geological party was organised by Mukti Nath, the then director, western region, GSI. Birmania formation was proved to be marine. After making detailed study of the Birmania area, several areas in Rajasthan were selected having similar lithological set up for search of phosphorite. Traversing along the coast line of ancient sea, the GSI party discovered several closely detached miogeosynclinal basins with phosphorite horizons in March, 1967, in Udaipur district the important beings Kanpur, Maton and Karbaria-ka-gurha, all occurring in Aravalli sediments.

Phyllite, carbonaceous phyllite, dolomite, calcareous quartzite, and quartzites are found to be the most favourable rock units localising phosphate beds. Aravallies are regarded to be sedimentary facies of Archaeans. In May, 1967, another deposit was located in Aravalli at Dakan Kotra about 12km SE of Udaipur. During 1968, the Department of Mines and Geology, Government of Rajasthan, discovered several deposits again in Aravalli at Sisarma, Nai, Newania, Jhamarkotra, of which the last one is the biggest deposit discovered so far in the country. Sisarma and Nai are situated approximately 5km south of Udaipur; Newania is 45km east of Udaipur and Jhamarkotra about 28km south east of Udaipur. These deposits represent typical miogeosynclinal sedimentary facies of Aravallis. Prior to this in April, 1967, a phosphorite deposit was discovered at Fatehgarh in Cretaceous sediments in Jaisalmer district. It is situated 88km north of Barmer, by the side of Jaisalmer-Barmer road.

Subsequently several isolated deposits in Aravallies have been discovered in Banswara, Rajasthan, and in Jhabua, Madhya Pradesh; and in Vindhyan, Jurassic, Cretaceous and Tertiary sediments elsewhere in India. Phosphorite associated with Vindhyan have been located at Chittorgarh, Rajasthan; Banda, Uttar Pradesh and Sone valley in Bihar; with Jurassic in Korgai and Nigalidhar syncline, Sirmur district, Himachal Pradesh; with Cretaceous in Jammu & Kashmir; and with Tertiary in Subathu formulation in Mahasu district and near Durla along the Simla-Bilaspur road within limestone of Akli formation of Palaeocene age in Himachal Pradesh; in Sylhet and Kopli formations of Garo and Jayantia hills, Assam and in Eocene rocks of Jammu & Kashmir and Bhuj district, Gujarat. Another big discovery of great economic significance was made in the beginning of 1973 in Jhahua district of Madhya Pradesh. Phosphorite horizons have been noted occurring to the east of Amalmal, Kelkera, Katamba and Rassori villages of varying length and width and extend for a cumulative length of 3km. The geological set up is the same as that of Jhamarkotra. Further work is in progress.

India is probably the only country in the world where phosphorite deposits have been found in Aravallies in economic quantities and mined. Phosphorites of doubtful pre-Cambrian age have also been reported from USSR and China and mined on a limited scale.

significant conditions

Geological conditions responsible for the formation of phosphorite beds as revealed from the field study are found to be few but quite significant. It is always of marine origin. The ideal place for its formation has been found bordering Cratonic rock (ancient platform) and continental slope up to 500m depth from the surface of the sea water. Better grade has been found from the miogeosynclinal deposits nearest to the platform. It is thought that favourable conditions for precipitation of phosphorite were created only when the sea was cut off from terrigenous matter and flow and that when it was drying up. The pH and Eh conditions of the sea are regarded important governing factors for precipitation of phosphorite. Precipitation is found having taken place in slightly alkaline condition, as phosphorite bed is invariably found occurring after deposition of quartzite and chert; the transitional zone between cherty shale, black carbonaceous shale being the most favourable horizon. Co-precipitation of limestone and dolomite is also in evidence, even before and after the formation of phosphorite depending upon the then existing physico-chemical conditions.

Lithological facies like dolomitic limestone, chert and carbonaceous shale are established to be first class geological criteria for search of phosphorite. Presence of carbon is indicative of the existence of reducing condition. The important point noted universally in the case of phosphate rock is that it is always associated with fluorine in some proportion, usually between three and four per cent in terms of CaF_2; therefore, the condition governing its precipitation is related to and caused by marine volcanism emitting fluorine gas. The source of dissolved phosphorus in the sea water is regarded to have been derived from cratonic rocks and the marine animals.

need for exploration

India is so much phosphate-hungery that all the areas discovered so far need to be explored for meeting the growing demand. The problem, however, is not so simple. Most of the deposits discovered so far do not contain material suitable for direct application. In most of the cases, the P_2O_5 content varies between 10 and 20 per cent and in a few cases only exceeds 20 per cent. In view of this, suitable beneficiation techniques will have to be evolved in each case to treat the run-of-mine for making the concentrate suitable for industrial use. For the manufacture of superphosphate, phosphoric acid or the ore concentrate produced thereof must contain a minimum of 28 per cent P_2O_5 (minimum 30 per cent P_2O_5 is preferred); iron oxide and alumina combined together should not exceed 3 per cent (up to 4 per cent is tolerated); silica should not exceed 8 per cent, magnesia should be below 2 per cent and the chlorine content should in no case exceed 0.05 per cent.

Out of the several deposits located so far only few blocks of Jhamarkotra, Udaipur district, Rajasthan, are found to contain deposits suitable for direct application. Jhamarkotra is the biggest deposit located in the country so far. Presently only this deposit is meeting the partial requirement of different fertilizer and phosphoric acid plants in the country. At Jhamarkotra, possible reserves are placed at 100 million tonnes with grades varying from 10 to 38 per cent P_2O_5. The entire Jhamarkotra deposit has been divided into eight blocks from A to H. Block No D was opened up in March, 1969. It was the beginning of first regular production of phosphorite in India. Subsequently Block No. B was opened up. Block No. D, however, remains the major source of production. The grade of run of mine from the two blocks on an average is 30 to 35 per cent P_2O_5, containing impurities within the stipulated limits and thus graded as direct feed grade. The other blocks of Jhamarkotra deposit await exploitation after the setting up of the beneficiation plant.

major problems

Indian phosphorite is beset with four major problems of beneficiation depending upon the nature of deposition. The first is the treatment of collophane type deposit as found in Birmania. The second is collophane type associated with pyrites as found in Mussoorie area. The third being dolomitic consequentially containing high magnesia content is found in Jhamarkotra and the fourth being highly siliceous is found at Maton.

Collophane deposits have not responded well to any beneficiation technique. It has been possible to improve P_2O_5 content without however affecting iron and alumina which are regarded deleterious. Sometimes alumina and silica percentages show signs of increase in the concentrate as will be evident from the following results obtained from the treatment of Maldeota phosphorite (Mussoorie area).

	Analysis	
	Run of mine	Run of concentrate
P_2O_5	19.9	29.84
Fe_2O_3	4.6	3.96
Al_2O_3	.8	1.34
SiO_2	6.7	8.5
CaO	4.4	47.96
MgO	5.2	2.26
S	2.1	not analysed
LOI	13.4	not done.

Phosphorite associated with dolomites has ultimately been found not two difficult to treat, although the operating cost is a little high. The beneficiation techniques evolved by the Ore Dressing Laboratory of the IBM has proved satisfactory. The technique in general involves roasting of grind material (1/2" feed) in a rotary kiln at about 1050°C subsequently quenching in water and further processing it by a three-stage classification. By this method Jhamarkotra ore containing about 20 per cent P_2O_5 and nearly 7 per cent MgO was improved to contain over 35 per cent

P_2O_5 with reduction of MgO content to 1.1 to 1.6 per cent, with a P_2O_5 recovery of 77 per cent and weight yield of 46 per cent. No treatment for iron and alumina or silica is required for Jhamarkotra ore as it contains these impurities within permissible limits. Jhamarkotra deposit is found to contain generally less than 1.2 per cent Al_2O_3, 0.8 per cent Fe_2O_3 and 4.8 per cent SiO_2.

Siliceous deposits are easy to treat by depressing silica by sodium silicate and floating phosphorite by oleic acid. Experiments on Maton deposits containing about 22 per cent SiO_2 and 29 per cent P_2O_5 were carried out by the above method. The sample grind to 90 per cent passing through 200 mesh was subjected to flotation at 60°C with soft water of 15-30 ppm hardness. Reagents used consist of 2 to 3kg/t of sodium silicate and 0.8 to 0.9kg/t of diesel oil-sodium oleate emulsion in equal proportions. By this method it was found to reduce silica content to about 8.5 per cent and improve P_2O_5 content to 35 per cent with 96 per cent recovery and weight yield of 78 per cent.

Hindustan Zinc Ltd has awarded a contract to set up a beneficiation plant for their Maton lease based on the results achieved in the bureau's laboratory and pilot plant.

Regular production of phosphorite started in the country from 1969. The present production comes mainly from three areas, viz. Jhamarkotra and Maton in Rajasthan and Maldeota in UP. In Jhamarkotra area, blocks D and B only are under exploitation and they contain feed grade deposit. The output from Maton deposit is stacked pending erection of the beneficiation plant. Maldeota deposit being unamenable to benefication, the mined product after crushing is sold to farmers for direct application. The current production meets about 20 per cent of the country's phosphate requirements. The production is likely to touch over 8 lakh tonnes a year within a period of another year or so as Jhamarkotra and Maton mines are being planned for a daily output of 2000 tonnes and 600 tonnes respectively. More areas await exploitation on smaller scales and cumulatively are likely to yield substantial production.

The demand of phosphatic fertilizer in terms of P_2O_5 (phosphorus pentoxide) has been estimated by the Task Force on Fertilizer Industry at two million tonnes and 3.75 million tonnes per annum by the end of fifth and sixth Plan periods respectively. It is anticipated that by the end of fifth Plan, it would be possible to produce only 1.25 million tonnes of P_2O_5 by domestic industry and the balance requirement of phosphatic fertilizer would be met by imports. By the end of the

Production of Phosphorite in India During 1969-73

(Qty. in tonnes)

Year	Jhamarkotra* (30 to 35% P_2O_5)	Maton‡ (25 to 30% P_2O_5)	Maldeota (18 to 25% P_2O_5)	Total
1969	69,017	..	..	69,175
1970	149,544	6,407	402	156,353
1971	225,832	5,991	347	232,170
1972	212,920	1,573	5,813	220,206
1973 (upto June)	74,384	141	5,425	79,950

*Production started from March, 1969. ‡Production started from March, 1970.

sixth Plan an endeavour will be made to produce full requirements of 3.75 million tonnes of phosphatic fertilizer in terms of P_2O_5.

Import of Rockphosphate into India during 1969-72

(Qty in tonnes. / Value in Rs '000)

Year	Quantity	Value
1969	661,747	90,359
1970	667,657	104,541
1971	813,261	114,764
1972	809,476	109,165

Taking into account that the domestic production of the order of 1.25 million tonnes of P_2O_5 will be achieved by the end of the fifth Plan, the requirements of mineral raw material, viz. phosphorite, work out to be as follows.

	Million tonnes
1. Total annual production of P_2O_5 by 1978-79	1.25
2. Equivalent quantity of phosphorite required of 30 per cent P_2O_5 minimum grade	4
3. Equivalent quantity of phosphorite with 15 to 20 per cent P_2O_5 grade required to be beneficiated to produce concentrate analysing 30 per cent P_2O_5, taking into account 50 per cent recovery factor.	8

From the above calculations, it is clear that if the entire requirements of phosphorite is to be met from the domestic resources then the output has to be raised to eight million tonnes by the end of the fifth Plan to meet the shortages from the current production of a little over two lakh tonnes. Based on the same calculations, the requirements of phosphorite with grade 15 to 20 per cent P_2O_5 will be of the order of 25 million tonnes by the end of the sixth Plan. As mentioned earlier, the current domestic production of phosphorite is of the order of a little over two lakh tonnes, which is likely to reach at best to about one million tonnes within the period of two to three years, leaving a gap of seven million tonnes and 24 million tonnes by the end of successive Plan periods. It seems well-nigh impossible to meet the entire requirement of phosphorite with the reserves known at present, which can at best be placed of the order of 130 million tonnes with 15 to 20 per cent P_2O_5 content. There is a widening gap between the demand and supply position.

The only way for narrowing the gap to some extent is (i) a crash programme for discovering more and more deposits, (ii) opening up of smaller deposits discovered so far, and (iii) setting up two or three beneficiation plants on custom mill pattern which can run on the mineral ore from different deposits of the same type. Jhamarkotra can be conceived to be one such area where a custom mill can be set up for treating phosphorite with high magnesia content. The opening up of smaller deposits cumulatively can raise another one million tonnes, thus taking the total run-of-mine production to the tune of two million tonnes per annum. In other words, the domestic production can meet about one million tonnes of phosphorite concentrate having 30 per cent P_2O_5 content, against the annual minimum requirement of four million tonnes by the end of the fifth Plan and 25 million tonnes by the end of the sixth Plan. There is no substitute for phosphorus. Dependence on imports, therefore, is going to be persistently heavy unless some more tangible reserves are brought into light. The recurring expenditure on imports is estimated to be of the order of Rs 40 crores and Rs 55 crores respectively, by the end of the fifth and sixth Plan periods, and unless new discoveries are made there is no escape from dependence on imports heavily. Recent search has brought to light many areas with possible resources of phosphorite and it would be vital in the country's interest to explore them expeditiously.

Towards the "information civilisation":II

London

Jossleyn Hennessy

I

The Consequences

How can such a high anticipated growth rate—as we examined last week—for the overall volume of information be explained and, more particularly, what is there to show that the automation of information is likely to make such strides between now and 1985?

Many different factors will contribute to this expansion but prime cause will be the scientific, technical, economic and social environment. The part played by the various "environmental causes" of information growth is shown schematically in the graph on page 98.

For example, the growth of Research and Development funds and activities throughout the world will lead to an increase in the volume of information produced. Furthermore, our system of evaluating the "output" from scientific work, combined with the emergence of new methods of measurement, recording and document reproduction, which will simplify these operations, throws more light on the relatively rapid growth in the "literary productivity" of research workers and engineers, and the corresponding increase in the volume of information put into circulation.

WINDOW ON THE WORLD

The graph on page 99 shows the first step in "disaggregating growth into its main components and quantifying the contribution made by each of them. For instance, the increasing number of specialisations in science and emergence of new disciplines account for well over one tenth (1.3 to 1.5 per cent) of the general rate of growth of information of all kinds (12.5 per cent).

In practice, these factors have a cumulative rather than isolated effect. It is therefore possible to project, by extrapolation, the volume of information in 1985; compared with 1970 (=100) the index for that year will be about 400. However, the work of Dr Georges Anderla of the University of Paris on this subject has shown that the cumulative effect is further amplified by the action of a powerful built-in mechanism in such a way that this index of volume may reach 600 if not 700 by the middle of the next decade.

This accelerating mechanism proves in fact to be double-headed. First, the same item of information may well be incorporated into information packages which are themselves increasing in number and complexity. Second, both decision-making and modern production processes are becoming more and more sophisticated, and these require information either of a more detailed type or better integrated, or of a more developed or multidisciplinary type, if not all four together.

It remains to be seen how electronic processing will take the place of manual and mechanical techniques. While this substitution will be gradual at first, it seems probable that powerful automated information systems and networks will begin to be installed on a vast scale from 1978-80 onwards. The prospects for automation, just as its future pattern of growth, will depend on the rate at which certain new technologies are introduced and come into widespread use, such as large-capacity holograph memories based on the laser principle, personalised pocket mini-computers, and increasingly versatile video devices.

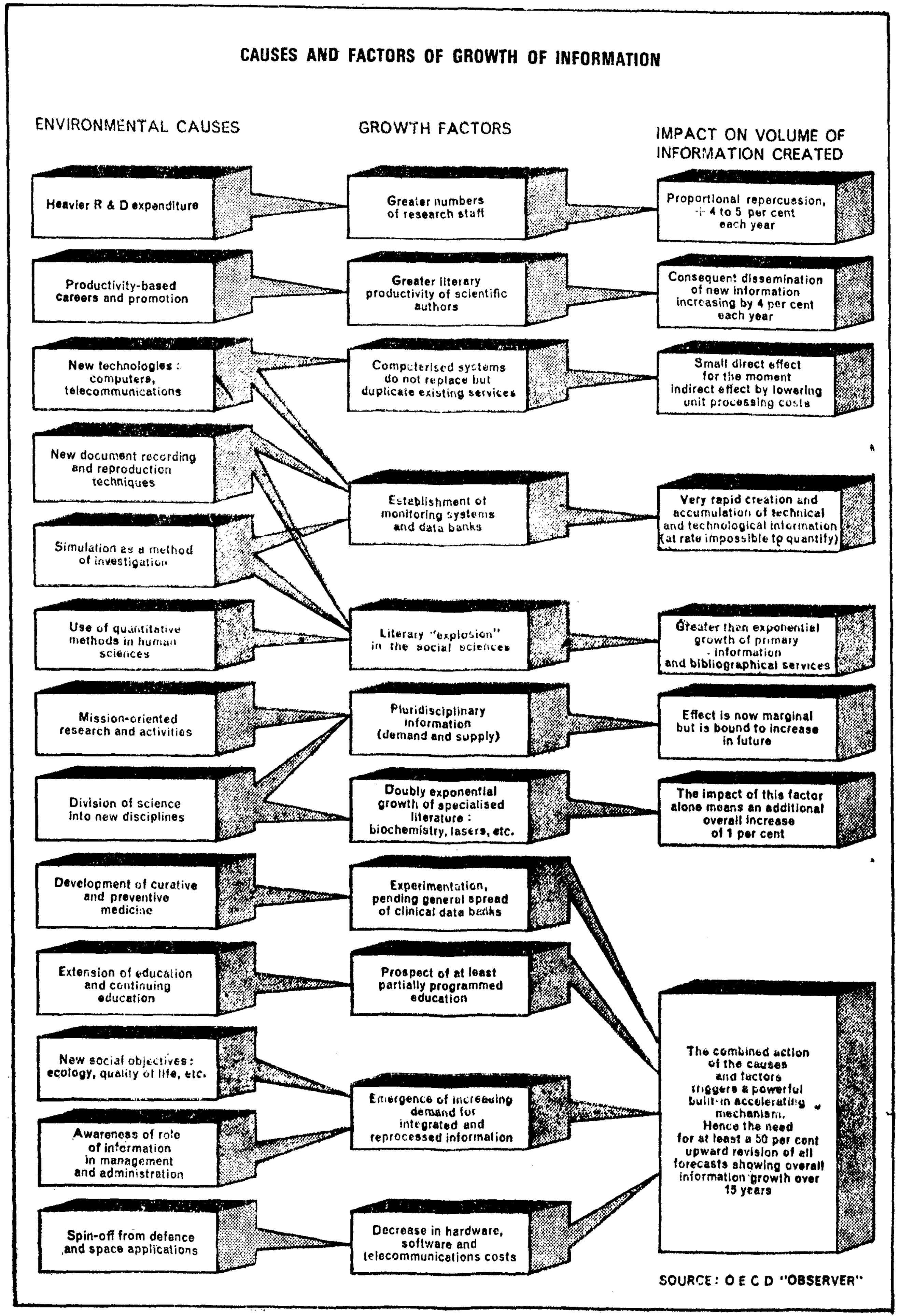
impact of inventions

It would be hazardous to attempt to evaluate the individual impact of each of these inventions. It is easier, and safer to assess the overall effect of a set of innovations leading in the same direction. Thus, while technological efficiency, i.e. capacity and performance, follows a rising exponential curve, unit processing costs decrease exponentially and almost at the same rate. To date this decrease has been around 30 to 40 per cent per year, and there is every indication that the trend will continue for ten to fifteen years or perhaps longer. There is every reason to believe that between 1978 and 1980 the cost of processing an item or a package of information on electronic equipment—initial capital outlay and depreciation included—will be no greater than that of performing the same operations semi-manually and semi-mechanically. Thus, although on average, conventional processing techniques are still appreciabley cheaper, their cost is rising rapidly under the pressure of the increasing volume of information to be processed and that of real wages (these are bound to rise in the absence of productivity gains). Diagram 2 shows that from 1980 at the latest, manual-mechanical techniques will cease to be an economic proposition. Automation will then prove all the more advantageous since by 1980 the volume of information to be processed and, it follows, the demand will have more than trebled compared with 1970; in many fields it will then be possible to handle information efficiently along industrial lines.

II

The Fundamental Principles

From all these forecasts let us now some general conclusions which could be used in formulating an active,



modern information policy to meet the needs at the close of the century.

(1) In fifteen years' time, information activities and the industries within their orbit will have assumed an importance comparable with that of the automotive industry today.

Information will become one of the dominant factors of private and public life.

It will then be legitimate to speak of a post-industrial or information civilisation, as we do speak of the automobile age.

(2) Massive automation will come about spontaneously under the irresistible thrust of information's exponential growth and technological progress. This development will owe little to government financial aid; it will inevitably take place as soon as certain economic conditions are fulfilled, the most important of these being a unit cost of electronic processing lower than that of manual and mechanical processing. This critical threshold should normally the reached between 1978 and 1980.

(3) Generally speaking, substantial financial assistance by governments will be neither necessary nor desirable. This is because investment and operating subsidies granted prematurely for automating information might well encourage suboptimal, and consequently somewhat inefficient and uneconomic, technologies and technical solutions.

(4) The first duty of government will be to see that information, as a fundamental resource, is made available as a service to society as a whole. It will thus be necessary to define new priority social objectives, to which the technology and management of information will be subordinated. It also means that an "information market" as wide open as possible, must be created and institutionalised, or in other words that the interface between information supply and demand must be rationally organised.

(5) The latter objective implies that each nation and the international community as a whole will have to establish a modern legal framework, eliminating any lingering constraints belonging to a bygone age, proclaim and enforce the right to information, lay down the conditions for exercising this right and define its limits, draw up rules concerning reciprocity, and introduce appropriate procedures, guarantees and sanctions. The ultimate responsibility for the management of information as a resource clearly cannot be left to the discretion of specialists or to the good intentions of scientists alone. It must be assigned to an authority at highest government level, although broad autonomy must be preserved at executive level.

(6) Since the government and administrative authorities are undoubtedly the largest producers and consumers of information, their own requirements and resources in this field must be integrated in the overall supply and demand. It follows that central and local government officials will have to obey the rules of the game and accept common constraints.

(7) With the help of highly sophisticated automated information networks it will become possible to assess in advance the implications of any action or decision.

This will engender constraints and also new opportunities from which governments will, or at any rate should, draw all the relevant conclusions such as the need to adjust their structures and methods of management. Government officials must in turn draw their own conclusions especially as regards their mode of behaviour and their concept of the role they play in the national and international community.

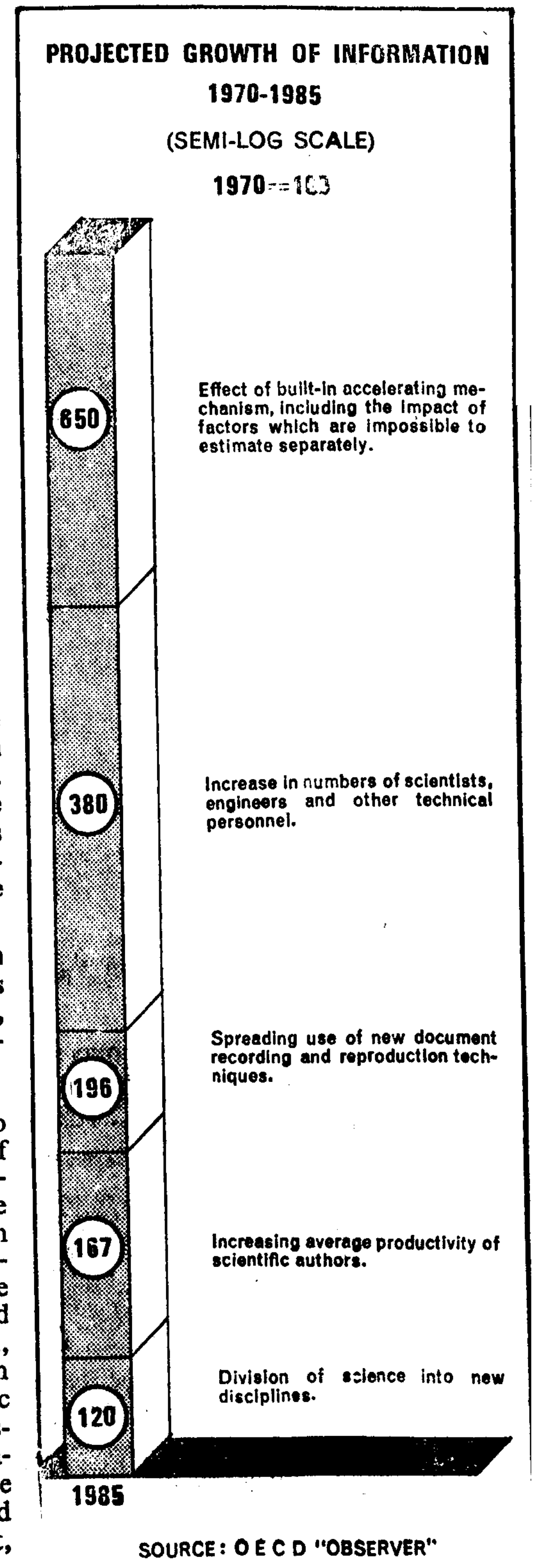
(8) To ensure that the transition towards the information society takes place without social repercussions, governments will have to provide a measure of science education for the majority of the population and not just those at school and university. The public would thus have access to the complex information systems and networks of the future without suffering any psychological block and in full knowledge of the facts.

If suitable measures are not taken in time an entire generation of second-class citizens, a new kind of illiterate population, consisting of discontented and hence socially dangerous misfits might emerge.

(9) The authorities will also have to assume responsibility in the fields of training fundamental research. The requirements of OECD countries may be put at some 4 or 5 million information specialists to be trained by 1985. Another and more difficult task will be thorough training for the several thousand senior executives who will have to plan, guide and manage future information services or networks in both the public and private sectors. Meanwhile the establishment of an information organisation that is efficient and at the same time capable of the utmost in personalised service will call for a huge research effort, which will have to be financed largely from public funds.

(10) The plan outlined above corresponds to a mixed-economy system. In particular there will be an incentive for private enterprise to make a substantial contribution to the creation and further development of a post-industrial society based on the general availability of organised information. But there will always

(Over to page 102)



ANNOUNCEMENT REGARDING THE ISSUE OF EQUITY AND CUMULATIVE REDEEMABLE PREFERENCE SHARES

TIGER LOCKS LIMITED

(INCORPORATED UNDER THE COMPANIES ACT, 1956) (REGISTERED OFFICE: 101 ASHA DEEP, 9 HAILEY ROAD, NEW DELHI-110001.

AN APPLICATION HAS BEEN MADE TO THE DELHI STOCK EXCHANGE FOR PERMISSION TO DEAL IN AND FOR AN OFFICIAL QUOTATION OF THE EQUITY AND PREFERENCE SHARES OF THE COMPANY

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

Pratap 246

HISTORY AND BUSINESS

The Company was incorporated on 17th July 1972 and received the Certificate for Commencement of Business on 2nd August 1972. The main objects of the Company, as stated in its Memorandum of Association are to carry on the business of manufacture and dealers in ferrous and non-ferrous metal pressings, die-castings, and builders' hardware, locks, pad locks, automobile and cycle locks, door closures, bath room fittings, sanitary fittings etc.

As stated in the Memorandum of Association, the Company has now taken over the partnership firm-M/S Indian Implements Mfg. Co. at Aligarh as a going concern together with its assets and liabilities and trade name "Tiger".

The said partnership firm is owning a modern factory at Aligarh in the State of Uttar Pradesh and has been manufacturing locks, padlocks and builders' hardware for the past 24 years. The said firm has pending Export orders to the tune of over one crore. They have already exported locks & padlocks for Rs. 2 crores during the last four years.

The company is also arranging to take over M/S. Tiger Products Private Limited and Anchor Pressings Private Ltd and the process of amalgamation of these companies is being worked out and the schemes will be submitted to the concerned High Courts after finalising the present project of the Company.

The Company, besides the proposal of taking over these concerns mentioned above, has acquired land admeasuring 5 acres in Urban Estates, Gurgaon, for putting another factory on modern lines for the manufacture of sophisticated knob-in-key door locks, door closures, builders' hardware, brass pin cylinder locks, chromium plated bath room fittings and other products to the extent of Rs. 3 crores a year. The Construction of the factory buildings at this site has commenced.

Thus it will be seen that the Company will be having two manufacturing units for the present—one existing at Aligarh and the other under construction at Gurgaon.

The name of 'TIGER' has now become not only a household name synonymous with locks throughout the length and breadth of India but has also gained international reputation. The Company, therefore, foresees great scope for expanding its operations and horizons and is confident that each of its divisions will continue to utilise its capacities to the fullest extent and will contribute significantly to cope with the growth. The Directors estimate that subject to any unforeseen circumstances, the Company will start earning profits from the very first year of commencement of production at the new factory being set up at Gurgaon.

