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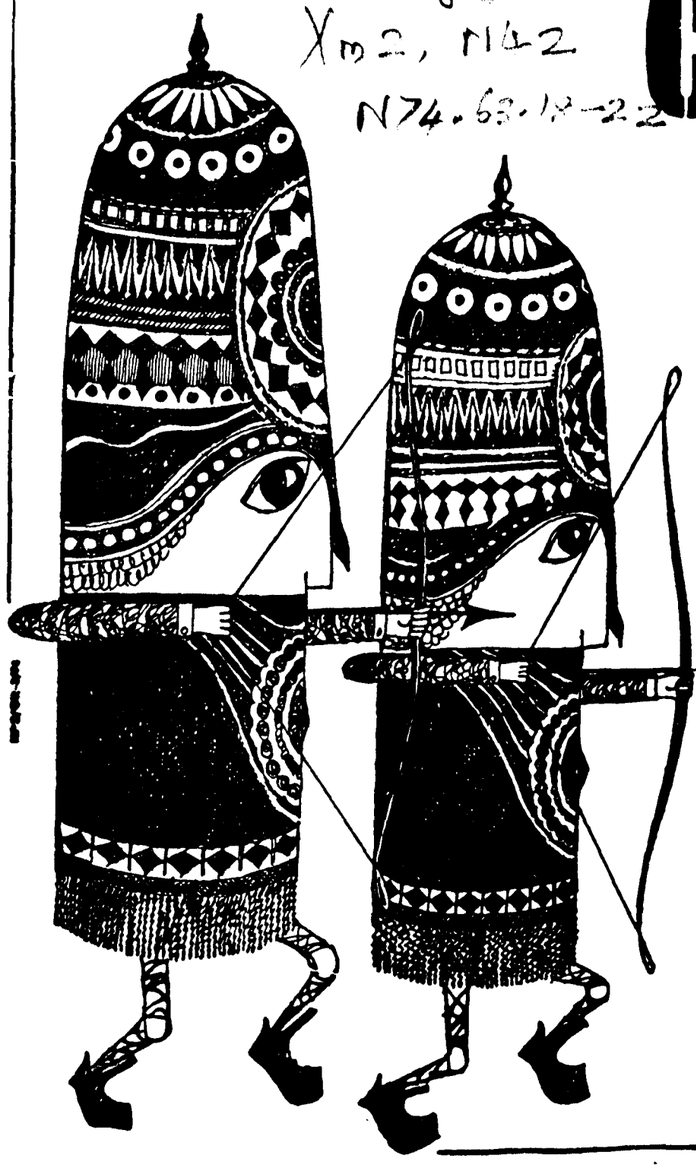


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NOVEMBER 1, 1974

Rumble of Recession 783

Iron Ore Offers New Opportunities 784

Invoice Manipulation? 785

From the Capital's Corridors 787

Points of View

Banks and Their Big Business Clientele—B. Ramachandra Rao 789

Land Holdings: Economics of Size—D. Vasudeva Rao 791

Soap Muddle: Present Scarcity and Price Hike—Dr C. D. Maheshwari 793

Window on the World

Japan's Continuing "Economic Miracle": I—Jossleyn Hennessy 797

The Yawning Gas Gap — First National City Bank 800

Books Briefly

Inhibitions of Multipurpose Coops —Academicus 804

Trade Winds

Wheat Trade Takeover in Punjab; Joint Ventures for Agriculture; New Criterion for Licences; Bauxite in Orissa; Manufacture of Mini-Buses; Indo-Soviet Trade; Tehran Trade Fair; Courses for Development Finance; Yarn Unit in Kenya; UNIDO Contribution; Unit Trust; MRTPC on Nylon Yarn Agreement; Diversification of Machine Tools Units; ONGC Reorganisation; Freight Increase to Europe; Panel for Handlooms; Rural Banking 811-813

Readers' Roundtable

Suppressed Inflation 813

Company Affairs

Further Gains; Ashok Leyland; Greaves Cotton; Universal Steel; UP Scooters; Indian Aluminium; Mettur Chemicals; News and Notes; New Issues; Dividends 814-816

Records and Statistics

Wholesale Prices; Index Numbers of Industrial Production; Index Numbers of Security Prices; Reserve Bank of India; Scheduled Commercial Banks; Money Supply with the Public; Consumer Price Index Numbers for Industrial Workers and for Urban Non-Manual Employees .. 817-820

Rumble of recession

THE SHARP increase in prices witnessed in this country during the past one year has brought about a structural change in consumer expenditure. The thrust of inflation has been severe in the case of foodgrains and other essential items of household expenditure. Consequently, increased share of income has been diverted to the essentials of life, thus bringing about a significant shrinkage in the discretionary component of the total purchasing power of the people. This has resulted in slackness of demand for a large variety of industrial products, and now it is feared recessionary tendencies would engulf a sizeable section of the organized industry.

The first to come within the orbit of the recession is the cotton textile industry which enjoys the privilege of being the largest industry in our country. At a time when necessities of life claim a big share of the purchasing power of a household, it is but natural to postpone purchases which are not urgent. This has been seen in a pronounced manner in the case of cotton textiles. Stocks of cotton and yarn have piled up at the mills leading to a forced reduction in production. Some of the cotton textile mills have been obliged to restrict the scope of their activities. Those mills which were operating three shifts a day have curtailed them to two only. In the process, thousands of workers have been laid off. Surely this is likely to strain labour-management relations.

Reports circulated by newspapers that the mills had agreed to reduce prices from 10 to 40 per cent have caused considerable confusion. No one knows which prices would go down by 40 per cent and which by 10 per cent only. But great mischief has been done by these reports because both at the wholesalers' and the retailers' levels there is great reluctance to accept fresh stocks from the mills. Also, at the retailers' level the impact of the proposed reduction in prices has not been felt so far, and this seems to be due to the fact that the retailers are in no mood to scale down prices on purchases made earlier. The cotton textile industry on its part is extremely bitter about the credit squeeze which has hurt its capacity to run its affairs in an organized fashion. Surely the inventories of accumulated cloth will need to be reduced even at a loss if there is no change in the credit policy of the banks.

And similar conditions prevail in most of the engineering industries also where sales have had a precipitate fall in recent months. In engineering industries the indigenous demand has fallen not only because of indigenous slackness but also due to world-wide recession. The economists of the First National Bank, New York, have in a recent assessment of the US economy come to the conclusion that the current recession will be much longer and deeper than had been anticipated earlier. If the USA sneezes, western Europe develops a cough while a developing country like ours suffers from pneumonia. Consequently, the downturn in business activity in the USA and western Europe is bound to further hurt our export potential. Also, some of the engineering units in our country are in the grip of such a severe financial strain that they have no option but to close down. The inevitable outcome of this trend will be not only a reduction in production but also unemployment on an extensive scale. It is essential to look at the problems of the organized industry in a realistic manner instead of blaming it for something over which it has no control.

The anti-inflationary measures taken by the government some time back were welcomed by the people because they held out the hope of relief from the oppression of

inflationary tendencies. At present the anti-inflationary measures have not gathered momentum so as to produce a large-scale deflation because prices of essential commodities continue to rule at a high level even today. It is the spectre of reduced production accompanied by increasing unemployment which threatens to disrupt the economy. It is necessary to fight inflation but it will be dangerous to bring about a situation where reduced production is able to sustain inflation instead of breaking its back.

Already the saving capacity of the households has dropped significantly. The aggregate savings in the economy have remained stagnant for the last two to three years. It implies that the schemes for the expansion of the economy have received a low priority. On top of that, unutilized capacity on a large scale has kept production in many units at an exceedingly low level. The key to the current situation lies in increased production through an ever-rising utilization of capacity which is available and in taking a realistic view of the credit needs of industry. The financial institutions are today starved of funds for assisting new ventures. The gloom which has been cast over the economy by the rumble of recession will cause considerable damage to the economy if the legitimate needs of industry for funds are not met.

Iron ore offers new opportunities

THE DEVELOPMENT of the vast iron ore resources of our country has been taking place in the past few years in such a way that the requirements of the steel units in the public and private sectors can be met by the iron ore mines in Bihar, Madhya Pradesh and Orissa while the export needs are satisfied by exploiting the rich deposits of Bailadilla very near the deep-sea port of Visakhapatnam on the northern side of the Eastern Ghats and those of Goa and Bellary-Hospet. The increasing requirements of the major steel plants can be easily satisfied by developing the existing mines in the eastern region. For quite some time however the quantum of exports will be considerably in excess of the intake of the steel plants. This is because the capacity of these units may not exceed 15 million tonnes of ingots by the end of the fifth Plan. The quantity, in terms of ore, for utilising this capacity may not therefore be more than 15 million tonnes even under the most favourable circumstances.

The export trade in this mineral, however, has assumed huge dimensions latterly and in spite of the constraints arising out of transport bottlenecks and delays in mechanisation of the mines, it is estimated that aggregate exports will be 23-25 million tonnes in 1974-75. The Minerals and Metals Trading Corporation (MMTC) will be handling 15 million tonnes while exports from Goa region may be 8-10 million tonnes. The value of exports can be easily Rs 130 crores if not more. The target for the fifth Plan has been fixed at 35 million tonnes and the value realised is expected to be such that iron ore will rank next in importance only to gunnies.

Recent developments on the iron ore front however have far-reaching significance and the target will have to be raised substantially. What is more, the foreign exchange earnings can be of much larger dimensions than visualised a few years back. The Japanese steel units have been mainly responsible for the development of export trade in iron ore, the exploitation of the Kiriburu mines in Orissa and Bailadilla mines in Madhya Pradesh being carried out with their assistance. While the former are now catering for the requirements of the public sector plants, Bailadilla ore is exported mainly to Japan through Visakhapatnam. After the outer harbour in this centre has been completed, it will be possible to step up exports substantially to Japan.

Goa will continue to be an important supplier to Japan and the western countries. Madras too will be a big outlet for Hospet ore as the Bharathi docks are proposed to be completely mechanised with ore handling facilities at the rate of 8,000 tonnes per hour. When Visakhapatnam and Madras outer harbours become fully operational it will be possible for giant bulk carriers to berth alongside and minimise to a great extent expenditure on transporting ore to Japan and other countries.

The recent developments are of course of a more exciting nature and Karnataka particularly stands to benefit considerably if three new projects take concrete shape. Already considerable work has been done in developing the Dhonimalai deposits. It has been scheduled that the Madras port should handle one million tonnes of ore from this area in the not distant future. But it is Kudremukh that bids fair to overshadow all other mining regions as a foreign exchange earner. The agreement concluded with Iran recently provides for special assistance of $300 million for developing Kudremukh deposits and exporting ore in pelletised form through Mangalore to Iran. At first it was expected that 2½ million tonnes would be exported from this region annually. It has now been decided that there should be a trebling of the quantum of export to 7½ million tonnes. Though considerable preliminary work has been already done it has still to be decided how such huge quantities should be moved from the mines to the port. The modalities of mining and transport have yet to be decided. But there is no doubt that Mangalore will have to be developed on the lines of Visakhapatnam and Madras as this port may also have to handle large imports of bulk cargo like Visakhapatnam when the Hospet steel plant takes shape. The Kudremukh deposits are sizeable and North Karnataka may become highly developed industrially with the completion of the railway line linking Mangalore with the hinterland and the Hospet area becoming more industrialised.

The processing of iron ore, however, will have to be done on entirely different lines for securing a higher unit value in respect of ore exports. The new contract concluded by Chowgules of Goa with Japan for shipping 19 million tonnes of ore in pelletised form over a period of 10 years, having a value of Rs 400 crores, marks a new beginning with far-reaching consequences. The pelletisation of ore is to be effected with equipment partly imported from Hungary and the value realised will be three times that is now being obtained on unprocessed ore. The pelletisation will be helpful in making better use of the space of costly bulk carriers and minimising freight charges. The processed ore can also be fed directly into the blast furnaces whose capacity will be more effectively used. The ore shipments to Japan under this contract will be from Karnataka, the plant being located at Chikmagalore. There are proposals for processing also Bailadila ore similarly. It can be expected that Kudremukh too will be adopting the same approach and by the end of the fifth Plan there will be a more than doubling of the present rate of exports and similar increase also in the unit value. In that event, the value of shipments should be easily Rs 400 crores or more.

Apart from the immense possibilities for increasing the quantum of export and improving value through processing, in recent months attempts have been made by the main ore exporting countries such as India, Australia and Brazil to evolve a formula for pricing iron ore on the basis of prices realised for steel. It may not be easy to find an acceptable formula as Japan and other countries may resist any move aimed at forming a cartel of ore exporting nations. But the main steel producing countries which are dependent on iron ore exports have been agreeable to increase export prices for ore because of the devaluation of the US dollar and increase in the cost of mining. There has already been upward adjustment in prices for ore supplied under the long term contract by India to Japan by 20 per cent and under the annual contract by 40 per cent. There was some difficulty in making Japan agree to the revision of prices as the agreements did not contain escalation clauses.

It is now, however, recognised that ore shipments cannot continue to be as cheap as they were in earlier years and countries such as India will have to be accorded a better deal. The meetings of ore exporting nations at Geneva may be helpful in bringing about a better understanding of pricing problems. But the desired automatic adjustments may take place only over a period after hard bargaining. Whatever may be the outcome of these new efforts, the government of India has to make full use of the new opportunities for stepping up the quantum of exports and securing a higher unit value. The shipments will have to be mainly in processed form and complaints about delays in loading bulk carriers at the major ports will have to be eliminated. There will necessarily have to be a new blue-print for developing Mangalore into a big port within a short period, as it may be a rival soon to Marmagao. The latter port also is being completely modernised.

While port facilities can be modernised and special berths constructed for handling shipments expeditiously, it is equally important that rail transport facilities should be fully developed along with mining facilities and there is proper coordination of the different departments at every stage. It has been complained that the mechanisation of mines at Bailadila has not made the desired progress, and it has not also been possible to increase ore shipments to Japan because of inadequate handling facilities at Visakhapatnam. With the completion of the outer harbour this handicap may be overcome. But ore shipments can be increased only if there is mining in larger quantities at Bailadila and there is electrification of the railways without delay.

Likewise, there should be no bottleneck in mining in the Hospet region. The railways however are unable to cope with the traffic while loading at Madras is inordinately slow. After the mechanisation programme has been completed in the next two years the difficulties in this regard will be out of the way and the railways will have to meet the challenge. But it is in the Mangalore area that the new constraints will have to be removed by making good use of the assistance provided by Iran. The southern region thus stands to benefit immensely by the development of iron ore mines, railway transport facilities and the improvement of three major ports. There should be no let up in the implementation of new programmes if full advantage is to be derived by the region and the country out of the new opportunities.

Invoice manipulation?

WHEN MR K. R. Ganesh, the union minister of state for Finance, accused the tea and jute industries of indulging in under-invoicing, in his press conference in Calcutta on September 28, he could have hardly imagined that his allegation would be so promptly, effectively and authoritatively refuted. Mr Ganesh's charge was not a vague or general one but specifically directed against the country's two largest earners of foreign exchange. He was reported to have said that the jute and tea industries together accounted for a declared foreign exchange earning of a little over Rs 400 crores while these could be as high as Rs 1,000 crores. According to the minister, the excess amount of Rs 600 crores was being drained out of the country every year and, compared to this, the money handled by smugglers was relatively small. The minister remarked that the anti-smuggling operations had attracted the people's attention because smuggling was "more romantic" and he disclosed that though preventive detention was currently being applied against smugglers, the central government had no immediate plan to detain the invoicing offenders under the Maintenance of Internal Security Act (MISA).

It is, indeed, strange that Mr Ganesh did not take the elementary precaution of getting his facts and figures checked up before making his allegation. He could have consulted the Jute Commissioner and the Tea Board whose offices are situated in Calcutta, before making his charges against these industries. He should have also realised that these allegations were, in fact, more a reflection on the government of India particularly on the ministries of Finance and Commerce than on these industries. But no one seems to have asked the minister at his press conference why, if the foreign exchange was being drained so regularly and to such an extent owing to the malpractices in the tea and jute industries, New Delhi has not been prompt in taking the necessary action.

The rejoinder given by the tea and

jute industries reveals how badly the minister has been misinformed. The Consultative Committee of Plantation Associations has pointed out that the minister's allegations have caused the tea industry "considerable pain and disappointment". If the minister's statement were true the tea industry's export earnings should have been higher by about 150 per cent over the present level of about Rs 150 or Rs 160 crores per year! The committee has explained that the London auctions provide the most important outlet for the sale of the export tea of India and of all other producing countries and that if the Indian tea industry is really indulging in massive under-invoicing of consignment tea, the artificially-depressed prices at the London auctions, resulting from such practices, will affect other tea producers also and will evoke protests from them. But no such protests have been ever made.

Further, lately, more foreign buyers have been picking up tea at the Indian auction centres themselves. For example, Russia has been the biggest buyer of Darjeeling tea. About 33.41 per cent of India's export tea was sold to the UK buyers in 1971-72, accounting for Rs 55.39 crores but in 1972-73 the respective figures were 26.34 per cent and Rs 40.94 crores. These indicate a declining trend in the volume of consignment tea shipped from India to London auctions. The tea industry's import requirements have been negligible and therefore there is hardly any scope for over-invoicing imports.

The committee has observed that it is not going "to yield first place to any other industry in the assiduity and earnestness of its efforts to contribute to India's export trade at a time when the need for greater foreign exchange earnings is uppermost". India's tea industry has been recently trying to evolve an agreement with other tea producing countries with a view to regulating production and getting better prices. It seems therefore a pity that a minister of the government of India should publicly and quite unfairly accuse our tea industry of indulging in unfair practices.

The Indian Jute Mills Association has also strongly refuted Mr Ganesh's statement. It has explained that export contracts in jute goods concluded by manufacturer-exporters and shippers are registered with the Export Contracts Registration Committee under the direct control and supervision of the Jute Commissioner. "This Committee", says the IJMA, "meticulously checks the documents to satisfy itself that the prices charged for particular constructions and qualities of fabrics are not out of line with the ruling prices material to each contract."

In all the jute products, the pricing formula is operated in such a way as to prevent under invoicing. For instance, the price of carpet backing is fixed by the government from time to time based on the situation prevailing in the world tufted carpet backing industry. The buyers in foreign countries are regularly kept informed of the changes in price. The foreign demand for sacking has shrunk sharply in recent years and the bulk of its production is used within India.

Moreover, as the IJMA says, "the cent per cent buyers' market, which sacking export is, could never be conducive to invoice manipulation". Under-invoicing in hessian also is hardly possible not only because of the check exercised by the Export Contracts Registration Committee but also by the fact that about 53 per cent of these exports is absorbed by the rupee payment countries, mainly by the USSR. Besides, the fact the jute goods are subjected to export duty at high rates also acts as a deterrent to mills from resorting to under-invoicing..

Mr Ganesh does not seem to remember that it was only recently that the government of India tightened the provisions of the Foreign Exchange Regulation Act with a view to stopping under-invoicing, over-invoicing and other malpractices in foreign trade. The Joint Committee of Parliament which was set up to examine the provisions of the Foreign Exchange Act heard evidence from the representatives of industry and trade as well as those of the Reserve Bank, the Finance ministry, and the Commerce ministry about the manner in which prices were fixed for the exported goods and the payments were received and also about various other aspects relating to the leakage of foreign exchange.

The senior officers of the economic ministries were closely questioned by the Joint Committee regarding the measures that were being adopted by their respective departments to ensure that industries did not resort to malpractices in the course of the export and import trade.

The Foreign Exchange Act accordingly was modified in many directions so as to plug all loopholes. For example, Section 18 of the Act says "that the central government may, by notification in the official gazette, prohibit the taking or sending out by land, sea or air of all goods or of any goods or class of goods specified in the notification from India directly or indirectly to any place so specified unless the exporter furnishes to the prescribed authority a declaration in the prescribed form supported by such evidence as may be prescribed or so specified and true in all material particulars, which, among others, shall include the amount representing:

(i) the full export value of the goods; or (ii) if the full export value of the goods is not ascertainable at the time of export, the value which the exporter, having regard to the prevailing market conditions, expects to receive on the sale of the goods in the overseas market, and affirms in the said declaration that the full export value of the goods (whether ascertainable at the time of export or not) has been, or will within the prescribed period be, paid in the prescribed manner".

There are also several other provisions in the Act to prevent the leakage of foreign exchange. Moreover, the Act has enhanced the penalties for violating its provisions and made them more drastic. It may be that the Act has not been able to eliminate completely the drain of foreign exchange in different forms but, surely, it has made it extremely difficult for any industry or individual to resort to practices like over-invoicing and under-invoicing.

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Credit Squeeze • Concessional Railway Freight for Exports • Atomic Power Generation

THE INDICATION given by the new union minister for Finance, Mr C. Subramaniam, while addressing the Consultative Committee of the Chambers of Commerce of Madras last week and later on reiterated in a briefing to pressmen in New Delhi after his meetings with the heads of the term-lending financial institutions and the chairmen of the nationalised banks, that there was no likelihood of any significant relaxation in the credit squeeze has not caused any surprise in industrial circles. A general loosening of the credit screw obviously could not be expected in view of the government's efforts at containing deficit financing and also against the background of the salutary effect the restrictions on credit over the last 12 months, particularly since July, have had on the price level in the country—of course, in conjunction with the anti-smuggling operations and the anti-unaccounted money campaign launched in September. All these three steps undoubtedly have reduced considerably the availability of funds for hoarding purposes. As a result, the availability of goods in the market has improved somewhat.

selective relaxation

But surely there is a good case for a selective relaxation of credit restrictions, for if the price level is to be stabilised, care has to be taken that credit difficulties do not hinder production, especially in the area of mass consumption goods and other priority sectors of the economy. As argued a couple of weeks ago in this column, unless production is stepped up, particularly of mass consumption items, a reversal of the recent downtrend in the prices of a number of essential commodities cannot be ruled out. The present recession in prices cannot be sustained long by dehoarded stocks which are bound to be picked up by consumers in not very distant future.

Incidentally, this is exactly the reason why industry has been clamouring for a liberal production credit policy, which erroneously has been construed as a plea for a general reversal of the tight money programme. In spite of the fact that the government as well as the Reserve Bank of India have been claiming that the last 12 months' credit squeeze is not being allowed to thwart production efforts, instances are not wanting of output in other industries being hampered by the tight credit situation. The worst effected are the small and medium-scale sectors of our industrial economy which account for over 50 per cent of the total production of mass consumption goods.

new policy

It is yet to be seen how far the new credit policy, which is to be announced this week, will take cognizance of the imperative of raising production in several spheres. A minor relaxation of the policy in respect of this credit, of course, will not do in view of the fact that the costs of both the material and human inputs of industry have grown considerably as a sequel to the nearly 31 per cent increase in the general price level over the past one year.

It, however, is indeed heartening that the government has now included the manufacture of mass consumption items in the priority list along with agriculture and the manufacture of farm inputs, various industrial raw materials and intermediates and exportable goods. In the case of mass consumption items and agricultural commodities, the credit requirements are proposed to be met not only for production purposes but also for distribution.

The other major observation of Mr Subramaniam in his address to the Consultative Committee of the Chambers of Commerce of Madras to the effect that "We are a long way away from recession", of course, can be easily questioned. The first signs of recession in our economy are already there. Not only a number of private sector industrial units are feeling the pinch of the decline in demand, but also the managements of several public sector undertakings have recently complained of fall in orders. The machine tools industry as well as the heavy machinery manufacture sector are the glaring examples of this. Then there are the well-known woes of the textile industry. The plight of the light engineering industry is not much different. If the main criterion of recession is an all-round fall in price, the recession, indeed, cannot be expected in the near future, for the mounting costs due to various factors — global inflation, government's taxation policy, shortages of raw materials, etc. — will keep prices buoyed up. In fact, inflation today co-exists with a recession in demand for commodities the consumption or purchases of which can be deferred. This is the case not with our country alone. It is a global phenomenon.

The task before the government at present is not simple and straight. The situation to be handled is a very complicated one. The central government will have to draw upon its ingenuity to the maximum for striking a balance between the imperatives of stabilising the price level and warding off a general recession in industry. Of course, recessionary trends in some industries cannot be ruled out. A thorough examination of the situation is urgently called for so that production priorities and developmental programmes can be realistically fixed and optimum utilisation can be effected of the scarce financial resources. The term-lending financial institutions are understood to be under great strain at present. A thorough and realistic examination of the needs of the economy should be helpful in revising the guidelines for the operations of the term-lending financial institutions.

* * *

The current scheme of granting rebate in railway freight for 153 items of export, it is understood, may undergo a drastic

change if the union ministry of Commerce insists on its continuance. Faced with a difficult financial situation, the Railway Board, however, has issued instructions for the withdrawal of this rebate with effect from November 1, in terms of the notice given by the Railway minister, Mr L.N. Mishra, earlier this year.

Introduced in 1958, the scheme attained its present form in the middle of the sixties when exports of non-traditional items were being developed. With the transformation that has taken place on the export front during the last two years, the scheme in its current form is said to be being availed of by the exporters of only such items as ferro-manganese, bicycles, steel pipes and tubes, brass ware, wooden articles and electrical wires and cables. The other items covered by the scheme are understood to be moving on their own as their exporters have not shown much interest for several years now in taking advantage of the rebate. Two factors are understood to be responsible for this. First, the rebate is just a minor fraction of the value of exportable items. Secondly, the exporters do not find it worthwhile to go in for the cumbersome procedure involved in claiming rebate under the scheme. Even in the case of the items whose exporters are availing of the rebate, the benefit is said to be just marginal.

The total rebate granted for exports of all the 153 items in 1972-73 amounted to about Rs 53 lakhs. For the current year, the assessment has been that the rebate would aggregate to not more than Rs 70 lakhs. This figure apparently is a small fraction of the earnings from the concerned export items.

withdrawal of rebate

The decision to withdraw the rebate appears to have created some confusion insofar as the exports of iron ore and manganese ore are concerned. Inquiries reveal that these two items are not at all affected by the Railway Board's decision as their exporters are not entitled to any rebate. The concession to them is in the form of including the two items in a low classification of freight rates. Since no change has been proposed as yet in this classification, the exporters of iron and manganese ores will continue to enjoy concessional freight, which is costing the railways nearly Rs 3 crores per annum.

The Railway Board, of course, may take up this issue in the near future as the unit values of both iron and managanese ores have gone up in the recent past and are likely to go up further if an understanding is reached between the major iron ore exporting countries to relate particularly the prices of iron ore to the rise in the international prices of steel.

The possibility of a drastic revision of the present scheme of granting rebate in railway freight for exportable items, however, has emerged from a communication addressed by the minister of Commerce, Prof. D.P. Chattopadhyaya, to the Railway minister, Mr L.N. Mishra, soon after the former's return from a visit to Brazil and New York last week. The Commerce minister is understood to have suggested that the matter may be examined by an inter-ministerial committee and till the findings of this committee are available, the Railway Board should hold in abeyance its decision to withdraw the rebate scheme. The Commerce minister's plea is said to be based on two factors. First, the ministry of Commerce feels that a sudden withdrawal of the scheme will affect export efforts at a time when exporters are being hard pressed by the continuing rise in ocean freight. Secondly, the withdrawal of the rebate may add to the difficulties of exporters who are experiencing hardship because of credit squeeze. The primary concern of the Commerce ministry, however, appears to be in respect of exports of iron and manganese ores and the abovementioned six items the exporters of which have been taking advantage of the rebate scheme.

* *

The nuclear power programme envisaged in the profile finalised by late Dr Vikram Sarabhai towards the close of the sixties, it is learnt, has considerably slipped. It was envisaged in this profile that we would be having by 1979 nuclear power generation capacity, over and above that of the first atomic power station at Tarapore, in Maharashtra, to the extent of about 2340 MWe. The current assessment is that not more than 870 MWe capacity would be added by early 1979.

The additional capacity in terms of the profile was to accrue from two units of 200 MWe each at the Rajasthan atomic power project, two units of 235 MWe at Kalpakkam, near Madras, two units of 235 MWe at Narora, in Uttar Pradesh, and 500 MWe capacity at each of the two other power stations to be added after the Narora project. It was envisaged that the construction of the above projects would be completed as follows: (i) Rajasthan project phase-I 1971; (ii) Rajasthan project phase-II 1973; (iii) Kalpakkam project phase-I 1974; (iv) Kalpakkam project phase-II 1975; the fifth atomic power project 1978, and the sixth plant 1979.

The Rajasthan project phase-I has already been completed. The implementation of all the other schemes, however, is trailing far behind the schedule contained in profile. The Rajasthan project phase-II is now expected to be completed in 1976. It will attain criticality a few months later. The first phase of the Kalpakkam project is expected to be completed only by the middle of 1977 and its second phase by early 1976. The other three projects are now envisaged to be commissioned in the early eighties. The first phase of the Narora project may be completed in 1981 and its second phase in 1982. The fifth and the sixth atomic power stations will come on stream some time after 1982. These two projects have yet to be approved by the Planning Commission.

The setback to the atomic power generation programme is understood to have been caused by the following factors:

(i) inability of the industrial infrastructure in the country to cope with a faster programme;

(ii) inadequacy of grids to receive large blocks of power and to tolerate outages of large units which may continue for some more years;

(iii) need to redesign reactor units to make them more efficient and economical and to adapt them to suit the capabilities of Indian manufacturers;

(iv) difficulties posed by our not being a signatory of the Nuclear Non-proliferation Treaty; and

(v) difficult resources position.

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POINTS OF VIEW

Banks and their big business clientele

B. Ramachandra Rao

FOR THE last few months 50 large big borrowal accounts are in the forefront. As on July 18, 1969, the outstanding advances to these parties by the 14 nationalised banks were Rs 399.74 crores and year after year the figure was going up. As on June 29, 1973, it stood at Rs 511.94 crores out of the total credit of Rs 3,480.80 crores of the public sector banks constituting 14.70 per cent. This assistance to the big borrowers came in for severe criticism in Parliament.

It is in this context, the Reserve Bank of India has now advised banks to exercise utmost caution to ensure that the amounts drawn by the borrowers are the minimum required for their immediate needs and that such amounts are used for the purposes for which they are drawn. It has suggested that to begin with banks may make immediate arrangements to watch the accounts of the fifty biggest borrowers in each bank. Certain guidelines have been laid down by the Reserve Bank of India to watch the big accounts on the basis of suggestions as under:

scrutiny of account

Larger debits in the accounts should be scrutinized so as to ascertain whether, prima facie, they relate to legitimate purposes. In case of doubt, enquiries may be made as to the exact purpose of the payment.

The maximum and minimum outstanding last balances in the account in each of the three years may be ascertained in order to find out the dependence of the borrower of a long term nature on bank finance as also to see whether the increased resort to bank credit is commensurate with the production needs.

Credit turnover in the borrower's account during each quarter over the last two years and hereafter may be compared with the sales realisation for the corresponding period to verify whether all sales realisations are passed through the bank.

The bank should insist on submission of periodical stock statements by the borrower at least once a month. Occasionally, these statements may be verified with the books of the borrowers and compared with the relevant balance sheet figures. If there are any large variations, the reasons should be ascertained. If, on verification with the books of account, it is found that there has been a large decline in stocks after the date of any statement, it should be checked whether drawings in the accounts were reduced or trade debtors had gone up correspondingly.

The relationship of inventory levels to sales may be studied and compared with the past trends.

The following data should be obtained and studied:

	1972	1973	1974
Inventories:			
Production: Estimated...			
: Actual ...			
Sales : Estimated...			
: Actual ...			

The projections for 1974 should be obtained monthwise or quarterwise and then verified with the actual performance: wide variations would require clarifications. To the extent feasible, the dates regarding inventories of one unit may be broadly compared with those of other similar units financed by the bank. The bank should obtain cash budgets and the statement of assets and liabilities on quarterly or lesser intervals and study them. It should obtain a statement of major items of debtors and creditors periodically and ascertain whether sundry debtors relate to credit sales. If not, the nature of the debtors may be gone into. Similarly, they may ascertain the nature of sundry creditors.

The bank should review from time to time the loans and advances given by the borrower to others as also the investments made by him outside his business and, if necessary, insist upon these loans/investments being liquidated, as early as feasible, to reduce his reliance on bank borrowings.

The bank should check how far the stipulations made by it or the Reserve Bank with regard to the borrowers falling within the purview of the Credit Authorisation Scheme or otherwise, are being complied with by the borrowers.

Where the borrower is relying excessively on borrowed funds, the bank should ascertain the efforts made by him to augment his own resources, either by way of issue of fresh capital or by way of plough back of profits or in any other manner, so as to reduce his dependence on bank finance.

blanket ban

Even before the banks in the country can study the instructions of the Reserve Bank of India to control the big borrowers, it appears that some banks in Tamil Nadu have frozen the credit limits of the largest 50 bank borrowers at the drawal levels obtaining as on July 12, 1974 (Friday). This blanket order is likely to put the big industries to considerable hardship. Borrowers who have already drawn their full limits before July 12, 1974 will be benefited, but those who have been using their limits sparingly will suffer for several weeks for want of working funds.

By this abrupt freezing of limits at the drawal level as on July 12, 1974, the big industries may not be able to pay their bills, cheques issued by them earlier may bounce and even dividend warrants issued against drawal arrangements may have to be dishonoured. In the case of sugar factories, credit has already been denied to them against stocks in the factory that have not yet been released for ration or free market consumption with the present squeeze, the sugar factories will not be able to pay any monies to the cane growers. For the big borrowers, it is very difficult to get funds from alternate sour-

ces as most of them have already collected the largest amount of deposits allowed by the Reserve Bank and would not be able to tap this source any more.

It is felt that with this big squeeze on the big borrowers, production would come to a halt unless the pattern of squeeze is changed and is made selective. Even the squeeze that was imposed on the banks during the recent busy season has hampered productive activity considerably, as banks had to deny credit to everybody due to paucity of funds. But this time the Reserve Bank of India appears to be very firm in getting its directives implemented. It was having periodic discussions with bankers individually and collectively during the past few weeks and has been impressing on them the need to ensure return flow of funds given during the last busy season. As a sequel to this, banks have been insisting on their trade and industrial borrowers to pay back whatever they have borrowed during the last few months. State Bank of India is already limiting its lendings to all non-priority sector accounts to outstandings as on October last plus five per cent.

By insisting on a continuous process the manufacturing industries and others to reduce their outstandings, the government and the Reserve Bank are endeavouring to bring about recession triggered by credit scarcity. The government directors on the boards of the nationalised banks have already been advised to exercise a strict credit control on all big proposals that come to the board for sanction.

packing credit

In order to have strict control over the export packing credit scheme, the Reserve Bank of India has brought packing credit also within the scope of prior authorisation under the Credit Authorisation Scheme. Even advances made against duty drawback, cash assistance etc. at the pre-shipment stage require now prior authorisation. Banks are told that credit limits to a borrower should be sanctioned separately for his domestic business and for export purposes.

The Reserve Bank's prior authorisation is required for pre-shipment export credit in cases where the total credit limits fall within the purview of the Credit Authorisation Scheme.

Export packing credits aggregating five lakhs of rupees to a single borrower from one bank, are however exempted from the requirement of prior authorisation, although these limits (even though below Rs 5 lakhs) are required to be reported to the Reserve Bank of India immediately.

In the case of existing export packing credit limits exceeding Rs 25 lakhs which have already been reported to the Reserve Bank of India and which were operative as at the beginning of July 1974, banks should apply to the Reserve Bank, before August 15, for its authorisation for continuance of such facility, together with a note indicating the basis on which such facilities over and above other cash credit or overdraft facilities are considered need-based.

Export packing limits below Rs 25 lakhs, which were operative as on July 1, and reported to the Reserve Bank of India, may be continued.

It has also been stated that while the maximum period up to which the concessional rate of interest (not higher than nine per cent per year) would apply is 90 days, banks should allow packing credits only for such periods as may be necessary.

higher charge

In cases where packing credits are availed of but the exports do not materialise banks have been asked to charge a suitable rate higher than the normal rate of interest from the date of the advance irrespective of the reason for exports not materialising.

At the same time the Reserve Bank of India has emphasised that banks "may freely" provide export packing credits to meet the genuine requirements of exporters within the overall credit limits authorised by the Reserve Bank of India for general purposes. In addition, banks may, in urgent cases, extend credit for meeting temporary requirements of exporters. The total temporary advances made under this relaxation for domestic and export purposes should not however exceed Rs 25 lakhs for a period up to three months.

The genesis of all control measures may perhaps be traced back to the meeting the Banking Department of the RBI had in the month of May in Delhi with some of the chairmen and managing directors of the public sector banks to consider steps for surveillance of industrial units showing signs of sickness and for defining a frame-work for regulating the management and production plans of larger industrial concerns. In the meeting it was felt that a working group is necessary to advise the financial institutions and banks to devise a procedure by which they keep a close watch over the production trends in the assisted concerns with a view to developing an early warning system by which coordinated remedia measures may be taken to prevent sickne of assisted units.

monitoring the accounts

Again, in June 1974, the Finance mini ter had a dialogue at Lucknow with th representatives from the ministry of Fir ance, Reserve Bank of India, State Ban of India and the other public sector bank The crucial question of credit contractio during the coming slack season had com up for discussion. It was felt that t achieve credit contraction, it would b better to monitor the big borrowal ac counts both in the private and publi sectors. It was also realised how diffi cult it is to reduce the absolute size c credit in a phase when prices of raw ma terials and other inputs required had bee going up continuously. If credit is re duced in a situation like this, the produc tion volume is bound to be affected. I was ultimately agreed that in the contex what is more important is neither credi squeeze nor credit restraint, but on should think in terms of credit planning Every bank has to prepare detailed credi plans and then ensure that credit goes t sectors that are important in augmentin production and facilitating movement an distribution of goods.

The Reserve Bank of India has nov set up a study group headed by M P. L. Tandon, chairman of Punjab Natio nal Bank, to devise measures for a follow up and supervision by banks of credit ex tended by them. The panel is obviousl set up to plug loopholes in the possibl misutilisation of bank credit by big busi ness houses.

When everything is said and done the rationale of credit watching method and control of big borrowal accounts can be better appreciated only if the measure are linked to the credit budgets of th banks and credit rationing to all the sec tors of the economy having due regard t the production plans of the borrower and the priority of the output in the eco nomy of the country.

Farm holdings: economics of size

D. Vasudeva Rao

THE MAXIMUM percentage (75%) of the farmers in our country are either small or marginal, with the land holding size less than or equal to 7.5 acres[1]. The market surplus varies widely with the size of the farms. It is obvious that the foodgrain (subsistence crop) production would be lower, due to low contribution from (a) small and marginal farmers than the large farmers, and (b) subsistence crops than commercial crops. Percentage distribution of the production in different size classes[4] indicates that the relative retention is more in the lower groups. Even today, the index of 'percapita availability of foodgrains' (total production/total population) is treated as an indicator to assess the development in agriculture and agricultural progress in any region of the country. With the new and multiple problems arising in agricultural sector, especially in the recent past, the above index no longer holds good in bringing out the real depth of the problem—availability.

biassed estimates

The estimates of production are arrived at, by government organisations/publications, either by crop cutting experiments conducted in very small farms, with many factors under control and the same is generalised for the entire region or nation, by multiplying the total area (without taking into account the land holding pattern) under that crop, with a standard/normal yield rate. This procedure is subjected to a lot of criticism and stands correction. The bias in the estimation is further precipitated while arriving at the marketable surplus for various grains by adopting some set percentages of production as marketable surplus for example in foodgrains (50%), groundnut (80%), chillies (80%), cotton (80%) etc., depending on the earlier local experiences. A rational examination of these figures raises doubts about their subjectivity/validity. The procedure is oversimplified if the production and marketable surplus are estimated in this way, obviously ignoring a good number of constraints operating in the agricultural field.

Besides the 'size of the holding', the other important factors that determine the production and marketable surplus are (i) acute fragmentation of land, (ii) cost of production, (iii) poor retention capacity of farmers, (iv) soil type and type of cultivation, (v) ill effects of land ceiling act, and (vi) lack of institutional finance and programmes for the small and marginal farmers in many areas. Hence meticulous care is needed in arriving at these important variables—production and marketable surplus.

recent studies

As the direct and positive correlation between the total production and the steady flow of marketable surplus gears up the tempo of economic development of any region, the main objective of this article is to throw light, on some of the recent studies made in various parts of the country (i) to make the administrators and planners to understand the real problem and not to get carried away by the deceptive index of "per capita" availability; (ii) to bring into light the areas where and by what proportion the agricultural wealth (in comparison with small and medium farmers) is getting accumulated, in the rural scene thus affecting the economy as a whole[1A]; (iii) the areas where further stress and improvement is urgently felt, to improve the conditions of small and marginal farmers so that their productivity and hence the market surplus can be improved.

The fragmented nature of holdings of these small and marginal farmers makes scientific farming almost impossible, which in turn is directly responsible for the lower yield and hence lower market surplus.

A study in Purnea district, Bihar[2] indicated "Right skewed distribution" of the land; prevailing on a low level of production, with the higher rate of share cropping, under rack rent conditions and higher cost of production in the lower size holdings.

In a study of Soundatti taluk[3], Mysore state, the irrigated and unirrigated farms

TABLE I

Purnea: Size and Percentages of Holdings and Area

Size	Percentage of holdings	Percentage of Area
upto 5 acres	78.2	34.6
10 ,,	14.1	27.4
above50 ,,	7.7	38.0
	100.0	100.0

were observed to be distributed skewedly with the frequency highest in the small holdings and progressively decreasing with the increase in the size of the holding.

The study in the Tungabhadra area[4] revealed that the marketable and marketed surplus increased with the size of the farm; with the lowest size farmer having nil surplus and in other highest groups 5.2, 10.7 and 37.5 per cent marketable surplus with the corresponding figures of 2.2, 5.5 and 33.3 per cent marketed surplus respectively of the total production. It was also observed that 90 per cent of the surplus was contributed by the large farmers.

low returns

The returns (on the sales of the produce) were observed to be very low, for the small farmers sell their produce immediately after harvest. The retention capacity is more with the progressively higher holdings, and their capacity to sell to other places (other than local markets) is also high, thus fetching higher rates and more profits.

The study in west Rajasthan[5] also indicated that the percentage of marginal and small farmers was as high as 76.7 of the total cultivators, indicating production and marketable surplus in the lower range to be very low. Added to this, the benefits like financial assistance given by the government and private agencies had gone largely to medium and large land holders. Small farmers could not reap the

benefits due to lack of their capacity to advance any tangible securities.

The study in Hoogli district, West Bengal[6] indicated the overwhelming domination by marginal (56%) and small farmers (24%). Another interesting point was that the total cost per acre for small farmers was nearly 60 per cent higher than that of marginal farmers on seed, fertilizer, pesticides, etc. The most important crops were sold immediately after the harvest by marginal and small farmers to repay the loans borrowed by them at the time of cultivation whereas large farmers could store their produce for considerably longer periods. The indebtedness was found to be very high (65%) in the lower group, usually using the entire amount for consumption purposes (non-productive) and/or cultivation. They could not get institutional (financial) assistance, because of their inability to mortgage any assets. Hence they had to approach private parties, generally their cultivators or local merchants for loans at very high interest rates with peculiar preconditions. The study[2] in the Purnea district revealed that the rate of interest sometimes worked out to be 140 per cent, depending on the time (immediately after harvest), type of corn, conversion of 'kind' to 'cash' at the time of payment, etc.

skewed holdings

The studies made in Tungabhadra area[1] revealed that the land holdings were skewed with only 3.6 per cent of large farmers commanding 26.0 per cent of the total land in Raichur district. In the context of market surplus, the small farmers contributed only 16.6 per cent of the total, whereas large farmers contributed up to 61.2 per cent. In terms of average, the marketed surplus per farm varied from Rs 1394 (small) to Rs 8384 (large) through Rs 2270 (medium).

The intensity of cropping has been observed to be a significant factor in raising production, which was possible only in the higher brackets of land holding. The small farmer generally received lower prices compared to the large farmer because of his (i) prior financial commitments resulting in forced and early sales, and (ii) small quantity of marketable surplus, rendering it uneconomical to transport to distant markets. Advantage of this fact is taken by local businessmen to make small purchases and send the total to distant markets where they can fetch higher prices. The percentage contributions to the total marketed surplus[4] by the small (16.6%), medium (22.2%) and large (61.2%) farmers indicate that the size of the holding directly influences the size of the total saleable output.

Another interesting finding was that "per acre marketable surplus" increases with the size of the farm[4], ranging up to 80 per cent through 39 per cent to zero per cent from the highest to the lowest size. The marketable surplus in the higher size groups were 279 per cent and 661 per cent more that of the lower group. Large farmers retain up to six months a major portion of their production, whereas small and marginal farmers sell their major production in the first two months. The small farmers had taken loans from the mandi merchants on the condition to sell their produce to them after harvest.

TABLE II

Distribution of Farmers by Size of Holding, Selling their Surplus, with Time

(percentages)

Size	Immediately	after 2 months	after 4 months	after 6 months
Small	74	26	—	—
Medium	41	59	—	—
Large	28	33	28	10
Big	25	37	24	13

In Telangana[7], sizewise analysis gave different elasticity of productivity, giving rise to the conclusion that the productivity elasticities of resources vary with the size of the farm. The input-output ratio increased with the increase in the size of the holding.

Small farmers could not utilise mechanical power and had to spend more money and time than the large farmers on land development. The cropping diversity was also low in small farms. Financial organisations had their own bias in advancing more loans to large farmers than the small farmers, who have more debt liability[1].

Yet another important factor that conditions the production and indirectly the marketable surplus is the type of cultivation: dry or light irrigation or wet. Crop yields differ under dry and wet cultivations, sometimes up to 100 per cent [8,9] difference.

It is also observed that due to the Land Ceiling Act (which specifies that more dry land can be retained by the farmer than irrigated one) the ratio being (Wet: I. D.: Dry) : : (1:3:5) the farmers are not cultivating their lands and thus converting their wet lands into dry, so that they can retain more of their land in the physical sense.[8] This method, in a way, is coming in the way of lands development, especially in the case of lands which are under new irrigation projects or command areas. In the command areas the villages are surveyed and are decided for localisation (suitability for wet, light irrigation and dry farming) depending on various characteristics, but all this planning is upset by the behaviour of the large farmers in view of the Land Ceiling Act.

The important factor that affects the production thus is the severe fragmentation of land. Due to the laws of inheritance, the landed property is divided among brothers and with passing of generations, the land becomes uneconomic. Hence the necessity of consolidation 'by law' is most urgent.

Streamlining is needed in the provision of financial assistance through insitutions to the small and marginal farmers at least for their cultivation purposes without rigid formalities of mortgage, guarantor, etc.

consolidation of holdings

In case of small/medium holding, the economic efficiency can be achieved by siphoning the surplus population from the agricultural sector to non-agricultural sectors, then consolidating small holdings to optimum sizes with operational efficiency. The idea is to minimise the underemployment than to provide new employment. The size of holding should be taken as the factor to measure the efficiency in the farm production and to determine the returns to scale. This factor may be an impediment in the way of achieving economic efficiency either because the holdings are too small or too large in the Indian context.

Most of the land which is left uncultivated, though it is cultivable, by large farmers due to their inability to manage the "very large" sized holdings should be immediately distributed to enterprising farmers for proper use.

In the light of the studies in different states, one can arrive at the conclusion that if the structure of land ownership is altered and a more even distribution undertaken productivity of land and total output can be increased.

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Soap muddle: present scarcity and price hike

Dr C.D. Maheshwari

THERE ARE two sectors in soap industry at present—one organised and the other unorganised sector. More than half of the soap production is in the small scale sector over which there is no price control of even an informal nature. The organised sector is usually represented by the Indian Soaps and Toiletries Makers' Association (ISTMA). The two big units or manufacturers in this organised sector are Tata Oil Mills and Hindustan Lever.

There was no statutory control over the prices of soaps and synthetic detergents, but there was an informal price control on soaps produced by the organised sector, except the premium grade toilet soaps. It was in July 1973 that the prices of soaps manufactured in the organised sector were last revised and the ISTMA used to consult the government every time it wanted to revise the prices.

In the last few months there had been sharp fall in soap production in the organised sector and the spokesmen of the organised sector had stated that in view of the present unremunerative prices of soaps, they were unable to purchase sufficient quantities of oils and fats at the prevailing high prices. The Indian Soaps and Toiletries Makers Association had therefore asked for an increase in the prices of soaps on the ground that prices of oils and fats had significantly increased.

The government has modified the system of regulation of prices or distribution. The organised sector has been asked to manufacture one brand of popular 'Janta' soap of a specific weight and this will be subject to government's price discipline. A percentage of the soap production of each unit in the organised sector has been reserved for this brand and rest of the production capacity may be utilised for manufacturing premium grade soaps which will not be subject to any price or distribution control. The government is also thinking of allowing the soap industry to cut down on perfumes and wrapping material so as to enable the manufacturers to keep the prices of popular brands as low as possible.

The main raw materials in the soap industry have hitherto been imported tallow and the indigenously produced edible oils. The soap producers have already reduced the tallow content of fat consumed for soap manufacture to 30 per cent from the usual 60 per cent. The government has now asked the soap manufacturers to reduce it further by 10 per cent.

The soap industry's annual requirement for mutton tallow was estimated at 75,000 tonnes, all of which was imported. Of this 45,000 tonnes was allotted to the organised sector and the balance was given to the small units in the unorganised sector.

The import of tallow has now altogether been banned so as to save foreign exchange. The switch over to minor seed oils, in place of the imported tallow and scarcely available edible oils, will not only save foreign exchange, but will also provide direct as well as indirect employment to a large number of persons. Most of these seeds as well as mowah are forest products, so a large number of persons will be required for picking them.

As regards the use of edible oils, the government seeks to discourage it in the manufacture of soaps. The government will, however, assist the soap industry to step up production of alternative minor seed oils to replace tallow and edible oils.

The government is encouraging the use of rice bran oil (non-edible grade) and a number of other non-edible oils such as sal seed oil, neem seed oil, karanj and mahua seed oils which can be utilised to produce soaps of different quality. The excise rebate on the use of such oils in soap manufacture was substantially increased with effect from August 1

1973. The government will allow liberally the establishment of solvent extraction plants.

It is estimated that nearly five lakh tonnes of these non-edible oils can be produced in the country from existing resources if some initiative is taken by Petroleum and Chemicals ministry to pursuade the large manufacturers.

Synthetic detergents, which are substitutes for laundry soaps, are being encouraged since their manufacture requires neither tallow nor oil. To encourage the indigenous production of synthetic detergents, the government has already issued liberal licences for expansion of the existing units as well as establishment of new ones.

raw materials

However, for the indigenous manufacture of synthetic detergents important raw material, — alkyl-benzene and STPP — is not available in the country. It is imported from outside. But it saves foreign exchange to import cheaper alkylates than tallow or non-edible oils. The present synthetic detergents industry in India is based on imported alkylates. The government is making special arrangements to import alkyl-benzene so essential for the manufacture of synthetic detergents. The Indian Petro Chemical Corporation has also been asked to examine the feasibility of manufacturing alkyl-benzene, as it is a product of petrochemical plants. Regarding STPP a licence has already been granted to a big business house to set ap a unit at Haldia and the government is expeditiously clearing more applications pending with it for STPP.

As synthetic detergents are substitutes for oil and fat based laundry soaps, the government has decided to increase the synthetic detergent capacity even when benzene, an essential raw material for synthetic detergents, is not indigenously produced. Government wants that for laundry soaps synthetic detergents should as far as possible replace the traditional soap.

The present capacity for synthetic detergents is around 115,000 tonnes per annum; for an additional 70,800 tonnes licences have already been issued and for 160,000 tonnes, letters of intent have been issued, but as mentioned above, shortage of imported raw material—alkyl-benzene and STPP—is standing in the way of large scale production of synthetic detergents in the country. In 1972 aggregate synthetic detergent production was only 63,000 tonnes which increased by only 9,000 tonnes in 1973.

issue of licences

Licences and letters of intent for the manufacture of synthetic detergents were issued in a rather haphazard manner and uneconomic unit sizes of 10,000 tonnes per annum each were required to be set up. Even at present nearly one lakh tonnes of new capacity is under implementation. However, it is not certain whether an uninterrupted supply of indigenous alkylates such as non-edible oils will be made to the new units manufacturing synthetic detergents.

Unless and until the indigenous supply of non-edible oils is intensified and increased, the progress of soap manufacture and synthetic detergents production in India will remain dim and dismal in the coming years, at least during the entire fifth Plan period. In order to restore some equilibrium in the demand and supply of soap and detergents in the country, sustained and continued efforts to increase the indigenous alkylates are necessary.

Big units in the organised sector of the soap industry, such as Tata Oil Mills and the Hindustan Lever should be encouraged to produce sufficient quantities of non-edible rice-bran oil by collecting rice bran even from old and antequated rice mills. New licences for the production of synthetic detergents should be granted to large units only on the condition that they will put up in the country rice-bran oil extraction plants. The ceiling of 10,000 tonnes per annum on plant capacity should be relaxed and units of capacities larger than 10,000 tonnes may be encouraged in the interest of efficient and economical production.

The above suggestions in regard to the intensification and increased supplies of indigenous alkylates, if implemented, would make it possible for the present soap production in the country to increase to 12,00,000 tonnes by 1981-82 besides about 5,00,000 tonnes of synthetic detergents. If the production of indigenous alkylates, which are essential raw materials for the manufacture of synthetic detergents, is not taken up in right earnest, a continued shortage in the soaps and detergents will persist in the country for about a decade even.

After discussing the raw material components and other technicalities of the soap industry and also looking into the possibility of developing indigenous supply of substitute raw materials, to replace the hitherto imported tallow, the causes of the present soap scarcity and the consequent price hike can easily be now deduced.

There has been a sharp decline in soap production from January 1974 onwards. The total production of soap in the country last year was around 600,000 tonnes, requiring 300,000 tonnes of fats and oils. It is apprehended that in 1974 the total production of soap will be 270,000 tonnes only as the availability of fatty material to the organised sector is not likely to exceed 125,000 tonnes, whereas the demand for soaps has been increasing by about 10 to 15 per cent.*

lethargy and inertia

Cut in the import of tallow has been one of the important reasons for the low production of soap. Lethargy and inertia on the part of the Petroleum and Chemicals ministry last year in recommending licences for synthetic detergents, has considerably delayed setting up new units. Reduced availability of synthetic detergents pushed the demand for laundry soap thereby contributing to its price hike. Another reason for low production of soap was that no efforts were made by large-scale laundry and toilet soap manufacturers to increase the supply of indigenous alkylates (non-edible only) to meet in part the shortage of raw materials due to cut in the import of tallow.

There are not only vast possibilities of production of non-edible oils and indigenous alkylates from agricultural and industrial sectors but fatty acids as developed by the scientists of the Institute of Petroleum, Dehra Dun, and the petroleum refinery fractions can also become raw materials for the soap industry. The capital equipment for the manufacture of the substitute-raw material discussed above can also be produced indigenously. If the government makes sustained efforts in right earnest for the indigenous supply of the non-edible oils, the present scarcity of soap and synthetic detergents will soon be wipe out and the prices will also start declining.

*Shortage of rubber-processing tools delays tyre project: Soap Scarcity—Reasons: *Economic Times* 17-8-1974.

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Japan's continuing "economic miracle"-1

London

Jossleyn Hennessy

I

Years of Economic Growth

THE LAST 10 years have seen a rapidly growing and changing Japanese economy faced with great challenges both at home and abroad. They have been years of transition witnessing the emergence of Japan as a great economic power and foreshadowing the problems that lie ahead. Economic growth has remained impressive with real per capita GNP increasing at an annual rate of over nine per cent, compared with five per cent for France, four per cent for West Germany and three per cent for the United States, to name a few major OECD members.

But growth has also been accompanied by important disequilibria, externally and domestically. Externally, the progressive accumulation of a huge current account surplus, at a time when Japan's weight in world trade had become large, was certainly not a minor factor in the crisis which shook the foundations of the international monetary system set up at Bretton Woods. Domestically, with improved living standards, the problems of growing social imbalances and inflation, and the spread of pollution and other environmental damage created by fast industrialisation have come to the forefront of politics.

In the late fifties doubts were expressed as to whether Japan could continue the exceptional growth performance of the postwar years. These discussions both official and academic, were based upon the feeling that, with the ending of the postwar rehabilitation period, the scope for maintaining a high rate of growth had become smaller and that, consequently, a progressive slowdown of rates to those registered by other industrial countries was to be expected. Events proved such forecasts wrong and showed the resilience and flexibility of the Japanese economy. At 10.6 per cent a year, the growth of real GNP in the last ten years has in fact been higher than that of the previous decade: the basic factors, which had enabled Japan to grow rapidly in the fifties, continued broadly in the sixties and, indeed, are still present though their relative importance has changed with time.

Among the factors behind Japan's growth performance since the 1960s have been : abundant labour and a two-fold economic structure; high investment and savings accompanied by credit and fiscal policies designed to encourage high profits and investment; rapid introduction of important technology; combination of export-led and investment-led growth patterns, facilitated by appropriate exchange rate and other policies; great capacity to transform structures (particularly in relation to industry), advanced education levels, and high quality of labour and entrepreneurial ability.

II

The Two-Fold Structure

The two-fold structure of the Japanese economy, whereby sectors and activities with low productivity coexisted with modern and highly productive industries provided the country with a large labour reservoir and permitted considerable shifts of employment among, and within the different sectors of the economy—to a greater extent than in any other OECD country with a similar starting position, Italy and Spain for instance. Such shifts have naturally contributed to the fast rise in overall productivity per employed person throughout the postwar rehabilitation period and well into the sixties. Though it is difficult to evaluate the contribution of these structural shifts in employment to the growth of output, OECD Secretariat estimates based on somewhat arbitrary and simplified assumptions, indicate that it has been sizeable, perhaps 10 per cent of real GNP growth between 1955 and 1969.

declining trend

The trend decline in the share of agriculture in total employment has continued unabated during the last ten years, with a fall from 26 per cent in 1963 to 14.5 per cent in 1973. But its contribution to the increase of employment in industry has become progressively smaller and there has been, as a result, a considerable tightening in the labour market. Its future contribution is likely to be even smaller than would appear on the basis of the still relatively high share of agriculture in 1973 compared with that of other highly industrialised nations such as the USA and West Germany: the age structure of employment in agriculture (in 1973 some 70 per cent were 40 years old or older) makes it difficult for such transfers to take place even on a much smaller scals.