COST OF THE PROJECT AND SOURCES OF FINANCE :

The total cost of new project and for the taking over of the partnership firm is estimated by the Directors at Rs. 118 lacs which will be financed by :

	Rs. in lacs
Equity Capital	48.00
Preference Capital	10.00
Term-loans from Banks	60.00
Total	Rs. 118.00

BOARD OF DIRECTORS :

SHRI MADAN MOHAN RAMNARAIN RUIA,
Industrialist CHAIRMAN,
Eucharistic Congress Building, 15, Convent Street,
Bombay - 400001
Mg. Director of The Bradbury Mills Ltd.
DIRECTOR OF
Bombay Oxygen Corporation Ltd
Raptakos Brett & Co Ltd
Permanent Magnets Ltd
Poysha Industrial Co Ltd
The Great Eastern Shipping Co Ltd
The Century Spg. & Mfg. Co Ltd
The Baroda Rayon Corporation Ltd
Khandelwal Ferro Alloys Ltd
The Simplex Mills Co Ltd.
Bajaj Auto Ltd
Harsha Tractors Ltd, etc etc.

DR. L. M. SINGHVI
30 Lodi Estate, New Delhi
Senior Advocate Supreme Court &
Advocate General Rajasthan Govt
DIRECTOR OF :
Punjab National Bank Ltd
Smachar Bharat

SHRI VINOD KUMAR, B.Sc, B.E (Mech) (Lond)
(Engineer)
'Saket' Marris Road, Aligarh
DIRECTOR OF :
Tiger Products Pte Ltd
Anchor Pressings Pte Ltd
Tiger Sales & Exports Pte Ltd

SIR AHMAD SAID KHAN
(Business)
Nawab of Chhattari
Marris Road, Aligarh
DIRECTOR OF :
Geep Flashlights Industries Ltd

SHRI PRAMOD KUMAR, B.Sc., B.E. (Mett) (Zurich)
(Engineer)
'Saket' Marris Road, Aligarh
DIRECTOR OF :
Tiger Products Pte Ltd
Anchor Pressings Pte Ltd
Tiger Sales & Exports Pte Ltd

SHRI, V. V. AJMERA
(Business)
102, Asha Deep
9 Hailey Road, New Delhi
Mg. Director of Ajmera Woollen Mills Pte Ltd

SRI SUBODH KUMAR SAIGAL, B.Sc, B.E.
(Mech) (Zurich) (Engineer)
'Saket' Marris Road, Aligarh
DIRECTOR OF :
Tiger Products Pte Ltd
Anchor Pressings Pte Ltd
Tiger Sales & Exports Pte Ltd
Delhi Towers Pte Ltd

SHRI SURENDRA KUMAR, B.A., LL.B.
(Industrialist)
(Managing Director)
101, Asha Deep, 9 Hailey Road,
New Delhi-110001
DIRECTOR OF :
Tiger Products Pte Ltd
Anchor Pressings Pte Ltd
Tiger Sales & Exports Pte Ltd

LEGAL ADVISER :

SHRI N. S. K. RAO
Advocate, Supreme Court of India
26 Lawyers' Chambers, Supreme Court
New Delhi-110001

AUDITORS :

THAKUR, VAIDYANATH AIYAR & CO.
Chartered Accountants,
3 Thapar House, 124 Janpath, New Delhi - 110001

SHARE CAPITAL :

Authorised :

8,00,000	Equity Shares of Rs. 10/- each	80,00,000
20,000	9.5% Cumulative Redeemable Tax Free Preference Share of Rs. 100/- each	20,00,000
		Rs. 1,00,00,000

Subscribed and Paid up :

70	Equity Shares of Rs. 10/- each subscribed by the subscribers to the Memorandum of Association	700
5,030	Equity Shares of Rs. 10/- each allotted to the Directors, Promoters and their friends fully paid up in cash	50,300
74,900	Equity Shares of Rs. 10/- each further allotted to the Directors, Promoters and their friends on which Rs. 5/- per share paid up in cash	3,74,500
		Rs. 4,25,500

(The balance of Rs. 5/- per share on the partly paid shares will be called up along with the calls on the present issue to the Public)

Present issue now offered to the Public for Subscription at par for cash :

4,00,000	Equity Shares of Rs. 10/- each	40,00,000
10,000	9.5% Cumulative Redeemable Tax Free Preference Shares of Rs 100/- each	10,00,000
		Rs. 50,00,000

TERMS OF PAYMENT :

The amount payable on the shares shall be

	Equity Shares	Preference Shares
On Application	Rs. 2.50	Rs. 25.00
On Allotment	Rs. 2.50	Rs. 25.00

The balance of Rs. 5/- per Equity and Rs 50/- per Preference Share shall be payable in one or more calls as may be determined by the Board of Directors of the Company provided that no call shall be made payable within one month of the allotment.

Failure to pay the amount due on allotment or any of the calls will render shares in question and previous payment thereto liable for forfeiture.

Note : The balance amount, if any, paid on application will be adjusted towards the amount payable on allotment of shares actually alloted to the applicant concerned.

UNDERWRITERS AND BROKERS TO THE ISSUE :

The entire issue offered to the Public has been underwritten as follows :—

Name of the Underwriter/Broker	Amount Underwritten Rs. in Lacs
PREFERENCE SHARES	
1. Haryana State Industrial Development Corporation Ltd., Chandigarh.	7.50
2. H. P. Mehta & Co., New Delhi.	2.00
3. J. C. Mehta, New Delhi	0.50
Total :	10.00
EQUITY SHARES	
NEW DELHI :	
1. National & Grindlays Bank Ltd. Parliament Street, New Delhi.	2.00
2. H. P. Mehta & Co., 304, Surya Kiran, Kasturba Gandhi Marg.	5.00
3. Amrit Lal Bajaj & Co., United India Life Building, 'F' Block, Connaught Place.	1.00
4. J. C. Mehta, 44, Stock Exchange Bldg., Asaf Ali Road.	3.50
5. Bharat Bhushan & Co., H-45, Connaught Place.	1.00
6. Raja Ram Bhasin & Co., Jeevan Mansion, Deshbandhu Gupta Road.	2.50
7. Jalan & Co., Stock Exchange Building, Asaf Ali Road.	1.00
8. Vinod Kumar & Co., A-6, Connaught Place.	1.00
9. Surinder Rode & Co., Stock Exchange Building, Asaf Ali Road.	0.50
10. Sikander Lal & Co., Stock Exchange Building, Asaf Ali Road.	1.75
11. Jagan Nath Syal & Co., Stock Exchange Building, Asaf Ali Road.	1.50
12. Roshan Lal & Co., Stock Exchange Building, Asaf Ali Road.	1.75
13. Labh Chand Rode & Co., Stock Exchange Building, Asaf Ali Road.	0.50
14. J. S. Sahny & Co., Stock Exchange Building, Asaf Ali Road	0.50
15. Rameshwar Dass Jagdish Parshad Stock Exchange Building, Asaf Ali Road	0.50
16. Raj Kishore Chugh, Stock Exchange Building, Asaf Ali Road.	0.50
17. Mohan Lal Gauba & Co., Stock Exchange Building, Asaf Ali Road.	0.50
18. Sant Ram Dhuper & Co., Stock Exchange Building, Asaf Ali Road	0.50
19. Singhania Lokhotia & Co., Stock Exchange Building, Asaf Ali Road.	0.50
20. Manohar Lal Bansal, Stock Exchange Building, Asaf Ali Road.	0.50
21. B. K. Khullar & Co. Stock Exchange Building, Asaf Ali Road	0.50
22. Ram Gopal Vasudeva Stock Exchange Building, Asaf Ali Road.	1.00
23. Harbans Singh Mehta & Co., Regal Building, Parliament Street.	—
BOMBAY :	
1. Devkaran Nanjee & Co., 56, Stock Exchange Bldg., Apollo Street	1.50
2. Bhupendra Champaklal Devidas, Bhupen Chambers, Dalal Street.	1.00
3. Hira Lal Lilladhar, Stock Exchange Bldg., 5-A, Hamam Street.	1.00
4. Merwanjee Bomanjee Dalal. Allahabad Bank Building, Apollo Street.	1.00
5. Valji Bhimji, Old Stock Exchange Building, Dalal Street.	1.00
7. Jasvanthlal Chhotelal & Co., Bhupen Chambers, Dalal Street.	1.00
8. Harkisondass Lukhimdass, 5th Floor Stock Exchange Building, Apollo Street.	0.50
9. Maganlal T. Vora, Bhupen Chambers, Dalal Street.	0.50
10. Porecha Brothers, 19, Stock Exchange Building, Apollo Street.	0.50
11 Suresh F. Gundaria, Stock Exchange Building, 6, Dalal Street.	0.50
12 Lallubhai Ranchahoddas, Bhupen Chambers, Dalal Street.	0.50
13. Lewis & Jones, Bank of Baroda Building, Apollo Street.	-
14. J. R. Motishaw & Co., 32, Apollo Street.	—
15. L. K. Pandey, Bank of Maharashtra Bldg., Apollo Street.	—
16. Jumnadas Morarji & Co., 5-A, Hamam Street.	—
17. D. S. Pruboodas & Co., Stock Exchange Building, Apollo Street.	—
CALCUTTA :	
1. Place, Siddons & Gough P. Ltd., 6, Lyons Range.	1.50
2. M. M. Murarka & Co., 1/B, Mandeville Gardens.	1.00
3. Stewart & Co., 14, India Exchange Place.	—
4. Brijnath Khandelwal & Co., 13, India Exchange Place.	—
MADRAS :	
1. Paterson & Co., Vanguard House III Floor, 11/12 Second Line Beach.	—
2. Dalal & Co., National Insurance Bldg., 362 N.S.C. Bose Road.	—
3. Chitra & Co., 322/323, Linghi Chetty Street.	—
BANGALORE :	
1. Vijay & Co., 9, 11th Main Road, Malleswaram.	0.50
2. M. Naijappaiah Jahgirdar, 205, Cavalry Road.	—
3. Jahgirdar & Co., Seshadripuram. 21. 2nd Main Road.	—
AHMEDABAD :	
1. Chinubhai Chimanlal Dalal, Mahurat Palenka, Manekchowk	—
2. Laxminarain N. Gupta & Company, Anandji Kalyanji Bldg., Relief Road.	—
3. Champaklal Bhailal Chokshi, Manek Chowk, Near Share Bazar	—
Total	40.00

In the opinion of the Directors, the resources of the Underwriters, are sufficient to discharge their respective underwriting obligations.

MANAGERS TO THE ISSUE :

M/s. H. P. Mehta & Co.,
304 Surya Kiran, Kasturba Gandhi, Marg.
New Delhi - 110001

REGISTRARS TO THE ISSUE :

Tata Consultancy Services,
502 Surya Kiran, 19 Kasturba Gandhi Marg,
New Delhi - 110001.

BANKERS TO THE ISSUE :

National & Grindlays Bank Ltd.,
Parliament Street, New Delhi - 110001
and main offices at
Amritsar, Bangalore, Bombay, Calcutta, Cochin, Darjeeling, Gauhati, Hyderabad, Kanpur, Madras, Simla and Tuticorin.

Bank of India,
4 Parliament Street, New Delhi - 110001
and main offices at .
Ahmedabad, Allahabad, Amritsar, Bangalore, Baroda, Bhavnagar, Bhopal, Bombay, Calcutta, Chandigarh, Coimbatore, Delhi, Ernakulam, Hyderabad, Indore, Janpath (New Delhi), Jullundur, Kanpur, Lucknow, Ludhiana, Madras, Nagpur, Nasik, Patna, Poona, Rajkot, Ranchi, Sambhaji (Goa), Sangli, Surat and Varanasi.

Punjab National Bank,
Parliament Street, New Delhi - 110001
and main offices at .
Aligarh, Saharanpur, Muzaffar Nagar, Dehra Dun, Allahabad, Varanasi, Agra, Baroda, Patna, Surat, Thana, Shillong, Jamshedpur, Sector 22-D Chandigarh, Sector 17, Chandigarh, Chandni Chowk - Delhi Faridabad, Hissar The Mall - Simla, Jammu Tawi, Maharaj Gunj - Srinagar, Bhopal, Siyaganj - Indore, P. N. B House - Bombay Fort, Kingsway - Nagpur, Laxmi Road-Poona City, Hall Bazar - Amritsar, Ferozepur Cantt, Civil Lines - Jullundur, Chaura Bazar - Ludhiana, Jaipur, Kota, Mall Road - Kanpur, Nayaganj - Kanpur, Hazratganj - Lucknow, Meerut Cantt., Kaiserganj - Meerut, Lyons Range - Calcutta, Brabourne Road - Calcutta, Maskati Market - Ahmedabad, Bangalore Cantt., Bangalore City, Hyderabad, Secunderabad, Bhubaneshwar, Cuttack, First Line Beach - Madras, Mount Road-Madras, Coimbatore, Cochin, Trivandrum

Indian Overseas Bank,
Malhotra Building, Janpath, New Delhi - 110001
and main offices at :
Alleppey, Bangalore, Bhubaneshwar, Bombay, Calicut, Coimbatore, Jaipur, Madras, Madurai, Mahalbapuram, Mangalore, Nellore, Tiruchirapalli and Vellore.

HOW TO APPLY :

A. OBTAIN APPLICATION FORMS from any of the Underwriters, brokers or bankers mentioned above or from any members of the recognised Stock Exchanges.

B. COMPLETE THE APPLICATION FORM for 50 Equity Shares or 5 Preference Shares or multiples thereof. Sign and deliver to any branch of the Bankers to the issue mentioned above with cash, cheque or draft which should be on a bank in the same city to which they are delivered or despatched

Please act early to avoid disappointment

C. READ THE PROSPECTUS FOR COMPLETE DETAILS.

D. OPENING DATE : 28th January 1974.
CLOSING DATE : 8th February 1974, or earlier but not earlier than 31st January 1974.

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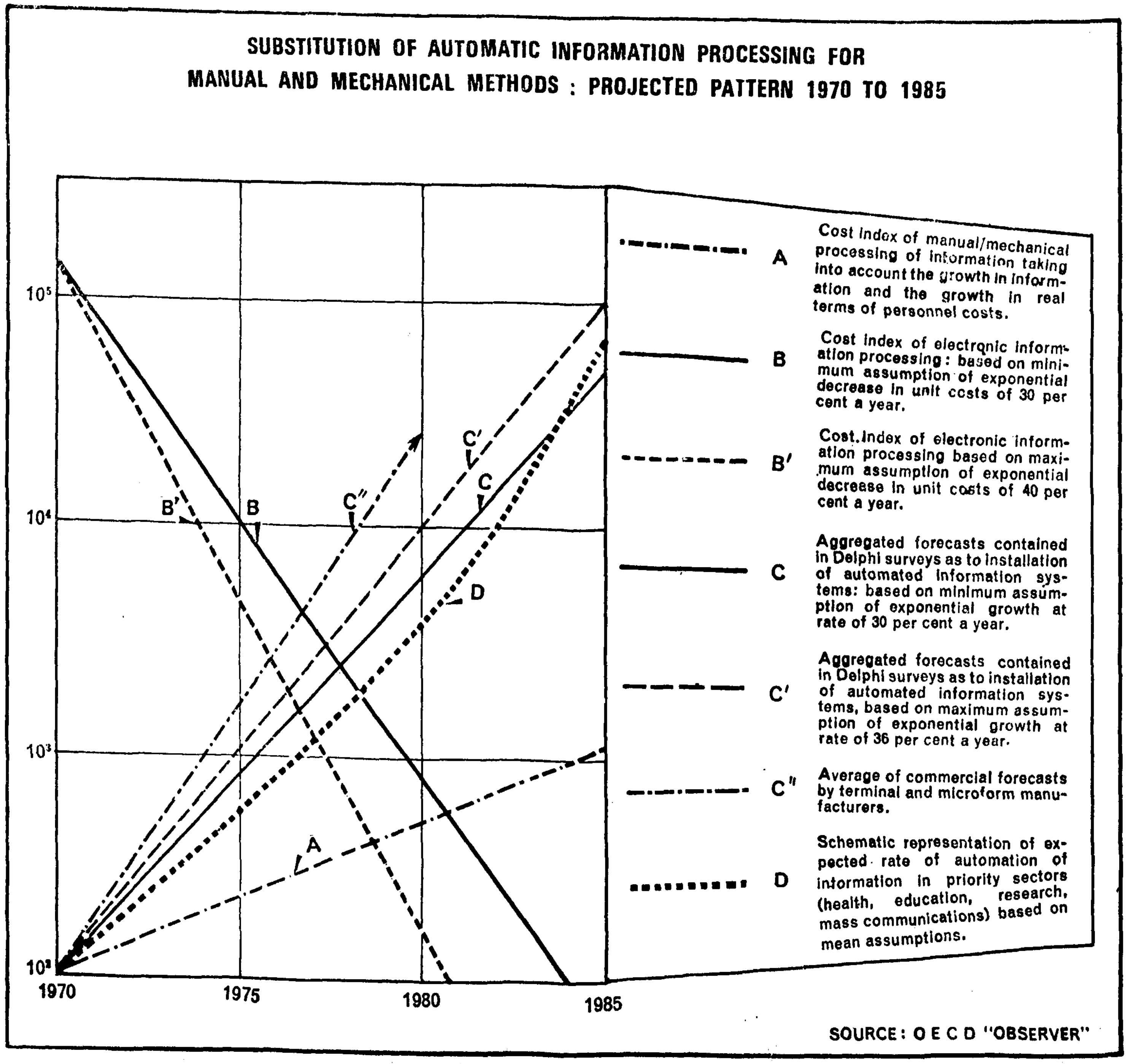
be fields in which the automation of information will not be commercially profitable, such as all forms of education, health and social security, cultural affairs and the environment. Other social needs will emerge later, such as the provision of information to individual citizens and to consumers. Clearly these can only be satisfied by establishing a public service to be financed mainly out of public funds.

It would be surprising if these conclusions were to receive immediate, unanimous approval. Some may consider that the recommendations unduly favour private enterprise and the industrial and commercial sector. Dr Anderla, however, points out to partisans of governmental intervention that in any case the tasks which governments will have to undertake in organising information for the benefit of society will be considerable, and that they must be tackled without undue vacillation.

Others will probably consider some of Dr Anderla's staggering forecasts as too bold. But assuming that the projections fail to materialise as quickly as expected the immense problems involved will still have to be faced even if he proves wrong in thinking that we have to face them so soon.

Sources and acknowledgements: This is the second and concluding article summarising a report by Dr Georges Anderla of the French Institute of Political Studies and of the University of Paris, prepared for the OECD Directorate for Scientific Affairs, but Dr Anderla is responsible neither for the emphasis of my summary nor for my interspersed comments.



SOURCE: O E C D "OBSERVER"

ANNOUNCEMENT REGARDING THE ISSUE OF NEW ORDINARY SHARES

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

Persons interested in full details may obtain copies of the Prospectus and Application Forms from the Company, the Principal Brokers, the Brokers, the Underwriters and the Bankers named below.

INDAL

INDIAN ALUMINIUM COMPANY, LIMITED

INDAL

(Incorporated on 17 December 1938 under the Indian Companies Act 1913)

Registered and Head Office : 1 Middleton Street, Calcutta 700 016

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON TUESDAY, 29 JANUARY 1974 AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON FRIDAY, 8 FEBRUARY 1974 OR EARLIER AT THE DISCRETION O : THE DIRECTORS BUT NOT BEFORE THE CLOSE OF BANKING HOURS ON THURSDAY, 31 JANUARY 1974.

Applications have been made to the Stock Exchanges at Calcutta and Bombay for permission to deal in, and for official quotations for, the shares now being issued.

HISTORY AND BUSINESS OF THE COMPANY

Indian Aluminium Company Limited (Indal) is engaged on a nation-wide scale in all phases of the aluminium industry from bauxite-mining to manufacture of finished aluminium products. From incorporation as a private limited company on 17 December 1938 and conversion into a public limited company on 28 March 1945, Indal has grown to become one of the largest public limited companies in India. In 1947, Indal sales were Rs. 69 lakhs and gross block was Rs. 1.9 crores. In 1972, sales were Rs. 44 crores and gross block was Rs. 78 crores.

Indal now has nine production facilities located in six states. These comprise aluminium smelters located at Alupuram in Kerala, Hirakud in Orissa and Belgaum in Karnataka; alumina plants at Muri in Bihar and Belgaum; sheet-rolling mills at Belur in West Bengal and Taloja in Maharashtra; an extrusion plant and a properzi unit at Alupuram; and a foil plant and an aluminium powder and paste plant at Kalwa in Maharashtra. Indal also operates bauxite mines at Lohardaga in Bihar and Chandgad in Maharashtra. A network of sales offices markets Indal products throughout the country.

DEVELOPMENT PLANS

Indal is now engaged in a further major development on the West Coast. Construction is well advanced on a further 50%, or 20,000 tonnes, addition to the licensed annual capacity of the Belgaum smelter for which a licence under the Industries (Development & Regultaion) Act 1951 has been received. This smelter project includes related additions to the alumina plant, bauxite-mining operations and ancillary facilities. The Company has also applied to the Government of India for industrial licences to increase the capacity of the sheet mill at Taloja, to install an extrusion press at the same location and to increase the capacity of the foil plant at Kalwa.

The estimated capital cost of the aforesaid projects is Rs. 20.10 crores, of which the present issue amount of Rs. 6.70 crores (that is, 31,90,477 Ordinary Shares at Rs. 21 per share) is one-third.

DIRECTORS

JAMES WILLIAM CAMERON
1445 Drummond Street, Montreal, Quebec, Canada, H3G 1X9

PURAYANKARUMPIL CHACKO GEORGE
Mayfair Road, Calcutta 700 019

JOHN HAMPTON HALE
117 Daulac Road, Montreal, Quebec, Canada, H3Y 2A1

ALLAN ARCHIBALD HODGSON
7/1A Alipore Road, Calcutta 700 027

JAMES BOOTH LESLIE, *Managing Director*
2, Asoka Road, Calcutta 700 027

SIR UDAY CHAND MAHATAB, K.C.I.E.
Maharajadhiraja Bahadur of Burdwan
Vijay Manzil, 10A Diamond Harbour Road, Calcutta, 700 027

KESHUB MAHINDRA, *Chairman*
St. Helen's Court, Gopalrao Deshmukh Marg, Bombay 400 026

SUDHIR KUMAR DEY MULLICK
2 Allenby Road, Calcutta 700 020

THOMAS FRANK DENYS SIMMONS—*alternate for John H. Hale*
Richelieu Place, Montreal, Quebec, Canada, H3G 1E7

TRISHUL DHARI SINHA
7/7 Alipore Road, Calcutta 700 027

SECRETARY

TRISHUL DHARI SINHA

SOLICITORS

ANDERSONS & MORGANS
6 & 7 Netaji Subhas Road, Calcutta 700 001

AUDITORS

PRICE WATERHOUSE, PEAT & COMPANY
3-4 Gillander House, Calcutta 700 001

REGISTRARS TO THE ISSUE AND TRANSFER AGENTS

ANDREW YULE AND COMPANY LIMITED
Yule House, 8 Clive Row, Calcutta 700 001

SHARE CAPITAL

Authorised Rs.		Issued, subscribed and paid-up Rs.
24,60,00,000	Ordinary Shares of Rs. 10 each	18,02,31,610
40,00,000	Cumulative Redeemable Preference Shares of Rs. 100 each	40,00,000
25,00,00,000		18,42,31,610
	Present Issue	**Nominal Value Rs.**
31,90,477	Ordinary Shares of Rs. 10 each at a premium of Rs. 11 per share	3,19,04,770
	Out of the Present Issue	
12,42,132	Ordinary Shares of Rs. 10 each at a premium of Rs. 11 per share have been offered for subscription in cash, in terms of a Letter of Offer dated 20 December 1973, to members of the Company who being Indian nationals resident in India were on the Register of Members of the Company at the close of business on 20 November 1973 in the proportion of one Ordinary Share for every five existing Ordinary Shares held on that date	1,24,21,320
2,00,000	Ordinary Shares of Rs. 10 each at a premium of Rs. 11 per share have been reserved for allotment to Unit Trust of India for cash	20,00,000
1,89,670	Ordinary Shares of Rs. 10 each at a premium of Rs. 11 per share have been reserved for allotment to Life Insurance Corporation of India for cash	18,96,700
1,00,000	Ordinary Shares of Rs. 10 each at a premium of Rs. 11 per share have been reserved for allotment to the employees of the Company (being Indian nationals resident in India) for cash provided that the maximum number of shares which may be so allotted to any one individual employee shall not exceed 200 Ordinary Shares	10,00,000
17,31,802		1,73,18,020
	NOW OFFERED FOR PUBLIC SUBSCRIPTION FOR CASH	
14,58,675	Ordinary Shares of Rs. 10 each at a premium of Rs. 11 per share (to which will be added the unsubscribed portion of the 17,31,802 Ordinary Shares referrred to above)	1,45,86,750
31,90,477		3,19,04,770

TERMS OF PAYMENT

	Per Share Rs.
On application	10 (Rs. 5 on account of nominal or par value, and Rs. 5 on account of premium.)
The balance is not more than two calls at intervals of not less than 3 months between the date of allotment and the first call and between calls, the final call to be not later than 12 months from date of allotment	11 (Rs. 5 on account of nominal or par value, and Rs. 6 on account of premium.)
	21

Failure to pay the amount due on call(s) will render the Ordinary Shares now being issued, including the amount already paid up on them, liable to forfeiture.

UNDERWRITERS TO THE ISSUE

The issue to the public of 14,58,675 Ordinary Shares at the price of Rs. 21 per share (inclusive of premium) has been underwritten as follows:

	No. of Shares Underwritten
The Industrial Credit and Investment Corporation of India Limited	2,50,000
Life Insurance Corporation of India	2,00,000
Unit Trust of India	2,00,000
National and Grindlays Bank Limited	2,00,000
Dhirajlal Maganlal Sons	35,000
Place, Siddons & Gough (Private) Limited	35,000
The Investment Corporation of India Limited	30,000
Stewart & Co.	30,000
Bhupendra Champaklal Devidas	25,000
Brijnath Khandelwal & Co.	25,000
G. M. Pyne	25,000
Harkisondass Lukhmidass	25,000
Industrial Investment Trust Limited	25,000
Lewis & Jones	25,000
M. M. Murarka & Co.	25,000
Merwanjee Bomanjee Dalal	25,000
Bharat Bhushan & Co.	20,000
D.S. Purbhoodas & Co.	20,000
H.P. Mehta & Co.	20,000
Harbans Singh Mehta & Co.	20,000
Jalan & Co.	20,000
Jamnadas Morarjee & Co.	20,000
Vinod Kumar & Co.	20,000
Raja Ram Bhasin & Co.	15,000
Batlivala & Karani	10,000
Chimanlal J. Dalal & Co.	10,000
Chitra & Co.	10,000
Dayco	10,000
J. C. Mehta	10,000
Lakhotia & Sons	10,000
Paterson & Co.	10,000
Rasiklal Maneklal & Co.	10,000
Varma & Co.	10,000
Behari Lal & Co.	5,000
Jahgirdar & Co.	5,000
Kaiki J. Khambatta	5,000
M. Nanjappaiah Jahgirdar	5,000
Prabhudas Lilladher	5,000
Harish Chandra Gutt & Co.	3,675
Chimanlal Maneklal	2,500
K. J. Shah & Sons	2,500

National and Grindlays Bank Limited has also underwritten 1,00,000 Ordinary Shares reserved for subscription by the employees of the Company which form part of the public issue to the extent they are not taken up by the said employees.

In the opinion of the Directors, the resources of the Underwriters are sufficient to discharge their respective underwriting obligations.

PRINCIPAL BROKERS TO THE ISSUE

Place, Siddons & Gough (Private) Limited
6 Lyons Range, Calcutta 700 001

Dhirajlal Maganlal Sons
Stock Exchange Building, Apollo Street, Bombay 400 001

OTHER BROKERS TO THE ISSUE

CALCUTTA

Brijnath Khandelwal & Co., 13 India Exchange Place, Calcutta 700 001 * **Dayco**, 7 Lyons Range, Calcutta 700 001 * **G. M. Pyne**, 14 India Exchange Place, Calcutta 700 001 * **Lakhotia & Sons**, 16 India Exchange Place, Calcutta 700 001 * **M. M. Murarka & Co.**, 1/B Mandeville Gardens, Calcutta 700 019 * **Stewart & Co.**, 14 India Exchange Place, Calcutta 700 001 * **Varma & Co.**, 7 Lyons Range, Calcutta 700 001.