This is not to say that the dualistic structure of the Japanese economy has disappeared or that the growth in productivity resulting from employment shifts has played a minor role in the most recent years. Shifts within and between the industrial and services sectors are still taking place and are likely to continue, as witnessed by the steady decline in the proportion of self-employed in each sector. To the extent that such shifts take place from industries with a lower level (and/or smaller growth)

WINDOW ON THE WORLD

of productivity, they may contribute substantially to the growth of output. But the progressive narrowing of wage differentials between small and large firms is an indication that the scope for intra-industrys hifts has become smaller. Moreover, the changing structure of final consumer demand toward services and the resultant growing weight of this sector in total domestic output and employment may also imply that productivity increases will become smaller. However, considerable manpower reserves still exist in the commercial sector, where the scope for rationalisation remains large.

III

High Investments, High Savings, High Profits

The rapid increase in productivity per employed person and the concomitant changes in the employment structure have been made possible by the high and growing rate of investment. On average during the last ten years the share of gross fixed investment in GDP in Japan was the largest among major OECD countries. Moreover together with that of France, it was also increasing at the fastest rate. When private productive investment alone is considered, the difference becomes ever more striking.

Developments during the last decade thus continued to show a high propensity of enterprises, leading to rapid growth, high profits, a rapid rise of household incomes and an increasing personal savings ratio which helped to finance further increases in business investment. The share of total national savings (the sum of gross investment and the current external surplus) in GNP rose from 35 per cent in 1963 to 40 per cent, on average, in the most recent years—remaining by far the highest major OECD countries throughout the period.

Japan's virtuous circle

The interaction of high investment and savings ratio is one fundamental aspect of Japan's virtuous circle of economic growth. Whatever the direction of the casual relationship, a high savings ratio has permitted a high investment ratio and thus a high growth rate, which in turn has provided one—if not the only—reason for an increasing savings ratio.

There are, indeed, other factors which could explain the behaviour of household savings in Japan, the most important of which are: the need to compensate for the insufficiencies of the social welfare system, especially the low level of old age pensions; the need to finance education expenditures; the desire to finance the purchase of a house: given the increase in land and construction prices and the late evolution of a housing credit system, people have tended to increase the proportion of their incomes that is saved in order to maintain the real value of their savings balances; and finally, relatively undeveloped consumer credit facilities.

All these factors, however, while explaining in part differences in the level of household savings between Japan and other industrialised countries, cannot fully account for the high trend growth rate of the savings ratio unless they are viewed within the dynamics of the growth process in Japan.

A peculiarity of the Japanese wage system is the large lump sum payments which are given to workers twice a year (June and December) and are linked to corporate profits. Though such bonuses cannot be fully considered as "transitory income" since workers have come to expect them, the propensity to save out of these payments is much higher than it is out of regular earnings. Because the share of bonuses in total wage earnings has increased substantially since the mid-fifties, it is not surprising to see that, on average, the propensity of workers to save has also increased. And since household incomes are largely composed of wages and salaries, this also explains the upward trend in the savings ratio of the household sector as a whole. A direct relationship can consequently be found between the high and increasing level of private productive investment, a consequent increase in enterprise revenue and profits, higher bonus payments, and, in turn, a higher savings ratio. In other words, the rapid rate of growth resulting from rising investment expenditure itself generates the financing for an even higher level of investment in a cumulative dynamic process.

high savings ratio

Theoretically, a high savings ratio does not by itself ensure a high rate of investment and growth-unless there is a demand for investment and unless savings are effectively channelled to its financing. Economic policy in Japan by allowing high profits has, however, encouraged private productive investment and ensured that savings be made available to it. Banks have been the major intermediary between investors and savers, providing to investors the major source of their financing and to savers the desired financial assets in which to hold their savings. Through appropriate low interest rate policies, depreciation allowances and protective measures and, not least, by limiting its own recourse to borrowing from the private sector, the government has thus greatly stimulated demand for investment and freed resources for its financing. Investment demand has only been curtailed in periods when restrictive credit policies were required for balance of payments reasons.

The system thus developed has proved highly efficient and so resilient that difficulties have been and are being encountered in the attempt to shift resources away from private investment in order to satisfy the increasing demand for welfare and social infrastucture—a stated objective of the last three development plans.

During the last decade the massive investment effort has contributed increasingly to both the rise in output and demand. The capital elasticity of production (i.e. the percentage increase in output resulting from a given increase in the capital stock) and the contribution of investment to the growth of demand have increased progressively throughout the sixties. As a result, investment played a growing role in determining both the potential growth of output and the fluctuations of economic activity.

At the same time, the capital intensity of production processes has also been increased considerably as investment has not only been directed to expanding capacity but also to . replacing labour in response to the progressive tightening of labour supply and increasing cost of labour relative to that of capital. The high rate of investment has also permitted the quick adoption of imported technology and, increasingly, the development of domestic technological advances.

IV

Investemnts and Exports

The sharp rise in productivity resulting from the high investment rate and from technological progress has allowed Japan to achieve a generally satisfactory price performance at the wholesale level until 1971-72 despite relatively large increases in wages. That this should have progressively strengthened Japan's competitive position under a system of fixed exchange rates and, with time, caused a basic imbalance in external transactions was predictable, as also was the slow response of economic policy to such a fundamental change. It is consequently not surprising that, with the US balance of payments simultaneously weakening, both Japan and the world monetary system faced their most serious postwar crisis in 1971. Throughout the postwar rehabilitation period and even in the sixties (though to a progressively lesser extent) Japan's foreign trade policies aimed to encourage exports and control imports, because the balance of payments was the most important constraint on the achievement of full employment and rapid growth. Though imports were progressively liberalised, various export incentives, such as favourable tax treatment or special credit facilities, remained in force until recently.

additional capacity

Plant and equipment investments continuously created additional productive capacity for export and strengthened the competitive power of Japanese industries. That prices of intermediary and basic materials remained stable at a relatively low level also helped the competitiveness of many Japanese exports. Thus, industries which had originally been developed to supply the domestic market with basic products (such as steel, automobiles and chemicals) acquired increased strength as export industries. The growth of exports was also stimulated because foreign demand for what progressively became major Japanese exports was expanding fast. As a result, increased competitiveness and the composition of exports permitted continuous and sizeable market gains, greatly expanding Japan's weight in foreign trade.

The rapid rise of exports lifted the balance of payments ceiling on growth so that it became less necessary to restrain aggregate demand to maintain balance of payments equilibrium. The turning point probably occurred around 1968, when the current balance moved into strong surplus reflecting, what can be considered with hindsight, a basic disequilibrium. The interplay between investment and exports is thus a second aspect of the Japanese virtuous circle. It permitted simultaneously a high rate of growth and the progressive reduction of the external constraints to the attainment of full employment. It allowed the economy to be progressively liberalised thereby providing for an improved allocation of resources. But it also bred the seeds of what have now become other problems and challenges facing the country's economy.

The interaction between investment and exports greatly affected the structure of industry which showed rapid changes throughout the sixties. As the average contribution of export and private investment in total final demand rose progressively from 34.5 per cent during the years 1960-65 to over 40 per cent in the period 1965-71, there was also substantial change in the composition of industrial output. Generally the industries that rose faster than average were also those whose export dependency was increasing substantially, iron and steel for example, machinery, chemicals, and later automobiles and electronic products. Conversely, those industries which registered a slower growth of exports, e.g. textiles, also saw their weight in total production decline. This, of course, has rendered the economy more dependent upon external demand, even though the share of exports in GNP remains low when compared with that of European countries. It has by the same token increased proportionately Japan's stake in the maintenance and development of a free trade and payments system.

This rapid sketch of some of the main economic factors behind Japan's growth performance has emphasised some important relationships between certain economic variables. But the institutional, human and sociological basis upon which the "growth model" is rooted has also been important, though difficult to quantify. A highly competent and effective government, the existence of skilled and flexible labour supplies and the great inventiveness and ability of entrepreneurs (a la Schumpeter) have all enabled the economy to maintain virtuous growth. They have created the historical conditions in which it was possible to develop "special" relationships between the government and the private sector as well as between the different social partners, thereby avoiding conflicts which would have harmed the growth of the economy. Entrepreneurs have generally accepted and cooperated with the basic goals of the government. Workers, while claiming their fair share of economic growth, have also grasped that their interests are basically linked to those of the enterprises employing them. Thus major economic policy decisions have been taken only after achievement of a "general consensus" which made them broadly acceptable to the public at large.

V

The Future

The next decade will be greatly affected by whatever consensus develops on how to cope with the problems created by the rapid growth of the past. There is a clear, increasing demand for public service, housing facilities and improved distribution of income in favour of the poorer and aged. There is rising resistance to the unfavourable by-products of rapid industrial growth, i.e. pollution, excessive urbanisation and destruction of the natural environment. With the growing inelasticity of the labour supply, the

Japan's Manufacturing Industry—By size Category of Establishment, 1970

Size Category (No. ofpersons employed)	1-9	10-19	20-29	30-49	50-100	100-199	200-299	300-499	500-999	1000 and over	TOTAL
Number of establish-ments	479,376	88,761	26,334	23,861	18,812	8,715	2,742	1,987	1,449	894	652,931
Number of persons employed	1,909,757	1,262,388	646,686	912,601	1,291,099	1,193,821	665,274	760,033	991,007	2,047,014	11,679,680
Amount of value added (in millions of yen)	1,933505	1,836,271	1,049,153	1,483,015	2,311.900	2,400,838	1,559,341	1,917,340	2'848,863	7,231,679	24,571,912

Source: Japanese Ministry of International Trade and Industry.

imultaneous achievement of full employ-ment and price stability will become ncreasingly difficult, especially if resources .re to be devoted to more and better ɔublic services, to pollution control and mprovement of the environment. No ess difficult challenges will face Japan ıbroad. Given Japan's present weight in world trade, it will probably be difficult for :he country to continue increasing its share in world exports at past rates (unless this is matched by equivalent increases in the share of imports and/or large capital outflows) and to secure the raw materials required by industry at the relatively low prices of the past.

In the last two years these problems have already become pressing. The revaluation of the yen showed that the external imbalance had become unsustainable and that resources had to be diverted away from exports to increase domestic welfare. The subsequent misguided attempt to shift resources towards the public sector by increasing public spending at the same time as private demand was showing a strong recovery, has resulted in unprecedented rates of inflation, also exacerbated by world-wide scarcities of raw materials and, more recently, by the oil crisis.

While it is wrong to extrapolate into the future on the basis of events which are by no means exclusive to Japan and which may prove temporary, it is clear that a new pattern of growth is slowly emerging. To what extent this will offset growth performance in the seventies, however, is not easy to predict. The objectives and policies outlined in the Basic Economic and Social Plan FY 1973-1977 adopted a year ago, imply a lower rate of growth than in the previous decade. But previous plans had also made similar forecasts, and the flexibility with which the economy has adapted to changing circumstances make it by no means certain that actual developments will conform to the Plan's forecasts.

Next week I will report on the contribution to her "economic miracle" of Japan's industrial policy.

Sources and acknowledgement: The foregoing summarises a special thirty page report on "Japan Ten Years After Joining The OECD" in the latest issue of the OECD *Observer* (2 rue Andre Pascal, F75775 Paris Cedex 16), but the OECD is responsible neither for the emphasis of my summary nor for my interspersed comments, based on a variety of sources.

The yawning gas gap

EXHAUSTION OF the world's older oilfields and reluctance of exporting countries to step up production from prolific new fields confront world energy consumers with a shortage for which no near-term solution is in sight. Almost limitless supplies of solar, wind, tidal or geothermal energy or of electric power from nuclear fusion provide the long-term hope of enabling this planet to support its vastly increased population load. In the meanwhile, however, known sources of fossil fuels will have to fill the gap.

North America, the Soviet Union and mainland China can look forward to major increases in coal supplies. Shale reserves, though higher-cost, are also immense. Much closer to hand, and with decisive environmental advantages in both extraction and consumption, is natural gas.

World gas reserves appear to be as widely distributed as those of oil, and to represent an energy pool over half the size of oil reserves. But a combination of transportation difficulties and governmental and regulatory interferences have thus far prevented gas from occupying its rightful place.

In the United States, thanks to the boldness with which long-distance pipelines were laid after World War II, the exploitation of gas dicoveries has been easier. For more than twenty years, this allowed production to grow rapidly. But, ever since the Supreme Court's 1954 decision in the case of Phillips Petroleum Company v. Wisconsin, the picture has become increasingly cloudy. The United States remains by far the largest gas producer in the world. But the continuation of present trends will, in a matter of fifteen years cause it to be overtaken (as recently occurred in the case of oil) by the Soviet Union.

The consumption in the US has continued to rise, establishing gas as the leading domestically-produced energy source. But total reserves have been shrinking since 1967.

rapid growth

A new review of natural gas produced (or sold) by 30 oil companies over the last ten years shows how rapidly this part of their business has grown. The table (page 811) shows that in last year 20 leading integrated oil companies based in the United States produced almost 21 billions cubic feet daily of gas, compared with not much over half that amount ten years previously. Meanwhile, the five largest international companies based in the United States raised their production to nearly 23 billion cubic feet daily—almost a three-fold increase. For the five largest international companies based outside the United States, the growth was even more dramatic. Last year's production of six billion cubic feet daily represented more than a five-fold increase over the decade.

In total, these 30 companies last year produced gas at the rate of nearly 50 billion cubic feet daily—70 per cent in the United States and 30 per cent abroad. Their production had grown at an average of 10.2 per cent annually during the mid and late sixties. Since the opening of the seventies, however, the advance has slowed to less than half that average.

Undoubtedly, the main prospect for rapid growth in gas production now lies in the eastern hemisphere. Supplies to the British market, already three billion cubic feet daily, are expected to double by the early eighties as a result of discoveries in the North Sea. In the Middle-East, where nearly nine billion cubic feet daily are still being vented or flared in association with oil production, there is mounting interest in fertilizer and other gas-based export projects. In the Soviet Union, reserves are the largest in the world and are likely to be developed rapidly.

With massive discoveries already made in the western hemisphere, world reserves of natural gas are believed to be large enough to support many decades of increased production. The latest Geological Survey estimate of ultimate gas resources in the United States is 2,500 trillion cubic feet. For the world as a whole, the total has been estimated at no less than 19,000 trillion cubic feet.

For practical purposes, however, these huge totals are meaningless. If recent price relationships prevail, much of the gas will never be produced.

The US, being the largest and most competitive fuel market, the electric utility industry can be used to portray price trends for wholesale consumers generally. By the end of last year, the cost of gas to utilities had doubled since 1953. But the long-term lag of gas prices in relation to other fuels has by no means disappeared. After selling at a discount of between 10 and 20 cents per million British Thermal Units (Btu) in the early fifties, gas was last year still selling at a significantly lower price than coal, and at under half the price of oil.

Recent increases have gone some distance toward eliminating the distortion of gas prices in the United States. Early this year, utilities were paying an average of 41 cents per million Btu. New gas was being dedicated at some 50 cents per thousand cubic feet (approximately equivalent to one million Btu) to the inter-state market, and at over dollar one delivered from Canada. Intra-state contracts have been signed for as much at $1.50.

Within this framework, the June decision of the Federal Power Commission to maintain artificially low prices on old-contract gas and to keep a ceiling—this year of 43 cents per thousand cubic feet—on new gas will not suffice to encourage the necessary production effort. Allowing for the tightness of supply, Citibank expects demand for natural gas in the United States to decline by more than one per cent annually for the remainder of this decade, compared with a rise of almost six per cent annually during the sixties.

fresh activity

The recent improvement in prices has indeed stimulated fresh exploratory activity. In the first half of this year, gas well completions were running nearly 60 per cent higher than the year before. But this rise has come too late to improve the situation for the coming winter, when natural gas is likely to be the only major type of energy still subject to rationing in the United States; curtailments, including firm as well as interruptible gas supplies, are expected to be at least 50 per cent higher than last winter.

Three years or more will certainly be needed before the renewed drilling activity can be reflected in greater gas production. The full impact will be felt only when confidence in higher price levels has become firmly established.

Price uncertainties have impeded gas development even for the sorely needed discoveries of the eastern hemisphere. From the cost of fuels for industry in Great Britain as an index of the relative price of gas in large foreign market, it can be seen that gas is now selling at sharply reduced levels.

So long as such discounts on gas prevail, sharp increases in exploratory effort abroad are unlikely. Countries with long production histories, such as Italy, France and the Netherlands, have committed most of their known gas at prices that now look unduly low. At the same time, countries with large future potential, as in the Middle-East and around the North Sea, are driving away investment by delaying the issue of new leases and demanding increased government participation.

transmission problems

With the new tightness in energy markets putting increased burdens on supply, it is astonishing that more progress is not being made in linking known gas reserves to hungry markets.

In North America, most of the principal gas fields have long been linked to major consuming areas, with all the mainland states and provinces (excluding the Canadian Maritimes) now served by natural gas. But the discoveries in northern Alaska cannot be marketed until a decision on the pipeline is reached. Even without connecting lines, an investment of over $6 billion would be required for the proposed Arctic Gas System, which would raise supplies by volumes that could total 4½ billion cubic feet daily. An alternative proposal would transmit gas from northern to southern Alaska and then ship it to market as liquefied natural gas (LNG).

Similar choices between alternative pipeline and refrigeration solutions have been among the bottlenecks holding up utilization of Middle Eastern proven reserves (estimated at over 400 trillion cubic feet). An early venture was the 40-inch pipeline from southern Iran to the Soviet border that has been operating since 1970. In today's energy squeeze, however, even larger pipeline—from Iran and the major Arab countries to western European markets—are competitive and could prove mutually beneficial. A pipeline passing from Algeria (with proven reserves estimated at almost 100 trillion cubic feet) under the Mediterranean to the markets of southern Europe also appears to be technically feasible.

In the North Sea, production has been stimulated by the speed with which surrounding countries agreed upon the international boundary lines drawn up in the Geneva Convention on Continental Shelves, and by the eagerness of those governments to ease their increasingly severe energy deficiencies. Leman Bank, brought in six years ago, has now become the world's most prolific offshore gas field. With the completion of over 300 miles of underwater gas pipelines and with output of both gas and oil still far from their expected peaks, capital expenditures of at least $2 billion annually will be required for the rest of this decade.

Although techniques of laying long-distance, large-diameter gas pipelines have advanced far enough to permit exploitation of gas fields lying in 500 feet or more of water, output from some of the largest fields can only reach market if carried long distances by sea.

Delays in further development of LNG resources, especially in the Middle-East and South America, are partly accounted for by distrust of projects presupposing long-term commitments on supply or price between producing and consuming countries. Cost factors have also played a part. The earliest projects were based upon an assumed average investment of approximately $1 billion per billion cubic feet daily of gas deliveries. To allow for recent escalations of cost, this average must now be increased several-old. At the same time, attention to security of supply is now much greater than it used to be, while major exporting countries are becoming more reluctant to step up production or to export non-associated gas.

interest revival

Revival interest in LNG projects must await evidence that they can compete with alternative transportatian modes such as methanol imports or synthetic natural gas based on coal or imported naphtha. Eastern hemisphere deliveries of LNG to the east coast of the United States, at more than $2 per thousand cubic feet, may appear less attractive. In these circumstances, LNG activity is likely to be concentrated in areas where gas is produced in association with oil, or where the producing country is acutely short of other sources of foreign exchange. For the foreseeable future, however, it is being delayed by the long order books of companies producing refrigeration equipment and cryogenic tankers. A further problem is that LNG projects are among the most capital-intensive in the energy business.

Yet the world's unexploited natural gas reserves offer the attractions of an almost entirely pollution-free fuel, already widely known and not necessarily requiring large additional capital investments. A recent Citibank estimate suggests that gas-company projects are now absorbing only 10 per cent of energy investment in the non-Communist world—totalling $127 billion annually. For the year 1980, investment in oil and gas production may have risen (in constant dollars) to $27 billion.

If the facts indicate that one of the most constructive responses to the energy

challenge would be to stimulate the development of natural gas, the main requirement is to attract additional capital. In the new circumstances of petroleum ownership and production, much of this capital, particularly for natural gas liquefaction projects, might be raised from the greatly enlarged financial resources of producing countries.

The remainder of the needed investment, as in the past, must come primarily from private sources. They can be expected to respond, if rates of return are adequate. Yet last year gas-utility and pipeline companies in the United States earned only 12.8 per cent after tax on their net worth, against 14.8 per cent for manufacturing industry.

Moreover, these companies may have benefited from price controls and are, in any case, engaged in the less risky end of the gas business. Ventures in gas production, as distinct from transmission or distribution, have traditionally been undertaken in the expectation of an after-tax return of at least 20 per cent.

An obvious and overdue step in the direction of improved rates of return and thus larger gas supplies would be to abolish all types of wellhead price controls. The recent move by the Federal Power Commission to replace area rates by a national ceiling suffers from the weakness that it preserves an existing distortion by pegging the price of new gas far below competitive levels. New gas should be freed, and old gas restricted only by escalation and renegotiation clauses until contracts expire.

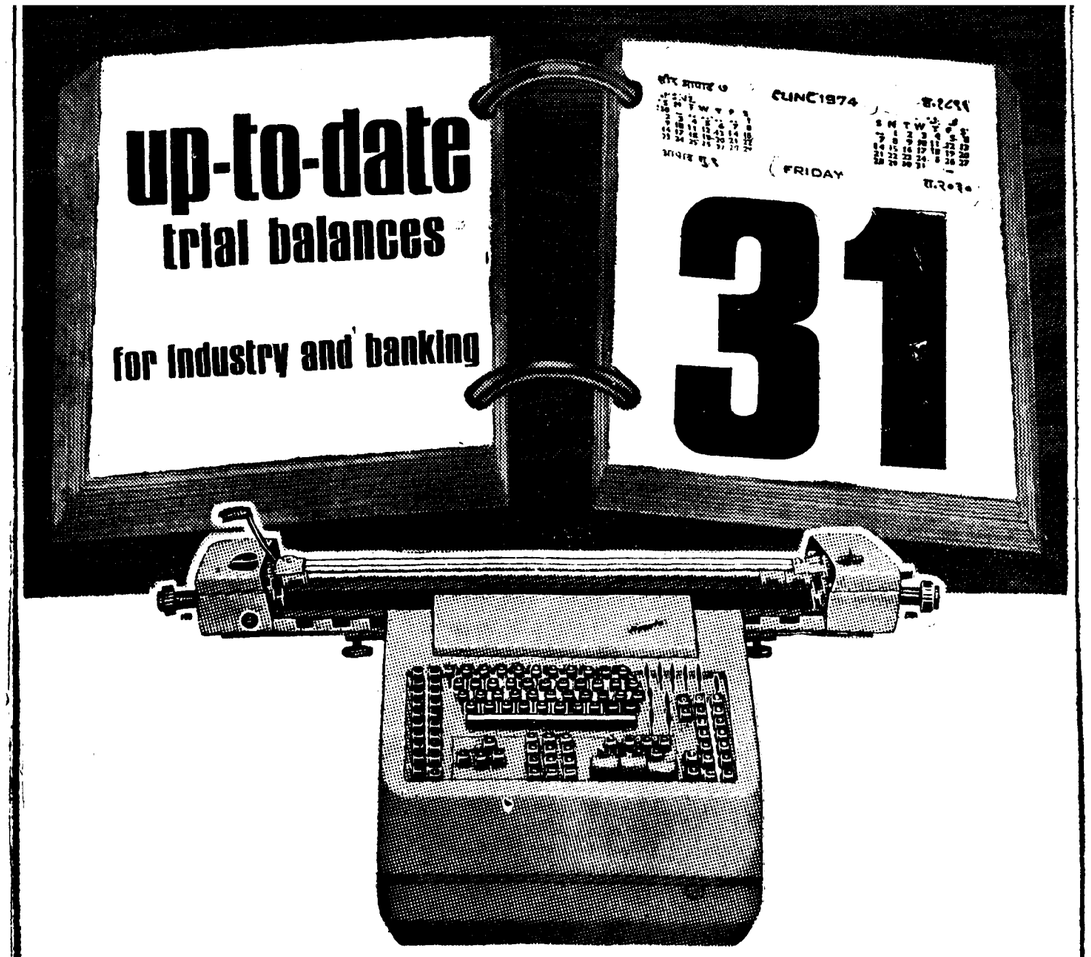
At the same time, new producing countries should cease to follow the American pricing precedent that has caused shortages for a full six years and has now been disowned even by those administering it. Reserves and consumption abroad, in so far as historic data permit show that, although gas consumption abroad reached 62 billion cubic feet daily in 1973, reserves outside the United States are still climbing steeply. Yet the 1973 reserve level of 1,800 trillion cubic feet (against 250 trillion in the United States) could mark a plateau, if too many consuming countries seek to force down the domestic price of gas.

Worldwide as well as in the United States, the time has come to remove controls that artificially restrain supply and stimulate demand. Even before the gathering pace of inflation made them almost unworkable, these controls had become an anachronism. Their removal now, and firmness in continuing to shield gas production from threats of "windfall profits" taxes, would restore the long-run investment assurance that past policies have undermined. This would set the stage for a new surge of production, expanding conventional supplies and drawing less accessible reserves into the market. It would reverse the policies that have in the past done so much to widen the gas gap and thereby aggravate the world's energy problem.

Courtesy : *First National City Bank, New York*

Natural Gas Production : Thirty Major Oil Companies—1963 to 1973 (Millions of cubic feet daily)

	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Five Largest (US) International Companies											
(1) Exxon	2,616	2,845	3,470	4,071	4,419	5,296	6,309	7,491	8,527	9,323	9,767
(2) Texaco	1,863	1,998	2,074	2,560	2,887	3,262	3,661	4,026	4,181	4,685	4,516
(3) Gulf	1,549	1,783	2,092	2,367	2,688	2,994	3,188	3,486	3,539	3,572	3,360
(4) Mobil	1,214	1,474	1,522	1,673	1,843	2,040	2,352	2,812	2,967	3,072	3,156
(5) California Standard	1,024	1,129	1,172	1,329	1,398	1,496	1,550	1,658	1,674	1,748	1,706
(6) **Sub-Total**	8,266	9,229	10,330	12,000	13,235	15,088	17,060	19,473	20,888	22,400	22,505
Five Other Large International Companies											
(7) Royal Dutch/Shell (excl. USA)	357	441	480	550	738	1,093	1,469	2,016	2,583	3,280	3,929
(8) Ente Nazionale Idrocarburi	684	725	739	835	879	969	1,087	1,171	1,199	1,342	1,413
(9) British Petroleum	9	15	24	63	141	241	265	251	344	432	407
(10) Petrofina (excl. USA)	60	58	59	64	65	133	152	127	156	189	197
(11) Cie. Francaise des Petroles	30	60	100	188	206	226	273	105	125	148	159
(12) **Sub-Total**	1,140	1,299	1,402	1,700	2,029	2,662	3,246	3,670	4,407	5,391	6,105
Twenty other Integrated (US) Companies											
(13) Indiana Standard	1,966	2,186	2,374	2,533	2,738	2,833	3,313	3,510	3,631	3,911	3,935
(14) Shell	1,413	1,559	1,626	1,834	2,046	2,201	2,490	2,548	2,542	2,460	2,268
(15) Atlantic Richfield	1,390	1,440	1,530	1,630	1,720	1,888	2,004	2,117	2,158	2,146	2,138
(16) Phillips	1,398	1,415	1,417	1,498	1,580	1,560	1,638	1,858	1,844	1,853	1,825
(17) Union	874	954	980	1,079	1,149	1,225	1,512	1,601	1,611	1,634	1,534
(18) Sun	1,082	1,148	1,194	1,265	1,290	1,505	1,631	1,441	1,482	1,510	1,523
(19) Continental	714	800	829	885	912	991	1,071	1,161	1,207	1,326	1,451
(20) Cities Service	877	853	819	822	882	936	971	1,036	1,053	1,087	1,127
(21) Tenneco	258	274	295	399	516	520	622	916	890	938	972
(22) Getty (excl. Skelly)	462	501	528	560	608	661	716	746	762	745	749
(23) Amerada Hess	338	375	408	419	407	456	492	610	690	763	743
(24) Pennzoil	493	497	486	498	528	501	555	581	579	605	675
(25) Skelly	314	326	332	336	364	386	404	459	476	516	512
(26) Marathon	330	339	321	369	389	415	431	477	462	429	419
(27) Ashland	32	52	70	75	80	93	105	109	154	172	312
(28) Kerr-McGee	165	171	182	221	208	222	236	258	256	304	300
(29) Ohio Standard	99	106	187	178	190	203	206	206	201	145	110
(30) Occidental	37	71	68	73	68	87	110	91	102	102	103
(31) Murphy	58	56	52	50	52	55	60	62	65	66	71
(32) American Petrofina	50	46	45	55	56	62	63	61	57	56	50
(33) **Sub-Total**	12,350	13,169	13,743	14,779	15,783	16,800	18,630	19,848	20,222	20,768	20,817
(34) **Grand Total**	21,756	23,697	25,475	22,479	31,047	34,550	38,936	42,991	45,517	48,559	49,427



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Inhibitions of multipurpose coops

Multipurpose Cooperative Societies in South-East Asia: J. M. Rana: International Cooperative Alliance, New Delhi; Pp 143; Price Rs 20.

Sales of Two City-States: The Development Progress of Hong Kong and Singapore: Theodorse Geiger assisted by Frances M. Geiger; National Planning Association Studies in Development Progress, Washington; Pp 239; Price $3.50.

Role of Development Banks in a Planned Economy: Prabhu N. Singh; Vikas Publishing House Pvt Ltd; 1974; Pp 161; Price Rs 27.50.

Central Banks and Treasuries: Bani Majumdar; Vora & Co. Publishers Pvt Ltd, Bombay; 1974; Pp 160; Price Rs 25.

Readings in Economics of Agriculture: Edited by Karl A. Fox and D. Gale Johnson; George Allen & Unwin Ltd. London; Pp 517; Price £ 2.75.

Inflation in India: Edited by S.L.N. Simha; Vora & Co. Publishers Pvt Ltd, Bombay; Pp 378; Price Rs 48.

A SEMINAR on multipurpose cooperative societies was held in Tokyo in 1972. The author of *Multipurpose Cooperative Societies in South-East Asia*, J. M. Rana, has prepared this document as a sequel to that seminar. In this book he has tried to trace the trends in multipurpose cooperative movement in that part of the world. Since a multipurpose cooperative society is thought of as the best instrument to bring about rural reconstruction, it would be instructive to know how this movement is faring in South-East Asian countries.

The concept

The concept of multipurpose cooperatives was first introduced in Germany by Friedrich Rafferisen during the last century. It influenced the introduction of cooperative movement in Japan and India and subsequently to other countries of Asia. Horace Plunket with his famous slogan "Better Farming, Better Business, Better Living" was another thinker who influenced cooperative movement in India. The purpose behind the multipurpose cooperative societies is that the entire life of villagers should be brought within the compass of the cooperative solution and a simultaneous drive from all side be made to raise the level of their economic and moral well-being.

As regards the progress of the movement in different countries the main problem before Bangladesh after its liberation is the rebuilding of its shattered economy. The prime minister Sheikh Mujibur Rahman has declared that "the Basic Rural Economy of Bangladesh could be developed through cooperative movement." The Comilla experiment in multipurpose cooperative movement has brought certain problems to the forefront.

absenstee ownership

It is found that a large number of farmers have been cultivating the land of others under 'Borga' system and it is found that absentee ownership, coupled with the lack of personal ownership on the part of actual cultivators cannot promote spontaneous response to the cooperative movement. Lack of proper knowledge of principles and practices of cooperation among members is also a stumbling block. Building up of proper leadership from among the people to run this movement with ability and dedication appears to be the main problem faced in Bangladesh.

What are the problems of the multipurpose cooperative societies in Indonesia where the law No. 12 of 1967 has made provision for the organisation of cooperative societies? The multipurpose cooperative society with its various activities is necessarily a combination of persons with different economic activities and interests. This has resulted often in conflict of interests among members and withdrawal of members from societies. It is also found in Indonesia that often there arises conflict between one aspect of business which is making surplus with another aspect which is making a loss. Also the country is experiencing dearth of qualified persons to run societies and especially of people who can keep accounts of such societies.

In Iran (where cooperative movement made its appearance in 1933) an element of inefficiency is noticed as there has been a rapid expansion in the number of primary societies since they are tied up with the land distribution system. Iran appears to be in a hurry to get to the top in all fields and it has become a stupendous task to organise, recruit and train managerial personnel and to educate members of such a large number of societies in such a short time. Also the structure at the primary and secondary levels appears to be weak in the sense that it operates in a small area. Further the secondary level cooperative unions appear to be mere branch offices of the central organisation.

Japanese experiment

It would be instructive to know the trends in multipurpose cooperative movement in Japan. What we notice there is that in order to further increase the management efficiency of cooperatives, amalgamation of multipurpose cooperative societies is being pursued. Group farming is being promoted to enlarge the size of the farm. In order to improve the living conditions of members, the societies are establishing chain-stores to supply consumer goods to the farmer-members who are now demanding sophisticated and wider range of goods due to rising incomes. Further, through a variety of ways such as amalgamation, adoption of computer system, rearrangement of organisational set-up, greater emphasis on member education and employee training, the movement is continuously attempting to increase its efficiency. Japanese people have found it necessary to bring about a high degree of coordination and integration amongst the cooperative organisations at various levels in order to attain the goals of movement, namely raising of farmers' incomes as also their living conditions.

In the Republic of Korea, the main factors obstructing the development of multipurpose cooperative movement are small-scale operations of unit cooperatives, inadequacy of funds, want of capable leaders and want of managerial know-how in unit cooperatives, low income-levels of member-farmers and inactive state of marketing programmes.

In Malaysia it is found that the movement is facing problems of organisation and funds. If the movement is to play a significant role in helping farmers to increase productivity, the cooperative structure will have to be reorganised and revitalised. The reorganisation will have to aim at establishing economically viable cooperatives that would effectively link credit with extension, supply and marketing and train managerial cadres to run cooperative units at various levels.

In country after country—India, Pakistan, Philippines, Thailand—we come across the same problems of funds, organisational defects, too much of governmental interference and regulation, inadequacy of trained personnel, ignorance among rural-members of their rights and duties and the general failure of the movement—except in Japan—to achieve any substantial results in improving the lot of the members.

Though the account in this book is not detailed and critical, the author has given a good overall view of the developments in the multipurpose cooperative movements that are taking place in recent years in South-East Asian countries. It is unfortunate that on the whole the movement has not succeeded to the expected degree in attaining the objectives. Why? Is it that too much was expected of the movement? Or is it that progenitors of the movement hurried too fast as people with reformist zeal always tend to do? Possibly the multipurpose cooperative movement appears to be the best instrument to bring about the upliftment of the rural masses of the South-East Asian region; but unfortunately the very environment in which they live appears to inhibit the development of the movement! Like all vicious circles, this vicious circle must also be broken at some point. Most Asian countries look up to India to provide the guidelines. Will we rise to the occasion?

Different Approaches, Similar Objectives

The Committee on Overseas Development has been sponsoring a series of studies of countries that have been showing significant and lasting progress. *Tales of Two City-States : The Development Progress of Hong Kong and Singapore* covers these two city-states which have been achieving high rates of economic growth with full employment and rising living standards. Since most other Asian countries have remained either stagnant or have been struggling hard with inconsequential results, it would be worth our while to know the way to progress adopted by these two city-states and the possible lessons that the developing countries like India can draw from their experience.

During the period following World War II, Hong Kong was confronted by two developments—inpouring of refugees from China (which quadrupled its population within 10 years) and secondly the embargo imposed by the United Nations during the Korean war on its entrepot trade with China. Hong Kong could have collapsed under the weight of these or even one of the two. But Hong Kong turned them to its advantage through the dynamic entrepreneurship of its businessmen, the energy and adaptability of its people, and the constructive policy of its government. The changed situation required a complete transformation of the nature of its economy. From being primarily entreport, Hong Kong had to convert itself into an industrial economy manufacturing an increasing volume and variety of consumer goods and intermediate products for export to competitive world markets. The rising productivity, employment and income have enabled its people to enjoy steadily improving living standards which at present are possibly among the highest among the developing nations. The present per capita income is about $ 1000 for its nearly 4.1 million people.

challenge met

Like Hong Kong, Singapore was also confronted during post-war years by developments—emergency of 1948-60 and prolonged warfare waged in neighbouring Malaya by communist guerrillas with growing communist influence on trade unions and domestic politics—which could have proved disastrous. Thanks to the policies of the government and hard work by its people, Singapore too could successfully meet the challenges.

But the two have followed somewhat different routes to development. Unlike Hong Kong which relies predominantly upon freely operating market forces for continual reallocation of capital and labour into more productive channels, Singapore actively constrains and supplements the operation of market forces by macroeconomic management policies of various kinds. For example, in Singapore government offers tax concessions, works and other incentives to local and foreign enterprises for establishing industrial units it believes most desirable, and it provides tariff and quota protection to those noncompetitive industries it regards as necessary. The government regulates labour-management relations so as to preserve industrial peace and controls the rate of increase of wage and other labour costs. The growing size and diversification of Singapore's economy have provided the resources for the rising standards of its people. Per capita GDP at current prices was 2¾ times higher in 1972 than in 1960 and private consumption expenditures were 2½ times larger.

The authors are of the opinion that there are few developing countries today that have been as successful as Singapore in combining an active macroeconomic management approach with the incentives and pressures of market forces to bring about rising employment and real income. The authors write: "This development strategy has yielded such substantial results because of the hard work and good common sense of Singapore's people and the government's willingness and ability to adapt its policies rapidly to changing circumstances, to observe the fiscal and monetary limitations needed to maintain a sound currency and balance of payments position, and to establish a relationship of mutual benefit and respect with the multinational companies upon which the city-state so largely depends for its economic growth and well-being."

the relevance

What is the relevance of the two city states' experience to other developing countries?

There is widespread tendency in both developed and developing countries to consider the examples of Hong Kong and Singapore as irrelevant to the problems of other developing countries. But the authors do not think so. The development strategies of the two city-states are sufficiently different to constitute alternative approaches. Hong Kong is a model of how freely operating market forces intelligently supplemented by governmental policies can most effectively foster the growth of manufacturing industry for export with resulting full employment, rising real incomes and higher living standards. Singapore on the other hand is a model of how to reconcile macroeconomic management constraints on market forces with preservation of the necessary market pressures and incentives so as to foster the growth of manufacturing industry for export, with resulting full employment, rising real income and living standards. Both governments have been fully cognizant of their city-states' extreme dependence on foreign trade and the consequent necessity of keeping their manufactured exports competitive in world markets. They have learnt to live within the restraints of currency systems backed by foreign assets and to refrain in other ways from genera-

ting rates of increase of internal demand that would lead to inflationary pressures resulting in stagnant exports, rising unemployment and prolonged balance-of-payments deficits. From this it follows that to the extent to which a developing country is or wishes to become dependent on the export of manufactured goods, its government has to give a comparable priority to assuring the competitiveness of such products in world markets. This requirement is becoming increasingly important as importing countries are resorting to protectionism and discriminatory practices. There are only two ways of achieving this end. One is by allowing adequate scope for market forces; the other way is by a judicious use of macro and micro controls. The more there is of one, the less there will be of the other. But the authors have warned that "too much of each is self-defeating."

Hong Kong's private-enterprise and market-determined strategy have become relevant to the growing number of developing countries that in recent years have become disillusions with the unfulfilled expectations of detailed development planning, the inefficiency of highly protected import-substitution industries, the effects of extensive regulations of the private sector and the burdensome deficits of many government-owned-and-managed enterprises.

decentralised initiative

Some other developing countries are likely to find an active management strategy like that of Singapore more congenial to their institutional limitations and behavioural norms. But it must be realised that Singapore too relies to a very great extent on decentralised private initiative, indigenous and foreign, and on the incentives and constraints of market forces. This means countries interested in profiting from Singapore's experience need to study what Singapore's government *has refrained from doing* as well as how it has been carrying out the positive aspects of its strategy.

According to the authors two general socio-political lessons can also be learnt from the experience of two city-states. The first relates to Hong Kong's non-political system for extensive elite-group participation in the government's policy-making. The second lesson relates to Singapore's practice of improving public understanding of the city-state's limitations and accomplishments.

India should particularly note what Singapore's former finance minister once said, ".. .we found that the best fiscal and monetary policy....is to turn a deaf ear to the seductive appeals of the New Economics, which preaches that economic growth can be achieved by over-spending and manipulating the supply of money...."

The book is written in a very scholarly way, is full of facts and figures, historical background and objective analysis and makes excellent reading. The experience of these two cases in the otherwise struggling Asian countries should provide them with useful guidelines and proper perspective to development strategies which they have been evolving.

Development Banks

The German and the Japanese success in their experiments with specialized financial institutions for the provision of long-term finance to industries has always attracted the attention of Indian economists, industrialists, financiers and the Indian business community. Early attempts in that direction having failed, serious efforts were made to establish such specialised financial institutions after independence in response to the rising needs of the programme of rapid industrialisation which the country accepted since the beginning of the second five year Plan. The result was the establishment of specialised financial institutions like the Industrial Finance Corporation of India (IFC), state financial corporations (SFCs), Industrial Credit and Investment Corporation of India (ICICI) and the Industrial Development Bank of India (IDBI).

These specialised financial institutions have been in operation for some time now. It therefore seems logical to take stock of things and to review and evaluate their contribution to the private sector. The author of the *Role of Development Banks in a Planned Economy* has made an attempt to evaluate the role of these specialised financial institutions, commonly termed as 'development banks', in terms of the theory of economic growth, plan objectives and the industrial policy of India.

The author begins by developing a framework of the theory of economic growth to isolate such key parameters and variables as come within the influence of development banks with a view to pointing out their policy implications. This is followed by the description of the historical roots of development banks, experiments made in the advanced countries of western Europe and the factors which necessitated the establishment of the Indian development banks and their main features and objectives. He has then analysed the Indian development banks' loan and investment policies in the context of plan priorities. He has also given a survey of the criteria adopted by them for appraising loan applications, of their interest rate policy, security policy and other relevant activities. He also deals with the role of the Indian development banks with regard to their financial and non-financial activities, both in relation to the Indian capital market and to the private corporate sector. There is also discussion of the sources and uses of the funds of the Indian development banks as also of the magnitude and direction of their financial contribution to the private sector. The analysis ends with an evaluation of their performance during the Plan period.

According to the author, industrialisation having been given due attention and the problem of long-term industrial finance having been identified as one of the problems of economic growth, development banks naturally have come to be considered as an important agency to provide capital, management and entrepreneurship. According to the author, an examination of the savings and investment conditions in India shows that development banks can influence simultaneously saving and investment ratios, productivity of capital and labour and technological progress. It is clear from the survey of development banks in India that they have been profoundly influenced in their forms, functions and objectives by their counterparts in other countries. Through trial and error, they have now acquired some capacity to play an important role in the country's economic growth.

formulating policies

Since development banks have been combining both investment and development functions, it becomes necessary for them to formulate such investment, lending and interest rate policies as may enable them to discharge those functions safely and effectively. The development banks generally take into account following factors while sanctioning financial assistance: (i) national importance of the industry to which the project belongs, (ii) the competence of the management, (iii) feasibility and cost of the scheme, (iv) the nature of the security offered, (v) the adequacy of the supply of raw materials and technical personnel, and (v) country's requirements for the product to be manufactured.

The development banks in India play an important role in promoting capital market by (i) sale of their own obligations, (ii) sale of their industrial security holdings, (iii) underwriting the issues of new securities, and (iv) inducing investors' participation in their own financial operations. These institutions play also to an increasing extent these days non-financial role by undertaking functions such as promotion, and establishment and management of industrial units. They have also been undertaking economic, technical and feasibility studies.

While evaluating the contribution of development banks with the help of selected indices, the author has come to the conclusion that in certain cases the development banks' contribution has been significant while in some other respects the results have been disappointing till now. For example, the growth of index of capital formation generated by the development banks rose much more rapidly than the corresponding index for the private corporate sector over the period covered. On the other hand the contribution of the development banks seems to have failed to reduce regional industrial imbalances.

lion's share

About 70 per cent of the entire financial assistance given by these banks has gone to states of Maharashtra, West Bengal, Gujarat, Tamil Nadu, Mysore and Punjab. Of this, 25 per cent has been claimed by Maharashtra alone. According to the author, the disbursements of funds by these institutions do not seem to have got concentrated in the hands of any particular business group. These institutions have also made contribution to the diversification of industrial investment which appears to be in conformity with the overall industrial investment pattern laid down in the five year plans.

In the light of his survey and analysis of the role played so far by the development banks in India, the author has made some suggestions to make their functioning more effective. It is highly probable that the existence of a number of development banks in both the public and private sectors may mean some duplication of efforts which poses problems of coordination and wasteful administrative expenditure. The author has suggested that the Reserve Bank should be encouraged to tighten its control over the development banks to coordinate their activities more effectively. The development banks should receive closer supervision than they have received so far. The author is of the opinion that the merger of all the development banks into a single unit with branches spread all over the country might improve the coordination of activities. There are various alternatives open and the author believes that the question of the best methods to increase the effectiveness of these institutions is not easily answered.

The greatest financial need in India at present is to mobilise private savings available for investment in the private sector. Though by doing some amount of underwriting work, the development banks have to some extent strengthened the Indian capital market, the author is of the opinion that better and more effective and suitable credit instruments should be devised to obtain access to the private savings and thereby reduce their reliance on the government and the Reserve Bank of India.

training the managers

In view of the limited role played by development banks in providing non-financial assistance, the author has suggested that Indian development banks should organise separate units to undertake economic studies and survey work to produce information on prospective investment opportunities. They should train and provide managerial and technical personnel for whom there is great demand in the private sector. Alternatively they should provide financial assistance to educational institutions that sponsor educational programmes to train personnel in the technical fields. The development banks should also provide expert assistance on finance, management and marketing, and technical and legal advice for purposes of scrutinising investment proposals so that prospective entrepreneurs might be better informed on profitability of their new ventures.

While the book is good in parts and succeeds in giving readers some idea about how development banks in India are functioning, it is unsatisfactory in other parts. It is surprising that in a book published in 1974, the author is content with figures only up to 1966, though latest figures are already published. Also his suggestions might not prove to be very useful. Entrusting additional functions of coordinating and supervision over these institutions to the Reserve Bank of India appears to be out of question as the Reserve Bank is already so much burdened that it is unable to perform even its purely central banking functions satisfactorily. There is a chorus of protest that the Reserve Bank be divested of these functions so that it can play more effectively its regulatory role.

Reserve Bank of India

What is the status enjoyed by the Reserve Bank of India? Has there been any deterioration in its legally autonomous status in recent years? What is the nature of its relationship with the finance ministry? Is the relation ideal so as enable the country to follow a proper coordinated policy to attain desired goal? If the existing relations between the Reserve Bank of India and the treasury are unsatisfactory and subversive of the status of the Reserve Bank of India to the detriment of the national interests, how should we proceed to set the matter right? These and similar questions regarding the Reserve Bank of India and the treasury have been agitating the minds of all those who are interested in monetary economics.

Central Banks and Treasuries which analyses the relationship between the central banks and treasuries in different countries of the world including India is based on Dr. Mujumdar's dissertation for Ph.D. degree of Calcutta university prepared under the guidance of late Dr. S. K. Basu.

intimate relationship

The findings of Bani Mujumdar are not novel to the students of monetary economics. The relationship between the central banks and the treasuries in different countries of the world are intimate especially so in developing countries. This is inevitable in view of the fact that monetary policy is just one aspect of the general economic policy and the objective of monetary policy is part and parcel of general economic objectives. But often it so happens that policy goals come into conflict making it impossible to maintain monetary equilibrium in the economy. Responsibility of the treasury to manage public debt in such a manner as to help the Finance ministry to meet budget deficits often compels the central bank to subordinate its monetary policy and objectives of monetary policy to the objectives and interests of the treasury. The conflict of interests between the central bank and the treasury becomes particularly acute during periods of inflation when budget deficits are particularly pronounced. Dominance of the treasury over the central bank is a universal phenomenon, especially so in developing countries.

According to the authoress since the time inflationary pressures appeared in India under the pressure of development planning, the usually close relationship between the Reserve Bank of India and the finance ministry have become rather strained. The strained relationship between the two is due to the inability of the Reserve Bank to maintain monetary equilibrium in the face of budget deficits and public debt management policy of the Finance ministry. In fact, the Reserve Bank of India has never enjoyed

ıe freedom and autonomy enjoyed by s western counterparts like the Bank of ngland and the Federal Reserve System f the USA. For quite sometime, acording to the authoress, it has been practically deprived of an autonomous status ıd has been reduced to the status of an .strument to serve the financial interests f the government of India. One is inined to think that whatever the provion in the act, the Reserve Bank of ıdia right since its inception, and eecially since the outbreak of world war has always acted as a passive instruıent in the hands of the Finance minisy to help realise whatever objectives the ıter had in mind. Since the appointıent of bureaucrats to the position of ıe governorship of the Reserve Bank of ıdia, even the facade of autonomy which ıe Reserve Bank outwardly maintained ormerly has been cast aside and for all ractical purposes it has now become a ubmissive agent of the finance ministry. ıt no time after the country became inlependent has the position of the Reerve Bank of India been ever comparable o that of the Bank of England or the ederal Reserve System.

ubservient body

The authoress writers: 'Concentration of all powers in the central government endering the Reserve Bank into an advisory body to the government or into a nere agent to carry out governmental orders vitiates the principles of checks ınd balances and goes against the dictaes of democracy. Any government, subect to various undesirable political and group pressures may not be able to meet he changing needs of a growing economy ınd to maintain a strong viable competiive banking structure. A non-political utonomous institution like the Reserve Bank is a more desirable authority for he banking system. A democratically constituted policy co-ordinating council to decide on conflicting issues would be a proper step to establish satisfactory relationship between the Reserve Bank and the treasury."

The authoress is interested not only in the structural aspect of the Reserve Bank of India but also in its financial working. She has given a comprehensive analysis of the sources, size and techniques of government borrowing in the planning era and has shown how this has created unprecedented liquidity in the Indian economy. In the light of this analysis, she has developed criteria for maintaining 'safe level' of money supply in the economy. She has put forward suggestions to utilise debt management policy along with general and selective instruments of credit control to maintain 'an optimum money supply' in the Indian economy.

In his learned foreword Dr P.R. Brahmananda has also rightly emphasised the necessity of restoring the authority of the Reserve Bank so that it can follow a bold monetary policy of "enforcing an annual ceiling on the rate of growth of money supply and of establishing, if necessary, also an optimum level of money stock in the economy."

The book explains adequately the mechanism through which inflationary pressures are being generated in the Indian economy. The book also highlights the necessity of reviewing and re-establishing on a satisfactory basis the relationship between the central bank and the treasury, especially in developing countries like India.

Economics of Agriculture

Readings in Economics of Agriculture is one of the famous series brought out by the American Economic Association. To their readings in international trade, income distribution, price theory, business cycle theories, fiscal policy, monetary theory and taxation, this new volume has been added. It is in line with the traditions set by the Association, though one fails to understand why the volume on the subject of agriculture which should have been the first in the series, considering the vital importance of the subject and the threat of food shortages looming large at present, should have been so long in coming!

As pointed out by the editors, perhaps the most significant contribution of agricultural economics to economic research has been due to "the application of quantitative methods to the analysis of economic problems and issues.

The second major area where agricultural economists have made substantial contribution is production economics. This contribution includes topics such as input-output relations in agriculture, the empirical estimation of diminishing returns function, development of farm budgets, analysis of specialisation and comparative advantage, and evaluation of success of farmers in the maximisation of income from given agricultural resources.

The third area where substantial contribution has been made by agricultural economists is in the study of governmental policy in regard to agriculture.

The fourth area (and from the point of view of developing countries, possibly the most significant) where significant contribution has been made and is yet coming from agricultural economists is the role of agriculture in economic development. Since the agricultural surplus could not have come only because of conventional inputs, agricultural economists have been rightly emphasising structural changes in agriculture as also the role of research and education.

From the point of view of students of developing countries only the sections on 'Economic Development' appears relevant.

Thus T.W. Schultz in his 'Reflections on Poverty within Agriculture' has emphasised the very important point that is of great significance to countries like India. He writes: "the cultural impediments are indeed a heavy burden ... it is no easy matter for people to pull up their roots and leave the folk society with its strong local-personal-informal relations, and transplant themselves into an impersonal—formal, less locally oriented, urban-minded community. The economist must leave it to the sociologist to isolate and identify the nature of these cultural impediments; the economists, however, can and should come to grips with the 'cost aspects.'' It appears that it is the neglect of these cultural aspects that has been responsible to a great extent for the failure of our agricultural policies.

process of transformation

'The Role of Agriculture in Economic Development' by B.F. Johnston and J.W. Mellor is another article that is of significance to developing economies. The authors have emphasised that "rural welfare as well as overall economic growth demand a transformation of a country's economic structure, involving relative decline of the agricultural sector, and a net flow of capital and other resources from agriculture to the industrial sector of the economy." They have also pointed out that contribution of agriculture to the requirements of development capital is especially significant in the earlier stages of the process of growth, though it will not be so crucial in countries which have the possibility of securing a sizable amount of their capital requirements by export of mineral products or in the form of foreign loans and grants." According to the authors, policies that take account of this process of transformation and its implications are in the long-run in the interest of the farm population as well of the country as a whole.

Although the authors have stressed the importance of agriculture's role in economic development, they part company with those who advocate the view that agricultural development should precede or take priority over industrial development. Their contention is that 'balanced growth' is needed in the sense of simultaneous efforts to promote agricultural and industrial development. While recognising severe limitations on the capacity of an underdeveloped country to do everything at once, according to the authors, it is precisely this consideration that underscores "the importance of developing agriculture in such a way as both to minimize its demands upon resources most needed for industrial development and maximize its net contribution to the capital required for general economic growth."

Writing on "An 'Agricultural Surplus' as a Factor in Economic Development", W. H. Nicholas has stated that "The undervaluation of agriculture is particularly likely to occur within the short-run context of the next several five-year plans of most of today's over-populated countries. According to the author, the outcome of such a development would be unfortunate for three reasons. First, even if agriculture is traditional in nature, plans which fail to do anything about it can quickly bring any initial growth of the industrial sector to a halt as further natural increase compounded by a high income elasticity of demand turns a modest food surplus into a food deficit, with concomitant inflation and diversion of scarce foreign exchange to food imports.

Second, because their techniques of production are still so primitive and productivity so low, the overpopulated countries still have tremendous opportunities to increase food output by relatively moderate doses of capital into small-scale operating units. Finally, for such countries, international comparative advantage is far more likely to rest initially with agriculture than in manufactures. Indian agricultural policy-makers should take note of all the above three considerations which are vital for the country's economic development.

Most of the authors in this book are Americans and naturally they have certain set of values and institutional and historical restraints which are reflected in their writings. The consequence is that the high level of sophistication of most of the articles makes them of little practical utility to countries like India at this stage of their economic development. And yet the book is in the best tradition of the publications of the American Economic Association and is a 'must' for students desiring to specialise in agricultural economics.

Treatise on Inflation

As the prices are sky-rocketing, tempers of the people are getting inflamed and are resulting into an outpouring in the form of articles, memoranda, seminars symposia and books, not to speak of protests, gheraos and processions. Lenin hit the nail on the head when he said that if you want to destroy capitalism (any non-communist system for that matter), debauch its currency.

And so there was another seminar in Madras in December 1973 on this extremely topical subject of inflation in India wherein some 22 learned papers were submitted and debated and have come to be finally incorporated in *Inflation in India* which incidentally happens to be one of the most exhaustive and best volumes written on the subject.

The introductory speech by H.V.R. Iengar is an usual spirited and thought-provoking, based as it on conviction born out of long experience of political world, monetary economies and business environment. Iengar appears to have arrived at the conclusion that it is not so much the economic factors as the moral ones that are gnawing at the roots of our economy now in the thraldom of inflation. And therefore he comes out at the end with this: "We have all the necessary qualities in our country for sustained economic growth, namely intelligence, a capacity to acquire skills, a capacity to do hard work..but the only element which is lacking is great moral leadership which will forge these qualities into an effective weapon against the scourge of poverty. If such leadership is not forthcoming, there is little hope that we will be able to prevent inflation from leading us down the slippery path." How true!

The inaugural address was delivered by C.N. Vakil who at present (along with Dr P.R. Brahmananda) appears to be very much at the centre of debates on inflation. In his extremely comprehensive and competent review of this whole process and phenomenon of Indian inflation C.N. Vakil has come out with two very constructive suggestions of far-reaching significance. He has stressed the need of a definite *expenditure policy* of which he has enunciated principles in detail (p 25) and of which the spendthrift government of India should take note, if it is sincere in its pronouncements on fighting inflation. His second suggestion that "all political parties should agree in having competent persons well-versed in Finance to hold the Finance portfolio, both at the centre and in the states, irrespective of political consideration," though well-meant and technically sound, is politically inexpedient. And is there a guarantee that this proposal, if carried out will produce desired results? Had we not a philosopher president and a most erudite and knowledgeable professor as the chief planner? What happened? They all showed the same weaknesses the human flesh is heir to!

R. Venkataraman has complained that planners were prone to overestimate the resources and underestimate the costs and has recommended maximisation of production in every sector as the only answer to inflation. He has made a number of suggestions to control inflation —raising loans from non-banking public, speedy assessment and collection of taxes attractive interest rates on long-term deposits to mobilise saving, selective credit squeeze to curb hoarding and black marketing and abandonment of deficit financing as a source of Plan finance.

P. R. Brahmananda holds the view that the inflationary situation in India is different from inflation in other countries. He calls this 'statflation' as there are inflationary conditions and a stationary

Eastern Economist 30 Years Ago

NOV. 3, 1944

Recently too much has been heard of the argument that because is no outside rice producing area to come to the rescue of this country and relieve the serious shortage, people whose staple diet is rice should reconcile themselves to the situation as something which cannot be helped and supplement their rice consumption with the intake of other foodgrains. There is nothing inherently unjustified in such an appeal being made to the public and the government may be entitled, in the abnormal conditions of war, to impose on the people the burden of making essential adjustments. But the pertinent question is whether, in this particular case, the necessity for calling upon large masses of people to change their habits of a lifetime at short notice could not possibly have been avoided. In other words, can it be claimed that the rice shortage, at least in its present magnitude, is in any sense inevitable? Ruling out imports — and imports were never of considerable importance relative to domestic production and were wont to oscillate before the war about the two million mark — what exactly have the authorities achieved by way of increasing the country's output? It may be made clear at the outset that not much can be blamed on that mute and much-enduring scapegoat, the weather. In spite of the proverbial vagaries, there has generally been a rough correspondence between acreage and production, if allowance is made for statistical deficiencies

economy. (Has he not noted that in England and in some other countries inflation and rising unemployment are going together?) He has suggested a 30 per cent once-over cut in money supply, money incomes and prices in the country. (This measure was once recommended by Pigon and tried in England.) He has further recommended gold sales to withdraw excess money from circulation. P. R. Brahmananda seems to be mostly dealing with the 'existing stock of money. But what happens if the flow of money incomes continues unabated?