BOMBAY

Batlivala & Karani, Union Bank Building, Dalal Street, Bombay 400 001 * **Bhupendra Champaklal Devidas**, Bhupen Chambers, Dalal Street, Bombay 400 001 * **Chimanlal J. Dalal & Co**, 107 Stock Exchange New Building, Dalal Street, Bombay 400 001 * **Chimanlal Maneklal**, 11 Motilal Mansion, 45 Tamarind Lane, Bombay 400 001 * **D. S. Purbhoodas & Co.** Stock Exchange Building, Apollo Street, Bombay 400 001 * **Harish Chandra Gutt & Co.** 45/47 Apollo Street, Bombay 400 001 * **Harkisondass Lukhmidass** Stock Exchange Building, Apollo Street, Bombay 400 001 * ***Jamnadas Morarjee & Co.*** 5A Hamam Street, Bombay 400 001 * **K. J. Shah & Sons**, Stock Exchange Central Building, Apollo Street, Bombay 400 001 * **Kaiki J. Khambatta** Central Stock Exchange Building, Share Bazar, Fort, Bombay 400 001 * **Lewis & Jones**, Bank of Baroda Building, Apollo Street, Bombay 400 001 * **Merwanjee Bomanjee Dalal**, Allahabad Bank Building, Apollo Street, Bombay 400 001 * **Prabhudas Lilladhar**, 5A Hamam Street, Bombay 400 001 * **Rasiklal Maneklal & Co.**, Stock Exchange Old Building, Dalal Street, Bombay 400 001.

DELHI

Behari Lal & Co., Stock Exchange Building, Asaf Ali Road, New Delhi 110 001 * **Bharat Bhushan & Co.**, H-45 Connaught Place, New Delhi 110 001 * **H. P. Mehta & Co.**, Surya Kiran, Kasturba Gandhi Marg, New Delhi 110 001 * **Harbans Singh Mehta & Co.**, 33 Regal Building, Parliament Street, New Delhi 110 001 * **J. C. Mehta**, 44 Delhi Stock Exchange Building, Asaf Ali Road, New Delhi 110 001 * **Jalan & Co.**, Stock Exchange Building, Asaf Ali Road, New Delhi 110 001 * **Raja Ram Bhasin & Co.**, Jewel Mansion, 8/4 Desh Bandhu Gupta Road, New Delhi 110 001 * **Vinod Kumar & Co.**, A-6 Connaught Place, New Delhi 110 001.

MADRAS

Chitra & Co., 322/323 Linghi Chetty Street, Madras 600 001 * **Paterson & Co.**, Vanguard House, 11/12 Second Line Beach, Madras 600 001.

BANGALORE

Jahgirdar & Co., Seshadripuram, Bangalore 560 020 * **M. Nanjappaiah Jahgirdar**, 205 Cavalry Road, Bangalore 560 042.

BANKERS TO THE ISSUE

National and Grindlays Bank Limited, Lloyds Branch, 41 Chowringhee Road, Calcutta 700 016 and its main branches in Bombay, Cochin, Delhi, Hyderabad, Kanpur, Madras, New Delhi, Simla and Srinagar * **First National City Bank**, 43 Chowringhee Road, Calcutta 700 016 and its branches in Bombay, Madras and New Delhi * **Syndicate Bank**, 12/2 Clive Row, Calcutta 700 001 and its main branches in Bangalore, Belgaum, Bombay, Coimbatore, Jabalpur, Madras, New Delhi and Trivandrum * **Union Bank of India**, India Exchange Place, Calcutta 700 001 and its main branches in Ahmedabad, Baroda, Bombay, Dehradun, Indore, Nagpur, New Delhi and Poona * **Bank of America National Trust and Savings Association**, 8, India Exchange Place, Calcutta 700 001 and its branches in Bombay and Madras * **Punjab National Bank**, 18A Barabourne Road, Calcutta, 700 001 and its main branches in Allahabad, Amritsar, Bombay, Chandigarh, Jaipur, Madras, New Delhi and Patna * **State Bank of India**, 1 Strand Road, Calcutta 700 001 and its main branches in Bhubaneswar, Bombay, Gauhati, Jamshedpur, Madras and New Delhi.

MANAGERS TO THE ISSUE

The Merchant Banking Divisions of :

The Industrial Credit and Investment Corporation of India Limited, 163 Backbay Reclamation, Bombay 400 020

and

National and Grindlays Bank Limited, Express Towers, Nariman Point, Bombay 400 001.

IA 7

TRADE WINDS

Cabinet Expanded

The President, on the advice of the prime minister, has appointed Mr Keshav Deo Malaviya, M P, as cabinet minister, in the ministry of Steel and Mines Mr K. Brahmanand Reddi as cabinet minister in the ministry of Communications and Mr B. P. Maurya, MP, as minister of state in the ministry of Agriculture.

The President has also approved that Mr M. B. Rana, at present minister of state in the ministry of Shipping and Transport, will be minister of state in the ministry of Industrial Development, and that Mr Pranab Kumar Mukherjee, deputy minister in the ministry of Industrial Development, will be deputy minister in the ministry of Shipping and Transport. The new ministers were sworn in on January 11.

Fuel for Coastal Ships

The union government has decided to supply fuel oil for coastal shipping, port craft and fishing fleet, at the reduced price prevailing on December 12, 1973 when the price of fuel shot up. The concessional price of heavy fuel oil will be almost one sixth of the prevailing price. This concession will enable the transport of essential commodities like coal and salt among various coastal towns at a cheaper rate of freight. The measure will benefit 58 coastal ships totalling about 200,000 GRT and a number of fishing trawlers and port craft like dredgers and barges.

More Credit for Exports

The Reserve Bank of India recently relaxed the credit squeeze for the export sector to enable it to undertake a vigorous drive for stepping up exports as a matter of national urgency. The Bank has decided to exempt credit to the export sector from the quantitative ceiling on credit expansion and also to provide it with somewhat increased refinance facilities. Disclosing this in a letter to the scheduled commercial banks, RBI Governor, Mr S. Jagannathan, emphasised that the broad framework of the current busy season policy announced by the Reserve Bank would, however, continue.

Coal Output to be Raised

Immediately after taking over as union Minister of Steel and Mines, Mr K. D. Malaviya asked the department of Mines to explore the possibility of utilising the country boats and barges, as well as coastal shipping for transporting coal to the consuming areas in various parts of the country. Mr Malaviya told senior officers of his ministry, who met and had discussions with him, that coal output must be raised considerably to meet the situation caused by the oil crisis. Also, the utilisation of country boats and coastal shipping for transport of coal would relieve the pressure on railway wagons.

Drug Prices Review

The work relating to screening of applications for fixation and revision of prices of drugs including formulations and other related matters has been transferred to the Bureau of Industrial Costs and Prices from January 1 this year. The pending applications have also been transferred to the Bureau. All applications for fixation and revision of prices of drugs, including formulations, should be referred to the Secretary, Bureau of Industrial Costs and Prices, 56, Sundar Nagar, New Delhi-3. This work was being looked after so far by the ministry of Petroleum and Chemicals.

Release of Sugar

The union government has ordered the release of 305,000 tonnes of sugar for February, 1974. It will consist of 200,000 tonnes of levy and 105,000 tonnes for free sale.

Gold Price

Gold hit a record price of $130.50 an ounce on London market amidst monetary uncertainties set off by the oil crisis. The gold price was the highest reached in trading in London since the record $130 of July 6 last year. Dealers reported an active market.

Yen Devalued

The Japanese government in effect devalued the yen by nearly seven per cent recently. Though there was no formal announcement of a devaluation, officials at the Bank of Japan and the finance ministry pointed out that a minimum rate of 300 yen to the US dollar would be maintained instead of the 280 yen that had prevailed since November 13.

Unit for Radars

One of the world's most powerful and advanced early warning radars and sophisticated electronics equipment for the Indian Air Force started rolling out of the production line when the prime minister, Mrs Indira Gandhi, inaugurated the Rs 11-crore second unit of the Bharat Electronics Ltd. (BEL) at Ghaziabad in Uttar Pradesh. The sprawling complex set up on a 80-hectare plot has been indigenously designed and built by engineers of Bharat electronics, Bangalore. In the first year the factory expected to produce air defence radars and microwave communication equipment worth Rs 9 crores and the production level should rise to Rs 17 crores within the next few years.

Mr C. R. Subramaniam, Managing Director of BEL stated that the factory will produce 23 MV early warning radars based on the requirements of the IAF and the first lot of radars will consist of 50 per cent imported components. Within a year the imported content of the equipment will be brought down to 30 per cent he added. The Rs 11-crore complex is fitted with imported machinery and equipment worth Rs 3.5 crores. When the factory goes into full stream it will generate an employment for 4,000 workers and technicians. Construction at Ghaziabad started in March 1972 and equipment fabrication began in September 1973. Construction of the factory will be completed in March 1974.

Phulpur Fertilisers

The third project of Indian Farmers Fertiliser Co-operative will soon start coming up at Phulpur near Allahabad in Uttar Pradesh. The foundation stone of the project was laid by the prime minister, Mrs Indira Gandhi on January 6. Designed to produce 100,000 tonnes of urea per annum, the project is estimated to cost about Rs 117 crores. It is expected to go into operation by 1977. The feedstock of the project will be fuel oil.

The two other projects of IFFCO are being implemented at present at Kalol and Kandla, in Gujarat. Designed to produce annually one million tonnes of urea and composite fertilisers, they are expected to go into production by the middle of this year.

Out of the 117 crores investment on the Phulpur project, Rs 60 crores will be in terms of foreign exchange. The rupee finance is proposed to be raised through an equity capital of Rs 39 crores to be subscribed by farmers cooperatives and the government jointly and through term loans from financial institutions. The foreign exchange cost is expected to be met through a loan from the World Bank and some bilateral credit arrangements.

Organised in November, 1967, IFFCO is Asia's largest fertiliser producing unit in the cooperative sector. It has an authorised capital of Rs 100 crores. Nearly 24,000 cooperative societies in 10 states of the country are its members.

Narora Nuclear Power Project

The prime minister, Mrs Indira Gandhi, inaugurated the commencement of the fourth nuclear power project at Narora, district Bulandshar in Uttar Pradesh on January 13, 1974. Like the Rajasthan and the Madras atomic power stations, the Narora station will consist of two reactors of the CANDU-PHW (Canadian deuterium uraniam-Pressurised heavy water) reactor system. Each unit will generate 220 MW(e) net. The first unit of the Narora Station will achieve criticality by mid-1981 while the second will become critical in 1982. When fully operational, the Narora Atomic Power Station will deliver 440 MW(e) of power to the power systems of the northern region. The total cost of setting up the Narora Atomic Power Station is estimated to be about Rs 210 crores with a foreign exchange content of about Rs 30 crores.

BHEL Unit at Jhansi

With a view to augmenting the indigeneous production of transformers and power generation equipment a transformer manufacturing plant is being set up at Jhansi in Uttar Pradesh, at an estimated cost of Rs 15 crores. The plant will be the first to be set up with complete Indian expertise and investment and will be another unit of the state-owned Bharat Heavy Electricals Ltd. The prime minister, Mrs Indira Gandhi, laid the foundation stone of the plant recently. At peak production, the Jhansi plant will manufacture over 1,000 power and instrument transformers every year valued at Rs 14 crores. It will effect an annual foreign exchange saving of Rs 6.5 crores. The factory will provide employment to nearly 1,500 persons and a number of ancillary industries will not only provide additional employment but also help in the industrial development of the region. The Jhansi transformer factory will help bridge the supply gap and will also help the BHEL unit at Bhopal to rationalise its product range and utilise existing facilities for producing more and bigger transformers.

More Thermal Plants

A high-power committee of the union government has selected six sites for the location of large thermal power stations. Investment in these plants is expected to be about Rs 2,400 crores. The committee has strongly recommended that a high-level organisation should be set up for effective implementation of these projects at the earliest. The central organisation should adopt modern methods of power stations management such as network techniques for project management, computers for inventory control, performance monitoring and load despatches. The committee has selected Chandrapur in Maharashtra, Satpura and Korba in Madhya Pradesh, Ramagundam in Andhra, Talcher, Tenughat of Rajmahal in eastern region for setting up these thermal plants.

Kerosene from Soviet Union

The Soviet Union has undertaken to supply one million tons of kerosene to India this year under an agreement reached recently. The deliveries will begin immediately with three shipments scheduled for January. The Soviet Union will also supply 1,00,000 tons of high-speed diesel.

Exports to Libya

Exports to Libya during the first six months of 1973 increased remarkably over the same period in 1972. During January-June 1973, India exported goods worth Rs 2.71 crores as against Rs 4.6 lakhs during the corresponding period in 1972. The items exported included steel pipes, structural angles, manhole covers, textile machinery and accessories, tobacco, tea, aluminium conductors, towers, control switchgears, cables, jute bags, 5 HP diesel engines, turmeric, handicrafts and textile fabrics. The number of items exported to Libya have also gone up from 50 in 1972 to 115 in 1973. A significant fact about India's exports to Libya in 1973 is that India made a breakthrough in the supply of drugs too.

Trade with Yugoslavia

India and Yugoslavia agreed to enhance their bilateral trade transactions during the current year to the tune of $100 million representing an increase of 35 per cent over last year. This was stated at the conclusion of the eighth session of the Indo-Yugoslav joint committee for economic co-operation recently. The joint committee also decided to set up three sub-committees for commerce, industrial co-operation and joint action on third country markets. Commenting on the outcome of the three-day talks, the union Commerce Minister, Prof. D. P. Chattopadhyaya, who led the Indian delegation, underlined the productive role of the sub-committees in the joint committee to chalk out concrete programmes in specific spheres of co-operation. He expressed satisfaction that the talks were "fruitful," fulfilling all hopes," and was hopeful that the increase in trade envisaged at the talks would grow further.

Reciprocating Prof Chattopadhyaya's optimism, the Yugoslav Commerce minister told newsmen that a breakthrough had been achieved not only in increasing trade but also in widening the areas of co-operation between the two countries. Prof. Chattopadhyaya also conferred with the Yugoslav prime minister and appraised him of the results of the talks. Prof Chattopadhyaya also visited the shipyard presently engaged in building ships for India.

Indo-Hungarian Cooperation

Hungary will be willing to associate with India in joint ventures in a third country if India can study the feasibility and make specific proposals. This offer came recently during a discussion with the visiting Hungarian delegation, participating in the Indo-Hungarian group of the Indian Council of Foreign Trade. The suggestion for such joint ventures in a third country came from the Indian side, and it was pointed out that there is a provision permitting such partnership in the recent Indo-Hungarian trade agreement. It was stated that there was a good scope for both countries undertaking turn-key projects in the Arab countries which were prepared to invest in industrial development. On behalf of the Hungarian side, it was pointed out that Hungary built up contacts in certain Arab countries and both the nations could join and work on any feasible project in Arab countries or in Africa.

Fall in Per Capita Income

The per capita income in 1972-73 at constant prices has been estimated at Rs 337.5—against Rs 343.6 in the previous **year**. The estimate for **1970-71** was Rs 345.8.

The steady fall in the per capita income is attributed to a lower rate of growth in net national product coupled with a little over two per cent rate of growth in population.

The "quick" estimates of national income for 1972-73 at constant prices (1960-61), prepared by the Central Statistical Organisation, assessed the net national product during the year at Rs 19,101 crores.

IA Fares Go Up

Indian Airlines fares will be raised by 25 per cent from February 1.

According to the Civil Aviation ministry, the government has allowed the fare increase to Indian Airlines "with immediate effect." However, the airline has decided to raise the fare from February 1 in view of some administrative difficulties.

Indian Airlines had sought an increase between 25 and 30 per cent with effect from January because of the rise in fuel prices which alone would cost the airlines an additional amount of over Rs 7 crores annually.

Names in the News

Mr. Chimanlal B. Parikh, noted industrialist, died recently after a brief illness. He was 75. Mr Parikh was the President of the Indian Merchants Chamber in 1954.

COMPANY AFFAIRS

Voltas

VOLTAS LTD has suffered a sharp setback in its working during the year ended August 31, 1973, reflecting the adverse impact of the strike which lasted for about four months. The directors have however, maintained the equity dividend for the year at 17 per cent which being payable on an enlarged capital will absorb Rs 97,14 lakhs, as against Rs 88.31 lakhs in the previous year. Although sales during the year at Rs 139.50 crores show an increase of 6.4 per cent over the preceding year's figure of Rs 131.12 crores, gross profit has slumped by about 25 per cent from Rs 4.97 crores to Rs 3.74 crores. Out of the gross profit the directors have set apart a sum of Rs 62.08 lakhs to depreciation reserve, Rs 4.50 lakhs to development rebate reserve and Rs 187 lakhs for taxation as against Rs 59.43 lakhs Rs 3.50 lakhs and Rs 255 lakhs provided respectively in 1971-72. This leaves a surplus of Rs 120.38 lakhs has been transferred to general reserve out of which the proposed dividend amounting to Rs 97.14 lakhs will be paid. With the return to normal conditions the company's production is expected to touch a new peak of Rs 18 crores during the current year. The manufacturing activities are being expanded to the maximum possible extent. The company has already received letters of intent for three new projects pertaining to centrifugal packaged chillers, equipment for transport refrigeration and plate freezers. The industrial licences are expected to be received in the near future. When completed these three projects alone will add about three to four crores of rupees to the output of the Thana Works. The future outlook has brightened especially with the setting up of a full-fledged research and development division. This division has already made a sizable contribution in the area of import substitution, product improvement, and development of new items. As a result of these magnificent efforts the company has been able to reduce the import content of its several products to less than a half.

Amco Batteries

Amco Batteries Limited, Bangalore, started in 1933, lays claim to be the oldest lead-acid storage battery manufacturing unit in the country. It has to its credit an impressive record of continuous payment of attractive dividends. The equity dividends paid during the last three years were 15.20 and 30 per cent. At the annual general meeting of the company held in Bangalore on December 27, 1973, the Chairman of the Board, Mr. A. Sivasailam reviewed with satisfaction the significant progress made by the company during the past five years and expressed his confidence that the ambitions plans for expansion growth would be implemented with speed. The company had recently decided to accept fixed deposits from the public to meet part of the expenditure connected with this planned growth of the company. In view of the unfortunate labour problems faced by the company in 1972, the operating results of the company has been considerably affected and as such he announced a 7.5 per cent dividend for the year ended March 31, 1973. However, the company's position had been improving during the current year and accordingly he also announced an interim dividend of 7.5 per cent for 1973-74. The company has made a significant thrust in the export markets. During 1973, Amco's exports to various countries are expected to exceed Rs 65 lakhs and may well cross the rupee one-crore mark during 1974. The company's order books are full for the next 12 months and it has export orders to the tune of over Rs 6.0 crores to be fulfilled within the next three years.

Industrial Cables

Industrial Cables (India) Limited proposes to set up over the next five to seven years a composite steel complex in Haryana. The complex will include a mini steel plant and wire rod rolling mill, a unit to produce industrial fasteners, a cold rolling mill, a cable-making machinery unit, steel wire ropes unit etc. A modest beginning in respect of the complex has already been made through the establishment of a steel wire unit at Kilazafargarh, in Jind district, to produce various types of steel wire, including prestressed concrete wire; spring steel wire, umbrella rib wire, cable armouring wires and strips; earth wire, ACSR core wire; ball bearing wire; and tyre beed wire. The steel wire unit is to be completed in two phases to total capacity of 19,000 tonnes per annum. Its first phase has already been completed and was inaugurated recently by the union minister for Industrial Development and Science and Technology, Mr C. Subramaniam. The work on the second phase is being taken up shortly. The total capital outlay in the two phases will be nearly Rs 5 crores—Rs 1.83 crores in the first phase and Rs 3.1 crores in the second phase.

Indian Explosives

Indian Explosives has not been able to make much head way on its project for the manufactures of 1000 tonnes of nitrocellulose annually owing to delay in getting the necessary permission from the government. The management however, hopes to complete the project by 18 months after clearance by the government. Meanwhile research and development efforts continue for diversifying further its lines of production, by adding a wide variety of products to its existing range of production. A number of blasting explosives have already been designed and marketed for surface, and under water blasting and trenching. A superior quality of safety fuse has also been marketed. During 1972-73 the company's output of explosives was seriously affected by major accident at the mixing plant while the fertilizer unit could function only at 60 per cent of the capacity on account of labour trouble and power shortage. Consequently gross profit during the year ended September 30, 1973 declined to Rs 8.50 crores from Rs 12.79 cores in 1971-72. The directors have taken the view that the setback is due to adverse circumstances of a unusual nature and so felt justified in maintaining the equity dividend at 17.5 per cent, the same as in 1971-72.

Reckitt and Colman

The board of directors of Reckitt and Colman of India Ltd have recommended a higher dividend of 12 per cent subject to deduction of tax for the year ended October 31 1973 as compared to 11 per cent paid during the last two years. Sales during the year soared to Rs 8.03 crores recording a smart rise of 1[illegible] per cent over 1971-72. Almost all product lines contributed their share for the handsome rise in sales. After providing Rs 48.60 lakhs for taxation and Rs 4.09 lakhs to development rebate reserve, the ne profit amounted to Rs 34.60 lakhs as against Rs 29.56 lakhs in the preceding year. To this was added a transfer of Rs 42,000 from development rebate reserve making a total of Rs 35.02 lakhs and the entire amount was transferred to the general reserve. The annual general meeting of the company is scheduled to be held on March 15, 1974.

Widia (India)

Widia (India) Ltd is enlarging its issued equity capital to Rs 42.08 lakhs from Rs 40 lakhs by offering 2,084 equity shares at a premium of Rs 140 per share to holders of 'B' and 'C' equity shares in the ratio of one share for every eight equity shares held. Holders of 'B' equity shares will be offered 1,063 equity shares on a right basis and of 'C' equity shares 1021 equity shares, also on a right basis, at the same premium. The new shares shall not participate in any dividend that may be paid out of the earnings of 1973. The shares are being issued in order to dilute the ownership of foreign interests in the equity capital of the company.

Sakthi Sugars

In view of the growing demand for sugar in the home market and the new opportunities available for earning sizable sums in foreign exchange through regular exports it is felt that there should not be any shifts in policy regarding the pricing of cane or the quotas for levy and free sale sugar. Henceforth there will have to be a sustained increase in sugar production and the all-India target of 65 lakh tonnes for 1978-79 can be achieved only if there was an annual growth rate of 8-10 per cent from the record level of 1973-74. In view of the fact that the efficacy of policy of partial decontrol has amply been demonstrated on two occasions, it should be continued in the same form during the fifth Plan period also. This was stressed by the N. Mahalingam, the Chairman of Sakthi Sugars Ltd while addressing the annual general meeting of the company held recently at Coimbatore.

In view of the abrupt rise in the cost of petroleum products and the uncertainties relating to imports of crude oil and refined products, not to speak of the need to discourage expenditure in foreign exchange, the new opportunity provided for using alcohol for industrial purposes should be fully explored and exploited. As large quantities of ploythene, acetate chemicals, synthetic rubber, and other items can be produced with a larger output of alcohol out of molasses, the central and state governments should recognise the need for providing suitable incentives especially as distillary units can be established with equipment secured from indigenous sources. Such a step will go a long way not only in expanding the capacities of the existing distilleries but also encourage establishing of new units in convenient locations. Besides the additional supplies of alcohol will also be useful promoting allied industries. Further concerted efforts should be made to promote the development of new industries based on alcohol and bagasse as these will be assured of the required raw materials on the basis of regular regeneration. Sakthi Sugars is exploring the possibilities in this regard and details will be made known, when the plans have been finalised.

The cane crushed by the company pierced all its previous records in 1972-73. It reach ed an all-time peak of 6.88 lakh tonnes as against 5.26 lakh tonnes in 1971-72. For the season as a whole the quantity of came handled was 7.40 lakh tonnes as against 5.91 lakh tonnes previously. This for the fourth season in succession there has been a substantial increase in the quantum of cane crushed giving again Sakthi Sugars the unique distinction and proud privilege of being the topmost in the country in respect of cane crushed by any single unit. The output of sugar, however, was adversely affected by a deterioration of the quality cane due to excessive rainfall in the last quarter of 1972 and the subsequent drop in recovery per cent. This resulted in only the third place being secured in the whole country in respect of sugar production in spite of commendable efforts made by the company. It is significant to note that the consistent increase in cane handling and sugar production achieved by the company is largely due to meticulous planning, progressive increase in the area under cane, extensive and expanding coverage given to high-yielding varieties of cane and significant rise in yield per acre. All these enterprising and energetic steps taken by the company will enable it to crush as much as 12 lakh tonnes by 1974-75 season.

News and Notes

(Expansion and diversification)

Southern Steel's Ltd expansion programme is progressing satisfactorily. The company is taking up diversification, modernisation and automation of the existing plant which will result in an added value to the products and increase in profitability. The proposed additions include a galvanising plant for strips bright annealing furnace gang slitting lines, cranes and other handling facilites together with expansion of the building. To rise additional finance required for the company's expanding activites the director's have proposed a further issue of 1.13 lakh equity shares of Rs 10 each on rights basis in the ratio of one-for-one.

New Issues

Apollo Tubes Limited is setting up a project for the manufacture of steel tubes and pipes and bicycle tubing with an installed capacity of 25,000 tonnes per annum at Ranipet, about 120 kilometres from Madras. The project is located in the industrial complex developed by State Industries Promotion Corporation of Tamil Nadu (SIPCOT). The project is being put up with the technical and financial collaboration of Bharat Steel Tubes Limited, the largest manufacturers of ERW steel tubes and pipes in the country. The BST will provide all the necessary technical know-how and other facilities for the supervision and commissioning of the plant and training of the company's personnel. The board of the company is headed by Mr Raunaq Singh, the leading industrialist and President of Bharat Steel Tubes Ltd. The cost of the project is estimated at Rs 164.40 lakhs and it will be financed by the equity capital of Rs 70.00 lakhs, loan from Industrial Finance Corporation of India of Rs 29.00 lakh, loan from SIPCOT of Rs 25.00 lakhs, term loan from banks of Rs 25 00 lakhs and subsidy for putting up the project in industrially underdeveloped area and deferred payment on land of Rs 15.40 lakhs. The promoters, directors and their friends and associates have subscribed to equity shares worth Rs 28 lakhs. The balance of Rs 42 laksh, in 4,20,000 equity shares of Rs 10 each is now being offered to the public for subscription for cash at par. The subscription list for this fully underwritten issue opened on January 14 and will close on January 25 or earlier but not before January 17. According to current indications the project will be commissioned by September this year and the products will be on sale before the end of 1974.

Madhya Pradesh Industries Limited, a member of J.K. Organisation, entered the capital market on January 15, 1974, with an issue of 4,40,817 equity shares of Rs 10 each for cash at par to the public for subscription. The subscription list will close on January 24, or earlier but not before January 17. The public issue is fully underwritten. A sum of Rs 2.50 per share is payable on application. The company has obtained licence for manufacture of 60 million numbers of dry batteries per annum and the plant will be located in Bhopal. The cost of the project estimated at Rs 227 lakhs will be financed by equity share capital of Rs 9 lakhs and loans from financial institutions. The company has entered into technical collaboration with internationally reputed Varta Batterie AG., West Germany. The Varta will provide complete technical know-how for planning and establishing the plant, impart training to the company's Indian personnel in its plant in West Germany in the entrie field of production and depute its highly qualified technicians for installation, starting and running the plant in India. The foreign collaborator will also provide testing facilities for the dry cells in order to ensure high quality of the product. In consideration for all the services rendered, the company will be paying three per cent of the ex-factory sales price as royalty to Varta. With the unique features of the company's proposed products, the company will meet the needs only of the sophisticated consumers but also the mass requirements at competitive prices both in the urban and rural areas. In line with modern technology, the cells will be metal-jacketed, which gives then longer life, better durability and appearance. The company is committed to export 10 per cent of its total production of dry cells for a period of five years. There is a good export market for dry cells and with the cooperation of Varta the company does not anticipate any difficulty in fulfilling this commitment. The construction work is expected to commence by February and will be completed by December, 1974. The plant is expected to go into commercial production by June, 1975. In view of rapid growth in the demand for dry cells, the company views the future as holding potentialities of rapid expansion. The company expects to earn substantial return on the capital employed from the early years of its production. Barring unforeseen circumstances, the company expects to pay a dividend of 10 per cent from the third year of commercial production.

Raipur Wire and Steel Ltd, is setting up a 10/14 tonnes electric arc furnace at Raipur industrial Area. It will manufacture about 20,000 tonnes of mild steel and high carbon steel ingots. The furnace with all major equipments are expected to arrive all the site by June 1974 and will be commissioned in September 1974. The steel rolling mill will commence production in February-March 1974 and the steel wire drawing plant is already on commercial production. To raise part of the resources required for the implementation of the project the company offering to the public for subscription 250,000 equity shares of Rs 10 each for cash at par. The subscription list for this fully underwritten issue opened on January 16, and will close on January 28 or earlier but not before January 19. constant growth of demand for basic and semi-finished steel products in the country the company is confident of finding a ready market for all its product.

Oriental Hotels Ltd is setting up a new hotel of international standards at Madras. The promoters of the company—the Reddy Group—is a well-known group of industrialists in south India. The proposed hotel will be known as Taj Coromanded and will have 238 rooms with all facilities of a first class international standard hotel. It will be located in the central area of Nungambakkam High Road in Madras. The company has entered into a technical services agreement and operating contract with the Indian Hotels Company Ltd, who own and operate the famous Taj Mahal and Taj Mahal Inter-Continental in Bombay. By these agreements the Indian Hotels Co. Ltd is assisting in the design and construction of the hotel and will operate the hotel. To raise part of the finance required for the implementation of the project, the company is offering at 8,10,000 equity shares of Rs 10 each and 10,000 (9.5 per cent) cumulative redeemable preferrence shares of Rs 100 each for cash at par to the public for subscription. The public issue is fully underwritten. The subscription list opened on January 17 and will close on January 29 or earlier but not before January 22. The capital outlay on the project is estimated at four crores of rupees. The work on the project is already at an advanced stage and the hotel is expected to start receiving guests by April 1974.

Company Meeting

The Shalimar Rope Works Ltd Registered Office, 14 Netaji Subhas Road, Calcutta-1; January 30; 3 P.M.

Interim Dividends

Surat Electricity Co. Ltd has maintained the interim dividend of Rs 5 per equity shares for the half-year ended September 30,1973.

Bombay Suburban Electric Supply Ltd has declared a higher interim dividend of 6.5 per cent for the year ending March 31, 1974 as against six per cent paid for the previous year. The company paid a total dividend of 13.5 per cent for 1972-73.

Madanapalle Spinning Mills Ltd has announced an interim equity dividend of five per cent for the year ending March 31,1974.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Higher Dividend			
Loyal Textiles	June 30, 1973	20.0	15.0
Reckitt and Colman of India	October 31, 1973	12.0	11.0
Investment Trust of India	September 30, 1973	15.0	12.0
Same Dividend			
Nonsuch Tea Estates	June 30, 1973	10.0	10.0
Alkali and Chemical Corpn. of India	September 30, 1973	17.5	17.5
Mysore Coffee Curing Works	June 30, 1973	10.0	10.0
Khodiyar Pottery	July 31, 1973	10.0	10.0
Panyam Cement and Mineral Industries	August 31, 1973	12.0	12.0
Reduced Dividend			
Tirrihannah Co.	December 31, 1972	Nil	20.0

RECORDS AND STATISTICS

Finances of Foreign Companies: 1970-71

THIS STUDY published in the October 1973 issue of Reserve Bank of India Bulletin and prepared in the Division of the Company Finances of the Department of Statistics analyses the financial results of the working of 200 branches of foreign companies and 492 foreign-controlled rupee companies operating in India during 1970-71. It is based on the accounts closed during the period April 1, 1970 to March 31, 1971. Of the companies included in this study, 197 branches of foreign companies and 371 foreign controlled rupee companies were covered in the previous study.

It may be stated at the outset that the studies on company finances are primarily intended to reveal the general trend in the working of the corporate sector and in particular, corporate sector's contribution towards capital formation and savings in India, on the basis of their annual accounts. The studies on finances of branches of foreign companies and foreign-controlled rupee companies are not geared to collect statistics to show the amount of outflow from the country's exchange reserves by way of remittances of profits dividen.s The information on remittances is not available in the annual accounts of companies. Moreover, there is always considerable time-lag between the period during which profits accrue and the period in which the remittances are actually made. Thus, the amount of profits/dividends remittances made during a priod has no one to one correspondence with the amounts of profits made during the period. The data on profits/dividends and on funds ploughed-back attributable for the country of controlling interest are being covered in the studies on India's International Investment Position published by the Division of International Finance of the Economic Department of the Reserve Bank.

The total assets of the 200 branches of foreign companies accounted for about 90 per cent of the estimated book value of the total assets held in India by all such branches of foreign companies as at the end of March, 1971. Of the 492 foreign-controlled rupee companies included in this study, 290 were already covered in the studies for the year 1970-71 on medium and large public and private limited companies. The remaining 202 companies are included with a view to improving the coverage of the study and also to giving representation to companies with a low capital base but a fairly large turnover. The selected 492 companies accounted for about 98 per cent of the total paid-up capital of all non-financial, non-government foreign-controlled rupee companies as at the end of March, 1971.

In the case of branches of foreign companies, data for those having their places of incorporation in the UK and the USA are presented separately and those for all the remaining companies are grouped under 'other countries'. As regards foreign-controlled rupee companies, data for those having their country of controlling interest in the UK, the USA, West Germany and Switzerland are presented separately. Industry-wise, data in respect of branches of foreign companies are presented for four important industry groups, viz., tea plantations, manufacturing, trading and 'other industries'. As regards foreign-controlled rupee companies data are presented for four main industry groups, viz., agriculture and allied activities, processing and manufacture, trading and 'other industries'; the group 'processing and manufacture' is further divided into ten industry sub-groups.

Country-wise, the total assets of the branches of UK companies constituted about 77 per cent of the total assets held in India of the 200 selected branches of foreign companies. The UK controlled rupee companies accounted for 59 per cent of the total paid-up capital of the 492 selected foreign controlled rupee companies. Industry-wise, tea plantations and trading companies each accounted for 36 per cent of the total assets held in India of the selected branches of foreign companies. In the case of foreign controlled rupee companies, the 399 companies studied under the main group 'processing and manufacture' accounted for 89 per cent of the total paid-up capital of the 492 slected companies.

Value of production of 200 branches of foreign companies increased by 7.9 per cent from Rs 874 crores in 1969-70 to Rs 943 crores in 1970-71. Sales rose by 5.3 per cent from Rs 885 crores in 1969-70 to Rs 932 crores in 1970-71. Industry-wise, the value of production and sales of the manufacturing group improved by 9.1 per cent and 6.2 per cent from Rs 165 crores and Rs 166 crores in 1969-70 to Rs 181 crores and Rs 177 crores, respectively, in 1970-71. In the case of 'trading' and 'other industries', the growth rate of sales was higher than that of value of production, the corresponding growth rates being 7.8 per cent and 7.3 per cent for the 'trading' and 14.1 per cent and 9.1 per cent for 'other industries'. As regards 'tea plantations', which constituted nearly half the total number of companies studied though the value of production increased by 9.2 per cent, sales declined substantially by 10.2 per cent. Country-wise, the value of production of UK companies registered an increase of 8.9 per cent as against a rise of 4.6 per cent in sales. The corresponding growth rates for the US companies were 6.8 per cent and 8.9 per cent respectively.

The total expenditure (including interest payments) of selected branches of foreign companies rose by 7.2 per cent from Rs 851 crores in 1969-70 to Rs 912 crores in 1970-71.

The pattern of expenditure was broadly the same in both the year. About two-thirds of the total expenditure was for consumption of raw materials, components, etc. This was followed by other expenses (about 10 per cent) and salaries, wages and bonus (about 8 per cent). Profits before tax increased to 31.2 per cent from Rs 31 crores in 1969-70 to Rs 41 crores in 1970-71. Tax provision constituted 68.1 per cent of profits before tax as compared with the corresponding proportion of 72.5 per cent in the previous year and as a result, the profits after tax rose by 52.6 per cent from Rs 9 crores in 1969-70 to Rs 13 crores in 1970-71.

Industry-wise, 'tea plantations' recorded a significant increase of 53.3 per cent in profits before tax from Rs 7 crores in 1969-70 to Rs 10 crores in 1970-71. The corresponding increase was around 25 per cent in the case of manufacturing (from Rs 11 crores to Rs 14 crores), trading (from Rs 9 crores to Rs 12 crores), and 'other industries' (from Rs 4 crores to Rs 5 crores). Country-wise, branches of companies incorporated in the UK recorded the highest growth rate in profits before tax at 32.4 per cent, followed by the companies incorporated in the USA and 'other countries, the corresponding growth rates being at 30.1 per cent and 21.2 per cent, respectively.

The profitability ratios, viz., gross profits as percentage of sales and gross profits as percentage of total capital employed, improved from 4.1 per cent and 7.8 per cent, respectively, in 1969-70 to 5.0 per cent and 9.8 per cent in 1970-71. Both these indicators revealed a better performance in 1970-71 for all the specified industry groups; especially in the case of 'tea plantations' there was a noticeable increase in the ratio of gross profits to sales, from 7.7 per cent in 1969-70 to 12.0 per cent in 1970-71. Country-wise also, the two profitability ratios indicated a better performance for all the three groups. In the case of branches of companies incorporated in the USA, both the ratios were noticeably higher than those for other country-groups.

The gross assets formation of the selected branches amounted to Rs 16 crores in 1970-71. Of this, inventories contributed Rs 10 crores and 'loans and advances and other debtor balances' and 'cash and bank balances', about Rs 4 crores each. However, there was a depletion to the extent of Rs 3 crores in the gross fixed assets formation. The selected branches relied more on internal sources to the extent of Rs 13 crores or 81.3 per cent. Borrowings provided Rs 4 crores of the total external finance while there was depletion to the tune of Rs 1 crore in 'trade dues and other current liabilities'.

The total assets of 200 branches increased by 2.5 per cent from Rs 465 crores in 1969-70 to Rs 477 crores in 1970-71. The pattern of distribution of assets and liabilities was broadly the same in both the years. The share of net fixed assets in the total assets declined from 33.2 per cent in 1969-70 to 30.9 per cent in 1970-71 while that of inventories increased from 33.2 per cent to 34.6 per cent during the same period. "Loans and advances and other debtor balances' accounted for about 24 per cent during both the years. The share of cash and bank balances increased marginally from 7.2 per cent in 1969-70 to 7.9 per cent in 1970-71. On the liabilities side, liabilities to head office and reserves and surplus accounted for about 30 per cent of the total during both the years. The share of provisions and borrowings increased marginally from 5.3 per cent and 19.5 per cent in 1969-70 to 5.9 per cent and 19.8 per cent, respectively, in 1970-71, while that of 'trade dues and other current liabilities' declined from 28.4 per cent in 1969-70 to 27.4 per cent in 1970-71.

Sales and value of production of the 492 selected foreign controlled rupee companies rose by 14.6 per cent and 14.9 per cent, respectively, from Rs 2251 crors and Rs 2269 crores in 1969-70 to Rs 2580 crores and Rs 2606 crores, respectively, in 1970-71. All the main industry groups except 'other industries' in the case of value of production, contributed to this overall rise in sales and value of production. The main industry group, 'processing and manufacture' which accounted for more than 86 per cent of total sales as well as value of production of all selected companies, registered an increase of Rs 294 crores (15.2 per cent) in sales and of Rs 305 crores (15.7 per cent) in value of pro-

TABLE I

Profitability Ratios, 1969-70 and 1970-71

Group of companies	Gross profits as percentage of sales net of rebate and discount		Gross profits as percentage of total capital employed		Profits after tax as percentage of net worth		Dividends as percentage of paid-up capital		Dividends as percentage of net worth	
	1969-70	1970-71	1969-70	1970-71	1969-70	1970-71	1969-70	1970-71	1969-70	1970-71
1. 200 branches of foreign companies	4.1	5.0	7.8	9.8	..	..	..	..	..	..
2. 492 Foreign controlled rupee companies	11.8	12.1	13.3	14.5	12.9	14.4	11.8	13.3	7.4	7.9
3. 1923 Indian controlled public and private limited companies	7.1	7.4	8.1	8.7	2.2	2.0	7.5	7.9	4.3	4.5
4. 1501 Public limited companies of which:	8.7	9.0	9.6	10.4	9.5	10.1	9.3	10.1	5.4	5.7
(i) 219 Foreign controlled rupee companies	12.1	12.1	14.1	14.9	2.6	2.7	12.6	14.0	7.7	8.3
(ii) 1282 Indian controlled rupee companies	7.4	7.8	7.9	8.7	2.4	2.4	7.8	8.3	4.4	4.8
5. 701 Private limited companies of which:	6.1	6.1	10.2	9.7	7.8	6.6	7.3	8.3	4.2	4.6
(i) 60 Foreign controlled rupee companies	9.6	9.9	14.2	14.8	30.7	32.0	20.8	29.2	7.4	10.2
(ii) 641 Indian controlled rupee companies	5.3	5.2	9.2	8.4	—	—1.9	4.8	4.5	3.2	2.9

duction during the year under study. All the specified industry sub-groups under this main group contributed to the rise in sales and value of production.

Country-wise, companies controlled by West Germany faired better than the others as regards sales and value of production with an increase of about 27.3 per cent and 27.5 per cent, respectively, in 1970-71. The rates of growth in 1970-71 in sales of companies controlled by the USA and the UK were 15.1 per cent and 14.3 per cent and those in the value of production were 15.4 per cent and 14.7 per cent, respectively. The sales as well as the value of production of Swiss controlled companies increased by 4.3 per cent and 6.1 per cent, respectively, in 1970-71.

The total expenditure (including interest payments) of the selected companies increased by 14.3 per cent from Rs 2087 crores in 1969-70 to Rs 2385 crore in 1970-71. The pattern of expenditure was almost the same in both the years. Consumption of raw materials, components, etc. accounted for nearly half the total expenditure followed by 'excise duty and cess' (about 12 per cent) and 'salaries, wages and bonus' (about 11 per cent).

Gross profits of the selected companies rose by 16.9 per cent from Rs 266 crores in 1969-70 to Rs 311 crores in 1970-71. In spite of an increase of 10.9 per cent in interest payments from Rs 49 crores to Rs 54 crores in 1970-71, pre-tax profits registered a rise of Rs 40 crores from Rs 217 crores to Rs 257 crores in 1970-71. Tax provision absorbed 48.3 per cent of pre-tax profits in 1970-71 as against 49.8 per cent in 1969-70 resulting in an increase of Rs 23 crores in profits after tax from Rs 110 crores in 1969-70 to Rs 133 crores in 1970-71. About half of the increase in profits after tax was distributed to shareholders raising the dividends from Rs 63 crores in 1969-70 to Rs 73 crores in 1970-71. Consequently, profits retained in business increased to Rs 59 crores in 1970-71 from Rs 47 crores in the previous year. All the main industry groups contributed to the overall rise in gross profits. "Trading' recorded the maximum rise of 34 per cent. The group 'processing and manufacture', showed a rise of 16.9 per cent in gross profits in 1970-71, but among its sub-groups 'foundries and engineering workshops' recorded a rise of 82.6 per cent followed by 'mineral oils' (42.1 per cent), 'electrical machinery' (30.2 per cent) and 'basic industrial chemicals' (29.9 per cent), while, 'medicines and pharmaceuticals' and 'others' showed a marginal decline. In spite of an increase in tax provision and dividend distribution the companies in 'agriculture and allied activities' and 'other industries' could retain in business 44.4 per cent and 22.6 per cent of

TABLE II

Profitability Ratios of 492 Selected Foreign Controlled Rupee Companies, 1969-70 and 1970-71

Group of companies	Gross profits as percentage of of sales		Gross profits as percentage of total capital employed		profits after tax as percentage of net worth		Dividends as percentage of paid up capital		Dividends as percentage of net worth	
	1969-70	1970-71	1969-70	1970-71	1969-70	1970-71	1969-70	1970-71	1969-70	1970-71
All companies	11.8	12.1	13.3	14.5	12.9	14.4	11.8	13.3	7.4	7.9
Companies classified under:										
(i) Agriculture and allied activities	7.2	7.4	17.2	17.3	13.4	16.3	15.3	17.2	8.6	9.1
(ii) Processing and manufacture	12.4	12.6	13.9	15.0	13.3	14.7	11.5	13.2	7.2	7.9
1. Aluminium	20.0	19.6	12.2	14.3	18.7	21.4	11.6	12.2	5.6	5.0
2. Transport equipment	11.9	11.9	12.3	11.9	11.7	10.3	8.6	9.2	5.6	5.6
3. Electrical machinery	11.1	12.3	12.6	14.2	12.0	15.5	10.0	12.1	5.5	7.2
4. Machinery (other than transport and electrical)	13.0	13.7	10.9	11.1	13.6	13.7	5.9	7.2	4.6	5.2
5. Foundries and engineering workshops and ferrous/non-ferrous metal products	10.2	14.4	11.0	17.9	10.2	16.0	6.8	10.3	4.3	5.9
6. Basic industrial chemicals	14.6	15.2	9.1	11.5	8.7	13.4	6.2	6.6	5.3	5.2
7. Medicines and pharmaceutical preparations	22.0	19.1	28.8	24.7	21.3	17.9	19.4	17.8	10.3	8.7
8. Other chemical products	7.9	6.9	16.4	14.1	12.5	11.6	11.2	11.6	8.0	8.0
9. Mineral oils	37.8	37.5	15.3	21.5	11.4	17.6	33.9	42.8	17.7	23.3
10. Processing and manufacture—Others	9.2	8.3	16.4	15.5	14.1	12.2	13.3	15.8	7.5	8.8
(iii) Trading	3.1	3.8	6.5	8.1	2.7	6.5	12.9	10.7	8.3	6.8
(iv) Other industries	19.1	19.9	9.7	11.3	10.4	11.8	14.3	19.3	9.5	9.1
Companies with controlling interest in:										
(i) UK	9.8	10.1	12.3	13.6	11.1	12.2	11.8	12.3	7.6	7.7
(ii) USA	17.8	18.4	15.3	17.3	16.7	19.8	13.6	19.5	7.7	10.6
(iii) West Germany	13.9	14.1	11.6	13.5	12.0	14.7	5.3	6.0	4.1	4.2
(iv) Switzerland	10.0	9.5	14.7	12.9	12.4	12.1	10.8	11.6	5.2	5.2
(v) Other countries	15.5	15.1	14.5	15.2	16.0	16.0	12.6	12.3	7.9	7.4

profits after tax in 1970-71 compared with 36.2 per cent and 8.7 per cent, respectively, in 1969-70. 'Processing and manufactured' group recorded only a fractional increase in the ratio of profits retained as percentage of profits after tax. In the case of 'trading' group the companies had to dip into their reserves for dividend payments in 1970-71 also, though to a much lesser extent than in 1969-70. Country-wise, growth rates in gross profits as well as profits before tax were fairly high in all the country groups, except Switzerland, the highest rates being recorded by West Germany at 29.3 per cent for gross profits and 37.1 per cent for profits before tax. Gross profits and profits before tax of companies controlled by Switzerland declined nominally. The companies in all the selected country groups retained more profits in the business even after disbursing higher dividend in 1970-71.

All profitability ratios of the selected companies showed improvement in 1970-71 (Table II). Profit margin on sales increased from 11.8 per cent to 12.1 per cent. The return on total capital employed and the return on share holders' equity were at 14.5 per cent and 14.4 per cent as against 13.3 per cent and 12.9 per cent, respectively, in 1970-71. Industry-wise, the profitability ratios in the case of 'agriculture and allied activities' and 'processing and manufacture' improved in 1970-71. In the case of 'trading' all profitability ratios showed improvement except the ratio of dividends as percentage of paid-up capital and of net worth, which showed a decline in 1970-71. Country-wise, almost all the ratios improved except for Swiss controlled companies.

The gross assets formation of the selected companies amounted to Rs 228 crores in 1970-71. The gross fixed assets formation, of which more than 90 per cent was in the form of additions to plant and machinery, amounted to Rs 95 crores and constituted 41.6 per cent of the total assets formation. Inventory accumulation at Rs 85 crores accounted for 37.3 per cent of gross assets formation followed by 'loans and advances and other debtor balances' at Rs 46 crores accounting for 20.1 per cent. Internal sources contributed Rs 163 crores or 71.2 per cent of the total funds. Provisions, of which, depreciation provision accounted for 82.2 per cent, contributed Rs 98 crores or 60.4 per cent of the total internal sources. 'Trade dues and other current liabilities' at Rs 36 crores was the major external source of finance contributing 54.6 per cent of the total external sources followed by 'borrowings' (mainly from banks) contributing Rs 23 crores or 35.4 per cent.

The total assets of the 492 selected companies rose by Rs 148 crores from Rs 1997 crores in 1969-70 to Rs 2145 crores in 1970-71. The pattern of assets and liabilities was broadly similar in both the years, the share of net fixed assets, inventories and 'loans and advances and other debtor balances' being around 40 per cent, 32 per cent and 22 per cent, respectively. On the liabilities side, the proportion of share capital and borrowings declined from 26.6 per cent and 33.6 per cent, respectively, in 1969-70 to 25.8 per cent and 32.4 per cent, respectively, in 1970-71. 'Reserves and surplus' and 'trade dues and other current liabilities' stood around 17 per cent and 19 per cent respectively, in both the years.

Data on profitability ratios and rates of assets formation pertaining to foreign controlled rupee companies and Indian controlled rupee companies (included in the studies on 1501 public limited and 701 private limited companies) are presented in Tables I and III respectively. All the profitability ratios for foreign controlled rupee companies and for Indian controlled rupee companies, excepting the return on 'shareholders' equity' in the case of Indian controlled rupee companies, recorded moderate increases in the year 1970-71. The level of profitability ratios was substantially higher in the case of foreign controlled rupee companies. The rates of gross assets formation and gross capital formation were also higher in the case of foreign controlled rupee companies.

TABLE III

Rates of Growth, 1970-71

(Per cent per annum)

Group of companies	Gross fixed assets formation	Net fixed assets formation	Inventory accumulation	Gross capital formation	Net capital formation	Gross total assets	Total assets
1. 492 Foreign controlled rupee companies	7.3	1.7	14.4	9.5	7.0	9.3	7.4
2. 1923 Indian controlled public and private limited companies	6.6	2.9	13.5	8.6	10.8	8.9	8.3
3. 1501 Public limited companies of which:	6.8	2.7	13.3	8.7	7.3	8.8	7.8
(i) 219 Foreign controlled rupee companies	7.9	2.9	14.2	9.9	7.8	9.2	7.5
(ii) 1282 Indian controlled rupee companies	6.5	2.8	13.0	8.4	7.2	8.7	7.9
4. 701 Private limited companies of which:	6.9	3.4	17.5	11.2	11.4	10.0	9.8
(i) 60 Foreign controlled rupee companies	3.9	—0.4	16.8	9.1	8.9	4.9	3.9
(ii) 641 Indian controlled rupee companies	7.7	4.5	17.8	11.8	12.1	11.3	11.4

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FAITH
PEOPLE
FUTURE
GROWTH
INVESTMENT
DEVELOPMENT
PROGRESS
COMMUNITY
PLANNING
WELFARE

Republic day thoughts

As a significant, even if recurring, historic occasion, the Republic Day is expected to set the tone for the nation's aspirations for the year ahead. This time, however, this anniversary ought to remind us rather of the nation's wasted years since India was declared an independent and sovereign Republic of its people some twenty-four years ago. The government of the day had no doubt striven all this time to have the basic meaningfulness of this anniversary crowded out of the people's consciousness by parades, pageants or similar circuses. In this they had not been without success for, quite often, when the day's show was over, there were lots and lots of people who would be talking only of the show. Even so the Republic Day has not failed entirely in keeping before our countrymen the purposes which alone could impart true meaning to the freedom struggle culminating in the great Happening of August 15, 1947.

This year of all years it is these purposes rather than those circuses which ought to be the preoccupation of our nation. Fortunately the circuses themselves are to be far less elaborate. This is clearly appropriate in the circumstances of a country, which is presently plagued with shortages and high prices of essential goods and battered by the economic stress and social tensions which this dreadful combination of material pressures must necessarily generate. Having failed to give the people bread after talking for twenty years about economic planning, the powers that be have at last been made to feel diffident about trying to continue to bemuse the people with mere circuses. Even if oil from the Persian Gulf had remained plentiful and inexpensive, the Indian government today might have felt that it would be tempting Providence, so to speak, to stage elaborate displays of rolling tanks down Vijay Chowk or screaming jets across the skies over Raj Path.

For the mood of the Indian people has indeed changed dangerously in the few weeks which had concluded the old year and ushered in the new. Even when due allowance is made for the agitational tactics of opposition parties, the fact remains that the public at large has lost its respect for its rulers and is fast losing completely its patience with their ways or waywardness. The prime minister has ceased to be the adored idol for a blindly believing electorate. This, of course, is not a bad development at all. But what is definitely bad not merely for her but, more important still, for the country itself is that the people seem to be losing faith in the democratic form of government and its parliamentary institutions. Thus, when they deny a hearing to the prime minister and indeed make it impossible for her to address them at public meetings, they are expressing not so much some wild fury as their calculated despair over the irrelevance to their consuming problems of the kind of political activity in the country which she more than anyone also has come to represent or embody.

Not surprisingly, then, but strictly naturally, she is being driven increasingly to rely on further refinements of manipulative politics to keep herself or her party in power. In the process she may not even be able to ponder dispassionately whether the manner in which the ruling party seems determined to manage the impending elections, particularly in Uttar Pradesh, may not push the current confrontation between the people's problems and her own policies to the point of ultimate decision. That decision need not necessarily be in her favour even if her party were to obtain a majority in the legislative assembly of her home state. Her success at this election, if it occurs, may only confirm the public in its feeling or fear that the legitimate organs of parliamentary democracy have been finally rendered impotent through a series of exercises in the artful management of the electorate. If, on the other hand, her party were to suffer serious discomfiture, which is by no means unlikely, the prime minister will surely have been served notice that, between this February and the next general election for the Lok Sabha, she will have to persuade the people through her performance that the public interest rather than the perpetuation of herself in power has at last become the prior purpose of her economic policies. For her as for the country the moment of truth may arrive much earlier than the next Republic Day.

eastern ECONOMIST

JANUARY 25, 1974

Price revision in aluminium

OPINIONS MAY differ on whether the 7.5 per cent raise in the controlled price of aluminium metal and some of its products (all the aluminium products are not subject to price control) which is understood to have been suggested by the Bureau of Industrial Costs and Prices (BICP), will meet the requirements of aluminium producers. But BICP's endorsement of the Wanchoo Committee's recommendation that this industry, being power-intensive, should be provided a reasonable protection against increase in electricity rates will be widely welcomed. The bureau has stressed — and rightly so — the evolving of an effective mechanism for settling power tariff disputes between aluminium manufacturers and state electricity boards.

There can be no denying the fact that the aluminium industry has suffered a great deal in the recent past due to inadequacy of power supplies as well as demands by state electricity boards for stepping up of electricity rates. The Hindustan Aluminium Corporation (Hindalco), for instance, has not been able to commission as yet 15,000 tonnes new capacity which it had completed in August, 1972, as the UP State Electricity Board has not made available the 35 MW of power required to run this capacity, even though this supply had been committed by the board. The corporation has found it impossible to agree to the tariff asked by the board for not only it will put it at a great disadvantage vis-a-vis its competitors but also it will be uneconomical for producing aluminium under the present situation of price control. Hindalco as well could not utilise fully in 1973 its already commissioned 80,000 capacity due to power shortage; the loss in production on this count is estimated to be as much as 15,000 tonnes. Indian Aluminium (Indal) and the Madras Aluminium Company (Malco) have fared no better, even though in Malco's case as well as in that of the fourth private sector manufacturer the Aluminium Corporation of India (Alucoin), labour trouble also contributed to fall in output. Nearly 10,000 tonnes production is said to have been lost in 1973 due to power cuts affecting India's Belgaum smelter.

Not to speak of the delay in the commissioning of the smelter of Bharat Aluminium Company (Balco)—the public sector concern in aluminium industry—had adequate power been available to the four private sector undertakings, the estimated gap of about 50,000 tonnes between the domestic output and requirements in 1973 would have been almost bridged — in aluminium industry, production can even exceed the rated capacity. The country would, indeed, have been in a very comfortable position in regard to the supply of aluminium had power been available for commissioning the 15,000 tonnes capacity which had been completed by Hindalco in August, 1972. Balco's alumina could have been converted into metal by Hindalco or Indal till the smelter of the former was commissioned. The accumulation of alumina stocks with Balco has led to suspension of its production.

Power shortage between October, 1972, and May-June last year, of course, could not be totally avoided due to the severe drought in 1972, which drastically brought down the generation of hydel power — the primary source of electricity for smelting of aluminium. But its rigours surely could have been mitigated a great deal had the importance of the aluminium industry been correctly appreciated. The unrealistic approach to the problems of the industry should be evident from the fact that the UP State Electricity Board charged as high a tariff as 15.25 paise a unit when it was required to supply power to Hindalco on an ad hoc basis because of the annual overhaul of the company's captive power station and also when this power station had to suffer an unforeseen shutdown. Power accounts for nearly 30 per cent of the cost of aluminium manufacture. The tariff of 15.25 paise a unit of electricity alone would account for as much as Rs 3,500 per tonne of metal cost in a controlled sale price (excluding excise duty) of Rs 3,970 a tonne.

The above state of affairs obviously cannot be allowed to continue for long in the national interest which warrants stepping up of the production of aluminium — the only non-ferrous metal in which we can think of self-sufficiency or even marginal surpluses on a continuing basis. If the foreign exchange outgo on the import of other non-ferrous metals is to be contained owing to the difficulties being encountered on the balance of payments front, particularly after the recent sharp increase in oil prices, the aluminium industry has to be nourished, for it can substitute a good deal of the demand for copper, zinc and lead.