K.S. Upadhyay has put forward a novel point of view. He has observed that "the quantity theory was not a theory of inflation." He is of the opinion that it is not the quantity of money in the economy that is important but how the available money is spent. He feels that the emphasis should be more on the pattern of expenditure rather than on the mobilisation of resources. He has suggested 'balanced allocation ratio' between (i) projects with long gestation period and (ii) projects which involve crash programmes for mass production of wage goods. He has also advocated a 'disparity' tax measure aimed not just at curbing consumption of luxury goods but also at curtailing the production of such goods.

H.R. Machiraju has come with strong proposals to put restraints on public expenditure. He wants parliament not to vote expenditure proposals if they are not accompanied by proposals to raise required monetary resources. He has proposed freezing expenditure at the present level. perquisites not to be tax-exempt and elimination of food subsidy. V. K. Narasimhan on the other hand has emphasised the inadequacy of the administrative system in the country which has changed the economy into a high cost economy.

We have met most of this before. And yet if any one wants to have a comprehensive view of the developing inflationary situation in India, he can rely on this single book, the utility of which has been enhanced by the inclusion of excellent statistical tables at the end.

This book brought out by the Institute for Financial Management and Research, Madras, is a worthy successor to their previous publication on the 'Reform of the Indian Banking System' which was reviewed in these columns sometime back.

Books received

Planning in India: H. V. R. Iengar; The Macmillan Company of India Ltd, on behalf of the Institute for Financial Management and Research, Madras, 2/10, 4252, Ansari Road, Daryaganj, Delhi 110 006; Pp. 84; Price Rs 16.00

Economics of Televison in India: B. D. Dhawan; S. Chand & Co (Pvt) Ltd, Ram Nagar, New Delhi 110 055; Pp. 182; Price Rs 35.

Commerce Yearbook of Ports, Shipping and Shipbuilding 1973-74: Editor Vadilal Dagli; Published by D. B. Mahatme, on behalf of *Commerce (1935) Ltd*, Manek Mahal, 90 Veer Nariman Road, Bombay 400 020; Pp. 170; Price Rs 25.

The Oil Crisis, End of an Era: S. Manoharan; S. Chand & Co. (P) Ltd, Ram Nagar, New Delhi-110 055; Pp. 180; Price Rs 25.

Investment, Interest and Monetary Policy in India: L. M. Bhole; Published by the Registrar, University of Bombay, Fort, Bombay 400 032: Pp. 154; Price Rs 36.

Dissertations in Economics: 1921-71: Edited by C. H. Shah; Published by the Registrar, University of Bombay, Fort, Bombay 400 032; Pp. 672; Price Rs 60.

Agricultural Taxation and Intersectoral Resource Transfers: Stephen R. Lewis, Jr; Stanford University, Stanford, California, USA; Price $1.00

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TRADE WINDS

Wheat Trade Takeover in Punjab

THE PUNJAB government has taken over the wholesale trade in wheat by imposing a stock limit of 100 quintals on dealers and "chakkiwalas" in the state. Minister of state for Food and Supplies, Gurdarshan Singh told newsmen that central approval for the take-over had been obtained. The limit of non-levy wheat stocks for private traders had been reduced from 2,500 quintals to 100 quintals and the trader-to-trader transactions have been banned. Two months' stocks limit has also been imposed on the roller flour mills on the basis of their last year's performance. Accordingly, the Punjab Wheat Dealers' Licensing and Price Control Order has been amended. As a result of the measure, the state government expects to purchase nearly 100,000 tonnes of surplus wheat from the dealers at a price of Rs 139 per quintal. Mr Gurdarshan Singh stated that the state government would further sell the same wheat at the price of Rs 150 in view of additional charges of handling and transportation. The purchases would be made by the state Food Department. Later the stocks would be handed over to the Food Corporatibn of India. In view of this, he said, the state government would ask the centre to abolish the levy order.

As a result of the amendment, trader-to-trader transactions have been banned and no dealer would be able to sell wheat to the consumers above the maximum price of Rs 139. Through these orders, the state government has finally fixed a ceiling price on the levy-paid stocks at Rs 139 a quintal which does not include the cost of gunny bags and transport handling charges. The charges do not exceed Rs 11 on a quintal in any case.

Joint Ventures for Agriculture

Union minister for Agriculture, Mr Jagjivan Ram, stated recently that the government would provide "every possible assistance" to manufacturers of agricultural implements for "joint ventures and mutual cooperation" with foreign firms. The minister was inaugurating the Internal Agricultural Machinery Manufacturing Development Clinic, organised jointly by the government and the United Nations Industrial Development Organisation. Delegates from 17 countries attended the 10-day clinic. The clinic aims at bringing potential entrepreneurs and government officials of underdeveloped and developing countries in contact with manufacturers and government officials in a developing country to facilitate and promote the transfer of technology in the manufacture of farm equipment. Mr Jagjivan Ram stated that he attached the greatest importance to the idea of transfer of technology from the more developed countries to the less developed ones. India had already made much progress in the manufacture of agricultural implements and machinery. The total value of production in the small sector alone was estimated at Rs 100 crores. The minister hoped that Indian manufacturers would be able to share their technological know-how with countries keen to seek their assistance. India was willing to train technicians and engineers from abroad and was also prepared to send experts to countries for the preparation and execution of project reports. Mr Jagjivan Ram felt that a policy of "selective and balanced mechanisation of agriculture" had to be pursued in areas where there was a shortage of agricultural labour.

New Criterion for Licences

Production capacities in industrial licences henceforth will be shown in terms of physical units rather than in terms of monetary value. This decision, which was taken by the union government nearly two years ago, is being implemented now because in the context of the present trend of prices, industrial capacities which had been expressed in terms of value, have become out of line with the actual physical installed capacity and are liable to undergo changes from time to time. This facility will not be available for enhancement of capacity beyond the level which corresponds to the monetary value as contained in the industrial licence as on the date of the issue of the licence and also where any installation of indigenous or imported machinery is involved. The delay in the implementation of the government's decision stemmed from two major factors : one, difficulties in arriving at the corresponding physical units; and two, the parties had applied for industrial licences expressing industrial capacities in terms of the value of output. Owners of industrial undertakings holding industrial licences with capacities expressed in monetary value terms are advised to apply to the joint secretary in administrative charge of the industry concerned for the necessary amendment.

Bauxite in Orissa

The Geological Survey of India (GSI) has located an extensive deposit of bauxite over an area of about 4.5 km near Pottangi in Koraput district of Orissa. It is estimated that at least 50 million tonnes of bauxite is available in the area. Prospecting of the area was started by the GSI in January, 1972. Tests were conducted to locate the minerals at different places till November, 1973. The alumina percentage varies from 43 to 52 while the iron content is between 13 and 30.

Manufacture of Mini-Buses

The government has permitted passenger car manufacturers in the country to utilise their capacity for the manufacture of mini-buses. While Hindustan Motors, manufacturers of Ambassador car, and Standard Motors, manufacturers of Standard Herald, will be allowed to utilise their full capacity for mini-buses, Premier Automobiles, manufacturers of Premier President (formerly Fiat) will be allowed to switch over only up to 50 per cent of their capacity for mini-buses. The government's decision follows the representation made by the car manufacturers that they were not able to utilise their full capacity due to a fall in demand.

Indo-Soviet Trade

The first round of Indo-Soviet talks for 1975 trade plan began recently in Moscow, soon after the arrival of a six-man Indian team, headed by the Joint Secretary in the ministry of Commerce, Mr A. S. Gill, Mr Bose-Mullick, Secretary in the ministry of Commerce dealing with Export Production, also joined the talks later. The talks will be followed by the second round in Delhi, in December, when the protocol for 1975 will be finalised and an outline worked out for the long term 1976-80 trade agreement.

Tehran Trade Fair

Indian business firms, participating in Tehran International Trade Fair concluded export contracts for nearly Rs 3 crores while several other contracts were under negotia-

tion. In addition, firm orders worth over Rs 20 lakhs had been contracted for products including diesel engines, bicycles, tea, padlocks, grinding wheels, planetary mixer, and strip packaging machines, steel bars, fluorescent chokes, duplicating machines and hardwares. Another important contract bagged by a participant will result in power stations being set up in that country costing two million dollars.

Courses for Development Finance

Middle-level executives of development finance agencies from various Asian countries are attending a 45-day training course which began in Bombay recently. The programme has been organised by the Reserve Bank in collaboration with the Asian Development Bank (ADB), (Manila). The number of "trainees" is 27 representing Bangladesh, Burma, Fiji, India, Indonesia, Korea, Nepal, Sri Lanka, Thailand, Vietnam and Western Zamoa.

Yarn Unit in Kenya

A synthetic yarn plant costing 5.3 million Kenyan pounds (£6.2 million) is to be built at Thika, near Nairobi, a joint venture between Kenya and an Indian company. The plant will be able to produce more than five tons of nylon and rayon yarn a day, according to the ministry of Commerce and Industry. The project is a joint venture between the Kenyan Industrial and Commercial Development Corporation and J.K. Synthetics of India and will employ 1,000 persons.

UNIDO Contribution

More than $3.5 million was pledged recently to the United Nations Industrial Development Organisation for 1975. Of the 142 member nations, only 69 delegations made pledges. A number of countries revealed that they would announce their contributions later, while others stated that they would contribute to the work of UNIDO through their contributions to the UN Development Programme, the world organisation's principal and largest channel for multilateral technical assistance to developing countries. Established in 1967, UNIDO's main objective is to promote industrial development in backward countries.

Unit Trust

The first quarterly figures (July to September) released by the Unit Trust reveal that the trust is having a very tough time — perhaps the worst it has had since its inception. As against the sales of Rs 9.17 crores in the first quarter, repurchases have amounted to Rs 6.44 crores. But these repurchases cover a period of only two months since no repurchases are effected in the first month of the year. In the corresponding period last year sales had amounted to Rs 19.42 crores and repurchases only 67.60 lakhs. Reports are that repurchases in the current month might exceed sales of units. The unusually large repurchases reflect the marked deterioration in investor's confidence following the drastic restrictions on dividend payment.

MRTPC on Nylon Yarn Agreement

The "voluntary agreement between the major spinners of nylon yarn and weavers' association relating to price and distribution of nylon filament yarn has been held to have resulted in restrictive trade practices by the Monopolies and Restrictive Trade Practices Commission. The commission in its majority judgment delivered recently on four preliminary issues, also observed that neither the correspondence carried on between the Textile Commissioner and the spinners nor the replies given by a minister in Parliament could be regarded as a decision of the government approving the agreement. Ordering the spinners — J.K. Synthetic Ltd, Kanpur, Garware, Nylon Ltd Bombay, Nirlon Synthetic Fibres and Chemicals Ltd, Bombay and Modipon Ltd Modinagar — to pay Rs 3,000 as the costs of the hearing to the Director of Investigation of the Commission, who was conducting the proceedings. The commission adjourned the hearing of the main inquiry to enable the spinners to show why the agreement was not prejudicial to the public interest and why the agreement should not be declared void.

After receiving a complaint from the Crimpers Association in November 1973, the Commission ordered a suo-moto inquiry under section 37 of the MRTP Act and served a notice on the parties to the agreement to show why action should not be taken. The notice, *inter alia*, alleged that the agreement restricted the classes of persons to whom supply of nylon filament yarn should be made to the exclusion of others, prevented competition in the supply and distribution of yarn and withheld supply of yarn to crimpers, maintained prices at unreasonably high levels by manipulating production and supply of yarn, forced the crimpers and other buyers of nylon filament yarn who had not purchased yarn from the major spinners in 1972-73 to buy yarn on onerous terms and conditions, fixed price schedules which had had the effect of eliminating competition and prevented entry of new persons into the business of crimping and weaving. The spinners mainly relied on the validity of the agreement they had entered into the weavers' associations at the behest of the government, "which was perhaps unwilling to impose statutory control over prices and distribution of nylon yarn or enforce the prices fixed by the Tariff Commission".

Diversification of Machine Tools Units

The government announced "full freedom for diversification of production" to machine tool industries within the overall licensed capacity of the undertaking on the basis of a special approved procedure. This announcement is in continuation of the March 1974 order liberalising diversification in machinery industry. Undertakings engaged in manufacture of machine tools possess the flexibility to produce different types of equipment based substantially on the same fabricating facilities but with appropriate changes in the design and engineering inputs. Accordingly any industrial undertaking currently holding a licence for manufacture of one or more items falling under the scheduled industry No 9 "machine tools", will be eligible to undertake the manufacture of any other item falling within the existing overall licensed capacity for such items, "the announcement said.



ONGC Reorganisation

The minister for Petroleum and Chemicals, Mr K.D. Malaviya stated recently that the government was actively engaged in the process of restructuring of the Oil and Natural Gas Commission and that it would be possible to take decisions in the next few weeks regarding the nature of relationship that should exist between the government and the Commission in order to make the latter an effective instrument of oil exploration. The minister pointed out that more powers had to be given to an organisation like the ONGC in the interest of speedy decisions and effective functioning. In turn the ONGC headquarters had to delegate authority to people working on projects. Mr Malaviya who was addressing the concluding session of the meeting of the Consultative Committee of the Petroleum Ministry said that the only hope for survival of the Indian economy lay in rapidly increasing the tempo of oil exploration on land and offshore within the country and extending this activity to other countries as well.

Freight Increase to Europe

Shipping conference covering the trade to Europe from India, Pakistan and Bangladesh recently announced a 12½ per cent increase in freight rates effective from January 1 next year. In a notice to shippers, the Karmahom conference, representing liner vessels of foreign and Indian shipping companies on this route, stated that the new rate will be applicable to all vessels commencing to load at individual ports in India, Pakistan and Bangladesh on and after January 1, 1975. It stated that the new rate had been fixed after a series of discussions between the conference representatives and shipping councils of the three countries.

Panel for Handlooms

The government has decided to set up a high-level inter-ministerial committee to process the recommendations of the Sivaraman Committee to resolve the problems of handloom sector. The committee will be headed by Mr S.G. Bose Mullick, Secretary for Export Production. The committee will consider each recommendation in depth and suggest decisions to be taken on them. The Sivaraman Committee has made 32 main recommendations. The ministry has received several representations characterising Sivaraman Committee's recommendations as "lopsided and biased against the power-loom sector."

Rural Banking

The rural banking in India is to undergo radical orientation. A high-level ministerial committee has recommended an ambitious programme to restructure rural banking to reach some 35 million small and marginal farmers in a ten-year period. The committee is believed to have recommended that the main responsibility for making the change—which will bring about a fundamental improvement in the rural economy—should be squarely placed on the nationalised banks.

The union government set up this committee following a finding of the banking department of the union Finance ministry that the existing system continued to be predominantly urban-oriented and could not take adequate care of the rural needs. Though the nationalised banks have opened branches in an unprecedented manner in the last five years, it was clear that they had not served the major purpose of helping the small man in the villages.

Though banking has been recognised as an important instrument to help the development needs of the villages as a whole, experience had shown that there had been either diversion of funds from the backward region to more advanced areas and from rural areas to the cities to feed the industrial complexes. The government's aim was to change the trend in favour of the villages. The committee has recommended the routing of all credits to the small and marginal farmers through a network of farmers' service societies. The branches of the nationalised banks should make available—taking the initiative—managerial expertise and ensure control of the societies only by small farmers. The societies could also help mobilise and inculcate the habit of rural saving and gradually replace the moneylenders.

The committee was appointed in June last to formulate a suitable institutional structure for rural banking. It has suggested that the national banks should open at least 4,000 more branches in the under-banked areas to provide banking facilities to the masses. The crux of the committee's recommendation is that the "total developmental needs of the small farmers can only be met by helping them organise into multi-purpose farmers service societies. The National Commission on Agriculture had recommended the setting up of such societies to help lift the small farmers above the poverty line. Secondly, the nationalised banks will have to take the initiative in organising the societies, financing them, providing the management expertise and ensuring control by small farmers.

The committee has recommended that the farmers' service society should be equipped with capacity to provide technical advice such as soil data, seeds, fertilisers, credit and even marketing needs of the small farmers.

Readers' Roundtable

suppressed inflation

Sir, it is said by some that there is no price rise in communist countries. This is incorrect.

Communist countries suffer from *suppressed inflation*. It is manifested by rationing, long queues and the piling up of savings bank deposits since there are no avenues for spending the money.

Secondly, the cost of living index does not give a true picture of prices. The central planners arbitrarily fix prices of all commodities without reference to either their cost of production or availability. The cost of living index, thus compiled, remains static over a period of years while goods are not available.

Thirdly, there is a dual pricing and supply system. Members of the ruling party (which is a monopoly) buy from special shops both local and imported articles at subsidised prices while the masses are denied these things.

In addition to all this, many communist countries, under arrangements like the Rupee Payments, drain away commodities like oils, coffee etc. at rock bottom prices from countries such as India to augment their own stocks. For this, however, they should be complimented on their shrewdness. It is the folly of our authorities that they allow such arrangements which deprive the country of essential items and increase inflation.

(M. R. PAI)

Bombay
Oct. 24, 1974

COMPANY AFFAIRS

Further Gains

THE STOCK market inched its way further up during last week. Several pivotal shares gained ground on fresh support and hectic bear covering. The volume of business was good and the undertone at the close was steady. Expectations that the new credit policy for the busy season to be announced by the Reserve Bank on October 29 would have a distinct production and export bias and hopes of imminent announcements of decontrol of various items such as steel, cars and cement were largely responsible for the fresh support to select shares. Operators were also optimistic about the outcome of the forthcoming talks between Dr Kissinger and the union ministers and other high government officials. The flow of encouraging corporate news during the week in the shape of good performance by companies such as Ashok Leyland, Greaves Cotton, Hada Steel, and IDL Chemicals (formerly Indian Detonators) also enlivened the market sentiment.

Dalal Street opened the week on a subdued note but equities started recovering fast in the following days. The week, however, ended on an easy note. Among leading scrips, NOCIL ruled firm on expectations of a bonus issue. Gujarat Fertiliser moved irregularly on alternate bouts of buying and selling. Century, Tata Steel, Telco, Scindia, Indian Dyestuff, Baroda Rayon and Garware ruled steady. With a moderate turnover the Madras stock market was steady last week. The sentiment showed some improvement on hopes of a welcome change in the credit policy. Textiles and chemicals attracted interest. Sugar scrips were not active. Plantation shares were dull and inquiries were of a very limited nature.

Ashok Leyland

Ashok Leyland has announced that the financial year just ended September 30, 1974 has been—by a wide margin—a year of record production and sales in the company's history. During the year sales of the very popular Comet range of vehicles were 6786—over 2000 chassis more than were sold in the previous year. Sales of the heavier types of vehicles, Beavers and Hippos, also show a significant increase at over 500. The company's range of industrial and marine engines also achieved record sales of 731 as compared with the previous record of 523. To meet the great demand for spare parts, sales were at a level equivalent to 140 per cent of the previous year's level. Sales to export markets of spares, also showed an improvement of 154 per cent. These record figures have been achieved despite the very serious power cuts and the problems of obtaining materials and components. The achievement is due to the very significant and active cooperation of all the employees and suppliers, more effective planning and greatly improved internal efficiency. Meanwhile Leyland has won a valuable export order for bus chassis.

The contract for the supply of 250 chassis to the Ceylon Transport Board, Sri Lanka, has just been finalised. It is significant to note that this order represents the entire requirement of the Ceylon Transport Board for the year 1974-75. The CTB has always been a major purchaser of Ashok Leyland vehicles, and currently has a total fleet strength of over 6000 vehicles—the largest in the world—of this, the Leyland share is well over 60 per cent. For the past twelve years, the CTB has regularly placed repeat orders for Ashok Leyland vehicles together with large orders for spare parts. Ashok Leyland's recent performance in the field of commercial vehicles and bus exports has been extremely commendable. The company has made rapid progress and its products have been very well received in countries, ranging from Hong Kong, through the Middle East to the distant West Indies. Ashok Leyland is now actively engaged in securing export orders to meet its export target of Rs 5 crores during 1974-75.

Greaves Cotton

Greaves Cotton & Co has fared extremely well during year ended June 30, 1974 with sales, profits and profitability recording considerable improvements over the previous year's encouraging performance. The company has earned during the year under review a pre-tax profit of Rs 2.21 crores as against Rs 2.14 crores during the 15-month period ended June 30, 1973. Its sales amounted to Rs 42.57 crores as compared to Rs 43.24 crores in the preceding year.

On a proportionate basis sales are up by 23 per cent and the gross profit by 30 per cent. The directors have proposed a dividend of 12 per cent, the maximum permitted for 1973-74. For 1972-73 also the company paid the same dividend of 12 per cent. Out of the gross profit, the directors have appropriated Rs 10.70 lakhs to depreciation reserve, Rs 1.70 lakhs to development rebate reserve and Rs 113.00 lakhs to taxation reserve as against Rs 9.86 lakhs, Rs 0.75 lakh and Rs 93.40 lakhs provided respectively in the previous year. Sales in the first quarter of the current year and the order position nearly indicate a substantial improvement in turnover and profit during the current year. A higher export performance is also anticipated. During 1973-74 exports were of the order of Rs 2.83 crores, an improvement of Rs 1.83 crores over the preceding year. Greaves light engineering division, paper cone and tube unit and diamond drill bits, department improved their production and profits. Its Nasik rolling cutter rock bits project is expected to be completed in the third quarter of next year after delay of more than a year owing to the shortage of cement, steel and protracted deliveries of equipment.

Universal Steel

Erratic power supplies and drastic power cuts in the Haryana state, has adversely affected the manufacturing operations of Universal Steel and Alloys Ltd during the year ended April 30, 1974. Consequently production of steel ingots during the year was only 7,798 tonnes as against the installed capacity of 10,800 tonnes. With an improvement in power supply position the company's performance is expected to improve substantially. The second arc furnace with an annual production capacity of 18,000 tonnes has been installed and is expected to be commissioned shortly. A term loan of Rs 24 lakhs has been sanctioned by Oriental Bank of Commerce Ltd to meet the expansion cost of installation of second are furnace. The company has also taken up the manufacture of special and alloy steels for which there is a great demand in the country at present. Sales during the year amounted to Rs 120.65 lakhs while gross profit amounted to Rs 17.08 lakhs. Out of gross profit, a sum of Rs 6.99 lakhs was appropriated to depreciation reserve while a sum of Rs 8.29 lakhs was provided for meeting finance charges, leaving a balance of Rs 1.80 lakhs. After adjusting the brought forward loss of Rs 4.88 lakhs, a deficit of Rs 3.08 lakhs is being carried forward. As there is no assessable income the development rebate reserve has not been created. The company is entitled to claim development rebate in the year in which there are assessable profits, amounting to about Rs 16.52 lakhs.

U. P. Scooters

U. P. Scooters Limited, Unnao, to which an industrial licence for the manufacture of 24,000 scooters per annum was granted by the ministry of Industrial Development, commenced production of 'Rajhans' scooter on a commercial scale a few months back. More than 250 'Rajhans' scooters are on roads. At present the production rate has reached to 10 scooters a day, which is likely to rise by January, 1975 to 40 scooters a day. According to the phased manufacturing programme, U.P. Scooters Limited will manufacture 12,000 scooters in the year 1975 and 24,000 scooters per annum thereafter. Out of 23 new units to whom Industrial Development ministry had issued letters of intent for the manufacture of scooters till May, 1971, U.P. Scooters Limited, is the only unit which has put its production on roads, without any financial assistance so far from any financial institution or the government. The total investment in U.P. Scooters Ltd is of the order of Rs 402.69 lakhs. This has been financed by the share capital of Rs 160 lakhs, loan in foreign currency of Rs 44.23 lakhs, long-term loan from financial institutions of Rs 198.46 lakhs, making a total of Rs 402.69 lakhs.

'Rajhans' Scooter is the only one out of the existing brands of scooters produced in the country, which is based on 100 per cent indigenous parts and components and has been developed with purely indigenous technical know-how without any foreign collaboration. It is claimed to be unique in many respects. Its fuel consumption is very low being 45 to 48 km. per litre and has a maximum speed of 90 km. per hour. Another important feature of 'Rajhans' is that it has been developed keeping in view the needs of both rural and urban areas. Besides, the Rajhans scooter, fitted with 150 c.c. two-stroke, shaft driven, extra-powered noiseless engine has got four gears, making it suitable for long runs and high ascents while the fourth gear assures of smooth and silent performance.

Indian Aluminium

The board of directors of Indian Aluminium Company Ltd has decided to make the final call of Rs 5.00 per share on the partly-paid ordinary shares issued on March 26, 1974. Out of this final call, Rs 2.50 per share will be credited towards par value and the same amount towards premium.

The final call be made on holders of the aforesaid partly-paid ordinary shares on record on the Register of Members of the company on November 21, 1974. Call Notices are expected to be issued on or after December 10, 1974, giving full instructions and requiring payment of the call money by January 11, 1975.

Mettur Chemicals

Mettur Chemicals and Industrial Corporation has earned during the year ended March 31, 1974, a substantially reduced net profit of Rs 53.03 lakhs as against Rs 77.59 lakhs in 1972-73. This sharp decline in profit is attributed to steep increase in cost of raw materials, labour and services as well as the curtailed production on account of extended power cuts and loss of production due to labour strike for about a month. Though there was some marginal increase in price realisations it was too inadequate to counteract the above adverse factors. Adding to the net profit the amount of Rs. 22,016 brought forward from the previous year, the total amount available for disposal came to Rs 53.25 lakhs. Out of this, a sum of Rs 3 lakhs was allocated to development rebate reserve, Rs 39.50 lakhs to taxation reserve and Rs 49,167 towards donations. This leaves a net surplus of Rs 10.26 lakhs out of which Rs 10 lakhs was provided for payment of gratuity, leaving Rs 25,765 to be carried forward to the next year's account. In view of the sharp decline in profits and also taking into consideration the restrictions on dividends, the directors regret that they are not in a position to recommend payment of dividends either on equity or on preference shares for the year 1973-74.

Production of main chemicals was adversely affected during 1973-74 due to a 75 per cent power cut for about three-and-half months and 15 per cent power cut for six months in the year and also due to loss of about a month's production on account of labour strike during the year. Besides this, inadequate availability of furnace oil posed serious problems in the second half of the year. Despite these adverse factors production of caustic soda has maintained 27,938 tonnes gross as against 32,927 tonnes in the previous year. In stable bleaching powder, production was lower by 14 per cent at 4345 tonnes due to limited availability of chlorine. As regards other inorganic chemicals production as maintained at fairly satisfactory levels. In vanaspati and vegetable oil products, due to shortage and sharp increase in the price of groundnut oil, production went down to 1538 tonnes from 2304 tonnes in 1972-73. The output of chloromethanes too was affected due to inadequate availability of chlorine and hence production during the year was reduced to 3936 tonnes from 4558 tonnes in the previous year.

Total sales during the year under report declined by 6.8 per cent to Rs 727.82 lakhs. The company continued to maintain its record in the export of its products. Meanwhile the company has secured an industrial licence for expanding the capacity of rayon grade caustic soda by 50 tonnes per day and has also received a capital goods import licence. An agreement has also been entered into with Messrs Krebs and Co Ltd, Zurich, for provision of basic engineering services. Other formalities are being concluded and the expanded capacity is expected to be on stream in the first half of 1976.

News and Notes

The output of Tata commercial vehicles manufactured by the **Tata Engineering and Locomotive Company** during the period July to September 1974 was 4,856 units as compared to 5,482 units produced during the corresponding period of last year. The shortfall was mainly an account of the non-availability of critical components such as pistons and wheels.

The **Coca-Cola Company** has recently purchased 14,700 metric tonnes of Indian raw sugar for use in its products in the United States. This consignment was exported by the Indian Sugar Industry Export Corporation through the State Trading Corporation and it was shipped from Bombay in a Soviet vessel.

The country's first Caprolactam plant was set up in March this year. **The Gujarat State Fertilizer Company**, will provide the nylon industry, among others with 20,500 tons of Caprolactam every year—the basic raw material for textiles, tyre cord, as well as synthetic yarns for fishing nets. The plant will, moreover, produce 86,000 tonnes of fertilizer as a by-product. Siemens supplied most of the necessary equipment to meet the plant's electrical requirements—beginning with sophisticated semi-drawout type motor control centres in back-to-back double front design, to special 11 kV single core paper insulated lead covered screened single

wire armoured PVC jacketed cables. Siemens engineers have worked very closely with GSFC engineers in solving all problems connected with installation and commissioning.

The momentum gained in the operations of the **Industrial Development Bank of India** during the year 1973-74 (July-June) was well maintained in the first quarter of 1974-75, both sanctions and disbursal of assistance being more than double the levels of the corresponding quarter of last year. The total assistance sanctioned was Rs 72.9 crores, against Rs 34.1 crores, and actual utilisation by industrial concerns was Rs 51.0 crores, against Rs 24.3 crores. The face value of bills rediscounted by the IDBI during the quarter July-September 1974 amounted to Rs 35.1 crores covering 480 purchaser-users compared to Rs 13.3 crores covering 261 purchaser-users during July-September 1973. Sanctions under refinance of industrial loans at Rs 17.4 crores were substantially higher (134 per cent) than the amount (Rs 7.4 crores) sanctioned in July-September 1973. More impressive was the increase in the number of sanctions from 539 to 1,226. Nearly 80 per cent of the refinance was in respect of small-scale industries.