The aluminium industry can function economically only if its power costs are contained within reasonable limits. The world over electricity is supplied to this industry at about two paise per unit. Even in our country, not only the original contracts with the private sector manufacturers were more or less on this basis but also the contract of Balco takes cognizance of his fact. The clamour for indiscriminate raising of power tariff for aluminium manufacture should not be allowed to put the industry in jeopardy.

With a view to placating the state electricity boards, a proposal is understood to have emanated from the central government that part of the proceeds from the heavy excise duty on aluminium should be shared with the concerned electritcity boards to compensate them for their increased costs of generation. This indeed, can be a good temporary solution for if the sharing of the proceeds from excise duty prompts electricity boards to supply adequate power to aluminium producers so as to enable them to work to full capacity, the accrual of the revenue to the centre, which has been reduced owing to shortfall in production, would not be further adversely affected.

A lasting solution to the problem, however, can be found only if a realistic relationship is established between the cost of electricity and other inputs, on the one hand, and the sale price of the primary metal, on the other. In appreciation of this fact, the BICP is said to have suggested that as an alternative to the evolving of an effective mechanism for settling power tariff disputes between state electricity boards and aluminium companies, the latter should be permitted to negotiate power rates with state electricity boards and the impact of these negotiations should be fully reflected in the prices of the metal. This alternative, however, can only be a poor substitute for a national policy on power supply to the aluminium industry, because the past history shows that the changes in the political set-ups at the state level can inject many complications into the negotiated settlements. Moreover, the productivity of the various state electricity boards is not uniform. Bilateral negotiations with them, therefore, are bound to complicate matters.

So far as the increase in the controlled price of aluminium and some of its products is concerned, the BICP, in its calculations, seems to have tried to keep the cost escalation to the lowest by taking full account of the efforts of the industry at inventory control and raising of productivity. At least some benefit of efforts should have been allowed to the industry. Further, in the case of Hindalco, no consideration is understood to have been given to the investmnt made in raising the capacity from 80,000 tonnes to 95,000 tonnes on the ground that the additional capacity has not been commissioned as yet. Depreciation on this additional investment, it is learnt, has not been provided for in the revised controlled price. Indal might as well face a similar situation in the near future. In the case of Indal, some "disputed" payments for electricity, whose impact on costs is said to be no less than Rs 50 per tonne, have also not been provided for.

The BICP, however, has done well in recognising that the contingency margin of five per cent in the cost of aluminium manufacture should be kept intact in view of the uncertain electricity supply position, even though during 1971 and 1972 it was not utilised fully, or even partially by some companies. In the interest of helping the aluminium companies to generate internal resources for future development, the rate of return on capital employed, it has been suggested, should be raised from 12 to 15 per cent. The benefit accruing to the companies from this, however, has been sought to be limited by changing the computation of capital employed. Hitherto, capital employed was being calculated on the basis of six months' requirements, excluding depreciation. The BICP is understood to have now suggested that 15 per cent return in future should be allowed on capital employed equivalent to 4.5 months' requirements, excluding depreciation. It is felt by the BICP that even a higher rate of return seems justified for the growth of capital in the industry. In view of the mounting costs of replacement of machinery and equipment as well as to encourage the generation of resources for future growth and development, the government will do well to revise its norms of return in the entire industrial sector. The pressures this will inject into the price level in the short-run can be taken care of by various other measures. The need of the hour is to raise production expeditiously. This aim can be achieved only by expanding the present installed capacities to the optimum levels.

The present appears to be the most opportune time for rationalising the cost structure of the aluminium industry and drawing up a national power supply policy for it. The imported metal currently is costing nearly Rs 10,000 per tonne. The price of the metal, therefore, is bound to go up in the open market. Instead of allowing the middlemen to make undue profits, the producers can be allowed some margin and the controlled price can be adjusted to accommodate at least to some extent the viewpoint of the suppliers of electricity.

The increase in the controlled price of aluminium can be contained to no small extent if the producers of primary metal are allowed to fabricate products to an increased extent than at present. Making them supply primary metal at controlled rates to fabricators on whose products there is no price control, indeed, is not a judicious policy, especially when there is a shortage of the metal in the country.

Eastern Economist 30 Years Ago

JANUARY 28, 1944

The increase in notes issued in 1943 was Rs 258.63 crores against Rs 234.65 crores in 1942 and in notes in circulation Rs 262.56 crors against Rs 235.80 crores. Thus there has been more than a doubling of the note issue in the last two years. Since the beginning of the war, the increase in the note issue is over five times. After the severely contractionist policy of the pre-war years the additions to the note issue proved to be very helpful in the eariler stages. In fact, in 1942, there was no large talk of inflation and prices were under control. It was only in 1943 that there was great confusion and there was an acute scarcity of all goods. With the larger war orders and the greater demand from the Indian public prices for a smaller supply of goods were naturally higher. There is no sign as yet of an early stop to the expansion in the note issue. Since the beginning of the New Year we have had two more weeks in which there has been currency expansion. The increase in the note issue in 1942 and 1943 took place even with the repatriation of sterling obligations for over Rs 300 crores.

At the present moment our sterling assets are nearly Rs 875 crores. The net receipts in 1943 were Rs 375 crores. It was in this year that the 3-1/2 per cent, sterling paper was repatriated and the scheme for the capitalization of railway annuities announced. The announcement was also made regarding the purchase of railway debentures and some railways. At the present moment, the B.N. Railway is the only railway that has not been given any notice regarding the termination of the contract.

Power shortage in southern states

THE FAILURE to implement power generation schemes in the southern region on a perspective basis threatens to hold up progress of the economies of the four states in the fifth and sixth Plan periods. Somehow, until recently there was a feeling that the southern region had a surplus of hydel and thermal power and that fresh outlay on new hydel projects particularly could be conveniently postponed. The large unutilised capacity of the Sharavathy project in the early years of the fourth Plan and the persistent surplus in Kerala were used as arguments against the creation of additional capacity in a big way in Tamil Nadu and Andhra Pradesh. It was also pointed out that large blocks of power would be available from the nuclear power station at Kalpakkam. This project was originally scheduled to be completed by 1974.

There was some justification for saying that it was not imperative to spend large amounts on the creation of additional generating capacity when it was more important to bestow greater attention on the transmission and distribution of power from new sources. The Idikki Project in Kerala was also due for completion in 1971. The whole picture has, however, changed in the past few years. The capacity of the Sharavathy Project is now being fully used and even with all the eight sets in operation, there is not enough power for meeting the industrial and agricultural needs of Karnataka. Actually, because of the failure of the last south-west monsoon, for the second season in succession, a cut of 20 per cent in the consumption of energy has had to be imposed. The new industrial units coming up in the region are worried about securing adequate supplies of electricity as the installation of the 9th and 10th sets of the Sharavathy Project will not be adding to the firm power availability, as they will be helpful only for peaking purposes. The storage in the hydel reservoir will remain unchanged until the proposal for augmenting its capacity is implemented. Even with the completion of the Sharavathy project stage I, the installed generating capacity in the whole of Karnataka is only around 1,000 MW.

In Tamil Nadu, the installed capacity is impressive at 2,171 MW, including 600 MW of the Neyveli thermal station. The difficulties of this state, where a cut of 15 per cent is in force, are partly due to the inability of Neyveli to utilise its capacity because of inadequate supplies of lignite. The Ennore thermal station also, having a capacity of 340 MW, has not been using its facilities fully because of the difficulties relating to the cooling water system and supplies of coal. The fire accident sometime back has also disabled one 110 MW unit. It may, therefore, be stated that the state electricity board is being denied the effective use of the existing capacity of about 350 MW. With the arrangements now being made for converting two boilers in Neyveli to oil firing and for raising lignite output to six million tonnes annnally, the Neyveli thermal station will be in a position in the next two or three years to make the fullest use of its capacity. The Ennore thermal station too will be adding to its capacity by another 110 MW when the fifth unit is completed in 1975.

Thereafter, however, there is no prospect of any additional capacity coming into being in the fifth Plan period as the Kalpakkam nuclear station may not be ready before 1978 owing to the emergence of fresh complications. The Tuticorin thermal project has, of course, been cleared and it is now proposed that this plant should have an initial capacity of 400 MW. Even if high priority is accorded to this project and construction work is expeditiously completed, the first unit may not be ready before 1977-78. Yet, it has been assumed that large quantities of power will be available from Kalpakkam and Tuticorin and the state electricity board alone will be implementing new schemes with an aggregate capacity of 825 MW. On this basis, it is estimated that there will be a gap between demand and availability of electricity to the extent of 1300 MW by 1978-79.

In Andhra Pradesh, the existing installed capacity is only 858 MW. There is some advantage in having a high proportion of thermal capacity. In the fifth Plan period, the Kothagudam stage IV will be accounting for 220 MW new capacity and the Upper Sileru scheme will be yielding another 120 MW capacity. There is also a project for having a new thermal station at Vijayawada with a capacity of 440 MW. The Nagarjunasagar pump storage scheme is to yield 100 MW. Even if all these schemes are fully implemented, there will only be a doubling of generating capacity when it is expected that firm demand would have risen to 2300 MW by 1978-79.

The Kerala state is the only comfortably placed producer of hydel power in the region. It is even now making available 300 million units to Tamil Nadu and nearly the whole of power generated by Idikki, when the first unit is commissioned in 1975, will have to be exported. The first stage can be easily completed by the end of 1976 and the second stage also will have to be finished without delay as the extra 390 MW capacity available thereby would be of great strategic value.

The balance-sheet for the whole region is likely to be uncomfortable during the fifth Plan period even taking into account the possibility of the second stage of the Idikki project being completed without delay and satisfactory functioning of the Neyveli and Ennore thermal stations producing another 350 MW of power. On the basis of the schemes included the fifth Plan, Karnataka will be creating additional capacity to the extent of 965 MW (with Kalinadhi making a contribution of 910 MW), Andhra Pradesh 880 MW, Tamil Nadu 825 MW and Kerala 400 MW. The four states will, thus, be adding 3,070 MW capacity. If Kalpakkam's share of 400 MW and the improved availability of 350 MW from Neyveli and Ennor are taken into account, the total capacity newly available may be 3820 MW. This is certainly an impressive addition. But the needs will be far greater as even with a doubling of generating capacity to 9,250 MW it is expected that there would be a gap of 1000 MW.

It is also necessary to remember that many projects will take full shape only by the end of the fifth Plan period and the first three years (1974-77) may witness serious shortage unless the Idikki project is completed expeditiously and the proposal for augmenting capacity of Sharavathy project is taken up immediately. It is needless to say that the rehabilitation of the Neyveli lignite mines will have to be accorded the highest priority, while the possibility of adding further to the capacity of the Ennor station should be explored. In the present context, expansion schemes rather than entirely new projects will yield better results. It, therefore, will be worthwhile to take on hand immediately work on the fifth stage of the Kothagudam project in Andhra Pradesh. Looking further ahead, the second mine cut at Neyveli and the Hogenekal project on the Cauvery occupy strategic places in the power map of the region. Unless these two can provide additionally 2000 MW capacity and the remaining hydel potential of Kerala and Karnataka is fully exploited, power shortage may assume serious proportions in the early eighties.

POINTS OF VIEW

Social security system in India

G. N. Mishra

SOCIAL SECURITY stands for the security that society provides through appropriate organisations against certain risks to which the members of the community are perennially exposed. Certain contingencies like sickness, maternity, invalidity, accident, unemployment, old age etc. are unforeseen and it may not be possible for the common citizen to provide for such contingencies effectively. A welfare state, while assuming the role of a moral and economic guardian of the society, should come forward to provide for such contingencies through appropriate organisations. However, the success of a social security system depends on the universality of coverage and adequacy of protection.

first step

The first step in the area of social security in this country was taken when the Workmen's Compensation Act was enacted in 1928. The act makes specific provision for payment by employers of compensation for employment injuries and occupational diseases. The significant social security enactments were, however, passed only after the attainment of Independence. These are:—

(a) The Employees' State Insurance Act, 1948;

(b) The Coal Mines Provident Fund and Bonus Scheme Act, 1948;

(c) The Employees' Provident Funds Act, 1952;

(d) The Assam Tea Plantations Provident Fund Scheme Act, 1956;

(e) The Central Maternity Benefit Act, 1961 and state enactments on the subject, and

(f) The Seamen's Provident Fund Act, 1966.

Over and above these enactments, departmental rules and regulations have been framed with a view to providing social security benefits to the public employees.

The enactments relating to workmen's compensation and maternity benefit are based on employer's liability. Under these enactments, employers are directly responsible for providing maternity benefit and are also liable to pay compensation in case of injury on job. The Workmen's Compensation Act, 1923, covers employments on railways, tramways, mines, plantations, docks, building construction, trade, fire service and a large number of other sectors which are not covered by the ESI Act. The Workmen's Compensation Act provides for compensation for accidents arising out of and in the course of employment. The Act covers such workers as are employed in one of the specified employments and whose wages do not exceed Rs 500 per month. The Workmen's Compensation Act is applicable to 32 employments and 22 occupational diseases. The amount of compensation in the event of death ranges from Rs 1,000 in the case of persons in the lowest wage group (below Rs 10 per month) to Rs 10,000 in the case of those in the highest wage group (above Rs 400 per month). For permanent total disablement the rate of compensation varies from Rs 1,400 to Rs 14,000. In the case of temporary disablement, half-monthly payments are made varying from Rs 5 to Rs 87.50 for a period not exceeding five years.

benefits to women

Under the Maternity Benefit Act, the benefit is payable, in cash, to a woman worker in case of her confinement. A central Maternity Benefit Act was passed in 1961 for securing uniformity in the matter of maternity benefits by levelling up the standard. The Act applied to factories, mines and plantations. The Act allows maternity leave for a period of 12 weeks with a cash benefit equal to the average daily wage, subject to a minimum of one rupee. The Act also provides for medical benefits. In the absence of free medical facilities by the employer, the Act provides for a medical bonus of Rs 25. The states are gradually adopting the central Act.

The Employees' State Insurance Scheme, framed under the ESI Act, provides for cash as well as medical benefits in contingencies like sickness, maternity and disablement due to employment injury. In the case of death due to employment, injury, cash benefits are paid to dependents. Medical benefits are also allowed to the families of insured persons. Sickness benefit is payable at about 50 per cent of the average daily wage for a period of 56 days. In the case of chronic diseases (like tuberculosis, leprosy, etc.) extended sickness benefit is paid for a period of 309 days for certain diseases and for 124 days in case of certain other diseases, beyond 56 days allowed for ordinary sickness.

disablement compensation

The rates of benefit for temporary disablement, permanent total disablement and in the case of death have recently been raised from 50 per cent to about 63 per cent of the average wage. Under the Act, the maternity benefit rate is equivalent to the average daily wage of the woman worker. Funeral benefit not exceeding Rs 100 is also allowed on the death of an insured person. It is heartening to note that the coverage of workers under Employees State Insurance Scheme has grown considerably (i.e. 38 times) in the last one decade, from a level of 120,000 employees in 1952 to 4,591,450 employees in 1972. But there seem to be certain inherent defects in the scheme. The officials are overrepresented in the corporation while compared to the nominees of employers and employees—the former alone constituting about 59 per cent of the total strength of members of the corporation. Since the scheme is mainly financed by the latter, it is reasonable that the number of employees' and employers' representatives in the corporation should be substantially stepped up in order to ensure their effective participation in the scheme.

Secondly, the Employees State Insurance Act at present covers manual as well as clerical, supervisory and technical personnel whose remuneration does not exceed Rs 500 per month. The wage-limit of Rs 500 is required to be extended up to Rs 1600 in view of rising trend in prices and wages and also as a consequence of the growth of sophisticated industries employing well-paid staff.

The Coal Mines Provident Fund and Bonus Schemes, 1948, framed under the Act on the above subject provide for security in old age. The scheme is based on equal contribution by the employer and employee but the employees have option to contribute more than the prescribed rate of 8 per cent of their salary. Normally, the amount deducted in thes hape of provident fund contribution together with interest thereon is made available on retirement but the workers are entitled to get non-refundable advances for purchase of the shares of the consumers co-operative societies as also for the construction of houses, purchase of plots of land, payment of insurance premium, etc. A special Reserve Fund and a Death Relief Fund have been set up under the scheme to guarantee a prescribed minimum payment in the event of premature death of a subscriber.

Another comprehensive Act on the subject (i.e. the Employees Provident Fund Act, 1952) applies to all the factories employing 20 or more persons and the rate of contribution by employer as well as employee has been prescribed at 8 per cent of the total emoluments, in most of the cases. A Death Fund has also been created to ensure that the dependents of a subscriber get at least a minimum amount in case of premature death of a subscriber.

growing subscribers

It is interesting to note that the number of subscribers under the scheme has substantially grown over the years from 12 lakhs in 1952 to 57 lakhs in 1972. The number of industrial establishments covered under the scheme also went up, from 1,400 in 1952 to about 4,700 in 1972.

Recently, a case has been presented for the introduction of the unemployment insurance scheme. It has been argued that unemployment benefit should be provided as long as persons are unemployed and available for work. The consensus is in favour of providing cash assistance on the analogy of the system prevailing in the UK, France, Switzerland, Belgium and Ireland. While putting forth this argument, they do not take into cognizance the basic fact that in advanced economies, unemployment is frictional in character and of short duration which can be tackled adequately with unemployment insurance scheme. In India, the problem of unemployment is linked to lower rate of capital formation, lower investment and lower rate of economic growth which are inherent in an underdeveloped economy. The solution of the problem of unemployment, therefore, can be found in the general economic deployment of the country through labour intensive techniques. However, the possibility of the introduction of the unemployment insurance scheme may be explored eventually with the general economic progress of the country and that too after developing a suitable organisation to handle this complicated problem. A cautious approach in this regard is needed.

diverse schemes

It may be seen from the foregoing analysis that there are diverse social security schemes in India, having no uniformity in concepts, coverage and definitions. There is, therefore, the necessity of evolving a comprehensive social security scheme by unifying the existing schemes through a single agency which may provide for various types of benefits (i.e. sickness benefit, maternity benefit, disablement benefit, retirement benefit, unemployment insurance etc.). Before final merger takes place, all the schemes should have to pass through a transition period during which the executive head of the Employees' State Insurance scheme should be represented on the Board of Trustee of Employees' Provident Fund and Coal Mines Provident Fund and a similar chance may be given to the commissioners of the two funds. Thus, administrative activities at the top level in various organisations may be combined as fruitfully as possible thereby paving the way for the merger of these organisations in due course.

The final integration of these schemes will be in the interest of economy as well as efficiency. Employers will find it convenient to deal with a single unified agency to whom they will submit a comprehensive return to be checked by a single set of inspecting officers appointed by the unified agency. This arrangement may curtail inspection cost considerably. Moreover, administrative expenses involved in maintaining three head offices, different audit and accounts offices and publicity offices may be reduced considerably if one unified agency comes into being.

Serious thought may be given to the enactment of a single social security legislation for covering various contingencies such as sickness, maternity, retirement, invalidity, old age and death. At present, the wage-limit for exemption from payment of contribution and the rate of contribution prescribed under various Acts differ. Immediately after setting up a single unified agency (to administer social security measures), it may be possible to prescribe a single contribution to finance all social security measures. Since there will be one agency to collect the contribution from various parties, the cost of collection will be reduced.

While prescribing the rate of contribution, the unified agency should be guided by the following considerations:—

(a) The cost of the benefit of the social security measures should be shared equitably, as far as practicable, by all the parties.

(b) The rate of contribution should be so that it may not cause hardship to the insured persons of lower income brackets, and

(c) from the production angle, it should not freeze the incentive and initiative of the various parties.

reasonable costs

The unified agency proposed to be set up in due course (to administer social security measures) may also keep in view the fact that the total costs of social security measures are within such limit which are not beyond the capacity of taxpayers and the beneficiaries of social security schemes. It is further suggested that the contributors may be associated with the working of the unified agency (by representation through their central organisations), to advise on administrative policy matters.

Now a stage has reached when we can think in terms of the integration of the existing social security schemes for evolving a system to be controlled by the unified agency, by pooling all collections into a single fund and by disbursing benefits according to the needs. Through such an integration it may be possible to eliminate the duplicate staff, simplify the forms and regulations, remove inequality of treatment, bring administrative improvements and effect economy.

Urban banks and credit planning

B. Krishnarao

THE URBAN cooperative banks form only a small part of the banking system operating in the country. The small size of the urban banks militates against their diversified growth and efficiency. The many economies derivable from large-scale operations, the diversification of risks over different areas, among different classes of borrowers and purposes of loans, and the segmentation of the markets as between the rural and urban areas can occur only to a limited extent among the urban banks. These economies are realised to a larger extent by the commercial banking system, which has relatively larger areas to operate upon, larger clientele, and a more varied locale for their operations in the rural-urban complex of the country. The commercial banking system and the cooperative urban banks have to find their operations properly coordinated according to the requirements of the credit plans implemented in the country and in the context of the socialisation of the banking industry.

RBI statutory powers

Only towards the close of the third Plan, since 1965 in fact, such of the cooperative urban banks which had share capital and reserves amounting to one lakh rupees and over came under the operations of the Banking Regulation Act. The Reserve Bank of India was thus enabled to assume statutory powers of inspection over the banks. These powers could be exercised either directly or through the state-level cooperative apex banks. When the Reserve Bank of India is entrusted with the powers of supervision over the working or the winding up of the urban cooperative banks and also the supervision of the committees of management of these banks, the facilities of deposit insurance as at present organised can be extended to these banks. The laws enacted on cooperative institutions have so far kept the powers mentioned above in thehands of the registrars of cooperative societies.

The function of credit supply has been becoming more and more important in the developing countries. The beginnings of an agricultural revolution and an industrial take-off, planned, designed and anticipated, placed an accent upon rational credit supplies in the economic system of these countries. The disorganised nature of the money markets of these countries is to some extent responsible for the restricted flow of credit either for working capital and for the building up durable capital assets. The credit flows follow a pattern of priorities of different productive sectors and the restrictions that stem from high rates of interest and conservative criteria applied to assess the credit-worthiness of borrowers can be mitigated when rational credit planning is effectively enforced. The financing function derives fresh perspective in implementing growth-oriented policies for development involves institutional finance which has promotional objectives.

The supply of credit to middle income groups had been an important facet of the working of cooperatives in the past. This had been a European ideal followed with good intentions by the cooperatives of many countries. A socialist economic structure brings about polarisation of classes and may involve the disintegration of the middle classes, whereas many forms of cooperative organisations seek to defend the interests of the middle and low income classes against economic disadvantage. It is worthy of note that cooperative urban banks in India received very little of that special stimulus which came to be imparted by government to cooperatives in other spheres under planning in the country.

economies of scale

In economies with low savings potential the resource pool that cooperatives can form from the subscribed capital of the members and other funds from within the institutions is likely to be so small that deliberate policies for bolstering the financial position of the cooperatives are necessary. The Reserve Bank of India and the government aid the rural cred cooperative system with considerab financial support. But as the Bankii Commission pointed out, the urban ban managed their business largely based c their owned funds. Some of the urba banks are engaged in rural financin This function is now taken up with cons derable earnestness by the commerci banks in recent years. The urban ban had been closely following the procedur and methods of the agricultural cre societies in dispensing credit to the ru areas. The Banking Commission h noted how the urban banks did not sh their rural business in different parts the country. To require the banks to so appears to be hardly proper when t credit gaps in agriculture are persiste It is worthy of note that the Committ on Co-operation, 1969, in Tamil Nadu d countenanced the attenuation of the ru credit business of the urban banks in th state.

traditional view

The traditional view of the urb banks is that they are institutions whi are best suited to men of small mea In the middle of the forties the Coop rative Planning Committee endorsed t view. The committee observed that t urban banks had been tending to s cialise in the issue of small loans. This m provide one reason as to why the urb banks have remained financially sm in size. The issue of small loans to m of small means limits the business of t banks in credit and may weight it favour of consumption purposes wh the price of the essential goods are caug up in an inflationary trend. Both becau of the small size of the loans favour by the urban banks and because of t ideological leanings of cooperation, t urban banks failed to meet the cre needs of the traders and the industrialis While there had been an undue prep derance of consumption credit the urb banks played for safety and their cre policies were largely based on the secu ties offered by the borrowers. The ban thus drifted apart from the producti and the distributive sectors of the economy. The totality of the credit requirements of the borrowers was hardly examined; neither was the productive capacity of the borrowers utilised to give them a favourable credit rating. It is this traditional pattern in which changes are required when development policies are implemented in the country by means of credit planning techniques.

geographical spread

Considering the geographical spread of the urban banks it may be remarked that they have shown concentration in the areas of Gujarat, Madhya Pradesh, Maharashtra, Mysore and Tamil Nadu. In West Bengal there had been recently a spurt in the organisation of the cooperative urban banks. Expansion in the number of urban banks in the state of Tamil Nadu has not been significant in the recent past. Out of the 1129 urban banks working in India by June 1970, Tamil Nadu had 140 banks. There were six urban banks in the Madras district. About 95 per cent of the urban banks were operating in other areas of Tamil Nadu. The degree of metropolitanisation is of a lesser order in these areas. In other states too such a tendency can perhaps be noticed. The rural-urban complex is a factor to be reckoned with in the analysis of urban banking. In the metropolitan areas the influence of the urban banks is of a small order only because of the relatively small size of their operations and the strong position that commercial banks seek to build up in such areas. In these areas the higher levels of the commercial banking structure and of the cooperative banking system as well as the non-banking financial institutions seek to establish themselves. This makes for very competitive conditions for the urban banks.

The commercial banks and the non-banking financial institutions resort to the opening of branches in differrnt city-spaces and also at the growing points in their related regions. The urban banks had been functioning like unit banks restricted to compact spaces and resorting to branch operations only in a few cases. The overlapping of the jurisdiction of different urban banks in various cities can also be noticed. Such overlapping prevails for instance in the Madras district. The banks may be more favourably placed in realising economies if they open branches and if the small banks are merged with the larger ones in those cases where their jurisdiction is overlapping. The leaders of the banking industry and top managerial skills do not find sufficiently attracted towards the urban banks which are confined to small areas of operation, offering relatively low emoluments to their personnel, avoiding contact with industry, and aiming only at low profit. In the result the urban banks are placed in a position of disadvantage in many areas.

As of June 1970 the urban banks in Tamil Nadu had assets worth only Rs 21 lakhs. The state-level figures for assets among the urban banks would suffer an unfavourable comparison even with the individual commercial banks.

wrong trend

The credit business of the urban banks viewed from the standpoint of the purposes for which credit is hitherto sanctioned reveals a picture in which the needs of industrial production had been of little importance. The credit needs of production and distribution activities in the economy have been assigned so little importance in the urban cooperative banking system that this trend needs to be corrected. The forms of security accepted by the commercial banks are: food articles like paddy, rice, wheat, cereals, pulses, sugar, gur, vegetable oils; industrial raw material such as raw jute, oil seeds; plantation products, manufactured goods such as cotton textiles, jute textiles, mineral oils, chemicals, real estate, gold and silver; shares of joint stock companies; and fixed deposits. The commercial banks have been also making composite advances. The urban banks offer a strong contrast for their pattern of securities is very largely confined to real estate, gold and silver, and fixed deposits. It is worthy of note that private sector money-lending agencies too supply credit against real estate and precious metals. The rates of interest applied to the loans may be high with these agencies, but they provide credit often more liberally against the value of the securities offered.

Seasonal agricultural operations, crop marketing and agricultural processing are to some extent supported by the urban banks with credit supplies. The operation of the urban banks in rural-urban complex explains this linkage with the agricultural sector. Seasonal agricultural operations and purchase of agricultural equipment are two important purposes accounting for over 20 per cent of the volume of advances of the urban banks in Tamil Nadu. A little over 25 per cent of the volume of medium-term loans in Tamil Nadu, such as are advanced by the urban banks, are directed to such purposes as purchase of pumpsets for irrigation, purchase of cattle, and minor improvements to land. These peculiarities which are noticeable in Tamil Nadu come into strong light when a comparison is made with Maharashtra where industrial purposes are more common and where such purposes as are referred to above are handled by the agricultural credit societies and the land development banks. In view of the credit gaps in agriculture and the prevalence of non-institutional credit in the rural areas, it is difficult to argue that urban banks should give up their rural credit business; it may in fact turn out to be their undoing if they should aim at bolstering the agro-business with credit supplies. The banking system as a whole is developing a new nexus with the rural areas and as such there appears to be no need to ensure that the urban banks cease their rural connections.

business loans

What would be stimulating to the progress of industrialisation, at the same time diversifying the business and the utility of the urban banking system are loans for purposes of business and industry. The urban banks have to become active exploring the capital requirements of entrepreneurs, domestic small industry, the traders and the artisans. The public sector banks have been formulating in recent years many schemes for the benefit of small industry and entrepreneurs of limited means. These banks have a reputation, large resources, advice from experts and guidance from the Reserve Bank and the government. The urban banks could lay claim to these advantages only up to a very attenuated degree. In trying to give the advances policy of the urban bank a new complexion, the government, the Reserve Bank and the commercial banking system indeed have to lend a hand. Without sufficient attention being paid to public relations, and to research and development the urban banks would indeed have a hard time.