There was a spurt in sanctions under export finance schemes from Rs 76 lakhs to Rs 12.5 crores in July-September 1974. The sanctions covered exports of textile machinery, boilers, automobile spares, diesel engines, pumpsets, etc, to various countries. The total effective sanctions since the IDBI started functioning upto the end of September 1974 amount to Rs 1,049.8 crores, excluding guarantees for Rs 28.5 crores, while the assistance actually utilised is Rs 777.4 crores.

New Issues

Nilhat Shipping Company Limited is entering the capital market with the public issue of Rs 102 lakhs. The issue is for 10,20,000 equity shares of Rs 10 each of which Rs 5 is payable on application and Rs 5 on allotment. The subscription list opens on November 18 and will close on November 28 or earlier but not before November 21. The issue is fully underwritten by public financial institutions and brokers. The public issue is managed by Champaklal Investment and Financial Consultancy Limited and Place, Siddons & Gough Private Limited. The promoters of this company are a well-known company in Calcutta, J. Thomas & Co. Private Ltd, who have been the foremost brokers of tea and have been in the forefront of tea industry in India and abroad for over a century.

Nilhat has acquired in February and March, 1974 two 25,000 DWT bulk carriers of Scandinavian origin. These ships are on a 24-month time charter to a well-known American company and by all accounts the charter hire has been at very attractive rates. Recently, one of the ships loaded Indian iron ore at Goa for shipment to a west European port. Nilhat has had the full backing of the Syndicate Bank and the Bank of India in respect of the foreign exchange loan and guarantees required for the purchase of the two vessels. There is an operating agreement with Mackinnon Mackenzie & Co. Private Ltd —a member of the internationally-known P & O Group of companies which will ensure efficient manning and maintenance of the ships. The immediate future plans of Nilhat are to arrange for the purchase of two dry cargo bulk carriers of around the same size as the present ones and they propose to apply for SDFC assistance in this respect. They have also investigated the possibility of chartering in of ships and going into coastal shipping. It is significant to note that Nilhat is a professionally managed company whose expertise in the respective field is well-known. The directors on board are : Mr D.C. Kothari (Chairman), Mr D. Roy, Mr T.C. Satyanath, Mr N.J. Setna, Dr D.P. Antia, Mr B.K. Dutt, Mr D.K. Basu, Mr N.N. Kapadia and Mr Nazir Latif.

Haryana Polysteels Ltd is offering to the public for subscription 6,24,750 equity shares of Rs 10 each and 22,500 (9.8 per cent) redeemable cumulative preference shares of Rs 100 each for cash at par. The subscription list for this fully underwritten issue opens on November 4 and will close on November 15 or earlier but not before November 7. The company has been promoted by the Haryana State Industrial Development Corporation in financial and technical collaboration with Polysteels (India) Ltd with the object of setting up at Hissar in the state of Haryana a steel billet manufacturing plant having an annual capacity of 50,000 tonnes. The company is putting up electric arc furnaces with continuous casting machines to produce high carbon and mild steel billets. The company proposes to expand the activity up to one lakh tonnes in due course. The company has also plans to set up a wire rod mill of 40,000 tonnes capacity in the near future and a letter of intent has already been obtained by the promoters of the company. The plant is expected to go into production by January 1975. As the project is set up in a backward area, the company will be entitled to various incentives and benefits.

Bank of Madura Ltd is offering to the public for subscription 590,000 equity shares of Rs 10 each for cash at par. The subscription list for this fully underwritten issue opened on October 30, and will close on November 9 or earlier but not before November 2. The bank claimed to be one of the top non-nationalised banks in Tamil Nadu has been expanding very fast, since 1971 and a number of measures to consolidate the growth had been introduced in the year 1973. The deposits of the bank have increased three-fold in a period of three years from Rs 9.8 crores at the end of 1970 to Rs 27.43 crores at the end of 1973. The bank has a net work of 137 branches, and it proposes to open branches at Ahmedabad and Hyderabad in the current year and one more in Bombay and Calcutta. The bank entered foreign exchange business this year and has already started sizable transactions involving all foreign currencies. Chit Fund business which is a speciality of the bank was started in 1972 and the business has progressed satisfactorily. The proceeds of the public issue will be utilised to finance the fast expanding business activities of the bank.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Hukamchand Mills	December 31, 1973	15.0	12.5
Same Dividend			
Madras Safe Deposit Co	June 30, 1974	10.0	10.0
Beco Engineering	December 31, 1973	Nil	Nil
India Linoleums	March 31, 1974	Nil	Nil
Reduced Dividend			
Fort William	March 31, 1974	Nil	15.0
Hindustan Wires	March 31, 1974	6.0	10.0
Agarpara Company	March 31, 1974	Nil	5.0
International Tractor Investment Corpn. of India	March 31, 1974	Nil	12.5
Jayant Paper Mills	June 30, 1974	4.25	11.0
	June 30, 1974	8.0	12.0

RECORDS AND STATISTICS

Wholesale prices

THE OFFICIAL wholesale price index for 'all commodities' (with *the year ended* March, 1962 as 100) advanced by 2.5 per cent to 323.0 during August, 1974 as against 315.1 for the previous month. At this level the index for August, 1974 was higher by 28.6 per cent when compared to 251.1 for August, 1973. The rise in the all commodities was shared by an advance in the indices for 'food articles' by 2.4 per cent to 375.5, 'fuel, power, light and lubricants' by 0.1 per cent to 313.1, 'industrial raw materials' by 3.2 per cent to 353.1, 'chemicals' by 0.2 per cent to 287.5, 'machinery and transport eqxipment' by 6.2 per cent to 255.8 and 'manufactures' by 2.9 per cent to 261.0. However, the index for 'iquor and tobacco' declined by 2.0 per cent to *300.1 during the month* under review.

Food Articles

The sub-group indices for 'cereals' and 'pulses' rose by 5.0 and 6.2 per cent to 390.7 and 508.8 respectively due to an increase in the prices of all the cereals and pulses except moong and urad which declined. On the whole the index for 'foodgrains' moved up by 5.3 per cent to 412.2. At this level the index for 'foodgrains' was higher by 40.4 per cent when compared to that of a year ago. The sub-group index for 'fruits and vegetables' registered a fall of 6.9 per cent to 349.1 due to lower prices of potatoes, bananas, cashewnuts and oranges.

The sub-group index for 'milk and milk products' receded by 0.3 per cent to 334.4 due to a fall in the prices of ghee. The sub-group index for 'edible oils' moved up by 2.0 per cent to 422.2 on account of higher prices of groundnut oil and mustard oil. The prices of coconut oil, *however, declined.*

The subgroup index for 'fish, eggs and meat' went up by 1.1 per cent to 546.2 due to a rise in the prices of fish. However the prices of eggs and meat recorded a fall. The index for 'sugar and allied products' sub-group ro;e by 5.8 per cent to 310.8 due to rish in the prices of all items under this sub-group. The sub-group index for 'other food articles' declined by 3.0 per cent to

Index Numbers of Wholesale Prices by Groups & Sub-Groups (Base 1961-62=100)

Groups & usb-group	August '74	July '74	August '73	Percentage rise (+) or fal l(-) Aug 1974 / July 1974	Aug 1974 / Aug. 1973
Food Articles	375.5	366.6	298.8	+2.4	+25.7
Foodgrains	412.2	391.5	293.5	+5.3	+40.4
Cereals	390.7	372.0	268.8	+5.0	+45.3
Pulses	508.8	479.1	405.0	+6.2	+25.6
Fruits & vegetables	349.1	374.8	284.4	—6.9	+22.7
Milk & milk products	334.4	335.5	295.9	—0.3	+13.0
Edible oils	422.2	413.9	359.2	+2.0	+17.5
Fish, eggs & meat	546.2	540.4	395.9	+1.1	+38.0
Sugar & allied products	310.8	293.9	298.4	+5.8	+4.2
Others	278.7	287.4	206.1	—3.0	+35.8
Liquor & Tobacco	300.1	306.2	247.5	—2.0	+21.3
Liquor	215.2	215.2	176.0	Nil	+22.3
Tobacco	304.0	310.3	250.8	—2.0	+21.2
Fuel, Power Light & Lubricants	313.1	312.9	190.9	+0.1	+64.0
Coal	263.2	263.2	190.4	Nil	+38.2
Coke	357.3	357.3	268.4	Nil	+33.1
Mineral oils	384.0	383.6	189.7	+0.1	+102.4
Rectified spirit	323.1	323.1	296.8	Nil	+8.9
Electricity	186.5	186.5	161.3	Nil	+15.6
Castor oil	385.7	387.5	414.4	—0.5	—6.9
Industrial Raw Materials	353.1	342.3	806.2	+3.2	+15.3
Fibres	298.9	285.5	220.1	+4.7	+35.8
Oilseeds	439.3	423.7	394.7	+3.7	+11.3
Minerals	158.1	158.1	157.0	Nil	+0.7
Others	286.3	288.7	282.3	—0.8	+1.4
Chemicals	287.5	286.8	214.5	+0.2	+34.0
Machinery & Transport Equipment	255.8	240.9	177.7	+6.2	+44.0
Electrical machinery	233.1	233.2	174.1	Neg	+33.9
Non-Electrical machinery	296.8	267.2	191.7	+11.1	+54.8
Transport equipment	202.0	200.4	151.1	+0.8	+33.7
Manufactures	261.0	253.7	194.7	+2.9	+34.1
Intermediate Products	339.1	337.3	245.0	+0.5	+38.4
Textile yarn	289.1	285.9	210.8	+1.1	+37.1
Leathers	220.9	236.3	223.6	—6.5	—1.2
Metals	403.8	402.7	276.7	+0.3	+45.9
Linseed oil	463.6	434.4	333.9	+6.7	+38.8
Finished Products	240.8	233.5	182.5	+3.1	+31.9
Textiles	238.8	230.7	179.6	+3.5	+33.0
Metal products	272.8	267.3	212.0	+2.1	+28.7
Non-metallic products	247.7	225.9	180.9	+9.7	+36.9
Chemical products	237.4	235.2	165.9	+0.9	+43.1
Leather products (Shoes)	125.4	125.4	107.3	Nil	+16.0
Rubber products	220.8	213.9	161.3	+3.2	+36.9
Paper products	217.4	213.4	143.3	+1.9	+51.7
Oilcakes	361.5	340.6	352.0	+6.1	+2.7
Miscellaneous products	170.4	168.8	129.9	+0.9	+31.2
All Commodities	323.0	315.1	251.1	+2.5	+28.6

Source: Office of the Economic Adviser to the Government of India, Ministry of Industrial Development.

278.7 due to lower prices of spices and condiments and tea. The prices of coffee betelnuts, and processed food, however moved up.

Liquor and Tobacco

The sub-group index for liquor remained unchanged at its last month's leval of 215.2. The sub-group index for tubacco declined by 2.0 per cent to 304.0 due to lower prices of tobacco raw.

Fuel, Power, Light and Lubricants

The sub-groups indices for 'coal' 'coke' 'rectified spirit' and 'electricity' remained unchanged at their last month's level of 263.2, 357.3, 323.1, and 186.5 respectively. The sub-group index for 'minerals' stood at 384.0 as against 383.6 due to slight rise in the prices of kerosene oil. The sub-group index for 'castor oil' declined by 0.5 per cent to 385.7.

Industrial Raw Materials

Higher prices of cotton raw, jute raw and mesta, wool raw and coir fibre pushed up the sub-group index for 'fibres' by 4.7 per cent to 298.0 The prices of silk raw, however, declined. The sub-group index for 'oilseeds' went up by 3.7 per cent to 439.3 due to rise in the prices of all seeds except castor seed which declined. The sub-group index for 'minerals' stood at its last month's level of 158.1. The sub-group index for 'other industrial raw materials' registered a fall of 0.8 per cent to 286.3 on account of lower prices of tanning materials and lac.

Chemicals

The index of this group went up by 0.2 per cent to 287.5 owing to an advance in the prices of hydrochloric acid and bleaching powder. However the price of copper sulphate showed a fall.

Machinery and Transport Equipment

The sub-group index for 'electrical machinery' stood at 233.1 as against 233.2 for the earlier month. The sub-group index for 'non-electrical machinery' rose by 11.1 per cent to 296.8 due to higher prices of all the items under the sub-group. The sub-group index for 'transport equipment' advanced by 0.8 per cent to 202.0 on account of increase in the prices of vehicles and cycles.

Manufactures

Intermediate Products

The index for 'intermediate products' moved up by 0.5 per cent owing to an increase in the prices of cotton yarn, rayon yarn, coir yarn, pig iron, semies, tin and linseed oil. The prices of leather, zinc, brass sheets, copper sheets, and lead, however, declined.

Finished Products

Higher prices of cotton manufactures, just manufactures, and coir mats and matting raised the sub-group index for 'textiles' by 3.5 per cent to 238.8. The prices of silk and rayon manufactures, however, declined.

The sub-group index for 'metal products' moved up by 2.1 per cent to 272.8 owing to an increase in the prices of iron and steel manufactures and cutlery & hardware. The sub-group index for 'non-metallic products' rose by 9.7 per cent to 247.7 due to an advance in the prices of cement, bricks and tiles and pottery goods.

The sub-group index for 'chemical products' went up by 0.9 per cent to 237.4 on account of higher price of drugs and medicines, paints and varnishes, dyeing materials and toilet requisites. The prices of essential oil, however, showed a fall. The index for leather stood at its last month's level of 125.4. The sub-group index for 'rubber products' moved up by 3.2 per cent to 220.8 due to higher prices of tyres and tubes and other rubber products.

The sub-group indice for 'paper products' and 'oil-cakes' moved up by 1.9 and 6.1 per cent to 217.4 and 361.5 respectively. The sub-group index for 'miscellaneous products' also rose by 0.9 per cent to 170.4 due to an increase in the prices of plastic materials and plywood tea chests. On the whole the index for 'finished products' advanced by 3.1 per cent to 240.8 as against 233.5 for the previous month.

Index Numbers of Security Prices (All-India)

(Base:1970-71=100)

Week ended	1973	1974				
	Oct. 6	Sept. 7	Sept. 14	Sept. 21	Sept. 28	Oct. 5
Government and Semi-Government Securities	98.9	97.2	97.1	97.1	97.1	96.9
Government of India	98.4	96.3	96.2	96.2	96.2	95.9
State governments	99.9	99.5	99.4	99.4	99.3	99.3
Semi-government instiutions	100.8	100.7	101.0	100.9	100.9	100.9
Debentures	97.8	96.9	96.9	96.9	96.9	96.8
Preference Shares	93.9	92.3	92.2	91.9	91.9	91.4
Ordinary Shares	118.0	108.9	104.2	103.6	103.1	100.7
Tea plantations	91.8	112.8	106.8	105.5	103.7	101.5
Cotton textiles	135.5	133.1	128.2	126.5	127.4	123.7
Jute textiles	132.0	154.9	150.8	148.1	143.2	140.9
Silk, woollen and rayon textiles	135.7	124.9	120.7	120.7	120.8	117.3
Iron and steel	60.4	48.5	47.2	47.3	46.8	44.9
Aluminium	78.5	60.1	58.3	57.9	57.2	56.1
Transport equipment	98.4	77.9	75.3	76.4	75.5	72.5
Electrical machinery, apparatus, appliances etc.	121.8	113.5	107.2	106.5	104.9	100.5
Chemical fertilisers	178.0	147.7	141.0	141.0	140.8	138.2
Other basic industrial chemicals	122.7	105.4	100.1	100.4	100.5	98.9
Cement	102.3	85.7	83.3	82.0	81.4	78.2
Paper and paper products	132.7	160.9	154.5	155.7	154.8	149.0
Rubber and rubber products	109.9	101.3	94.5	93.7	92.5	89.3
Electricity generation and supply	82.5	76.7	76.2	75.5	72.5	68.1
Shipping	153.2	140.2	137.6	138.9	140.5	139.7

Source: Reserve Bank of India

Reserve Bank of India

(Rs lakhs)

	Oct. 4, 1974	A week ago	A month ago	A year ago
Issue Department				
Notes held in banking department	21,37	42,26	30,58	29,95
Notes in circulation	5,958,10	5,908,88	6,050,84	5,511,33
Total notes issued	5,979,46	5,951,14	6,081,43	5,541,27
Gold coin and bullion	182,53	182,53	182,53	182,53
Foreign securities	141,74	141,74	146,74	148,93
Rupee coin	19,37	20,64	15,92	11,65
Government of India rupee securities	5,635,83	5,606,23	5,736,24	5,198,16
Banking Department				
Deposits of cent. govt.	59,16	58,02	54,97	56,36
Deposits of state govt's	32,43	8,61	20,31	15,93
Deposits of banks	591,98	559,34	620,37	848,68
Other deposits	371,27	437,10	355,85	71,94
Other liabilities	1,455,66	1,449,64	1,436,54	1,089,53
Total liabilities or assets	2,510,51	2,512,70	2,488,04	2,082,43
Notes and coins	21,44	42,35	30,66	30,01
Balances held abroad	466,08	474,67	508,62	277,78
Loans and Advances to :				
State governments	98,04	143,15	123,92	149,19
Scheduled com. banks	95,40	86,62	84,04	38,88
State co-op. banks	318,42	312,22	283,29	292,29
Other loans and advances	289,61	281,63	275,05	165,05
Bills Purchased and Discounted :				
Internal	142,18	158,17	183,20	32,51
Govt. treasury bills	652,49	726,74	522,77	966,79
Investments	335,50	191,04	379,77	86,35
Other assets	91,36	96,12	96,74	43,59

Scheduled Commercial Banks

(Rs lakhs)

	Oct. 4, 1974	A week ago	A month ago	A year ago
1. Demand deposits	4,651,19	4,608,28	4,681,66	3,970,48
2. Time deposits	6,471,27	6,454,00	6,354,43	5,603,33
3. Aggregate deposits	11,122,46	11,062,28	11,036,09	9,573,81
4. Borrowings from Reserve Bank	95,40	86,62	84,04	38,88
5. Cash	276,57	266,94	263,44	236,98
6. Balances with Reserve Bank	574,14	541,46	603,08	831,53
7. Cash and balances with Reserve Bank	850,71	808,40	866,52	1,068,51
8. Investments in government securities	2,673,15	2,630,77	2,634,52	2,332,44
9. Advances	6,244,47	6,254,00	6,236,69	5,211,13
10. Inland bills purchased and discounted	1,020,43	1,029,62	1,079,11	899,71
11. Foreign bills purchased and discounted	380,90	379,99	373,98	277,72
12. Total bank credit	7,645,80	7,663,61	7,689,78	6,388,56
Percetnage of :				
(7) to (3)	7.65	7.31	7.85	11.16
(8) to (3)	24.03	23.78	23.87	24.36
(12 to (3)	68.74	69.68	69.98	66.73

Source : Reserve Bank of India

Money Supply with the Public

(Rs crores)

Week ended	1973	1974				
	Sept. 28	August 30	Sept.6	Sept. 13	Sept. 20	Sept. 27
Money Supply with the Public	9,821	11,064	11,109	11,137	11,002	10,912
Currency with the Public	5,163	6,198	6,251	6,287	6,202	6,105
Other Deposits with the Reserve Bank	45	42	36	54	43	60
Bank Money	4,163	4,824	4,822	4,796	4,757	4,747
Factors Affecting Money Supply (1+2+3+4—5)						
1. Net bank credit to Government Sector (a+b)	8,580	9,183	9,328	9,351	9,329	9,239
(a) Reserve Bank's Net Credit to Government Sector	6,148	6,501	6,596	6,585	6,526	6,511
(b) Other Banks' Credit to Government Sector	2,432	2,682	2,732	2,766	2,803	2,728
P2. Bank Credit to Commercial Sector (a+b)	7,895	9,593	9,537	9,653	9,593	9,574
(a) Reserve Bank's Credit to Commercial Sector	298	574	566	566	558	550
(b) Other Banks' Credit to Commercial Sector	7,597	9,019	8,971	9,087	9,035	9,024
3. Net Foreign Exchange Assets of Banking Sector	625	651	570	570	571	537
4. Government's Net Currency Liabilities to the Public	482	509	510	409	507	509
5. Non-Monetary Liabilities of Banking Sector (a+b+c)	7,761	8,782	8,836	8,946	8,998	8,947
(a) Time Deposits with Banks	5,878	6,682	6,704	6,733	6,781	6,810
(b) Net Non-Monetary Liabilities of RBI	1,190	1,148	1,416	1,409	1,422	1,430
(c) Residual	693	682	716	804	795	707
Aggregate Monetary Resources (A+B5(a))	15,699	17,746	17,813	17,870	17,783	17,722

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	1973-74	1973	1974					
									June	Jan.	Feb.	Mar.	April	May	June
						(Base : 1949=100)									
All-India	169	213	212	215	226	233	251	304	283	321	325	334	344	357	366
						(Base : 1960—100)									
All-India	...	...	174	177	186	192	207	250	233	264	267	275	283	294	301
Ahmedabad	130	168	165	169	176	181	198	245	230	264	260	264	272	284	290
Alwaye	145	183	198	197	198	202	215	267	260	265	273	288	298	312	322
Asansol	140	168	176	187	189	194	206	245	226	258	263	274	286	298	301
Bangalore	144	172	180	183	186	194	212	265	247	280	284	286	286	292	299
Bhavnagar	132	173	176	178	186	194	217	273	256	293	289	285	297	306	302
Bombay	130	162	167	175	182	190	203	233	230	241	243	249	259	269	277
Calcutta	131	163	170	172	182	187	197	228	213	240	241	255	264	272	276
Coimbatore	132	151	147	152	163	177	189	218	204	232	236	246	258	269	272
Delhi	136	172	178	185	199	211	222	265	250	278	280	296	309	325	330
Digboi	138	198	185	180	189	188	198	234	217	249	255	256	260	273	282
Gwalior	139	191	179	184	191	197	214	271	249	290	299	312	316	329	339
Howrah	137	178	181	176	186	191	206	239	219	256	255	270	274	280	285
Hyderabad	140	167	173	185	189	195	211	251	245	257	263	271	273	277	284
Jamshedpur	136	183	171	190	183	187	202	249	229	268	275	278	293	307	311
Madras	134	151	150	160	170	182	203	229	221	238	241	248	261	268	271
Madurai	128	146	148	162	183	193	206	236	221	254	251	257	266	282	298
Monghyr	151	215	185	188	203	204	225	292	256	324	343	347	344	337	360
Mundkayam	138	173	186	191	197	199	210	263	252	271	272	286	291	309	323
Nagpur	138	164	166	176	187	192	203	256	220	275	275	277	277	295	299
Saharanpur	141	188	176	181	186	196	213	253	252	276	280	290	294	311	315
Sholapur	128	165	167	176	185	198	216	277	266	293	282	279	288	295	306

Source : Labour Bureau, Govt. of India

Consumer Price Index Numbers for Urban Non-Manual Employees

(Base : 1960=100)

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1973	1974				
									April	Dec.	Jan.	Feb.	Mar.	Apr.
All-India	132	159	161	167	174	180	192	221	202	228	231	233	238	244
Bombay	132	153	156	162	168	172	183	204	195	206	206	200	213	222
Delhi-New Delhi	131	154	162	178	174	180	190	217	195	226	229	230	236	238
Calcutta	126	152	156	162	170	174	180	204	184	213	214	213	219	221
Madras	133	154	154	161	175	188	204	231	214	238	240	245	250	257
Hyderabad-Secunderabad	133	155	159	167	174	180	195	223	208	229	229	230	257	240
Bangalore	133	156	160	162	172	180	194	228	206	235	237	242	246	250
Lucknow	132	159	156	161	166	174	185	215	192	220	226	229	235	243
Ahmedabad	131	160	162	168	171	173	188	222	205	228	231	229	233	239
Jaipur	133	162	168	176	183	188	205	244	216	255	256	260	266	274
Patna	139	170	174	191	190	199	199	229	205	238	248	249	259	253
Srinagar	134	160	157	174	184	191	200	215	204	222	223	225	227	237
Trivandrum	131	165	168	172	178	184	198	231	208	243	245	244	250	258
Cutrack-Bhubaneswar	142	164	167	169	176	184	196	221	200	232	232	232	239	242
Bhopal	133	166	166	172	180	188	204	238	213	243	248	254	258	261
Chandigarh	129	155	165	171	178	183	194	217	198	222	224	229	237	241
Shillong	123	155	163	164	166	175	183	208	193	281	220	219	217	229

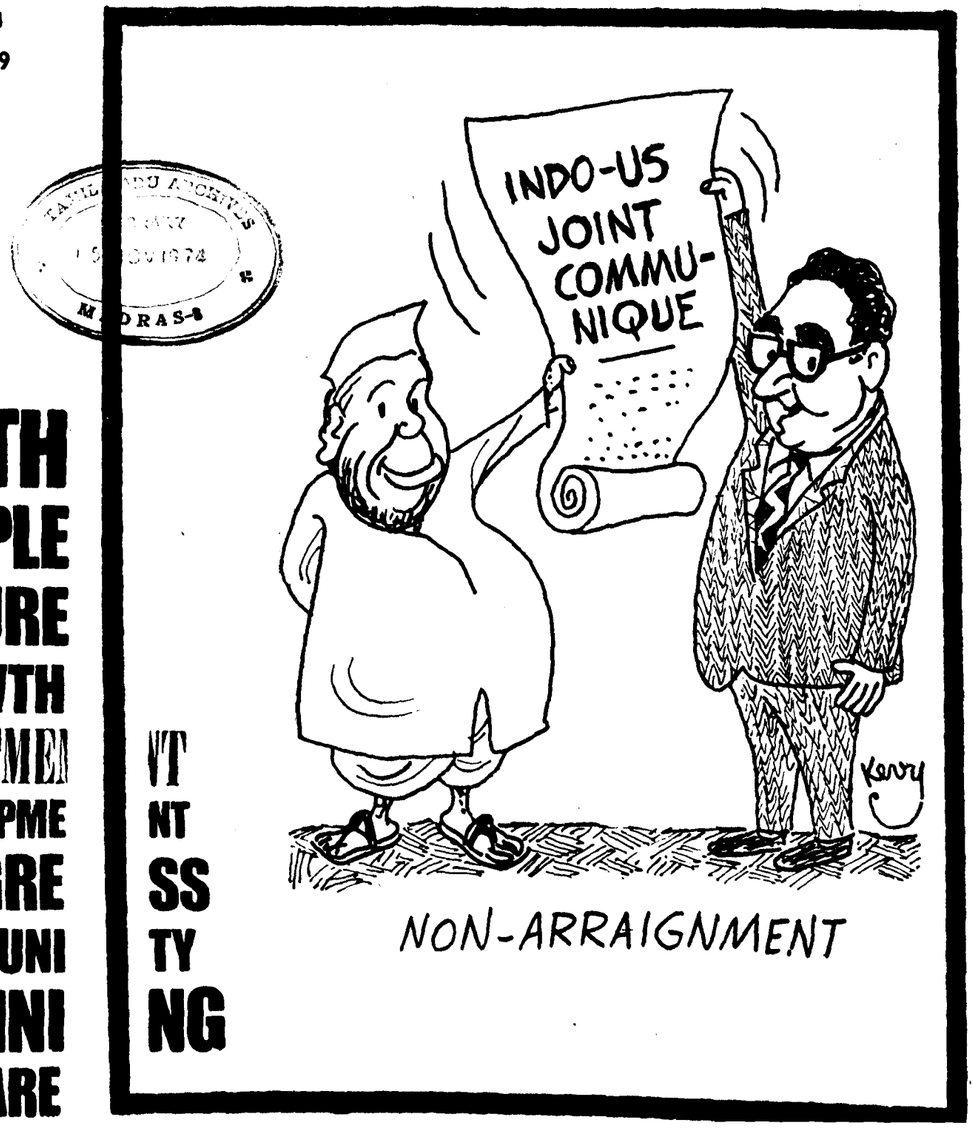
Source : CSO

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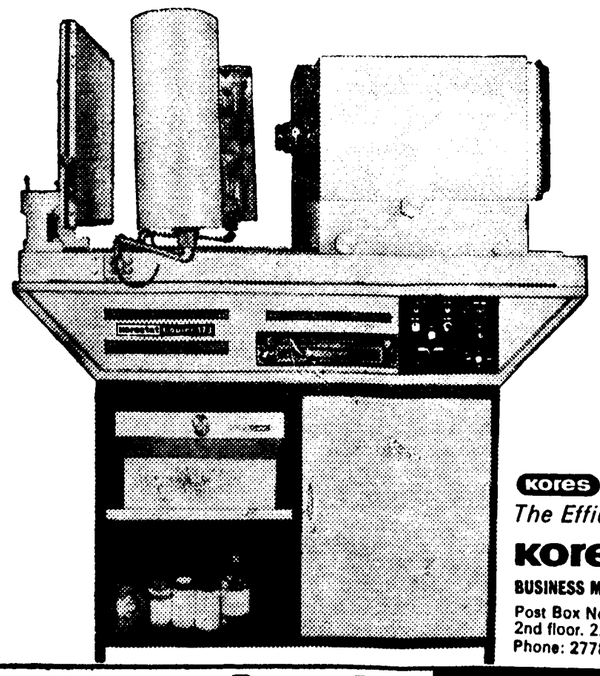
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K for Kissinger

THE RECENT visit of Dr Henry A. Kissinger, the US Secretary of State, to this country proved to be a satisfying experience both for the guest and the hosts. Dr Kissinger is reported to have stated at the end of his talks with the Indian leaders that relations between the two countries had turned a new page and that both the countries had agreed to work with dedication and seriousness towards common objectives. The setting up of the Indo-American Joint Commission was proof of the fact that both the countries were keen to hasten the pace of collaborative efforts. Surely, the flow of private American capital into this country will depend to a large extent on the identification of areas where mutually advantageous joint projects can be set up.