The Ramanujam Committee estimated that small scale industrial units or anicillaries in the organised sector of industry are about two lakhs in number and that about a sixth of them supply their product to large industries and government departments. The State Bank of India has

POINTS OF VIEW

recently assumed increased responsibility for financing small-scale industrial units. The State Bank has an entrepreneur scheme, and, under the rural industrial projects scheme, the bank has been financing small artisans and units of production. A consultancy bureau has been also set up by the State Bank of India. The commercial banking system has been coming forward to support industrial entrepreneurs with credit supplies. It is however realistic to assume that a large number of small industries have been dependent upon non-institutional sources for credit supply though it may be taken for granted that the government and the commercial banks have been assuming increased prominance recently among the institutional sources of supply. The experience of Kerala bears out this point.

The small industrial units are frequently found as proprietary concerns or partnership undertakings. A few public limited companies and private limited companies may also be found. Cooperative societies also are organised for small-scale production. The small units are often engaged in textiles, rice milling, and other food processing industrial groups, light engineering, metal products, automobile repair, electrical goods, plastics and similar lines. The Madras district is fairly illustrative of these forms of organisation.

a difficult problem

The credit-worthiness of small borrowers is a difficult problem to be gauged by the banks. The Banking Commission pointed out, on a consideration of the practical aspects of the matter, that banks should not insist upon the maintenance of proper books of account in such concerns. The personnel usually attend to diverse matters of business in such concerns and too little time or money might be devoted for maintenance of accounts. The banks should carefully gauge the end-uses of credit. Lending policies should be functional emphasizing the purposes for which credit is actually needed. In the pursuit of this policy the advice and guidance of small industries service institutes may be taken into consideration. The banks have to consider the savings potential of the borrowing classes along with their credit requirements and evolve patterns of lending policies. The Banking Commission has argued for the application of differential rates of interest on different types of borrowings and more recent opinion veered to the view that the smaller loans advanced for productive purposes may carry lower rates of interest.

It is plausible to consider that the urban banks aim at keeping down their costs of management, borrowings and overdue loans in a given period when they launch upon expanding new types of loans (X_2), in addition to the ordinary loans (X_1). The recovery of loans during the period also needs to be considered in this process. The recoveries may be represented by (X_3). The costs of management, borrowings and overdue loans may be represented respectively by Y_1, Y_2, and Y_3. Let a matrix A indicate the interrelationships between the X's and the Y's so that we form a system:

$$(1)\quad Y = A\,X \text{ where } X = (X_1\ X_2\ X_3),\quad Y = (Y_1\,Y_2\,Y_3), \text{ and A is of order } 3x3.$$

If we let another matrix B show the interrelationships between the X's and require that $B\,X \geqslant 0$ where 0 is a zero vector, under certain conditions it is possible to obtain the optimal values of the X's. They would then determine the advances and recovery policies. The optimal values of the X's as considered here would be those which would minimise the sum of the absolute values of the Y's. As an example we may consider that:

$$(2)\quad \begin{aligned} Y_1(X) &= a_{11}X_1 + a_{12}X_2 + a_{10} \\ Y_2(X) &= a_{21}X_1 + a_{22}X_2 + a_{20} \\ Y_3(X) &= a_{31}X_1 + a_{32}X_2 + a_{33}X_3 + a_{30} \end{aligned}$$

while requiring that:

$$(3)\quad \begin{aligned} b_{11}X_1 - X_2 &\geqslant 0 \\ -b_{21}X_1 - b_{22}X_2 + X_3 &\geqslant 0 \\ X_1, X_2 &> 0 \end{aligned}$$

whereas the objective is

$$\text{Minimum}\quad Y_1(X) + Y_2(X) + Y_3(X)$$

An approach of this kind may be helpful for credit planning. In (3) it can be found that it is postulated that the ordinary loans exceed the new types of loans in a manner indicated by $(X_2/X_1) \leqslant b_{11}$. If b_{21} denotes the proportion of ordinary loans expected to be recovered and if b_{22} is the proportion of loans expected to be recovered from X_2 the stipulated condition requires that optimal recoveries should be equal to or greater than the expected recoveries.

The new types of loans, represented in the preceding discussion by X_2, may be distinguished from the ordinary loans (X_1) in a number of ways. The former may be those with which the banks had not had much earlier experience. They may be loans to classes of the population to whom loans are proposed to be advanced under special conditions; or loans in areas hitherto not approached by the banks. Accounting data, or data obtained from economic surveys may be utilised to find the elements of matrix A.

In order that cooperative policy may set the urban banks working in new directions several steps can be taken. First it is important to emphasize on the attainment by the urban banks a larger financial size. The progress of the banks would be facilitated when the areas of operations of the banks are extended. The margers of the banks when there are too many, as in some of the city areas, should be encouraged. Branch banking practices should be also adopted. As the members enrolled in the various offices of the banks may be scattered over wide areas, the principle of delegated representation by which different member-groups may elect their representatives for the general body meetings of the banks would have to be implemented by the urban banks. A research and development organisation should be formed to aid the banks in planning credit supplies. This organisation should draw from the expertise developed in the country in the fields of economics, banking, law, statistics, management and accountancy. A corps of field staff would be essential for the research organisation of the banks.

follow-up action

The research and development organisation would help not only in giving shape to new lines of policy which can b considered by the banks but also aid i taking up follow-up action and inspectio regarding the uses to which credit is p once the loans are sanctioned by th banks. The costs of the field staff an the research organisation would have t be shared by the urban banks with th government. The valuation of propert and its various uses in commercial industrial ventures as well as the occ pational structure of the populatio come under the notice of the loc government agencies and as such t urban banks may find the assistance the former particularly useful in dev loping new phases of activity. It wou be necessary to assess the profitability the various enterprises from time to ti when the banks seek to finance produ tion in various regions. The resea and development organisation has to on a large-scale to serve the bank needs fruitfully. It may even be co dered whether a large organisation can be brought into existence not only to meet the urban banks but other cooperative institutions as well.

The new outlook which has to be cultivated by the urban banks turns away from the traditional methods of cooperation among select groups of people in compact places. New techniques of management would be required to meet the newer objectives and methods of work. There would be in demand personnel whose qualifications should be of a high order. The urban banks may also have to look for facilities for providing in-service training facilities to its staff.

It is important for the urban banks with plans of lending for genuine business and industrial purposes to collect details of the enterprises in the banks' jurisdiction. The field staff should investigate into production and sales of the borrowers' concerns. Data on assets and liabilities should also be obtained periodically and analysed. Based on the experience accumulated by the banks with various types of concerns, the standardisation of the forms and the statements required by the banks would become feasible. The borrowers should be free to discuss their problems with the banks.

It is said that credits to small borrowers carry greater risk than to large industries for the former cannot withstand the strains and stresses of adversity. However a wide diversification of risks amongst different types of borrowers and types of business may become feasible if the small borrowers are large in number. The banks should of course have an eye on profitability of the enterprises and may desire to keep the stake of the creditors (represented by the debts) in line with the stake of the owners in business which is represented by the equity. The ratio of advances to recoveries in a given period is a matter of interest to the banking institutions and considerable use of even customary financial ratios can be made even when banks intend to take up fresh lines of activity.

Benefit-cost analysis in a developing economy

›r R. M. Dubey
&
Sudama Singh

THE PROBLEM of investment choice in leveloping countries is vexed and contro-ersial. There are usually more oppor-unities for investment than availability f funds for the purpose and, hence, an nvestment analysis requires a list of nvestment opportunities ranked in order f their desirability according to some ational criterion. Owing to the special conomic and social characteristics of hese economies, none of the various riteria put forward by economists in ecent years proves to be perfectly rele-ant. However, it is widely accepted oday that the benefit-cost analysis is one hich may be reckoned upon as the only cientific and useful criterion to guide the ersons concerned with planning and conomic policy in these countries.

In this article an attempt will be iade to analyse the various ingredients f the technique of benefit-cost analysis nd to examine its adequacy in developing ountries, specially in India.

The main steps involved in the tech-ique of benefit-cost analysis are: (a) lentification and measurement of bene-ts and the pattern of their occurrence;) similar identification and measure-ent of cost; (c) translation of costs and nefits to a common denomination; and) computation of benefit-cost ratio. nce the benefits conferred by and the costs incurred in the project constitute the basic components, their nature and estimates must be examined in greater detail. Keeping in view the measurability of these components, they may be divided into two parts: (a) economic benefit and economic cost[1]; and (b) social benefit and social cost[2]. Further, a distinction may be made between direct benefit and direct cost and indirect benefit and indirect cost, if the pattern of their occurrence is also weighed. Thus, the benefits and costs of a programme may well be elaborated under eight subheads: (a) direct economic benefits; (b) indirect economic benefits; (c) direct social benefits; (d) indirect social benefits; (e) direct economic costs; (f) indirect economic costs; (g) direct social costs and (h) indirect social costs.

The different kinds of benefits and costs mentioned above may be clearly understood by taking a simple example of investment on a major irrigation project. The direct economic benefits are the difference between the net annual income with the project and the net annual income without the project. In other words, the operating cash flows generated by the project are the direct economic benefits. The indirect economic benefits of the project are generally related to increased activities of processing and manufacturing and trade. These should be carefully estimated by analysing the various enterprises affected on a "with and without" basis of the project.

Increased economic activity induced by augmented incomes in the regions and elsewhere during construction is also considered as a benefit, although it is of short duration. The direct social benefits include greater stability and welfare of the community, e.g., strengthened security, better nutrition and health, a major shift in the distribution of consumption expenditure in favour of the poorest sections of the population, regional balance and self-reliance. The indirect social benefits of the project include the impact of the direct social benefits conferred by the project on other projects in the second stage.

The direct economic cost of the project covers the amount of funds committed to it which broadly include the value of all the goods and services used for the installation, maintenance, operation and depreciation of the project along with all other associated costs. The opportunity cost of the factors employed in the project may be ascertained to be the indirect economic cost of the project[3]. The direct social cost of the major irrigation project may be the uprooting of villages and transfer of population, litigation and so on[4]. The in-

direct social cost includes the social evils caused by the project, e.g. the intoxication etc,

Generally, in project selection, only direct economic benefits and costs are considered, the method of measuring of which is simple and reliable. Thus, the first task is to determine what net funds outlay is required for an investment project, what its operating cash flows will be, what pattern these flows will assume, and what the economic life of the investment is, and then these data are combined into a rational way to compute the benefit-cost ratio. An investment proposal should be considered for acceptance, other things remaining the same, if the benefit-cost ratio is greater than one. The common practice, however is that the projects, with a benefit-cost ratio of more than 1.5 are acceptable, although theoretically a ratio of unity should meet the criterion.

the methodology

There are really two manuals on project evaluation methodology: the OECD manual (IMD Little)[5] and the UNIDO manual[6]. According to UNIDO guidelines, the index of the net benefits of a project should be the net contribution that the project makes to aggregate consumption over time. Aggregate consumption is thus the numeraire and all items in a project account are valued in terms of aggregate consumption. Little-Minnlees and others, on the other hand, seem to be inclined towards the view that Savings in developing economies are likely to be sub-optimal in the sense that their governments are likely to value a unit of savings more than a unit of consumption. This preference is reflected in their method of project evaluation and the net benefits of a project in their opinion should be measured in terms of the net contribution that the project makes to aggregate savings over time rather than consumption[7].

Regarding the price to be used for measuring the benefits and costs of the project, there are broadly three views. According to one, both benefits and costs of a project are to be calculated at market prices. The fundamental assumption behind this view is that market prices adequately reflect social opportunity costs. There is a second approach, namely, OECD, where all countries irrespective of their own objectives, are expected to obey the dictates of international markets for determining the accounts on shadow prices of their goods and services[8]. Thirdly, in the UNIDO approach, this valuation is done by using a shadow price for various reasons such as, imperfections in the labour market, sub-optimal rate of saving etc. This involves the adjustment of the market prices of specific resources wherever these prices do not reflect the real contribution of the resources to the aggregate consumption objectively.

shadow prices

The general principle is to value both outputs and inputs according to the criterion of consumer's "willingness to pay". Thus, the UNIDO approach uses overall foreign exchange accounting price as against the use of many exchange rates in the OECD manual which is implied in the pricing by the use of 'border' prices for the tradeables (traded internationally as well as those which could be traded).

It is generally argued that in developing countries such as India, the benefit-cost analysis is best based, not on market prices, but so-called shadow prices because of the following three reasons[9]. Firstly, capital in India frequently appears cheaper than it really is, because public sources make available finance at interest rates lower than what would have to be paid in the open market. Secondly, labour often appears more costly than it really is because the real cost (so-called social opportunity cost) of employing a hitherto unemployed number is nil, a consequence of the fact that society is not foregoing any production in withdrawing him from what he was previously doing, viz. nothing. Thirdly the cost of foreign exchange often appears lower than the international market rate because government rations the foreign exchange and allots to successful applicants at rates below what these applicants would have been willing to pay rather than go without it.

Further, there is a basic question as to how social discount rate is determined. There are two methods of social discounting; the net present value method (NPV) and the internal rate of return method (IRR). According to the net present value method, the net present value of the cash flow over the entire project life (including the period of construction) is calculated at a predetermined discount rate. An investment proposal should be accepted, other things being equal, if the present value of its cash inflows, discounted at a specified rate of return, equals or exceeds the amount of the investment required. The IRR is defined as that rate of discount which would equate the present value of capital expenditure during the life of the project. If as in the case of NPV capital expenditure during the construction period is treated as negative net cash flow, the IRR is that rate of discount which would reduce the sum of the present value of net cash flow over the project life (including construction period) to zero. If the IRR is greater than the pre-determined cut-off interest rate, the project would pass the test. The IRR is usually found by the process of trial and error or picking estimated rate and the present values are then calculated and summed to find V—C (V denotes the present value of benefits and C the present value of costs). If V—C is positive, a higher rate should be tried and if it is negative, a lower rate. If V—C=0, the choice proves to be correct and the rate has been found. Otherwise, the procedure continues till the rate is found for which V—C=0 or very insignificantly positive or negative figure[10].

basic difference

In this context, it should be noted that the basic difference in the NPV and the IRR method is the assumption that the cash generated from the project is reinvested at the project IRR rate in the IRR method at the social discount rate in the NPV method.

Besides the theoretical as well as practical problems and difficulties such as the choice of an appropriate index of measurement (consumption vs savings), the choice of prices (market vs shadow price) and discount rate (NPV vs IRR), we may now turn to some special problems involved in the use of the benefit-cost analysis technique in the evaluation of a project/programme in a developing country such as India. In India, where the objectives of the fifth Plan include mainly, the minimum consumption needs, the stress on redistribution, the employment orientation, the regional balance consideration and self-reliance,[11] the question arises: does the benefit-cost analysis provide the basis for project selection? The answer is obvious. Unless these national goals are determined and quantified which is a very difficult task, the technique may lead to a distorted decision. The argument, enhanced by the advocates of the technique that appropriate weights are assigned to different objectives in the benefit-cost analysis, does not help the solution of the problem. These objectives are subject to variation, in number as well as in importance, with the internal socio-economic and political changes and also with the change in the external relations of the country. It implies that the weights assigned under a given set of objectives will be inappropriate under the changed conditions. Thus, in the light of these objectives, many projects may be selected even if they are economically unsound in terms of benefit-cost ratio. In the developing countries, "there may be a need even to sacrifice growth in the interest of of a mere egalitarian economic and social structure"[12].

It may appear from the above analysis that the benefit-cost technique has a limited scope in developing countries. However, this is not the case. The benefit-cost analysis should be applied to each project but in the second stage of selection rather than in the first stage. In the first stage of the project selection, the projects should be selected exclusively in the light of national objectives and once they are selected, their location, the scale of the project and the techniques to be used should be based on the benefit-cost criterion.

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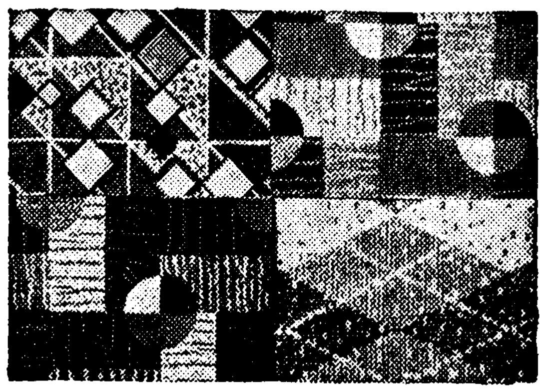

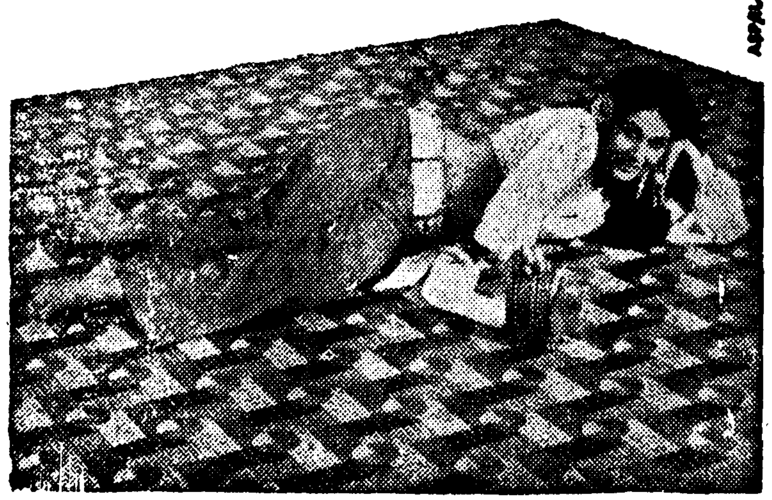

The crisis in development aid

Jossleyn Hennessy

London

WINDOW ON THE WORLD

Is Progress Possible?

It is possible to be convinced that a major increase in development cooperation is not only a good thing but essential and yet to oppose action, or at least be apathetic, because of fears that significant progress in development cannot be achieved regardless of the scale of our effort.

Many donors believe that the task is too vast, the problems too complex, the unknowns too numerous, the commitment of developed and developing countries too feeble for anything constructive or permanent to be accomplished. They cite the record to date as confirming their view: the number of people living in deep poverty has *not* declined; disease, ignorance, malnutrition, political corruption, disorder, and even violence, are almost as widespread as ever.

But I believe that a careful comparison of the magnitude of the obstacles to be overcome with the progress so far registered in the historically short period of a little over a decade of concentrated effort justifies optimism and continued strong support.

Various authorities offer various explanations for the absence of progress to date as they see it. Some critics allege that there has been a lack of commitment by the peoples and governments of developing countries. Development is given a lower priority than other national goals, resources are used to promote personal or partisan political ambitions, and individuals do not seem to want to learn how to do things efficiently. Since their countries are mostly very poor and since we are generously helping them, the critics insist that developing country governments should reject temptations to divert resources from the single goal of a higher GNP or, if they prefer, the broader goals of development; and their peoples should exercise instant wisdom, be hard-working, thrifty, disciplined, pragmatic and unselfish.

For a few this criticism is best summarised by asserting that Europe, the United States and Japan became developed and rich without external help, so why cannot the present poor countries, with all our help, became self-supporting almost overnight if they really tried? On the contrary, they see the continuing clamour from developing countries for more aid, trade concessions, etc. as suggesting both failure up to now of the effort and an endless burden.

Some critics suggest that this may be because aid encourages its recipients to relax their efforts, that aid merely replaces local savings. This allegation echoes the criticism levelled by some, even during the depression of the 1930s, that welfare payments served no purpose except to enable their recipients to indulge a natural antipathy to work. This broad accusation is not supported by the evidence to date. Moreover, a more important indication of the value of aid to development is the share of imports that net receipts of ODA have financed, imports without which development becomes almost impossible and which are too often necessary to avert mass famine. In the 1969-71 period, on the average over 20 per cent of imports were so financed for countries containing some two-thirds of the developing country population. For quite a number of the poorer countries it exceeded 50 per cent. The important countries of India, Pakistan and Indonesia paid for around one-third of their imports with aid. For even as advanced a country as Turkey, the figure was just over 20 per cent, and for South Korea, with the fastest growing export earnings of any country, it was just under 29 per cent. This is an indispensible contribution.

But, equally damning for a continuation of aid programmes, there is no progress according to many, because donors do not really know what they are doing and have committed gross errors, involving conspicuous waste of large sums of taxpayers' money on foolish enterprises, sometimes even dishonest ones.

To reply to this two-pronged attack, one must seek answers to the questions:

(a) What degree of efficiency, given all their circumstances, was it reasonable to expect of the donors?

(b) What rate of progress, given all their circumstances, was it reasonable to expect of developing countries?

(c) How well have the developing countries in fact been doing?

After much analysis, one can attempt an overall assessment, but only then.

II

Acceptability of Donor Performance

In appraising the efficiency of the donor effort, the outstanding facts are two.

The first is the novelty of the whole idea of one group of countries helping another group of countries to accelerate the rate of modernisation of all sector of their societies. The task is made much more difficult, of course, because the two groups of countries have quite different cultures and that one is at a markedly lower level of economic and technological sophistication and prosperity than the other.

The second is the innate complexity of all social change, especially when it is as rapid as in developing countries today, trying both to catch up and keep up with a west that is also changing at a whirlwind rate. We must confess our profound ignorance still on the long-term, often even short-term, impact on people of new ideas, new technologies, new institutions, of the differing nature and timing of their reactions, unique not only to each country or region but often in each individual.

As a result of these two factors, many mistakes have been made by donors, are still being made and undoubtedly will be made for a good many years. In all human experience the unfortuate lesson seems to be that mistakes are an essential component of the learning process. The central issue thus becomes whether the mistakes which have been made have contributed to "learning", and whether too many unnecessary mistakes have been made.

major mistakes

Four specific examples will illustrate how illusory was our previous confidence that our knowledge and experience made the task relatively simple:

(1) Until recent years the view was widespread, even among people who should have known better, that our remarkable progress in science and technology had found answers to all the real problems faced by the developing countries at their low levels of civilisation. All that was needed to lift them up to the west's superior level of performance was a massive effort of teohnological transfer. It would work quite simply and fast. It sounded highly patronising and it was. And it was also wrong. Their climates and soils, their raw materials, their factor costs of labour and capital, the priority needs of their peoples, the threats of tropical insects, fungi, bacteria, viruses, etc., to their peoples, animals and plants, were all different from those of the west. On many points each country presents unique problems.

(2) The west took for granted that GNP growth, largely concentrated in the industrial sector, would bring with it automatically full employment and the eradication of poverty as it had seemed to do in twentieth century Europe. This one-track approach also had the unfortunate result of diverting attention from political development, which is not only valuable in itself but without political leadership which can mobilise national resources in support of wise programmes and policies, and without a political bureaucracy which can do a reasonably efficient and honest job of implementing them, the GNP goal lacks an essential prerequisite. The west failed to remember that during its period of early industrialisation, population growth was slow, technology quite labour-intensive; emigration was relatively easy. If you could not find a job, and there was no competition from already highly industrialised societies or restrictions by them on access to their markets. The west also overlooked how badly many people lived in the early industrialisation period.

faulty education

(3) The west assumed that the greatest service that it could do the people of the developing countries was to give them the chance to enjoy national educational schemes as they exist in the west. More schooling was the universal key to prosperity and the good life. It may be, if of the right kind, but the present set-up, what the west gave and the developing countries welcomed, was far from what they needed.

(4) It occurred to few western observers that the reductions in mortality that western medicine was bringing their peoples would cause a dramatic and harmful population explosion. Why? Because the west had never had to deal with this phenomenon; the drastic fall in western mortality rates occurred after it had reached a level of education, incomes and urbanisation that provided the motivation and ability to control family size by individual choice.

Each of these four cases describes briefly a state of mind which existed widely ten years ago among donors and suggests why it was wrong. Many western observers now realise that in these four areas they failed to use their historical imagination in order to understand how different was their own earlier experience from the various current situations of the developing countries. To face up to their errors in these as well as other points should help donors to appreciate better the value of letting developing countries "learn by doing" more often, even though mistakes may be made.

That the west *has* learned the major lessons from these errors and has a new desire to do better on each of these points is clearly reflected in the OECD's *1973 Review of Development Cooperation —The Efforts and Policies of the Development Assistance Committee* just published (Price £3-20 from OECD, 2 rue Andre Pascal 75775, Paris Cedex 16, France). The report, which is readably written by the DAC's chairman, Edwin M. Martin, shows that the west has clearly best understood the population problem but readjustment of programme is also proceeding rapidly on the other points. The question now, in Mr Martin's view, is not whether policies and programmes should change but *how* should they change and how *fast* it can be done.

But on all of them the donor's rate of change is dependent on the views of their partners, the developing countries, whose leaders, under constant pressure to maintain control of their difficult situations, to meet daily emergencies, subjected to heavy pressures by the presence of the west, have a much harder task in altering direction. New approaches in major sectors represent grave decisions for these leaders, because not only their personal future but that of their people and country may be at stake. Mr Martin urges that donors must tolerate a considerable measure of caution on the part of leaders of developing countries. They will, he says, frequently know better than the donors how quickly their people can adapt to new programmes. They will need time for their own experts to acquire the ability, confidence and standing to see, to frame, and to have accepted, new goals for their societies. Hence donor performance will frequently be found to lag somewhat behind new donor understandings of what is required.

III

Attitudes of Recipient Leaders

An important area in which donors are still groping for the right path is that of political systems. There has been a strong tendency in some donor countries to expect representative democracy, with its competing voluntary political parties and civil liberties, to be transferrable without serious loss of efficiency to the less-developed countries. Some are becoming aware gradually that, while this seems to be the best system at present available for personal fulfilment, its effective operation requires a level of education and well-being, a length of experience as a political society, and a degree of social cohesion which even most western countries have as yet achieved only partially. Hence western political institutions still reveal themselves sometimes as imperfect instruments for fulfilling the objectives of their peoples. In the circumstances of the developing countries, it will in most cases take a much longer period to create these preconditions. Consequently, despite the importance of achieving political development, the attitudes of developed countries towards the changing forms of government in the poorer countries may be sometimes too impatient to secure democratic perfection without a clear idea of what, if anything, they can do to encourage it.

Whether donors have made more or fewer mistakes, or learned from them more slowly than has been the case in other human activities, cannot be documented. The novelty of the endeavour, its global and multi-disciplinary character, the essential partnership nature of all operations, with divided responsibility, all contribute added risks of error. Each observer will have to study the record and compare it against his own experience of life.

Mr Martin, for one, finds no reason to believe that western experience has been so bad that donors should abandon the whole business until they can do better. He fears that the evident progress of donors toward being able to do better would be outweighed by the increased difficulty of the problems to be solved which would be created if all development aid were to cease.

What will someone write in 1983 about the misconceptions of 1973 which are then being corrected? No one can predict, but we can only hope it will be as well researched and considered as Mr Martin's report, because we still have much to learn about the evolution of human societies and especially the role which outside-planned influences can have on social change hopefully for the better.

Next week we will look at the OECD Report's assessment of the degree of success achieved by developing countries in the use of aid to the best advantage.

Export performance of Indo-German ventures

Hardev Singh

A RECENT survey of export performance of Indo-German joint ventures conducted by the Indo-German Chamber of Commerce has brought out some interesting facts. The survey was based on the results of three years—1970 to 1972—in respect of 100 selected joint ventures. The fact that a majority of the joint ventures studied (57 per cent) had entered the field of exports was indeed encouraging because most of these undertakings are engaged in the manufacture of non-traditional export products. It may be added that the exports have been directed largely to industrialised countries so that this country earned hard currencies in exchange. It is significant to note that the net earnings of foreign exchange of the 100 units studied was considerably more than the total transfer of funds in the form of dividends, licence fees and interest payments of all Indo-German collaborations operating in this country. Export earnings of these 100 collaborations fluctuated between Rs 10 crores in 1970 and Rs 11.6 crores in 1972; transfers abroad, however, amounted to Rs 3.14 crores in 1969-70 and Rs 4.4 crores during 1970-71.

The industry-wise distribution of exporting joint ventures covered by the survey revealed that chemicals, pharmaceuticals, industrial machinery, automobile components, electrical machinery and accessories, machine tools and small tools, textile machinery and instruments and hand tools were among the important exports of these joint ventures. In terms of earnings the engineering goods took the leading position, followed by chemicals and pharmaceutical products (Table II).

A regional break-up of the direction of exports shows that as an area the countries in east Asia were among the leading buyers, followed by Europe. A further break-up of each region reveals, however, that among the single buyer countries West Germany was leading, followed by Ceylon, Singapore, Malaysia, Iran, Australia and Egypt. (Table III).

TABLE I

Indo-German Collaborations

(Main Exporters)

Company	Period	Value in Rs lakhs
Gedore Tools (India) Pvt. Ltd	1971-72	314.43
Siemens India Ltd	1971-72	179
Motor Industries Co. Ltd	1972	171.56
Cable Corporation of India Ltd	1972	158.24
Hindustan Machine Tools Ltd	1971-72	106.33
Dr Beck & Co. (India) Ltd	1972	91.89
Hindustan Dowidat Tools Ltd.*	1972-73	82
Colour-Chem Ltd.	1972	66.36
Hoechst Pharmaceuticals Ltd.	1972-73	50.15
NGEF Ltd	1972	42.09

* Only technical collaboration; all the others technical and financial collaboration (joint ventures).

The most attractive incentive to export was the 'import entitlement' as 39 per cent of the joint ventures gave this as the reason for entering the export market. As many as 24 per cent of the joint ventures exported because 'export obligation' was a part of the agreement. There were 13.4 per cent joint ventures which considered the domestic demand insufficient to absorb the output and were forced to un-

TABLE II

Composition of Exports

(Rs million)

	1970	1971	1972
Engineering goods	75.4	80.28	82.88
Of which: electrical machinery, materials and apparatus	1.7	5.78	2.95
Chemical/pharmaceutical products	20.73	11.33	25.96
Other goods			
Cameras	0.33	0.31	2.2
Spectacle frames	0.42	9.98	0.56
	96.9	92.9	111.6

load their products abroad: Nearly 6.5 per cent reported that profit was the primary objective of exports.

A breakthrough in exports was achieved through the assistance of the German col-

TABLE III

Direct Exports

Buyer country (rep. area)	Frequency of having been named (per cent)
1. East Asia	31
2. West Europe	24.5
(West Germany only)	9.2
3. Middle East	15.3
4. Africa	11
5. Australia/New Zealand	5.3
6. East Europe (excluding USSR)	5
7. USA	2.8
8. Canada	1.8
9. South America	1.7
10. USSR	1.6

TABLE IV

Difficulties Hampering Exports

Difficulty	Frequency of having been named (per cent)
Keen competition by foreign countries	18
Shortage of raw materials	16
High prices of raw materials	14
Restrictive import policy	14
High freight rates of steamers	9
Shipping difficulties	7
Not sufficient export incentives from the Indian government	5
Power cut	5
Delay in licensing of expansion	2
Difficulties in export procedure	2
Labour unrest	2
High cost of production	2
Difficulty to find buyers	2
Delay in supplies	2

laboration partners in a large number of cases (43.6 per cent). It may be observed that 89 per cent of such companies had financial as well as technical collaboration, as against technical collaboration only to be able to get the assistance of German partners. The next successful group of exporting joint ventures (31.3 per cent) achieved this through the appointment of agents. As many as 11 per cent could do it through participation in trade fairs. A large majority (94 per cent) of the already exporting joint ventures covered by the survey found possibilities to increase their level of exports.

A number of hurdles have been identified which need to be removed before exports could be increased further. Keen *competition by foreign countries*, specially Japan and east Europe have been named by 18 per cent of the companies studied. Competition was felt in view of the prices as well as *the quality and design of the* products. Shortage of raw materials was the next most felt hinderance in the way of increased exports. Fourteen per cent of the respondants complained against higher prices of raw materials. Restrictive import policy was also indicated as a hinderance by fourteen per cent of the joint ventures studied. Several of the companies considered it important for increasing exports. They indicated that the import policy should be liberalised to a greater extent so that machinery and parts based on the latest technology could be imported into this country. (Table IV). The problems of shipping space and high freight rates were mentioned by nearly 16 per cent of the companies examined.

TRADE WINDS

Esso Taken Over

THE UNION Government proposed to take over 74 per cent of equity in all Esso's operations including the Esso Refinery registered in India, Esso Marketing Operations, a branch of Esso Eastern Incorporated and Lube India in which the union government already holds 50 per cent equity. The two sides have reached accord on broad principles of the proposals made by Esso on October 3, 1972. An agreement is expected to be signed shortly. Esso had offered two alternatives, the first of which the union government has now accepted. The second alternative was sale of Esso's interests in the three concerns.

At the end of seven years, the government will also take over the remaining 26 per cent equity. For the purpose of management, the three concerns will be amalgamated into one composite company. The purchase price, which will be negotiated and agreed upon, will be paid in six equal instalments with a moratorium on the payment of instalment in the first year. Esso will pay taxes due on these transactions. In the reorganised and amalgamated company, Esso will have a proportionate representation on the board of directors.

Esso has agreed to maintain crude oil supplies at mutually agreed levels during the next seven years. Esso's employees will continue in the service of the reorganised company and there will be no break in their service. Esso has made adequate provision in its books in respect of liabilities towords retirement benefits accrued up to the date of the agreement. Adequate provision has also been made by Esso in respect of pensioners who would continue to get pensions from the reorganised company.

Esso began its operations in India in 1882 under various corporate entities. The company has seven bulk plants, several depots and 1,900 outlets. In 1973, it controlled 12 per cent of India's total petroleum products market.

Indo-Iran Economic Cooperation

The Indo-Iranian Commission for Economic Cooperation met here for three days recenetly to exchange views on fostering trade and economic relations between the two countries in the light of the current international situation. The various proposals considered at the meeting are expected to be concretised in Tehran next month. Our minister for External Affairs, Mr Swaran Singh, would be pursuing the talks in the Iranian capital.

The impact of the sharp increase in oil prices in the recent past on the Indian economy came in for detailed consideration at the last meeting. It was pointed out that as a sequel to the hike in crude oil prices, India will have to spend in 1974 nearly two-thirds of its export earnings on importing crude oil if the requirements are to be met satisfactorily. This obviously is not a feasible proposition. The leader of the Iranian team, Iran's minister for Economy, Mr Houshang Ansary, is understood to have appreciated the government of India's anxiety for a satisfactory solution to the problem. He referred to the recent pronouncements of the Shah of Iran on the ways and means being devised by the oil exporting countries to meet the point of view of the developing nations such as ours.

Although both Mr Swaran Singh an Mr Ansary were not prepared to amplify at a press conference held at the end of the last week's meeting, what proposals were considered, the likelihood of development of India's mineral resources for meeting Iran's requirements, maximisation of industrial output in India for the benefit of both the countries, expansion of credit facilities to India for import of crude oil as well as close cooperation between the two countries in the field of petrochemicals is not ruled out. Iran has an ambitious programme of development. Both Mr Swaran Singh and Mr Ansary expressed the hope that India could cooperate in the implementation of this programme.

Mr Ansary ruled out a deal pricing system for oil under which this commodity could be supplied to the developing countries at concessional rates. He stressed that the price of oil had been raised to preserve the purchasing power of Iran in the face of worldwide inflation. A reduction in oil prices, he added, would be possible only if the global inflationary tendencies were contained.

Oil Imports

Both Burma-Shell and Esso have intimated to the government of India that as a result of the price hike effected by the oil exporting countries, their imports with effect from January 1 would cost as much as much 8.48 per barrel for the light Iranian crude oil, 8.17 per barrel for the Arabian heavy and 8.23 per barrel for the Arabian light crude. The light Iranian crude oil is being used by Burmah-Shell. Esso uses a mixture of the two Arabian crudes. In December, Burmah-Shell was importing light Iranian crude oil at the rate of 3.86 per barrel. Esso was importing a mixture of the heavy and ligh Arabian crude at 3.532 pe barrel. The third importer o crude oil in the private sector namely the Caltex refinery, i yet to indicate its new price It is expected to follow sui soon.

As a sequel to the latest in crease in crude oil prices, ou *import bill on this count i* expected to go up from abou Rs 450 crores last year t around Rs 1,200 crores thi year. It may even exceed thi figure if there is a further hik in prices, which prospect, o course, cannot be ruled out.

Official circles, however, re regret that the oil exportin countries have not lowere their crude prices, as could b expected in view of the firmin up of the dollar. It may b recalled that since June las crude prices have been revise upward at least three time under the second Geneva agree ment between the Organisa tion of Oil Exporting Countrie (OPEC) and the international oil companies to compensat the oil exporting countries fo the fall in the value of the dol lar. When price of dollar ha appreciated a downward re vision in oil prices was calle for under the above agreement

Paper Prices

The paper industry has de cided to voluntarily effect a 20 per cent cut in the price o *white printing and writing pa* per used for producing text books and exercise books fo students. The present price o this type of paper is Rs 3,50 per tonne. It is proposed t be reduced to Rs 2,700 pe tonnes. This price, however will be significantly higher than the rate prevailing about six months ago when paper prices started shooting up. The then prevalent price of white print ing and writing paper was Rs 2,150 per tonne. The price o Rs 2,700 per tonne, however will not be applicable to othe consumers; they will have t pay slightly more. A dual pric ing system, thus, is proposed t be introduced for white print ing and writing paper.

The industry has also agree

to introduce standardisation in the nomenclature of paper and further to revert to the 1968-69 and 1969-70 pattern of production under which white printing and writing paper accounted for 68 per cent of the total output of paper. Two more decisions have also been taken by paper manufacturers. These are: (1) direct supply of paper to consumers on the basis of their consumption in the past five years; and (2) introducing of a code of conduct for the industry as well as the trade. Under this code of conduct, disciplinary action is proposed to be taken by the Paper Manufacturers' Association against those mills which indulge in malpractices. Traders will be required to display their stock position and the approved mills prices daily. Every ream of paper will also carry a price tag.

These decisions were revealed at a recent meeting of the Development Council for Paper Pulp and Allied Industries held in New Delhi. The Council deliberated upon measures to step up the output of paper, particularly that of the white printing and writing variety. The output of paper has been adversely affected by various factors, including inadequate supplies of fuel and chemicals. The Council recommended a complete ban on the export of all varities of paper except cigarette paper.

Besides drawing up a crash programme for raising the production of paper, it was stressed at the meeting of the Development Council that the pricing policy for the industry ought to be realistically revised in order to facilitate its future growth. It was pointed out that unless the high investment cost problem of the industry was effectively tackled, shortages of paper could not be obviated.

Special Dredger for Ports

The minister of Shipping & Transport, Mr Kamalapati Tripathi, has authorised the Kandla and Paradip Port Trusts to specially charter a dredger for restoring depths in the approach channels at both the ports. The dredging contract has been awarded to a foreign firm at an estimated cost of Rs 1.52 crores, including foreign exchange to the tune of about Rs 833.40 lakhs.

Import of fertilizer and foodgrains at Kandla and export of iron ore from Paradip would have been badly affected if the draughts were not restored by deploying additional dredging. Since the available dredging equipment in the country was already fully committed on various works and the delivery of additional dredgers on order would take time, the ministry agreed to the ports chartering a dredger. The depths at Kandla port were affected due to abnormal siltation. Three cyclones within a short duration adversely affected the draught at Paradip port.

Duty on Hides and Skins

The union government has revised the export duty on hides, skins and leather—tanned and untanned—of all sorts but not including snake skins and manufactures of leather, from 10 to 20 per cent ad valorem.

Resale of Vehicles

The union government recently imposed a ban on the resale of all commercial vehicles for a period of two years from the time of purchase. A similar restriction already exists in the case of passenger cars. The step has been taken in view of the shortage of commerical vehicles and wide differences in prices fixed and prices pervailling in the market.

Invention and Import Substitution Awards

Over 200 persons received awards for 70 meritorious inventions and 55 import substitutes from Mr C. Subramaniam, minister of Industrial Development, Science and Technology. The awards related to the years 1972 and 1973 which had been announced earlier by the National Research Development Corporation. Mr and Mrs A.S. Bhagat of Bombay received the highest cash award of Rs 5,000 for inventing unishear connectors for quadricon prefabricated jointing members. A similar award was shared by four people for developing transistorised gear box controller. The inventors are Mr. D.N. Sastri, Mr C. M. Krishnamurthy, Mr C.S. Ramachandran and Mr R. Vaidhyanathan of Bangalore.

In respect of import substitutes, Mr R. Shroff of United Phosphorous, Gujarat, received a gold shield for developing red phosphorous. Mr M.S. Rama, Mr K.K. Ahuja and Mr S.K. Vig jointly got a cash award of Rs 6,000 for developing aircraft refuellers of 45 kilolitre capacity for jumbo jets. A silver shield and a bronze shield were also awarded to Indian Oil Corporation, Bombay, and Mohindra Owens of Poona, respectively, for the same work.

Export Award for ITC

India Tobacco Co. Ltd received a Chemicals & Allied Products Export Promotion Council badge for export of paper and packaging material from the Chairman of the Council, Mr G.U. Mehta, on the occasion of the council's annual meeting held in Bombay on December 28, 1973.

India Tobacco Co. Ltd continues to break new grounds in export. It has embarked on an ambitious plan to boost non-traditional exports. It is already one of the largest exporters of marine products. Other items include diverse products such as paper and packaging material, myrobalan, bicycles, engineering products, silk and handloom fabrics, finished leather products, branded tea bags, manufactured and blended cut tobacco, etc. The total export of ITC group including leaf tobacco in 1973-74 will amount to Rs 20 crores, equivalent to over one per cent of India's total exports. The opening of an ITC office in New York is evidence of the company's determination to explore wider opportunities for export.

Indo-Soviet Trade

The Trade Protocol for 1974 between India and the Soviet Union was signed recently in New Delhi, envisaging a trade turn-over of about Rs 670 crores. The volume of trade between the two countries was of the order of Rs 430 crores in 1953. The trade protocol was signed by Mr I.T. Grishin, deputy minister of Foreign Trade of Soviet Union and Mr Y.T. Shah, Secretary, ministry of Commerce on behalf of their respective governments. According to the trade plan for 1974 Soviet Union will supply sufficient quantity of kerosene, fertilizers, industrial raw materials and components and spare parts for Soviet assisted projects in India. In addition the USSR will provide, newsprint, asbestos, palladium, rolled steel products, zinc nickel, copper, sulphur, etc. and some quantity of sunflower seed oil.

Export from its country will include traditional commodities like de-oiled cakes, cashew kernels, tea, coffee spices, tabacco handicrafts, etc and large number of non-traditional commodities like engineering goods, cotton textiles, woollen knitwear, ready made germents garage, equipment, storage batteries detergents hand tools, footwear, cigarettes power cables, surgical instruments alumium etc. The discussions also encompassed expansion and diversification of trade relations between the two countries. The preparatory round of talks was held in Moscow in November 1973 and the longterm framework of trade and economic relations between the two countries were discussed in Delhi at the time of the visit of Soviet leader Mr L. Brezhnev. The final round of talk was held in Delhi from January 11 to January 21, 1974.

Soviet-Built Tanker Received

M. T. Visvesvaraya, first of three tankers being built by Baltic Shipyard of Leningrad for the Shipping Corporation of India, was delivered to the owners recently in the USSR. The 16,300 dead weight tonner is currently loading foodgrains for India. On arrival to this country, the tanker will be handed over to the Indian Oil Corporation on charter for carrying petroleum products along the Indian coast. The vessel has a service speed of 16 knots and has the highest classification of the Lloyds Register of Shipping. With the acquisition of this vessel, the SCI has now a fleet of 102 vessels of nearly 215 million DWT.

Indo-Romanian Panel

The trade turnover between India and Romania would increase to Rs 60 crores in 1975 and reach Rs 100 crores in 1980, it was announced at the end of the six-day visit of Mr Manea Manescu, Romanian Vice-Chairman of the Council of Ministers and Chairman of the State Planning Committee. A statement issued stated that several fields were identified for mutually beneficial cooperation. The major areas are: oil field equipment, coal and lignite mining equipment, certain refinery units, petrochemicals and pesticides, power generation, machine tools, casting, improvement in animal husbandry and livestock practices and cultivation of sunflower.

The two countries also agreed to promote projects in third countires. Earlier Mr Manescu and External Affairs minister Mr Swaran Singh signed an agreement setting up an intergovernemtnal joint commission for economic, scientific and technical cooperation.

Indo-Bangladesh Trade

A Bangladesh trade team is expected in the country to review the trade and balance of payment position between the two counties. The visit will be taken advantage of to ascertain the exact quantity of newsprint that will be available from Bangladesh during 1974. Bangladesh is already committed to supply by April, 7,000 tonnes of newsprint to India. This country is hoping to get another 5,000 tonnes by the year end, making a total of 12,000 tonnes.

Counter-exports to Afghanistan

The union government has extended the deadline for fulfilling the counter-export obligation in relation to imports effected under the Indo-Afghan trade. A public notice issued recently, however, made it clear that extension is valid only against imports effected till February 28 last year and cannot be utilised for entering into fresh import commitments. The last date for fulfilling counter-export obligations expired on November 30, 1973, but since importers have experienced difficulties in obtaining shipping space for the cargo from Bombay to Karachi and made representation about it, extension of counter-export obligation was allowed.

Pan African Paper Unit Ready

Final touches are being given to Kenya's biggest investment project since independence—the £17 million Pan African Paper Mills. The mill with a 30 per cent participation by the Orient Paper Mills, when switched on, is expected to cut down 65 per cent of Kenya's paper imports. It will produce annually 45,000 tons of printing, writing and packaging paper and paper boards.

A severe shortage of paper and spiralling paper prices have focussed attention on the early completion of the plant. According to the general manager Mr H.K. Mundhra, the mill will go on stream in September or October this year. Investors include the Kenya government, the International Finance Corporation, Orient Paper Mills Ltd, The East African Development Bank and Kenyas Industrial and commercial Development Corporation.

Protein Unit in Maharashtra

A Hungarian firm, Inter-Cooperation Company Ltd, will study the possibility of setting-up a one crore rupees green leaf protein plant in the cooperative sector in Maharashtra. According to an agreement signed recently by the firm with two sugar cooperatives in the state—Satpuda Tapi Parisar Sahakari Sakhar Karkhana (Dhulia) and Sanjivani Sahakari Sakhar Karkhana. (Ahmednagar). The firm will send its representatives to Maharashtra to undertake the feasibiity study for a joint venture. The project involves processing and crushing of sugarcane tops and banana leaves as also green grass to produce nutritious cattle feed.

Franc Devalued

The franc went down in foreign exchange markets recently and the Bank of France had to rush to its defence. The float was announced on the night of Saturday, January 19. This has been prompted by France's deep concern over financial impact of the international oil crisis. Before the market opened on Monday, January 21, the franc was down by six per cent against the dollar and five per cent against the pound sterling. By the end of the day, the drop was reduced against the dollar to five per cent, and against the pound to four per cent.

Bullion Prices

Gold reached nearly Rs 500 per tola (Rs 428 per 10 grams) on January 21, in the wake of a strident rise of Rs 34 during last six days. Silver crossed the Rs 900-mark, an all-time peak. Silver coins, too, soared to new heights at Rs 960 per 100 pieces. The upsurge in gold is attributed to restricted contraband supply and higher overseas advices in the wake of distrubed world monetary conditions.

Indo-Bulgarian Cooperation

India and Bulgaria have drawn up a blueprint for extensive cooperation in industrial ventures in the two countries and abroad during the week long discussions With a 12-member Bulgarian delegation in New Delhi recently. The blueprint covers cooperation in a variety of spheres such as chemical, pharmaceutical, machine building, electronics, food processing and metallurgical industries. India agreed in princip.e to a Bulgarian proposal for creating a working group on electronics under the proposed Indo-Bulgarian commission and exchange technical data on some of the proposals. The scope for Bulgarian assistance in setting up regional computer centres was also considered.

The visiting delegation also agreed to an Indian request to expedite submission of the project report for the Hindustan Copper Corporation's Ghatsila refinery expansion programme. The Bulgarian team also indicated that it would buy from India electrical equipment for use in machine tools and offered to send a detailed statement of its requirements by the end of March next. In the sphere of railway wagons and coaches, the two sides agreed to have a group of Bulgarian experts due to visit India next month and prepare a long term programme.

COMPANY AFFAIRS

Indian Oxygen

THE DEMAND for oxygen plants of Indian oxygen has been quite heavy and the company's order book is now fairly full. During the year ended September 30, 1973 three oxygen plants manufactured by the company were supplied to customers. With a view to enlarge the scope of its manufacturing activities the company has recently finalised a collaboration agreement with Cryoplants Ltd, London, for acquiring technical know-how for the manufacture of low pressure tonnage air separation plant and nitrogen generators. It is earnestly hoped that the central government will accord its approval to this collaboration so that the company could make yet another significant step forward towards self-sufficiency. Two new companies have recently been formed within the BOC group — one to take full advantage of the high growth potential in the world-wide market for medical equipment and supplies and the other to coordinate and rationalise the development and manufacture of welding products to take advantage of potentials in new world markets. The company is maintaining close association with these two companies and there are already signs of benefits flowing to the companies and there are already signs of benefits flowing to the company. Orders have been obtained for the export of certain products to several countries including some in western Europe. The company submitted some time back to the government applications for several industrial licences. While the government's decisions in respect of some of those are still awaited, an intensive exercise is underway for development and diversification of the company's activities, bearing specially in mind the new industrial policy announced by the government in February, 1973. Certain projects have been identified which satisfy all the major requirements of the government policy. These are currently under detailed study and it is hoped that the company will shortly be in a position to submit applications for industrial licences and other related clearances.

Warner-Hindustan

Warner-Hindustan's efforts to reach a higher export target for 1973, have amply been rewarded. It exported products worth Rs 14 lakhs during 1973 compared to less than Rs 10 lakhs during 1972, or an increase of a much as 42 per cent. Products exported include pharmaceuticals, chemicals, chewing gum and chewing gum base, besides consumer products such as Waterbury's Compound and Solans to markets in the Gulf, Africa, Sri Lanka and eastern Europe. The highlight of the year was a breakthrough in the exports of non-traditional items such as Chiclets chewing gum to countries like Yugoslavia, Hungary and Czechoslovakia.

MICO

Exports of Motor Industries Co. Ltd., reached an all-time high level of Rs 36 million in 1973, a two-fold increase over the previous year's figures. As in the past, the bulk of the exports went to West Germany. However, exports to south-east Asian and east-European countries rose significantly. Promising enquiries for further exports have been received from the USSR and Czechoslovakia. In recognition of MICO's export achievements in 1972-73, the All India Automobile & Ancillary Industries Association presented an award to th company recently.

United Phosphorous

Until United Phosphorous Private Ltd started making red phosphorous in 1969, the country had to depend for all its supply on imports. Mr Rajju Shroff an enterprising young man, braved the hazards of producing this highly inflamable product and succeeded in doing so. He designed and made his own indigenous plant with indigenous know-how at nearly one-tenth of the cost the foreign companies had quoted. Work proceeded apace from design to commission, and within less than a year the first consignment of red phosphorous left the factory in early 1970. Today United Phosphorous can produce 700 tonnes a year and meet the entire requirement of the country, totally eliminating the import which earlier used to be of the order of forty lakhs of rupees a year. Still in its infancy, it is the first company in the small-scale field to have won the Award of the Gold Shield from the Import Substitution Board. The company is continuously engaged in exploring newer utilities and research and development are at the core of its activities. Substantial work is currently in progress in a wide range of phosphorous-based acids, dye intermediates, pharmaceuticals etc.

TELCO

The output of commercial vehicles manufactured by the Tata Engineering and Locomotive Company Ltd during the third quarter October-December, 1973, was 5,523 units as compared to 6,241 units produced during the corresponding period of last year. The cumulative output for the current year, April-December 1973, was 16,326 units as compared to 14,997 units produced during the corresponding period of the previous year.

Unit Trust

During the second quarter of the current year i.e. from October 1 to December 31, 1973 unit of the face value of Rs 4.70 crores were sold under Unit Scheme 1964 with 9,491 new investors joining the Trust as compared to Rs 3.00 crores under 7,738 applications during the corresponding period of the last year. With the sales of Rs 19.42 crores in the first quarter, the total sales upto December 31, 1973 aggregated Rs 24.12 crores which exceeded the record sales of Rs 23.03 crores of the entire previous year. Of the current quarter's sales, about Rs 8.57 lakhs was invested by non-residents under 96 applications and an amount of Rs 11.83 lakhs was invested under the Children's Gift Plan under 423 applications. During the same period units of the face value of Rs 91.66 lakhs were re-purchased. The corresponding figure for the last year was Rs 74.75 lakhs. The total number of unit holders registered with the Trust as on December 31, 1973 was 5,31,562, the total amount invested in units being about Rs 144 crores.

The Unit-linked Insurance Plan under the Unit Scheme 1971, also made good progress during the quarter. Four hundred and eighty-nine new applicants joined the Plan for a total business of about Rs 38,81 lakhs; the corresponding figure for the last year was 253 applications for a total business of Rs 20.34 lakhs.

Indian Oil

Mr Kamaljit Singh, Managing Director, Indian Oil Corporation (Marketing Division) pleaded for conserving energy and for a "cautious utilisation of energy resources" in the coming years. Presiding over the 14th annual general meeting of the Corporation, Mr Kamaljit Singh said that international developments had at one stroke increased steeply the foreign exchange drain on the country for import of crude oil and other petroleum products. India along with several other nations, had no alternative but to tighten its belt, he observed. Referring to the progress of the Corporation for the year 1972-73, he said it was one of "sustained progress". Despite such progress, he said, signs were evident of great strains in the national economy and a steep increase in cost of living which had its influence on the style and working of the Corporation. The Corporation was also called upon to shoulder increasingly higher responsibilities towards society, he added. The sales turnover of the Corporation stood at Rs 996 crores as against Rs 862 crores in the previous year. The total volume of products sold increased from 13.68 million kilolitres to 16 million kilolitres with an overall market participation increasing from 54.2 per cent to 59.2 per cent. Referring to the performance of the refineries, Mr Kamaljit Singh said that the Gauhati refinery, for the first time, had commenced production of low-sulphur fuel oil and also liquefied petroleum gas. The Barauni refinery oil and also liquefied petroleum gas. The Barauni refinery processed 2.39 million tonnes of crude oil as against 2.28 million tonnes during the previous year. A major scheme for revamping the Barauni Refinery to process imported crude and to achieve capacity of 3.4 million tonnes per annum had already been worked out, he said. The Gujarat refinery processed 3.73 million tonnes of crude oil and schemes were on the anvil for expanding the capacity of the refinery to 7.3 million tonnes a year. A Central Services Organisation had been set up to improve the general working of all refineries and to offer technical advice to them. The Ceylon Petroleum Corporation of Sri Lanka had also subscribed to this Centre for pooling the available expertise. About the performance of the pipelines, Mr Kamaljit Singh said that the Gauhati-Siliguri, Barauni-Haldia, Haldia-Maurigram and the Koyali-Ahmedabad product pipelines transported a total quality of 3.23 million tonnes during the year. The Haldia-Maurigram product pipeline was also commissioned during the year and this pipeline transported more than six lakh tonnes of products. For a continuous and efficient maintenance and monitoring of pipeline operations, the Corporation had taken steps to introduce the most modern ultra-high-frequency telecommunication system for the Haldia-Barauni-Kanpur product pipline.

Mr Kamaljit Singh also made a reference to the construction of a new refinery near Mathura with an initial capacity of six million metric tonnes. Preliminary steps had been taken to commence the actual construction of the Mathura Refinery as early as possible. About the marketing activities of the Corporation, Mr Kamaljit Singh said that besides the existing network of 16 port installations, 8 pipeline installations, one inland installation and 115 bulk depots, the Corporation had commissioned storage facilities for use by railways, cement companies, fertilizer units and the State Trading Corporation. Additional storage facilities were schedulee to be commissioned at Mangalore, Tuticorin and Bombay. Mr Kamaljit Singh said that Corporation's retail trade made impressive progress during the year. The Corporation had, at the end of the year, 3311 retail outlets which were rendering service to the motoring public all over the country.

News and Notes

(Expansion and diversification)

Rollatainers Ltd, is embarking on an amlitions expansion programme which envisages raising the production capacity of its plant for the manufacture of prelined, hermetically sealed cartons from 60 million cartons to 120 million cartons per year. The company has undertaken the expansion in view of the growing internal market for its products and the fact that its present capacity has been fully booked by Brooke Bond till 1982. To raise part of the resources required for the implementation of the project the company will soon be in the capital market by offering to the public for subscription equity shares worth Rs 5 lakhs. The balance of Rs 131 lakhs to finance this Rs 1.36 crore project will be met from internal sources of Rs 37.40 lakhs, a loan from ICICI of Rs 20.60 lakhs and through borrowings to the tune of Rs 73 lakhs. Having the benefit of the technical collaboration of Cekapac International of Sweden, the company hopes to declare an equity dividend of 15 per cent for the years 1975-76 to 1977-78 and step it up to 20 per cent thereafter.