The discussions between Dr Kissinger and the Indian leaders resulted in the presentation of the viewpoints of both sides in clear-cut and unambiguous terms. Instead of tackling the various issues in a diplomatic manner, an attempt was made to understand each other's point of view. Surely there were certain issues on which there could be no agreement between the two. The supply of arms to Pakistan and the question of Diego Garcia were two such questions on which, using Dr Kissinger's words, "there was absence of identity of views." The Indian side did try to impress upon the US Secretary of State the need for maintaining peace in the sub-continent which would be impossible to achieve if attempts were made to start the arms race once again by trying to put Pakistan on par with India militarily. The military assistance provided to Pakistan by China and the backing of the Middle East countries with their oil money had already tended to bring back the pre-1971 situation. If on top of that the USA also started the supply of arms to Pakistan, it would surely damage the Simla spirit which this country had been trying to nourish assiduously for more than two years.

The other two important questions which should have been discussed but did not come up in a specific manner were those relating to the supply of foodgrains and aid. This country has made it known that it would not like to revive the old experience of the import of foodgrains under PL 480. The US Secretary of State also did not take up this question in concrete terms. He said that the USA would certainly give food assistance to India though it was difficult for him to arrive at a final judgment as to how much could be supplied. At the Rome conference, which started on November 5, Mr Kissinger would put forward the entire US approach to the food problem and the steps which had to be taken up on a national and multinational basis. What was interesting was that the US was not making its approach to the Rome Food Conference conditional on support to US views on any other subject such as energy. However, it is reliably known in Delhi that the USA will supply in the next 12 months about 1.2 million tonnes of wheat to India under soft dollar loans repayable after 40 years and bearing an interest of 2½ per cent only. A grace period of seven to 10 years may be allowed.

On aid the old donor-donee relationship was proposed to be given up. It tended to create certain complexes which were not conducive to harmonious collaboration in various spheres of economic activity. Dr Kissinger said at his press conference that when the United States undertook certain measures with respect to India or any other country, it did so in its own interest as well as the interest of the other country. The joint interest was the prime mover in such transactions. Therefore, when the question of aid was discussed, it was not in the context of India asking for a special favour but of defining joint objectives. The Indo-US Joint Commission is expected to provide an opportunity for discussing the common objectives in a realistic framework.

Dr Kissinger described his mission to this country as a complete success. There might be an element of exaggeration in the way he put it, but there is no doubt that in the changed atmosphere, there are increased prospects of better trade relations between the two countries. For some time the trade between the two countries has been stagnating at the level of Rs 700 crores a year. In this connection a reference may be made to the Trade Reform Bill which is likely to be passed by the US Congress at the end of the current year. With greater understanding and awareness of each other's points of view and the elimination of misunderstanding on less important issues, there is no doubt that trade relations between the two countries will steadily improve, and through the Indo-American Joint Commission collaborations in scientific, technical and cultural pursuits will also prosper.

eastern ECONOMIST

NOVEMBER 8, 1974

K for Kissinger 825
Halting Relaxation in Credit 826
Impediments to Industrial Production 827
From the Capital's Corridors 829

Points of View
Cane and Its Price — Sagittarius 832
Bank Rate in India — Dr P. S. Saxena 833
Cotton Textile Industry: Depreciation Policy in Rajasthan—N.K. Sharma 838
Consumption of Pesticides in Kulu Orchards — S.C. Tewari, R.K. Sharma & G.D. Vashist 841

Company Announcement
Nilhat Shipping Co. Ltd. 844

Window on the World
Kissinger on Indo-American Relations 846
Japan's Continuing Economic Miracle: II—Jossleyn Hennessy .. 851

Trade Winds
Credit Policy for Busy Season; Exemptions from Compulsory Deposits; Price Control on Tractors Removed; Indo-Hungarian Cooperation; Trade with South Korea; Trade Mission to USA; New Tyre Project; Cotton Corporation 855-857

Company Affairs
On the Retreat; Electric Construction & Equipment; Bharat Commerce; PICUP; Sakthi Pipes; Shipping Corporation of India; ACC; News and Notes; New Issues; Dividends 858-860

Company Notices 861

Association Meeting
Association of Man-made Fibre Industry 862

Records and Statistics
Indo-US Joint Communique .. 867
Indo-US Agreement on Joint Commission 868

With a Supplement on Punjab i-xl

Halting relaxation in credit

THE FEARS that in view of the anxiety of the government to contain the prices spiral, the Reserve Bank of India (RBI) might hesitate to significantly loosen the credit screw have come out to be true. Announcing the credit policy for the current busy season last week, the RBI has reduced the minimum statutory limit of balances which the scheduled commercial banks are required to keep with it, from five per cent of the total demand and time liabilities to four per cent. The statutory liquidity ratio has been maintained at 33 per cent, but the minimum net liquidity ratio relevant for lending by the RBI at the Bank rate has been lowered from 40 to 39 per cent. The banks have been permitted to borrow from the RBI at the bank rate an amount equal to one per cent of their demand and time liabilities as on September 27.

While the lowering of the minimum net liquidity ratio would provide some relief in the cost of refinance by the RBI, the reduction in the statutory reserves ratio and the according of borrowing facility at the bank rate up to an amount equal to one per cent of the demand and time liabilities of banks as on September 27 would augment the lending capacity of banks by about Rs 240 crores. Another about Rs 100 crores would be available to the banking industry under the slightly liberalised bill market scheme. The RBI would be rediscounting in-land bills purchased and discounted by banks to an amount equal to 10 per cent of the September 27 level.

The impounded balances of scheduled commercial banks under the statutory reserves obligation are to be released in two stages. The statutory limit of 5 per cent will be reduced to 4.5 per cent on December 14 and to four per cent on December 28. The total additional funds available to the banking industry for lending purposes during the current busy season, thus, may be of the order of Rs 340 crores. The commercial banks, of course, will be allowed to utilise, as usual, the additional deposits they might be able to mobilise.

That this liberalisation in the credit policy does not fully meet the situation should be evident not only from the statement of the President of the Federation of Indian Chambers of Commerce and Industry, Mr K. K. Birla, but also from the other evidence available. Referring to a survey made by the FICCI recently, Mr Birla has estimated that the gap between the availability and requirement of bank credit during the coming months will be of the order of about Rs 700 crores. This, according to him, is likely to hurt precisely those sectors in which production has to be raised.

The plea for sizeable liberalisation of the credit policy was primarily based on three counts. First, the sharp rise in prices over the last 12 months—the wholesale prices index currently is nearly 31 per cent higher than the last year's level—has considerably increased the cost of both material and human inputs of industry. Secondly, because of decline in demand, at the present high prices, of several commodities, manufacturers are finding it difficult to move their products into the market. They are, thus, burdened with above-normal stocks. Thirdly, even a slight improvement in the utilisation of industrial capacities, as a result of somewhat improved labour and transport situations would push up the demand for credit substantially.

During 1973-74, according to this year's report of the Industrial Development Bank of India, production is estimated to have gone up only in the case of capital goods industries. The other three major categories of industries—basic industries, intermediate goods industries and consumer goods industries—showed reduced output. The fall in production in the case of basic industries over the year was to the extent of 2.4 per cent, in respect of intermediate goods industries 1.1 per cent and in regard to the consumer goods industries 2.9 per cent. The capital goods industries could raise their output by 11.9 per cent.

If in the face of this data, the expansion in bank credit during the last busy season was as much as Rs 953 crores (of course, including the expansion resulting from the Rs 669 crores increase in deposits), besides additional bill finance being provided by the RBI to the extent of Rs 224 crores, the credit requirements of the current busy season obviously should far exceed the amount likely to be available as a sequel to the liberalisation effected last week. The expansion in credit resulting from increase in the deposits of the banking industry this year apparently cannot be very significant for the simple reason that the declining trend in domestic savings has got accentuated owing to the spurt in prices during the last 12 months. No doubt, the restrictions imposed on the disbursement of dividends by the corporate sector in July last has helped in somewhat improving the cash position of the industry. But this improvement too cannot be expected to materially mitigate the stringent financial situation which faces the industry.

It is, of course, encouraging to note that credit facilities have been liberalised primarily for purposes of accelerating the pace of production. Credit for distribution channels is to be provided on a somewhat larger scale only for agricultural and the wage goods sectors. The banking industry, significantly enough, has also been allowed to regulate its advances in the interest of by and large meeting the requirements of the priority sectors—agricultural development, core industries, export-oriented industries, essential wage goods industries, etc. In the case of small-scale industries, the banks have been asked to exercise particular caution so that preferential treatment is accorded only to those units which produce inputs for the core and wage goods industries. This should continue to contain speculative holding. The real solution to the prices tangle lies in raising production. It is hoped that the RBI will keep a close watch on the situation and liberalise the credit policy further in an expeditious manner as and when the necessity arises.

Eastern Economist 30 Years Ago

NOV. 10, 1944

To what extent is the war-time progress of India's banks reflected in their earnings? The supposition of a general decline in bank earnings might be dismissed at once, because it is the buoyancy of funds and the prospect of remunerativeness which have been at the bottom of the banking extension of the last five years. And, despite the increasing number of restrictions which limit the field of activity, the banking system as a whole has made more, not less earnings. But high earnings are not necessarily or under all conditions an index of great efficiency. This will be specially true of the banking system for three reasons. In the first place, the business of banking, even in the relatively undeveloped context of Indian conditions, carries less risk and uncertainty than other lines of enterprise. Secondly while in peace the banks act as the agencies for the collection of private savings, the war-time monetary expansion has deprived the banks of much of this character, and they are now largely the repositories of community-created money, on which they should not make excessive earnings. Thirdly, purveying of money is different from the purveying of goods and high cost of purveying of money will hamper trade and industry generally.

Impediments to industrial production

SOON AFTER assuming charge as the union minister for Industry and Civil Supplies, Mr T.A. Pai, declared that his ministry would take effective steps to remove the impediments to industrial production. His success in this field will, of course, depend on the extent to which he is able to secure the prompt and adequate cooperation of his cabinet colleagues dealing with other economic subjects. The obstacles to higher production are well known, such as the scarcity of imported and indigenous raw materials, the squeeze on credit, power shortage, unrealistic pricing policy, controls in various forms, labour unrest often instigated by trade unions with political motives, and the lack of transport facilities. How far will the ministers handling these subjects be able to bring to their assignments a sense of urgency and a practical approach? Mr Pai said that to have created capacity and not to have utilised it for some reason or the other, including ideological, would be not only anti-social but also anti-national. A few months ago, Mr Pai had declared that the government should have only one ideology and that was of increasing production. But does the cabinet as a whole fully and sincerely subscribe to this view?

Mr Pai was able to show some commendable record as the minister for Heavy Industry. The 14 public sector undertakings which were under this ministry till recently achieved a production of Rs 409 crores during 1973-74 which was 95 per cent of the target of Rs 429 crores. Their production in 1972-73 was Rs 281 crores. These units were estimated to have yielded a profit to Rs 8 crores in 1973-74 compared to a total loss of Rs 13 crores in the previous year. These encouraging results were achieved by introducing second and third shifts, by adopting improved techniques of industrial engineering and management, by offering incentives to supervisors and workers, and by removing the various constraints on production. The annual report of the ministry of Heavy Industry for 1973-74 said that "a ministry can be only as efficient as the accuracy, reliability and timeliness of information that it has". Mr Pai therefore should see to it that his new ministry is able to gather up-to-date and accurate data regarding all aspects of industrial production. At present, neither this ministry nor any one else seems to have any clear idea regarding the actual extent of the idle capacity that exists in various industries and how far this is due to the shortage of raw materials, lack of demand, inadequacy of credit, and other causes. The ministry also seems unaware in detail of the contribution made by the small scale units to industrial production though these are being heavily and systematically pampared to such an extent that, as Mr Pai himself has admitted recently, they have developed vested interests in remaining small.

Mr Subramaniam, when he was in charge of the ministry of Industrial Development, did much to speed up industrial licensing. Under his initiative was set up the Project Approval Board as well as the Secretariat for Industrial Approvals, and several other decisions were also taken to cut delay and impart some vigour to the growth of industries. The government expected that these arrangements "will result not only in speedy and orderly approval procedures but also in enforcing an expeditious translation of letters of intent and industrial licences into productive capacity on ground".

But it seems that measures have not yet had their impact on industrial production and expansion. Mr G. D. Birla said in Calcutta some time ago that "all this talk by Mr Subramaniam about simplification and clearing the files is all in the press only. It is not a fact. The fact is that files are going up and going down but decisions are not taken". Mr Birla added that "licences are rotting with businessmen because there are so many other measures which are required to be taken if you want to produce. It is not just licensing".

Mr Pai, therefore, has to ensure that not only are letters of intent and licences issued promptly and even generously but they are also effectively utilised. He should examine to what extent the resources of the private sector can be used for imparting dynamism to industrial growth. He has rightly emphasised to need for avoiding ideology and his ministry should therefore analyse to what extent ideology has been hindering the growth of industries and suggest appropriate measures to remove this impediment. Mr Pai recently observed that the backward areas needed capital intensive industries rather than labour intensive ones. But what is more important, surely, is to accelerate the growth of industries in the backward areas whether they are capital intensive or not. An undue stress should not be laid on this aspect since the so-called ca-

pital intensive industries also do generate a great deal of direct and indirect employment in the areas where they are set up as well as in other places. The incentives and facilities that have been given so far for setting up industries in the backward areas, such as the central outright grant, concessional finance, and transport subsidy do not seem to have had the desired effect. Mr Pai, therefore, should examine how these incentives can be made more effective so that these areas can be rapidly opened up for industrial development.

On the concept of the joint sector also, the government should clarify its policy. The *Guidelines For Industries for 1974-75*, issued by the government of India, does not clearly indicate what exactly is the role of the joint sector in the promotion of industrial development and what are the terms and conditions which the private partners have to comply with, in entering into joint ventures with the government. The official approach at present is that each case will be decided on merit. The above publication says: "The joint sector will not be permitted to be used for the entry of larger houses, dominant undertakings and foreign companies in which they are otherwise precluded on their own. In all the different kinds of joint sector units, the government will ensure for itself an effective role in guiding policies, management and operations, the actual pattern and mode being decided as appropriate in each case." It is desirable to remove vagueness in this regard and make the joint sector an effective instrument for promoting industrial development.

Mr Pai should take the private sector into confidence in implementing the programmes of industrial development. He should see to it that the Advisory Councils attached to his ministry perform a useful role. There are eight development councils dealing with various industries such as organic chemicals, inorganic chemicals, drugs and pharmaceuticals, sugar, manmade textiles, food processing, paper pulp and allied industries, and leather and leather goods. But these councils have not been functioning actively. For instance, it seems strange, indeed, that the country should be faced with a severe shortage of paper of different kinds although a Development Council for this industry has been functioning for the past several years. Similarly, the Central Advisory Council of Industries, set up under the Industries (Development and Regulation) Act 1951, also does not seem to have been functioning in a useful way, considering the poor rate of industrial growth during the last few years. The Advisory Council of Industries consists of 30 members with the minister as the chairman. It includes the representatives of the manufacturers and consumers as well as economists. But the views of this council have not been given proper consideration by the government in carrying out the industrial development schemes.

Even Mr J.R.D. Tata complained recently that the government was not heeding the advice of responsible and representative organisations of industry. In his statement at the annual meeting of the Tata Iron and Steel Co. Ltd. held in July this year he said: "In India, partly for ideological reasons, partly for a lack of trust in the private sector and, perhaps, partly also for reasons of misplaced prestige, the views of industry have been, and are, consistently ignored or rejected whenever they differ from the official view which means most of the time. The few formalised consultative forums like the Central Advisory Council of Industries and annual meetings of chambers of commerce are generally treated as futile occasions for making, or listening to, set speeches, while chairmen's annual statements, although usually well-reasoned and documented, are wholly ignored". Mr Pai therefore would do well to seek the active cooperation of those who have practical experience in industry in implementing the programmes of his ministry. There is no doubt that by pursuing pragmatic policies, the country can achieve a growth rate in industry far more impressive than we have attained in recent years and even much higher than what is envisaged in the fifth five year Plan.

RECORDS AND STATISTICS

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FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Industrial Wages Controversy • Indian Rare Earths' Plans • Shipping Loans • Khetri Copper

How have the wages of organised labour in industry behaved during the last two decades? This question came into prominence recently following Dr B.K. Madan's analysis in the Bonus Review Committee's report, which was submitted to the union government towards the close of September. Dr Madan, a former deputy governor of the Reserve Bank of India and the chairman of the Bonus Review Committee, is reported to have expressed the view that the index for real earnings per worker (base 1951) rose from 107.3 in 1952 to 124.3 in 1968.

perceptible improvement

Presumably taking cue from this, the Occupational Wage Survey Division of Labour Bureau has now asserted that comparing the indices of wage rates in the 12 major industries — (i) cotton textiles; (ii) jute textiles; (iii) metal smelting and refining; (iv) electrical machinery and appliances manufacture; (v) railway work-shops; (iv) soap; (vii) matches; (viii) cigarettes; (ix) hydrogenated oil; (x) cement; (xi) sugar; and (xii) paper and paper products — and consumer cost of living, it would be observed there has been a perceptible improvement in real wages even since 1963-64. This assertion is based on the analysis that the general wage rates index, computed on the basis of a weighted average of the minimum and maximum wage rates in the concerned industries by using the number of workers in an industry as weights, rose from 100 in 1963-65 (average for three years) to 150.5 in 1969, 162.6 in 1970, 174.8 in 1971, 183.9 in 1972 and 202.7 in 1973. The consumer prices, it has been emphasised in a general way, have also risen during this period, but the rise in prices has been less pronounced than the increase in wages.

How misleading generalised statements can be is evident from the above assertion of the Occupational Wage Survey Division of the Labour Bureau. It is true that according to the general index for wage rates, the wages of industrial workers in the above-mentioned 12 industries, on an average, recorded more than 100 per cent increase between 1963-65 and 1973 and the rise in the cost of living in these years was about 80 per cent—suggesting a slight improvement in real wages. But this does not hold true for the period after 1969.

The increase in averge wages between 1969 and 1973 has been of the order of 35 per cent. The 1973 average wage level was higher by about 10.2 per cent compared with the 1972 level. Since 1969, the cost of living has risen at a more rapid pace. With 1949 as base, the index of cost of living of industrial workers went up from 215 in 1969-70 to as much as 304 in 1973-74 — an increase of nearly 42.8 per cent. If 1969 is taken as the base, the rise in this index between 1969-70 and 1973-74 has been approximately 41.2 per cent. The real wages got eroded by nearly 21 per cent in 1973.

increased wages

Among the fore-mentioned 12 industries, the average increase in wages, however, has exceeded the rise in cost of living since 1969 in jute textiles, electrical machinery and appliances, manufacture of metal smelting and refining and cigarettes making. The average wage in these industries went up between 1969 and 1973 by 68.9, 50.4, 48.4 and 46.4 per cent, respectively. The increase in wages exceeded the rise in cost of living in 1973 in the jute textiles and cigarette industries only. The wage increase in the other industries between 1969 and 1973 as a whole and in 1973 particularly has been lower than the rise in the cost of living.

The Labour Bureau, it is learnt, has also taken up the compilation of indices of wage rates for seven industries in the mining and plantation sectors. They are coal, mica, manganese ore, iron ore, tea, coffee and rubber.

* *

With a view to meeting the growing requirements for ilmenite, monazite, zircon, rutile, etc, the Indian Rare Earths Ltd (IRE) has embarked upon an ambitious expansion programme. Its Chavara unit in Kerala, which was commissioned in January, 1971, with a capacity to yield annually 100,000 tonnes of ilmenite, 300 tonnes of monazite, 7,000 tonnes of zircon, 5,500 tonnes of rutile and 450 tonnes of sillimanite by treating 650 tonnes of raw sand daily, has already been expanded to produce per annum 130,000 tonnes of ilmenite and some increased quantities of the other above-mentioned minerals. Further expansion of this plant has been taken up at an estimated cost of Rs 1.93 crores. When this expansion programme is completed some time next year, the production of the unit will go up to 200,000 tonnes of ilmenite, 600 tonnes of monazite, 10,000 tonnes of zircon, 9,000 tonnes of rutile and 4,000 tonnes of sillimanite a year.

The undertaking's mineral sand separation unit at Manavalkurichi, also in Kerala, which was put up in November 1967, to treat 300 tonnes of raw sand per day, has since been expanded to 400 tonnes daily capacity to turn out every year 52,000 tonnes of ilmenite, 2,600 tonnes of monazite, 4,200 tonnes of zircon and 1,400 tonnes of rutile. It is now proposed to be expanded to treat 500 tonnes of raw sand per day to produce annually 65,000 tonnes of ilmenite, 2,700 tonnes of monazite, 5,000 tonnes of zircon, 1,500 tonnes of rutile and 900 tonnes of sillimanite. This expansion programme is expected to be completed some time next year at an estimated outlay of Rs 95 lakhs.

A much more ambitious project of the undertaking, however, is the setting up near Chatarpur, in the Ganjam district of Orissa, an industrial complex based on the beach sand minerals. The project will include a mineral sand separation plant, a synthetic rutile plant, a zirconium chemical unit and a caustic soda

plant in the first phase. A unit to manufacture later titanium dioxide pigment will be added in the second phase. The first phase of the scheme is estimated to cost Rs 38.3 crores, of which Rs 10.35 crores will be the foreign exchange component. In view of the substantial investment involved and also because of the budgetary constraints of the government, the IRE is understood to have approached the Industrial Development Bank of India, the Life Insurance Corporation of India and the Industrial Finance Corporation for assistance. It now intends to depend on direct government funds only to a limited extent. If the resources are available, the first phase of the project might be completed by the end of the current Plan period. The second phase might be taken up in 1978-79.

pilot plant

The IRE also intends to set up a pilot demonstration plant for upgrading ilmenite to obtain a higher percentage of titanium dioxide by the electro-smelting process developed in the USSR. This plant is to be set up in Kerala at an estimated cost of about Rs 2.69 crores. Assistance is expected to be available from the UNDP to the tune of about Rs 26.2 lakhs for meeting the cost of experts, training, equipment, etc. When ready, the unit will produce annually 13,000/16,000 tonnes of titania rich slag and 4,500 tonnes of pig iron as a by-product.

The Kerala Minerals and Metals Ltd—a government of Kerala undertaking—too has planned to expand its capacity to produce annually 200,000 tonnes of ilmenite and other associated minerals in proportionate quantities by employing modern machinery and technical know-how. At present, its output is 15,000 tonnes of ilmenite and proportionate quantities of rutile, zircon, leu-coxene, monazite and sillimanite.

* *

In view of the substantial escalation effected by the foreign shipyards in the prices of their ships, the union government has decided to liberalise the terms of the Shipping Development Fund Committee loans to Indian shippers. The debt-equity ratio for the sanction of these loans, which at present is 6:1, can now be relaxed in specific cases to 10:1. The general rate of security on the loans or guarantees also can now be reduced in special circumstances to 120 per cent from the present 133.33 per cent.

Announcing these relaxations in his address to the members of Parliament's Consultative Committee for the ministry of Transport and Shipping, the minister, Mr Kamalapati Tripathi, as well revealed that it had been decided to set up an Indian Register of Shipping which would bring about considerable saving in foreign exchange. The Indian Classification Socieity would be registered early next year. It would function in collaboration with three foreign societies. It has been further decided to set up the first Central Marine Designs and Research Organisation during the fifth Plan period to promote self-reliance in ship-building.

At the end of September this year, Mr Tripathi disclosed, 289 ships with 35.63 lakhs gross registered tonnage were in operation in the country, as against a gross registered tonnage of 28.20 lakhs a year ago. In addition, ships aggregating to 19.28 lakhs gross registered tonnage were on order. Thus, the ships under operation and those on order at the end of September last aggregated to 54.90 lakhs GRT. If the fifth Plan target of 86 lakhs GRT is to be attained, orders for 31.52 lakhs GRT will have to be placed soon.

Referring to the development of ports, Mr Tripathi observed that by the end of the current Plan period, the Visakhapatnam port would be able to handle ships of 1,50,000 DWT and the Madras and Marmugao ports ships of 100,000 DWT. The Haldia channel's draught was proposed to be progressively deepened to 40 feet by 1980; dredging had already started. An approach berth for handling coal with mechanised facilities was under construction at Haldia. During the current Plan period, special emphasis would be laid on the development of facilities at the destination ports such as Madras, Tuticorin and Cochin.

super tanker berth

Preliminary work on the construction of a super tanker berth at Cochin, Mr Tripathi added, had started and was progressing according to schedule. Oil handling facilities at Bombay were being developed to enable the port to handle about nine million tonnes of crude oil. An off-shore terminal had been planned at Salaya to meet the crude oil requirements of the Mathura and Koyali refineries.

The minister further stated that a separate fertiliser berth with mechanical handling equipment was under construction at Haldia. At Madras, two existing berths in the Jawahar dock basin would be utilised for handling fertilisers when iron ore traffic is diverted to the outer harbour. The other major schemes which would specifically cater for the fertiliser traffic included special berths at Cochin and a separate jetty at Kandla.

Referring to the demand by some members of the Consultative Committee for developing the Nagapattinam port to relieve congestion in the Madras harbour, Mr Tripathi said that since Tamil Nadu already had two major ports at Madras and Tuticorin, there was hardly any economic justification for another major port.

Mr Tripathi also revealed that the experts of three foreign consultancy firms had visited the four sites recommended by the techno-economic committee for locating the two new shipyards proposed to be set up during the current Plan period. Their preliminary reports would be available in February next year.

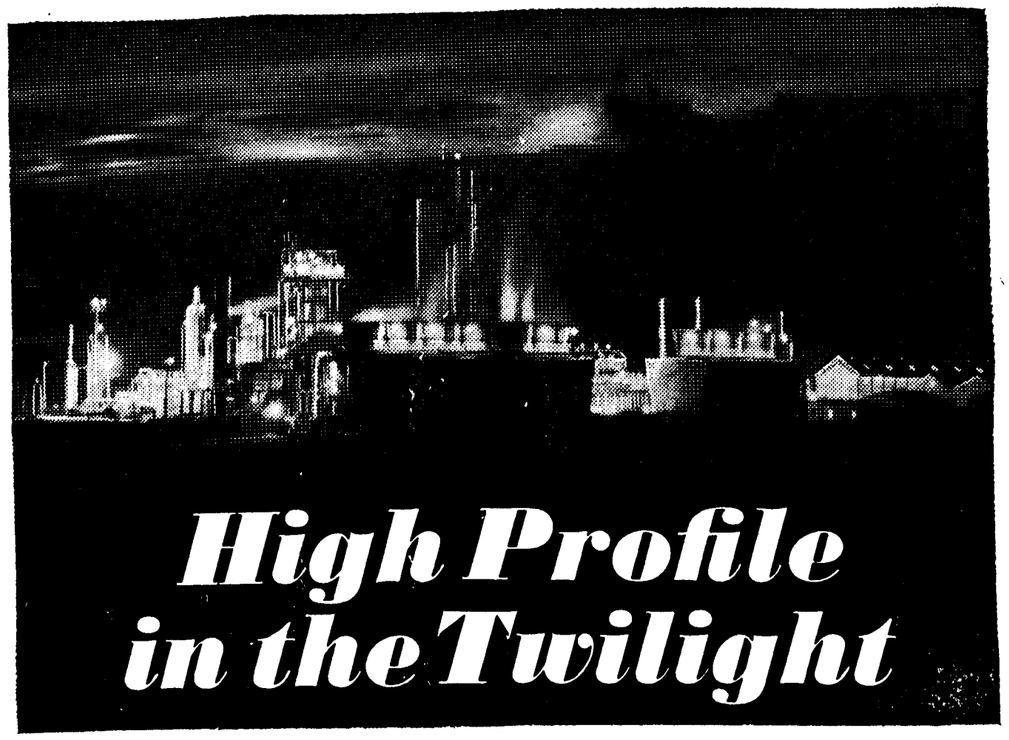
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Addressing the Consultative Committee of Parliament attached to his ministry, the minister for Steel and Mines, Mr Chandrajit Yadav, revealed that the smelter of the Khetri copper project in Rajasthan was ready for commissioning and the production of copper metal here would start immediately.

All the main units of the project, Mr Yadav added, were now complete, except two sections of the acid-cum-fertiliser complex. Part of this complex too -- the sulphuric acid unit - had been completed. The phosphoric acid plant and the triple super-phosphate unit, however, were expected to be commissioned in about six months.

The minister informed the committee that production of copper ore at Khetri had been steadily increasing. Against an output of about 1,57,000 tonnes in 1972-73, production in 1973-74 was of the order of 3,18,000 tonnes. In the first six months of the current financial year, 2,93,000 tonnes of ore had been mined. The output this year would touch 6,00,000 tonnes. It would go up to 8,00,000 tonnes next year.