New Issues

Assam Carbon Products Ltd., which is setting up at Gauhati a Rs. 1.53-crore project for the manufacture of electrographitised and resin bonded grades of carbon block with an installed capacity of one lakh kg per annum, will shortly be entering the capital market. It will offer for public subscription 2.60 lakh equity shares of Rs 10 each and 7,500 — 9.5 per cent — redeemable cumulative preference shares of Rs 100 each both at par. The object of the present issue is to raise a part of finance required for the proposed project for which the company has entered into a technical collaboration agreement with Morganite Carbon Ltd., of the UK. The directors of the company claim that the plant will be the first of its kind in India and with the implementation of the project, the company expects to be in a position to cover the entire range of electrical carbon blocks and brushes commonly required. The principal users of these products are the railways, power generating stations, steel plants, paper, cement and the automobile industry, including defence vehicles. The company hopes to declare a maiden equity dividend by 1976-77.

The impressive record of operations of **Indian Aluminium (Indal)** right since its conversion into a public limited in March, 1945, can be expected to make its public issue, which is coming in the market on January 29, resounding success. The company is raising Rs 6.7 crores new capital through the issue of 31, 90,477 ordinary shares of Rs 10 each at a premium of Rs 11 per share. Out of this issue, 12,42,132 shares have already been offered to the existing Indian shareholders who were registered by the company by November 20, 1973, in the proportion of one ordinary share for every five held. Two lakh shares have been reserved for allotment to the Unit Trust of India, 1,89,670 shares for the Life Insurance Corporation of India and 100,000 shares for the Indian employees of the company. The number of shares being offered to the public is 14,56,576. A sum of Rs 10 per share is to be paid by the prospective investors on application and the remainder Rs 11 in not more than two calls within a year of the date of allotment. The list closes on February 8 or earlier at the discretion of the directors of the company but not earlier than January 31.

The proceeds of the issue are to be utilised for meeting part of the rupee expenditure on the expansion of the company's Belgaum smelter from the present 40,000 tonnes capacity per annum to 60,000 tonnes and augmenting correspondingly the alumina-making facilities, bauxite mining and fabrication capacity. The entire project is estimated to cost Rs 20.10 crores, with a foreign exchange component of Rs 90 lakhs. All arrangements for the balance finance required have already been completed. The expansion of the Belgaum smelter and the alumina manufacturing facilities is expected to be completed before the end of 1974. Some production from the expansion programme is likely to be available even by the middle of this year, as one of the two new pot-rooms to be established will be ready for trial production in May. Licences for putting up aditional fabrication facilities have been applied for.

Starting with aluminium sheet rolling facilities at Belur, near Calcutta, in 1941, with a capacity of 2,500 tonnes per annum, Indal today has as many as nine production units located in six states of the country — West Bengal, Bihar, Orissa, Kerala, Maharashtra and Karnataka. They have installed capacities to produce annually 96,170 tonnes of primary aluminium metal, 29,500 tonnes of rolled sheet products, 3,760 tonnes of extruded products, 5,000 tonnes of properzi rod and 2,500 tonnes of foil products. Actual production under the present government regulations can exceed the licensed capacities by 25 per cent, except in the case of properzi rod where Indal has an ad hoc permission of the government to produce 10,000 tonnes per annum. The company also has installed capacity to produce 800 tonnes each of aluminium powder and paste annually. The Belgaum smelter is envisaged to be expanded ultimately to a capacity of 100,000 tonnes of primary metal.

In view of the scarcity of the metal at present in the country, which is likely to continue for several years, as well as the expected 10 per cent or so annual growth in the consumption of aluminium, the company is not likely to encounter any difficulty in marketing its products. Besides, as a sequel to the sharp rise in aluminium prices the world over, there is a considerable scope for export of aluminium products, including the primary metal.

The company's gross block at the time of independence in 1947 was worth only Rs 1.9 crores and its sales at that time aggregated to Rs 69 lakhs. In 1972, whereas sales went up to as much as Rs 44 crores, the gross block grew to as much as Rs 78 crores. The company has been paying handsome dividend on its ordinary shares — 14 per cent in 1968, 1969 and 1970, 17 per cent in 1971 and 14 per cent in 1972 on expanded capital base after a bonus issue. The price control on the aluminium industry since May 24, 1971, has, indeed, been pretty stringent as no allowance has been made in the controlled price for the rise in cost of production. But the controlled price is expected to be stepped up by the government shortly not only to compensate the industry for the rise in costs since 1971 but also to allow for generation of internal resources.

A good deal of thought is also being bestowed by the government on power supplies to the industry, for power input accounts for nearly 30 per cent of the cost of aluminium manufacture. The industry, no doubt, has suffered somewhat in the recent past due to inadequate power supplies. The suppliers of electricity have also raised the demand for higher tariff. Fully realising the importance of aluminium industry for the economy, the government is seized of the power supply problem. A satisfactory solution to it, therefore, can surely be expected soon.

Tiger Locks Limited is entering the capital market on January 28 to raise Rs 50 lakhs through the issue at par of 400,000 equity shares of Rs 10 each and 10,000 9.5 per cent cumulative redeemable tax free preference shares of Rs 100 each. The list closes on February 8 or earlier at the discretion of the directors of the company but not before January 31. The proceeds of the issue are proposed to be utilised for setting up a modern factory at Gurgaon, in Haryana, for the manufacture of sophisticated knob-in-key door locks, door closures, builders' hardware, brass pin cylinder locks, chromium plated bath-room fittings and other products. The construction of the factory has already been taken in hand. Estimated to cost Rs 1.18 crores the project is expected to go into production by the end of 1974. An overwhelming proportion of the Gurgaon unit's production will be exported; the company has already secured large export orders. It has taken over a running partnership firm of Aligarh namely, Indian Implements Manufacturing Co., and proposes to take over two other concerns—Tiger Products (P) Ltd, and Anchor Pressings Private Ltd— also of Aligarh. The three Aligarh units have alreay established their name in the country and have been showing good profitability. Taking into consideration the export orders of these concerns also, the total export orders in company's hands are worth over Rs 2 crores. The promoters expect that the return on capital employed in the company will be adequate enough to pay a fairly handsome dividend to shareholders. In view of the Gurgaon unit being primarily export-oriented, it is not likely to experience any power difficulties.

Capital and Bonus Issues

Consent has been accorded to nine companies to raise capital amounting to over Rs 1.40 crores. Following are the details:

Garware Plastics Pvt. Ltd, Bombay, has been granted consent, valid for three months, for issue of bonus shares worth Rs 5.70 lakhs only.

Satellite Engg. Ltd, Ahmedabad, has been accorded consent, valid for three months, to capitalise Rs two lakhs out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares, in the proportion of one bonus share for every three equity shares held.

Ion Exchange (India) Limited, Bombay, has been accorded consent, valid for three months, to capitalise Rs 10 lakhs out of its general reserve and issue fully paid equity shares of Rs 10 each, as bonus shares, in the ratio of one bonus share for every three equity shares held.

Hind Containers Private Limited, Calcutta, has been granted consent, valid for three months, for capitalising reserves worth Rs three lakhs only for making the existing privately paid shares as fully paid up (Rs 10/-).

Dalal Engineering Private Limited, Bombay, has been given consent, valid far three months, for issue of bonus shares worth Rs 5 lakhs only.

Adarsh Chemical's & Fertilizers Limited, Udhana, (Gujarat) has been given an acknowledgement to their statement of proposals, valid for a period of 12 months, for issue of equity shares worth Rs 53 lakhs and preference shares worth Rs 25 lakhs only. The proceeds of the issue are to be utilised to meet a part of the cost of the issue are to be utilised to meet a part of the cost of Maleio Anhydride Project to be set up in their existing premises at Udhna, Dist. Surat (Gujarat).

Khatau Junker Limited, Bombay, has been accorded consent, valid for 12 months, to issue privately further capital of Rs 3.60 lakhs in equity shares of Rs 100 each at par. The proceeded of the issue will be utilised for purchasing the balancing and testing equipments.

Widia (India) Ltd, Bangalore for issue of share capital of Rs 2.08,400 dividend into 2,084 equity shares of Rs 100 each as rights shares at premium of Rs 140 per share, for the purpose of meeting a part of the cost of expansion of their existing capacity.

Traco Carbide Limited, Calcutta, has communicated to government its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 to the value of Rs 56 lakhs (including Rs 22 lakhs already subscribed) divided into 5.60 lakhs equity shares of Rs 10 each, or cash at par, to be subscribed privately by promtoers etc. for providing finance for setting up a plant for the manufacture of Calcium Carbide.

Company Meeting

Indian Oxygen Ltd: Registered Office, Oxygen House, P 34 Taratala Road, Calcutta 700053; February 12; 3.30 P.M.

Interim Dividend

Hindoostan Spg. & Wvg., Mills Ltd, has proposed an interim equity dividend of Rs 12.50 per share or five per cent for the year ending March 31, 1974. The company had paid a total dividend of 20 per cent for 1972-73.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Higher dividend			
Kirloskar Cummins	Sept. 30, 1973	15.0	10.0
New City of Bombay Manufacturing Co. Ltd.	Dec 31, 1973	10.0	6.0
Gujarat Machinery Manufacturers	Sept 30, 1973	10.0	Nil
Phosphate Company	June 30, 1973	12.5	7.0
Same dividend			
Vazir Sultan	Sept 30, 1973	25.0	25.0
R.J. Shah & Co. Ltd.	June 30, 1973	Nil	Nil
Shalimar Rope Works	June 30, 1973	Nil	Nil
Challapalli Sugars	June 30, 1973	10.0	10.0
Voltas Ltd	August 31, 1973	17.0*	17.0
Spun Pipe and Construction	July 31, 1973	6.5	6.5
Reduced dividend			
Polson Ltd.	March 31, 1973	Nil	10.0
Jay Engineering Works	March 31, 1973	8.0	10.0

*On enlarged capital.

EASTERN ECONOMIST

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Nos. 1 TO 13

JULY TO SEPT. 1973

ABBREVIATIONS

Leading Article	LA
Without Charity	WC
Points of View	PV
From the Press Gallery	PG
Window on the World	WW
Moving Finger	MF
Trade Winds	TW
Books Briefly	BB
Readers' Roundtable	RR
Records and Statistics	RS
Special Report	SR
Supplement	ST

(For Company Affairs see pages ii & v)

Registered Office :

UCO BANK BUILDING

Parliament Street, New Delhi-I

RECORDS AND STATISTICS

Wholesale prices

THE OFFICIAL wholesale prices as measured by the official index (with the year ended March, 1962 as 100) registered a rise of 2.1 per cent to 255.4 per cent during October, 1973 when compared to 250.3 per cent for September, 1973. During the month under review almost all the constituent groups showed increases viz. 'food articles' (+1.1) per cent, 'liquor and tobacco' (+1.8) per cent, 'fuel, power, light and lubricants' (+0.1) per cent, 'industrial raw materials (+4.1) per cent, 'machinery & transport equipment' (+0.9.) per cent and 'manufactures,' (+3.6.) per cent. The index for 'chemicals' however declined by 0.8 per cent.

Food articles

The sub-group index for 'cereals' moved up by 0.3 per cent to 266.8 due to an increase in the prices of rice and barley although the prices of jowar, bajra, maize and ragi declined. Higher prices of all the pulses (except arhar which showed nominal fall) raised the sub-group index for 'pulses' by 4.6 per cent to 410.7. On the whole, the sub-group index for 'foodgrains' moved up by 1.4 per cent to 292.9. The sub-group index for 'fruits & vegetables' rose by 2.2 per cent to 282.4 per cent due to an advance in the prices of potatoes, onions and oranges. The price of bananas, however, fell. The sub-group index for 'milk & milk products' advanced by 2.8 per cent to 310.4. 'Edible oils' recorded a rise of 2.3 per cent to 358.6 owing to an increase in the prices of gingelly oil, coconut oil and mustard oil. However, the price of groundnut oil declined. Lower prices of fish brought down the sub-group index for 'fish, eggs and meat' by 3.9 per cent to 385.0 not withstanding a rise in the prices of meat. The sub-group index for 'sugar and allied products' moved up by 1.1 per cent to 300.3 due to a rise in the prices of gur although the price of khandsari witnessed a fall. Lower prices of spices and condiments, tea and betelnuts brought down the sub-group index for 'other food articles' by 2.7 per cent to 199.2. However, the prices of coffee and processed food moved up.

Liquor and tobacco

Enhanced prices of liquor and raw tobacco pushed up the index for this group by 1.8 per cent to 249.1.

Fuel, power, light and lubricants

The index for this group rose by 0.1 per cent to 194.6 due to an increase in the prices of

Index Numbers of Wholesale Prices of Groups & Sub-groups

(Base: 1961-62=100)

Groups & sub-group	October '73	September '73	October '72	Percentage rise (+) or fall (—) in Oct. 73 over Sept. '73	over Oct. '72
Food Articles	299.5	295.3	247.4	+1.1	+21.1
Foodgrains	292.9	288.9	254.5	+1.4	+15.1
Cereals	266.8	265.9	235.8	+0.3	+13.1
Pulses	410.7	398.8	338.4	+4.5	+31.4
Fruits & vegetables	282.4	276.4	223.4	+2.2	+26.4
Milk & milk products	310.4	301.9	239.4	+2.8	+29.5
Edible oils	358.6	350.4	233.2	+2.3	+53.8
Fish eggs & meat	385.0	400.6	268.1	+3.9	+43.6
Sugar & allied products	300.3	297.0	307.6	+1.1	+2.4
Others	199.2	204.7	163.2	—2.7	+22.1
Liquor & tobacco	249.1	244.6	239.3	+1.8	+4.1
Fuel, power, light & lubricants	194.6	194.5	180.2	+0.1	+8.0
Inpustrial raw materials	306.3	294.2	205.4	+4.1	+49.1
Fibres	239.0	219.8	166.1	+8.7	+43.9
Oilseeds	384.7	370.6	238.9	+3.8	+61.0
Minerals	145.0	145.0	139.1	Nil	+4.2
Others	274.0	277.1	209.3	+1.1	+30.9
Chemicals	211.3	213.1	199.3	+0.8	+6.1
Machinery & transport equipment	181.1	179.4	168.4	+0.9	+7.5
Electrical machinery	182.4	179.4	171.0	+1.5	+6.7
Non-electrical machinery	196.5	194.7	178.8	+0.9	+9.9
Transport equipment	152.4	151.6	147.4	+0.5	+3.4
Manufactures	206.8	199.6	175.9	+3.6	+17.6
Intermediate products	276.9	258.9	209.8	+7.0	+32.0
Finished products	189.9	185.3	167.5	+2.5	+13.4
Textiles	188.8	184.3	168.0	+2.4	+12.4
Cotton manufactures	183.6	179.8	165.4	+2.1	+11.0
Jute manufactures	195.1	189.1	184.3	+3.2	+5.9
Silk & rayon manufactures	175.0	165.8	127.4	+5.5	+37.4
Woollen manufactures	324.7	324.7	212.0	Nil	+53.3
Coir mats & mattings	201.4	201.4	187.8	Nil	+7.2
Metal products	226.4	215.2	200.0	+5.2	+13.2
Non-metallic products	190.0	185.3	161.7	+2.5	+17.5
Chemical products	170.3	167.1	155.0	+1.9	+9.9
Leather products	107.3	107.3	99.1	Nil	+8.3
Rubber products	163.5	161.3	159.3	+1.4	+2.6
Paper products	147.1	144.4	137.3	+1.9	+7.1
Oil cakes	329.1	334.1	219.5	+1.5	+49.9
Miscellaneous products	132.6	131.9	124.3	+0.5	+6.7
All commodities	255.4	250.3	210.4	+2.0	+21.4

Source : Office of the Economic Adviser, Ministry of Industrial Development lubricating oil, rectified spirit and castor oil.

Industrial raw materials

Higher prices of raw cotton, mesta, raw wool and coir fibre raised the sub-group index for 'fibres' by 8.7 per cent to 239.0 although the prices of raw jute, raw hemp and raw silk declined. The sub-group index for 'oilseeds' moved up by 3.8 per cent to 384.7 due to a rise in the prices of almost all the oilseeds, except groundnut which fell. 'Minerals' remained unchanged at its earlier months level of 145.0. A fall of 1.1 per cent to 274.0 in the sub-group index for 'other industrial raw materials' was caused by lower prices of raw skins, and lac. However the prices of raw hides moved up.

Chemicals

Lower prices of sulphuric acid, nitric acid and bleaching powder brought down the index for this group by 0.8 per cent to 211.3.

Machinery and transport equipment

The sub-group index for 'electrical machinery 'moved up by 1.5 per cent to 182.4. The index for 'non-electrical machinery' rose by 0.9 per cent to 196.5 due to an increase in the prices of tools and implements and machinery other than electric. 'Transport equipment' also advanced by 0.5 per cent to 152.4 owing to a rise in the prices of vehicles.

Manufactures

Manufactures group comprising of (a) intermediate products and (b) finished products went up by 3.6 per cent to 206.8.

Intermediate products

The index for 'intermediate products' advanced by 7.0 per cent to 276.9 due to an increase in the prices of cotton yarn, rayon yarn, coir yarn, leather, pig iron, semis, zinc, brass sheets, copper sheets, tin, lead and linseed oil.

Finished products

Higher prices of silk and rayon manufactures(+5.56 par cent to 175.0), jute manufactures (+3.2 par cant), to 195.1) and cotton manufactures (+2.1 per cent to 183.6) raised the sub-group index for 'textiles' by 2.4 per cent to 188.8. The indices for woollen manufactures and coir mats and mattings stood stationary at their previous month's levels of 324.7 and 201.4 respectively. The sub-group index for 'metal products' went up by 5.2 per cent to 226.4 owing to an increase in the prices of iron and steet manufactures, cutlery and hardware and aluminum utensils The sub-grup index for non-metallic products, rose by 2.5 per cent to 190.0 due to an increase in the price of cement, bricks and tiles and pottery goods. 'Chemical products' also rose by 1.9 per cent to 170.3 owing to a rise in the prices of fertilisers, paints and varnishes, dyeing materials and essential oils. 'Leather products' stood stationary at its previous month's level of 107.3. 'Rubber products' moved up by 1.4 per cent to 163.5 due to an increase in the prices of other rubber products. The index for 'paper products' moved up by 1.9 per cent to 147.1. 'Oilcakes' drifted lower by 1.5 per cent to 329.1. The sub-group index for 'miscellaneous products' advanced by 0.5 per cent to 132.6 due to an increase in the prices of plastic materials and lamps and lanterns. On the whole, the index for 'finished products' advanced by 2.5 per cent to 189.9 during the month under review.

Index of Industrial Production, Jan-June, 1973—(Groupwise)

(Base: 1960=100)

Group	Weight	January—June 1971	January—June 1972	January—June 1973 (Prov.)	Percentage change in January-June 1972 / 1971	Percentage change in January-June 1973 / 1972
General Index (Crude)	100.00	184.1	197.7	196.2	+7.4	—0.8
Electricity generated	5.37	352.8	398.4	369.1	+11.5	—6.2
Mining & quarrying	9.72	153.6	166.3	168.7	+8.3	+1.4
Manufacturing	84.91	177.0	188.9	188.3	+6.7	—0.3
Food manufacturing	12.09	156.6	152.0	151.6	—2.9	—0.3
Beverage & tobacco	2.22	177.2	169.9	165.2	—4.1	—2.8
Textile manufacturing	27.06	103.1	112.4	107.3	+9.0	—4.5
Cotton textile	21.18	102.9	110.4	106.4	+7.3	—3.6
Jute textile	3.97	92.2	100.6	90.2	+9.1	—10.3
Footwear mannfacture	0.21	161.3	165.3	157.3	+2.5	—4.8
Wood & cork	0.80	246.8	239.7	157.2	—2.9	—34.4
Paper products	1.61	217.4	234.6	208.0	+7.9	—11.3
Leather & fur products	0.43	59.2	59.2	73.3	—	+23.8
Rubber products	2.22	216.7	253.4	231.1	+16.9	—8.8
Manufacture of chemicals	7.26	251.0	302.6	302.0	+20.6	—0.2
Petroleum refinery products	1.34	303.2	316.8	307.2	+4.5	—3.0
Non-metallic minerals	3.85	204.8	220.8	220.4	+7.8	—0.2
Basic metal industries	7.38	209.3	223.9	219.6	+7.0	—1.9
Manufacture of metal products	2.51	255.1	229.5	249.5	—10.2	+8.9
Manufacture of non-electrical machinery	3.38	365.5	393.9	445.0	+7.8	+13.0
Electrical machinery	3.05	399.0	433.5	432.2	+8.6	—0.3
Transport equipment	7.77	123.1	132.8	149.3	+7.9	+12.4
Miscellaenous industries	1.23	122.9	79.4	40.8	—35.4	—48.6

Reserve Bank of India (Rs lakhs)

	Dec. 28 1973	A week ago	A month ago	A year ago
Issue department				
Notes held in banking department	52,33	41,60	34,78	4,92
Notes in circulation	5,639,19	5,688,04	5,590,14	4,794,34
Total notes issued	5,691,52	5,729,64	5,624,92	4,799,26
Gold coin and bullion	182,53	182,53	183,53	182,53
Foreign securities	101,74	101,74	101,74	171,65
Rupee coin	11,90	10,02	10,31	20,73
Government of India rupee securities	5,395,35	5,435,35	5,330,34	4,424,34
Banking department				
Deposit of central government	56,81	60,65	55,44	64,03
Deposits of state government	6,13	6,81	13,63	10,96
Deposits of banks	680,71	695,99	777,42	310,98
Others deposits	76,64	90,62	76,50	89,35
Other liabilities	1,246,50	1,230,27	1,219,94	1,039,51
Total liabilities or assets	2,066,78	2,084,34	2,142,93	1,514,84
Notes and coins	52,39	41,67	34,88	5,03
Balances held abroad	241,24	241,22	222,14	158,90
Loans and Advanbes to:				
State governments	173,56	175,38	148,68	132,94
Scheduled commercial banks	211,38	220,85	97,64	8,54
State cooperative banks	349,50	339,50	325,02	351,56
Other loans and advances	173,86	174,15	168,09	107,05
Bills purchased and discounted				
Internal	109,53	93,76	55,46	86
Government treasury bills	218,39	220,74	278,35	260,62
Investments	463,12	503,29	760,76	420,34
Other assets	73,81	73,78	51,90	69,01

Scheduled Commercial Banks (Rs lakhs)

	Dec. 28, 1973	A week ago	A month ago	A year ago
1. Demand deposits	4,136,43	4,124,20	2,056,75	3,631,80
2. Time deposits	5,815,87	5,799,86	5,731,58	4,748,78
3. Aggregate deposits	9,952,30	9,924,06	9,788,33	8,380,58
4. Borrowings from Reserve Bank	211,39	220,85	97,64	8,54
5. Cash	261,73	256,73	263,47	260,33
6. Balances with Reserve Bank	662,40	680,86	761,49	297,61
7. Cash and balances with Reserve Bank	924,13	937,59	1,024,96	557,94
8. Investment in government securities	2,354,08	2,361,10	2,316,42	2,174,67
9. Advances	5,641,25	5,619,41	5,375,42	4,614,93
10. Inland bills purchased and discounted	897,23	916,09	919,97	724,46
11. Foreign bills purchased and discounted	325,17	312,46	286,01	230,80
12. Total bank credit	6,863,65	6,847,96	6,581,40	5,570,19
Percentage of				
(7) to (3)	9.29	9.45	10.47	6.66
(8) to (3)	23.65	23.79	23.67	25.95
12(to (3)	68.97	69.00	67.24	66.47

Source: Reserve Bank of India

Money Supply with the Public (Rs crores)

Week ended	1972 Dec 22	1973 Nov 23	1973 Nov 30	1973 Dec 7	1973 Dec 14	1973 Dec 21
Money supply with the public	8,531	9,971	9,950	10,061	10,145	10,137
Currency with the public	4,947	5,779	5,733	5,833	5,876	5,838
Other deposits with the Reserve Bank	51	34	40	35	66	55
Bank money	3,533	4,158	1,177	4,193	4,203	4,244
Factors affecting money supply (1+2 +3+4—5—6)						
1. Net bank credit to govrnment sector	7,313	8,762	8,767	8,831	8,726	8,631
(a) Reserve Bank's net credit to government sector	5,088	6,362	6,360	6,415	6,313	6,179
(b) Banks' credit to government sector	2,225	2,400	2,407	2,416	2,413	2,452
2. Net bank credit to commercial sector	1,827	2,082	2,084	2,150	2,209	2,340
Of which: Bank's* net credit to commercial sector (a—b)	1,614	1,766	1,761	1,815	1,865	1,973
(a) Claims on commercial sector	6,550	7,771	7,796	7,888	7,941	8,072
(b) Non-monetary liabilities of banks	4,936	6,005	6,035	6,073	6,076	6,099
3. Net Foreign exchange assets of banking sector	509	531	512	517	524	531
4. Government's net currency liabilities to the public	426	459	452	454	454	452
5. Net non-monetary liabilities of the Reserve Bank	1,043	1,214	1,240	1,218	1,232	1,229
6. Residual	501	649	625	673	536	588

*Excluding Reserve Bank

Source: Reserve Bank of India

Consumer Price Index Numbers for Industrial Workers

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1972 Sept	1973 Mar.	1973 Apr.	1973 May	1973 June	1973 July	1973 Aug.	1973 Sept.
(Base: 1949=100)															
All-India	169	213	212	215	226	233	251	253	263	269	277	283	295	300	301
(Base: 1960=100)															
All-India	—	—	174	177	186	192	207	208	216	221	228	233	243	247	248
Ahmedabad	130	168	165	169	176	181	198	192	219	222	224	230	236	233	242
Alwaye	145	183	198	197	198	202	215	215	219	226	239	260	275	287	273
Asansol	140	168	176	178	189	194	206	210	212	216	222	226	234	—	—
Bangalore	144	172	180	183	186	194	212	210	228	234	243	247	250	258	275
Bhavnagar	132	173	176	178	186	194	217	212	244	253	258	256	266	260	266
Bombay	130	162	167	175	182	190	203	203	212	217	225	230	235	227	228
Calcutta	131	163	170	172	182	187	197	202	200	204	211	213	217	220	222
Coimbatore	132	151	147	154	163	177	189	187	197	199	201	204	210	211	212
Delhi	136	172	178	185	199	211	222	222	231	235	241	250	256	259	264
Digboi	138	198	185	180	189	188	198	198	207	209	216	222	222	232	230
Gwalior	139	191	179	184	191	197	214	215	230	243	244	249	263	265	258
Howrah	137	178	181	176	186	191	206	210	211	212	218	219	225	229	234
Hyderabad	140	167	173	185	189	195	211	210	224	229	239	205	255	253	247
Jamshedpur	136	183	171	170	183	187	202	207	209	217	224	229	258	249	244
Madras	134	151	150	160	170	182	203	199	212	213	217	221	226	226	224
Madurai	128	146	148	162	183	193	206	201	209	212	218	221	228	231	231
Monghyr	151	215	185	188	205	204	225	232	232	249	255	256	264	—	—
Mundakayam	138	173	186	191	197	199	210	213	211	218	237	252	267	279	269
Nagpur	138	164	166	176	187	192	203	204	207	210	217	220	259	260	261
Saharanpur	141	188	176	181	186	196	213	211	222	222	228	232	241	—	—
Sholapur	128	165	167	176	185	198	216	214	232	240	248	259	281	275	281

Source: Labour Bureau, Govt. of India

Consumer Price Index Numbers for Urban Non-Manual Employees

(Base: 1960=100)

	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1972-72	1972 July	1973 Feb.	1973 Mar.	1973 Apl.	1973 May	1973 June	1973 July
All-India	132	159	161	167	174	180	192	192	196	199	202	207	211	216
Bombay	132	153	156	162	168	172	183	186	186	191	195	201	206	208
Delhi-New Delhi	131	154	162	168	174	180	190	192	192	193	195	198	205	208
Calcutta	126	152	156	162	170	174	180	181	180	181	184	189	193	197
Madras	133	154	154	161	175	188	204	200	211	213	214	218	222	224
Hyderabad-Secunderabad	133	155	159	167	174	180	195	191	204	206	208	218	216	220
Bangalore	133	156	160	164	172	180	194	190	201	204	206	212	215	220
Lucknow	132	159	156	161	166	174	185	186	190	193	192	198	202	207
Ahmedabad	131	160	162	168	171	173	188	183	198	203	205	212	218	221
Jaipur	133	162	168	176	183	188	205	204	210	214	216	221	227	233
Patna	139	170	174	180	191	190	199	198	202	203	205	209	216	219
Srinagar	134	160	167	174	184	191	200	199	201	203	204	205	206	209
Trivandrum	131	165	168	172	178	184	198	195	205	206	208	213	218	225
Cuttack-Bhubuneswar	142	164	167	169	176	184	196	198	196	198	200	206	208	214
Bhopal	133	166	166	172	180	188	204	207	208	210	213	215	224	233
Chandigarh	129	155	164	171	178	183	194	195	193	198	198	200	206	209
Shillong	123	[illegible]	163	164	166	175	183	184	185	196	193	191	196	202

Source: C.S.O.

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