Referring to the Malanjkhand copper project in Madhya Pradesh, Mr Yadav stated that Hindustan Copper had signed an agreement in October last year with M/s Tsvetmetpromexport of the Soviet Union for the preparation of detailed project report for mining operations and the concentrator complex. The DPR for mining was expected to be received next month and that for the concentrator and auxiliary facilities by September next year. A team led by the chairman of Hindustan Copper visited Moscow recently for discussions on the project. One of the topics discussed was the advance action which would be necessary for the speedy development of Malanjkhand copper deposits.



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Cane and its price

Sagittarius

THE LACK of co-ordination in thinking and action between the central and state governments in respect of payment of prices to the cane growers for their produce and the extent to which distribution of levy sugar should be subsidised by profits realised on free sale sugar, may well result in the industry not giving a good account of itself at a time when there is a sustained boom in sugar exports. With a more remunerative return on the cultivation of competitive crops, it had been represented to the central government by the Indian Sugar Mills Association (ISMA) and sister organisations that a much higher minimum price for cane should be fixed for 1974-75 season, apart from an early decision in regard to the grant of rebates in excise duty for 'excess' production.

On both these counts the centre's announcement is unhelpful. The minimum price for cane has been raised by only five rupees to Rs 85 per tonne, even while it is expected that the cane growers should be paid at least 125 per tonne, and probably Rs 150 per tonne in UP. The rebates in excise duty for additional production are also to be paid on a different basis. It had been complained that there was manipulation of production under the earlier formula and the government had to pay large sums by way of rebates even when there was no net increase in production, over the base year.

no sizeable benefit

The new scheme will not confer any sizeable benefit on the industry as the rebate in excise duty available in respect of excess production in October and November, as bonus for maintaining or increasing total production and by way of increasing rebate on a slab basis in respect of production achieved in December-September will not result in the industry getting more than Rs 15 crores in a season even if there was a 10 per cent increase in aggregate output to 4.4 million tonnes. Because of a smaller crop and keen competition for available supplies, it is not expected that total output will be more than 4.0 million tonnes. On this basis, the incentive through rebates in excise duty may not net in more than eight crores of rupees. On the other hand, the quantity of cane crushed on the basis of a recovery of 9.5 per cent for all India will be 4.2 million tonnes. If an average price of Rs 125 per tonne is to be paid against minimum price of Rs 85 per tonne and the Bhargava Commission's formula also is to be applied, the average price realised on free sale sugar will have to be higher by at least Rs 84 per quintal than the realistically fixed levy price of sugar.

defective levy

It has been bitterly complained by the sugar producers in Tamil Nadu and elsewhere that the computation of price for levy sugar has been defective and individual factories have been losing Rs 10 to 15 per quintal even on the basis of the minimum price of Rs 80 per tonne of cane. If the existing loss is to be eliminated and the price for levy sugar also suitably adjusted for an increase in the cane price, the average price realised on pre-market sales should not be less than Rs 275 per quintal ex-factory exclusive of excise duty. As it is likely that higher cane prices will have to be paid in UP and Bihar and even in Tamil Nadu, if prices for wheat and rice do not come down, the sugar mills can hope to earn reasonable profits only if an average price of Rs 320 per quintal is realised. This will necessarily mean that the open market price cannot be lower than Rs 440 per quintal if an excise duty of Rs 120 per quintal is to be paid by the factories.

The ISMA has, therefore, represented to the government that the minimum price for cane should be suitably raised, if a heavy subsidy on levy sugar is to be avoided and diversion of acreage from cane to other competing crops is to be prevented in the next season. Even in 1974-75 it is feared that there will be serious competition for available supplies from producers of *gur* and *khandsari* and that the bigger manufacturers of *khandsari* should be brought under some discipline for making available about 500,000 tonnes of their output for controlled distribution. It is imperative that sugar output should be raised to at least 4.3 million tonnes if the target of one million tonnes for export out of the current season's production is to be achieved. The boom in sugar has assumed unprecedented proportions and the quotation of £ 465 per tonne had never been reached. The value of exports of one million tonnes can thus be easily Rs 800 crores as it is expected that the high prices will be maintained for several months. Even in 1974-75 exports will be 500,000 tonnes having a value of Rs 300 crores and efforts are being made to increase the quantum to 700,000 tonnes, before March 1975.

It is surprising why the government decided to increase the minimum price for cane by only a small margin and why the rebate in excise duty was not designed to ensure an increase in total output by at least 10 per cent in 1974-75. As there is no proper understanding of the subsidy involved in the distribution of levy sugar there is serious criticism of the anxiety of sugar mills to realise high prices for free sale sugar. The central government wants to escape the blame for fixing a higher minimum price for cane while it is expecting the sugar producers to pay additionally 50 per cent or 75 per cent on the whole quantity of cane crushed by any sugar producer. It is necessary to point out here that the policy adopted when fixing procurement prices for wheat or rice is different from that relating to the minimum price for cane. In the former case, the procurement prices are applicable only to about 20 per cent of the marketable surplus, while in the latter instance the higher price has to be paid on all the cane consumed. This in turn determines the price paid by *gur* and *khandsari* producers who handle over 65 per cent of total crop.

wrong suggestion

It is, therefore, wrong to suggest that a high minimum price for cane will have a distorting effect on the price structure of agricultural commodities. Whatever may be the minimum price, high prices will have to be paid in different regions according to the dictates of the growers. Even though a record output of 468,000 tonnes of sugar has been achieved by mills in Tamil Nadu, the units in private sector particularly are not happy as the state government has directed them to pay the cane growers 25 per cent more than the prices applicable to individual factories under the centre's formula. It has been contended that this arbitrary decision will result in the growers getting an extra five to seven rupees per tonne of cane. In one particular instance, the additional payment will be Rs 60 lakhs more than intended and even with the realisation of an average price of Rs 375 per quintal on free sale out of the production for 1973-74, the residual profits will not be such as to permit the payment of dividend of 12 per cent on equity capital. It has, therefore, been emphasised that the huge gross profits benefit only the grower and if there is no scientific approach to outstanding issues there will be a curtailment of output with factories crushing only for about 150 days or 175 days instead of 221 days in 1973-74. The individual mills have extended the crushing season to over 300 days.

It is, therefore, necessary that a higher minimum price for cane should be fixed if a big divergence between levy sugar prices and ex-factory prices for free sale sugar is to be avoided. Also, the rebate scheme will have to be recast in order to make it really attractive. The objective of this scheme is to compensate the sugar producer for the loss of recovery that takes place in October and November when cane is not fully ripe or in May-September when there is a lower recovery due to crushing in hot weather. The rebates should actually be conceived in such a manner that no payment is due when total production falls below the prescribed average for the base period in spite of an increase in particular periods of the season. The formula should actually encourage the prolongation of the crushing season and fuller use of the existing capacity.

With rise in internal consumption and an opportunity for exporting even one million tonnes the country can well afford to have an output of even 5.0 million tonnes. With no prospect of any big increase in crushing capacity in the next two or three years, an increase in output to even 4.5 million tonnes can be achieved only if there is an all-India average of 175 working days against 138 for 1973-74. Even the ISMA does not seem to be thinking on these lines though it has represented to the government that a higher minimum cane price should be fixed and the rebates in excise duty should be capable of being claimed on the basis of the average of production for the last three seasons instead of the stipulated average for five seasons. The rebates also will have to be suitably raised.

However, even if the suggestion of ISMA is accepted, there will still be anomalies. Some regions such as Maharashtra have been maintaining their output at a high level without any violent fluctuations, while Tamil Nadu and Karnataka have steadily increased their output. The adoption of three-year average will help states like UP and Bihar. UP's average will be lower at 1.155 million tonnes against 1.279 million tonnes and that of Bihar at 196,000 tonnes against 223,000 tonnes. Maharashtra too will be benefited to some extent with its average being lower at 1.01 million tonnes against 1.02 million tonnes. But Karnataka will be affected unfavourably with three-year average rising to 273,000 tonnes from 252,000 tonnes, and Tamil Nadu with its average being higher at 366,000 tonnes against 337,000 tonnes. Andhra Pradesh will have a marginal advantage with three-year average dropping slightly to 280,000 tonnes from 288,000 tonnes. These anomalies can be eliminated if the rebates are granted in respect of production achieved through a prolongation of crushing season and which has also a defined relationship to the crushing capacity. If the government does not take a pragmatic decision even the policy of partial decontrol will fail in its objective of boosting production and the country will be losing a valuable opportunity for earning huge sums in foreign exchange through sizeable exports.

Bank rate in India

Dr P. S. Saxena

THE BANK rate or the discount rate is the rate of interest or discount which is normally charged by the central banking authority on its lendings to scheduled banks on the basis of approved securities when they need money to advance to their clients. It has been an important quantitative method of credit control besides open market operations and variable reserve ratios ever since the formative stages of central banking. In recent years it is increasingly used not only for supplementing other instruments of quantitative credit control but also for strengthening the efficacy of qualitative methods of credit control. A higher bank rate is now-a-days looked upon as a symbol of determination of the central banking institution to squeeze credit for checking the price-rise and mitigating balance of payments pressures. It is customary now for central banks to utilise open market operations in conjunction with bank rate policy mainly for reinforcing the effects of bank rate revision.

In under-developed economies, money market is less organised and hence the changes in the bank rate are not fully effective. Unorganised money markets are usually characterised by commercial banks which are not in the habit of rediscounting their securities regularly with the central banks. Only in emergency the recourse to rediscounting is taken. If rediscounting is not a normal and regular feature, the central bank is unable to feel the pulse of the money market and cannot effectively act as the bank of accommodation. In our country, for instance, even long after the establishment of the Reserve Bank of India, the commercial banks used to rediscount much more frequently with the Imperial Bank rather than with the central banking institution. Even at present the indigeneous banks in the country do almost no discounting business with the Reserve Bank or even with the organised commercial banks. The commercial banks generally are fond of excess liquidity and hence they do not need the financial accommodation when the bank rate is raised. The result is that a rise in the bank rate is not likely to be followed by a corresponding rise in the whole structure of market rates. Under such conditions the central banking institution is terribly handicapped.

In a developing economy the trend is likely towards a sharply declining cash deposit ratio and the consequent squeezing of liquidity ratio of commercial banks, with the increase in demand to finance development plans, the commercial banks' excess cash reserves gradually fizzle out and they would be often forced to take the rediscounting facility of the central banking institution and that would help the credit regulation during the development process.

The potentiality of bank rate policy is believed to be in two directions. First it serves as a regulating mechanism in the sphere of internal economic activities second, it aims at controlling movement of short-term funds, and through them it tries to correct any disequilibrium in the

balance of payments. The second aspect of the bank rate policy does not exist in India since we lack developed international market in short-term funds and because the character of our imports is mainly determined by government policy.

Even in the highly developed countries, the effectiveness of the bank rate policy is somewhat limited owing to the comparative unimportance of the rate of interest as a determinant of the volume of investment. This is more so in an imperfectly developed money and capital market. But the bank rate is expected to affect not only investment in fixed capital but also the process of accumulation or decumulation of stock. In India, institutional agencies supply only a small part of the finance for investment. Moreover, interest-elasticity of investment in fixed capital is almost negligible. There is little coordination between short and long rates. As a result any change in short money rate does not easily pass on to the long end of the market, affecting the volume of investment. Therefore, the bank rate policy hinges mainly upon controlling the process of building up of inventories.

imperfect market

The bank rate in this country has generally followed the market rates rather than giving a lead. Due to imperfect money market condition any change in the bank rate does not immediately produce sympathetic changes in other short money rates even in the organised banking sector dominated by the scheduled banks and exchange banks. The unorganised sector dominated by indigenous bankers, is almost independent of bank rate changes. There is a variety of short money rates in the unorganised sector of Indian money market. Usually the structure of interest rates is higher in the unorganised market because of the inadequate development in financial institutions and also because of the risk and uncertainty involved in lending to this sector.

With the establishment of State Bank of India in 1955 and the nationalisation of fourteen major commercial banks in 1969, there is now greater coordination between the rediscounting rate of the State Bank of India and the lending rates of the Reserve Bank. Monetary and financial institutions operating in both the organised and organised sectors, are being influenced indirectly by bank rate change since most of them greatly depend upon the State Bank's rediscounting facilities. In recent years, changes in bank rate have transmitted themselves to other parts of the money market in a much better manner than before. The Reserve Bank's accommodation constitutes a small proportion of total available banking funds, but it forms a substantial part of the seasonal increase in bank credit.

changes in the rate

Table I gives a clear picture of the absolute and relative changes in the bank rate since 1935 when the Reserve Bank of India was established and the bank rate was originally fixed at 3.5 per cent. Since then it has changed ten times. The first bank rate, fixed at 3.5 per cent in July 1935, was intended to bring India's diverse money rates in alignment with the then current rates in Britain. Within four months in November 1935, this rate was reduced to 3 per cent to see that a cheap money policy percolated into India's then thinly organised money market. So this was the first change for introducing cheap money policy by which commercial banks could get funds from the Reserve Bank. This rate continued for the next 16 years through the World War II and Independence.

The second change in the bank rate after November, 1935 was made on November 15, 1951, when it was raised to 3.5 per cent which was an indication of a flexible rate of interest to control the national economy in a better manner in future. The central banks of some other countries also increased their bank rate—Britain increased its bank rate from 2 per cent to 2.5 per cent. India was passing through the inflationary period in the middle of 1950 owing to the Korean war, the demand for war material was continuously rising, which resulted in the rise of price level. The general price index number which was 396 in 1950 rose to 438 in October 1951.

The immediate impact of the increase in the bank rate was that credit became dearer and the lending rates of the banks also increased. The general price index number went down from 480 in January 1952 to 367 in May 1952. During the years 1951-57, the bank rate changed only twice, once on November 15, 1951 and then on May 16, 1957 from 3 per cent to 3.5 per cent and from 3.5 per cent to 4 per cent respectively.

special significance

This change of 1957 had special significance for the budget of 1957-58. The increase in the bank rate was meant for checking inflationary situation and making the fiscal policy a success. However, the bank rate remained fixed at 4 per cent up to January 2, 1963, though as a result of the three-tier slab-rate system introduced in October 1960 and modified in July 1962, the effective cost of the Reserve Bank to scheduled banks was progressively raised during 1960-62. The device adopted during this period has been characterised as progressively rising penal rates of interest on loans given by the Reserve Bank.

It was announced that, effective from October 1, 1960, the scheduled banks would not be permitted to borrow from

TABLE I

Bank Rate in India: 1935-1974

	Effective date	Bank rate (%)	Change	
			Absolute	Relative (%)
	July 1935—initially the bank rate was fixed at 3.5%	3.5	—	—
1.	November 1935	3.0	−0.5	16.66
2.	November 15, 1951	3.5	+0.5	14.28
3.	May 16, 1957	4.0	+0.5	12.50
4.	January 3, 1963	4.5	+0.5	11.11
5.	September 26, 1964	5.0	+0.5	10.00
6.	February 17, 1965	6.0	+1.0	16.66
7.	March 2, 1968	5.0	−1.0	20.00
8.	January 9, 1971	6.0	+1.0	16.66
9.	May 30, 1973	7.0	+1.0	14.28
10.	July 23, 1974	9.0	+2.0	22.22

the Reserve Bank at the bank rate any amount in excess of the quota fixed for each. This quota for each bank would be 50 per cent of the average reserves the bank was needed to keep with the Reserve Bank during each week of the preceding quarter. Under the impounding orders, the rate of interest for borrowings between the quota and 200 per cent of the quota, would be the bank rate plus one per cent; and for any further borrowing it would be the bank rate plus 2 per cent. This three-tier system was the main instrument of credit control up to July, 1962 when a four-tier system was substituted for the three-tier. The Reserve Bank also directed all the scheduled banks to enforce a slightly higher minimum lending rate than that existed before on all advances excluding inter-bank advances. In a market where the degree of coordination is not usually very high, this type of control is often necessary.

For the fourth time the bank rate was revised from 4 per cent to 4.5 per cent on January 3, 1963. The increase in the bank rate was intended to formalise the pattern of interest rates established by the progressive modifications of slab-rate system. In fact in January 1963, the three-tier-slab-rate system was simplified into a two-tier system. Under this the cost of Reserve Bank finance for scheduled banks remained virtually unaffected. While under the three-tier system scheduled banks were required to pay 4 per cent on the first slab of 25 per cent of their borrowing, and 5 per cent on the next 25 per cent slab; now they were required to pay uniformly 4.5 per cent on both these slabs. For an additional quota beyond the statutory reserves, a penal rate of interest at 6.5 per cent was charged.

adjustment process

During this whole period characterised by the slab rate system, the Reserve Bank was not keen on directly ushering in a dear money policy. In fact, the Reserve Bank hesitated to raise the bank rate in an open and straight-forward manner. The bank rate followed market rate rather than serving as a signal and giving a lead. The entire process during this period should be viewed as an adjustment of bank rate in the light of happenings in the money and capital market.

The fifth revision of the bank rate was made on September 26, 1964, when it rose from 4.5 per cent to 5 per cent. The price situation, which was more or less stable during the initial years of the third Plan, was seriously upset by the Chinese aggression, which produced a steep rise in government outlay on account of the defence commitments. The balance of payment position also worsened, as the trend of expansion in exports observed in the first phase of the third Plan appreciably slowed down. On the other hand, payments on account of imports, both visible and invisible, registered a sharp increase. With aggregate demand standing well above aggregate supplies, the prices took very rapid strides; and a tightening of monetary policy was considered essential. The bank rate was raised twice within five months. In September 1964 at the time announcing the policy for the busy season, the bank rate was raised from 4.5 per cent to 5 per cent. For the sixth time the bank rate was raised to 6 per cent on February 17, 1965 and it remained at this level till March 1968.

The frequency of changes in bank rate indicates that the rate of 3 per cent signifying cheap money continued for a long inning of 16 years from 1935 to 1951; while the change-over to dearer money at 6 per cent for prime lending rate took place gradually in fractional steps in the next 14 years from 1951 to 1965.

price rise

Even a dear money policy could not deal with the problem of an excessive price rise. From 1965 to 1967 there was a price rise from 12 per cent to 14 per cent per annum; and under such circumstances even a 6 per cent bank rate was not enough for curbing either hoarding or speculative tendencies associated with sky-rocketting prices. During 1966-67 a recession developed amidst the inflationary situation; and some key industries, like textiles, jute manufacture and engineering, were facing the problem of excess capacity and consequently curtailed output. Therefore at the time of the presentation of the budget for 1968-69, the government had to announce fiscal and monetary measures for combating this recession. Quickly following the fiscal incentives for reviving the recession-hit economy and for encouraging capital formation, the Reserve Bank acted in the monetary sphere and made credit somewhat cheaper and reduced the bank rate from 6 per cent to 5 per cent on March 2, 1968 and there was a downward adjustment in other interest rates. This reduced rate which was initiated by the former Finance minister, Mr Morarji Desai, to bring about a revival of the engineering industry, continued for the next 22 months.

Thereafter, on account of emergence of inflationary conditions, the bank rate was again increased to 6 per cent on January 9, 1971. This increase in the bank rate suggested that the monetary authority had accepted, at least in principle, the economic truth that the excessive expansion of credit had very much to do with the rise in prices. The Reserve Bank wanted the curb on expansion of credit; and hence it also increased the minimum net liquidity ratio for the purpose of determining the penal rate of interest from 33 per cent to 34 per cent. The Reserve Bank also asked the banks to make adjustment in their deposits and advances rates and other measures designed to combat inflationary forces.

unprecedented increase

The ninth revision was made on May 30, 1973, when the Reserve Bank announced an unprecedented increase in the bank rate from 6 per cent to 7 per cent in a massive effort to curb inflation. It also expressed grave concern over the continuing imbalance in the economy between aggregate supply and aggregate demand; and also introduced certain measures for credit restraint in order to remedy the situation. While the productive losses particularly in the agriculture sector, had been an important cause of the spurt in prices, the continued heavy budgetary deficits also contributed to that increase. Under such circumstances the monetary authority considered necessary to adopt measures which could help reduce the pressure of aggregate monetary resources on the available supplies. Budgetary measures, particularly greater control over public expenditure, could provide the primary corrective, the better emphasis stressing the necessity of taking supporting measures of credit restraints.

It was further revealed that the rapid increase in the liquidity of banks tended to encourage relaxations in the terms of lending which in turn had encouraged borrowers to resort to excessive use of bank credit particularly for building up inventories. The measures of credit restraints included a rise in the statutory cash reserve ratio from 3 per cent to 5 per cent for a period of one year, a statutory fixing of 10 per cent interest on advances by banks, and finally a rise from 37 per cent

o 39 per cent in the minimum net liquiity ratio at which the bank could borow from Reserve Bank. But no changes were made in the rate of interest on leposits.

With effect from November 30, 1973, he Reserve Bank imposed the most igorous credit squeeze it had hitherto ttempted upon expansion of credit during the busy season. On December 1, 973, the minimum lending rates to comnercial bank advances had been raised rom 10 per cent to 11 per cent. This reulted in making bank advances costlier y one per cent for virtually all types of borrowers, except individual small scale nits with advance limit of less than Rs 200,000, individual agricultural borowers with limits of less than Rs 50,000, nd some other small borrower accounts nd export credits. The rate for export redits was raised to 8 per cent on November 16, 1974.

ountering inflation

The tenth revision was made on July 3, 1974 when the Reserve Bank nnounced an increase in the bank rate rom 7 per cent to a crisis level of 9 per ent, which is the biggest bank rate in ndia's monetary history; and the increase f 2 per cent in one stretch is also the ingle biggest rise. The upward revisions o 60 per cent in January 1971, 7 per cent n May 1973 and 9 per cent in July, 1974 ave been swifter on account of inflaionary conditions. The change from per cent to 7 per cent made in 29 nonths and the present change to a crisis evel of 9 per cent made in a little over year reflect the concern of the monetary uthority over the rising inflation in the ndian economy.

The Reserve Bank has also stepped up he rates of interest on deposits and loans f commercial banks. The maximum ate on deposits with the larger banks has een raised from 8 per cent to 10 per cent. he minimum lending rate chargeable y banks on advances has also been ncreased from 11 per cent to 12 per cent. n advances against sensitive commodies subject to selective controls, the inimum lending rate goes up from 13 per ent to 15 per cent. Banks should build p progressively more effective internal ontrol systems commensurate with the rowing complexities of their large scale perations.

The Reserve Bank has recalled the various credit restraint measures it adopted from May 30, 1973 when the bank rate was raised to 7 per cent. It observed that although a marginal slow down in the growth rate of money supply was achieved, it was necessary to keep the rate of growth of money under great check. The details of the new lending rates and new deposit interest rates as introduced on July 23, 1974 have been shown in Tables II and III respectively.

The Reserve Bank has taken these steps as an anti-inflationary measure. It has been stipulated that these control measures are aimed at reducing higher liquidity with the member banks and making credit dearer. The attempt seems to be to slow down credit availability made by commercial banks to their customers by immobilizing a part of deposit growth with commercial banks. It is quite apt to describe the present situation as highly inflationary. It is expected that the stiff rise in bank rate may lead to corresponding increase in banks' lending rates so as to make borrowing from the banks more expensive. With this end in view, the variable reserve ratio has also been raised. If past experience is any guide, the technique of variable reserve requirements resorted to in March 1960, achieved limited success.

The Reserve Bank feels that the inflationary situation has arisen mostly because of excessive demand prevalent in the economy. Since the supply situation is relatively inflexible in the short run, it is contemplated that the crisis can be averted by controlling excessive liquidity in conformity with the requirements of a

TABLE II

New Lending Rates (with effect from July 23, 1974)

(Per cent per annum)

	Existing	Revised	
1. General minimum lending rate	11.0	12.5	
2. Selective control rates			
(a) Foodgrains	13.0	15.0	For all parties other than those exempted such as Food Corporation of India
(b) Oilseeds	13.0	15.0	
(c) Major vegetable oils and vanaspati	13.0	15 0	
(d) Cotton and kapas	13.0	15.0	
(i) To mills in respect of raw cotton stocks for which they are entitled for the benefit of lower margin as specified in the directive.	12.0	14.0	
(ii) Advance to mills not covered by (i) above and to parties other than cotton mills.	13.0	15.0	
(e) Sugar factories			
(i) Free sale sugar released by government of India for sale	13.0	15.0	
(ii) Free sale sugar not released by government of India	12.0	14.0	
(f) Parties other than sugar factories	13.0	15.0	
(g) Cotton textile (traders, dealers, agents)	13.0	15.0	
3. Bill Finance Rate			
(a) Drawers' Bills	9.5	11.0	
(b) Drawees' Bills	11.0	12.5	
4. Export credit rate (other than on deferred payments)	9.0	10.5	(with interest rate subsidy of 1½ per cent)
5. Food procurement credit			
(a) Food Corporation of India	9.0	11.00	
(b) State Government Agencies	9.0	12.00	

Source : The *Economic Times*, dated July 23, 1974.

sound financial policy. But it has been openly admitted by the Reserve Bank that the government is to be blamed for the current financial predicament. Frequent adjustments in credit policy by themselves failed to solve the problem, for continuing production losses—in both the agricultural and industrial sector —and prolonged heavy budgetary deficits significantly contributed to this increase in money supply.

It is indeed surprising that for a decade or so almost no monetary control worked effectively. The reason is obvious: when the public sector desires to expand its operation through deficit financing, monetary control of all types becomes inoperative. The fourth Plan provided deficit financing only to the tune of Rs 850 crores. After an imperative start in 1969-70, when the deficit touched the lowest ebb of Rs 58 crores, the overall deficit rose to Rs 395 crores in 1970-71 and to a record rise of Rs 710 crores in 1972-73. During 1973-74 it ran up to Rs 900 crores, the largest in the single year. During the current year the deficit financing is expected to be more than this. Under these circumstances the hike in the bank rate to the peak of 9 per cent and the supporting measures of credit restraints are not likely to succeed unless other basic causes of increasing prices are effectively tackled; for example, there should be an effective check on governments' growing unproductive expenditure.

expansionary factor

The monetary development in the fiscal year of 1973-74 so far reveals that the net bank credit to government continues to be a major expansionary factor while the net bank credit to the commercial sector has registered a decline. Thus the monetary control has been used by the Reserve Bank largely to control advances to the private sector. While shrinkage in productive credit has often led to losses in production, it is worthwhile to have in mind that an increase in production is the only permanent solution to the creeping inflationary trends in the Indian economy.

Experience of many developing countries has shown that high bank rate does not always provide an effective remedy to inflation. The bank rates are usually high in Latin American countries. For example the bank rate in Brazil is now 18 per cent, in Columbia 14 per cent and that in Peru 9.5 per cent. High inflationary trends, however, prevail in these countries despite high rate of interest. On the other hand, in the developed countries, the bank rates are generally lower; for exmaple, it is 4 per cent in Italy, 4.25 per cent in Japan, 4 per cent in the Netherlands, 5 per cent in West Germany and 4.75 per cent in Canada. It may be argued that relatively high bank rate is prevalent in certain developed countries like the UK and France, but the fact that those countries have well-organised money markets can not be ignored. Moreover the central banks have a strong control over every sector of the economy whereas in the under-developed countries a large segment of the economy is non-monetised, and hence the central bank's control is less effective. A dearer money policy in the context of an all-round shortage will not help to augment production. On the contrary, this may accentuate the inflationary potential which is already existent in the economy.

The Reserve Bank has rightly expressed its concern over the continued rise in uncontrolled public expenditure and over the rising imbalance in the economy between the aggregate supply and demand. If it was desired by the government to control credit for inventory accumulation, this could have been done by selective credit control measures instead of general increase in the advance rates. Unless the acute scarcity of raw materials—as is now being experienced by industries effectively—is made up, the tendency will always be there to build up inventories to meet contingencies. The industries require large credit to finance their stock of raw material.

Given the necessity for generating additional employment opportunities and the need of stepping up supplies to meet the primary economic and social objective, the focus of credit planning will necessarily have to be on productive and developmental aspects along with the furtherance of economic growth. The hike in bank

TABLE III

New Deposit Interest Rates

Class of deposit	Rate of Interest			
	1.4.73*	1.4.74*	23.7.74	
	(Per cent per annum)			
1. Current accounts, deposits up to 14 days and deposits subject to withdrawal of repayment by notice for a period of 14 days or less	No interest except with the prior approval of the Reserve Bank of India.			
2. Savings accounts	4.0	5.0	5.0**	
3. Fixed deposits				
(1) 15 days to 45 days	2.75	3.0	3.0	
(2) 46 days to 90 days	3.25	3.5	3.5	
(3) 91 days to less than 6 months	4.75	5.00	5.5	
(4) 6 months to less than 9 months	5.25	5.5	6.0	
(5) 9 months to less than 1 year	5.25	6.25	7.0	
(6) 1 year to less than 2 years	6.0	6.75	8.8	(1 year and above but less than 3 years)
(7) 2 years and above and up to and inclusive of 3 years	7.0	7.25		
(8) Above 3 years up to and inclusive of 5 years	7.0	7.75	9.0	(3 years and above and up to and inclusive of 5 years)
(9) Above 5 years	7.25	8.0	10.0	

* Scheduled commercial banks with demand and time liabilities up to Rs 50 crores were allowed to pay an additional interest of between 1-8 and 1-2 per cent per annum on all classes of deposits bearing interest upto 22.7.1974. This concession is now withdrawn.

** With effect from 23.7.1974 banks with demand and time liabilities below Rs. 10 crores are allowed to pay an additional interest of 0.5 per cent per annum on savings deposit only.

Source: The *Economic Times*, dated July 23, 1974.

rate will have far-reaching effects on the productive front. Instead of controlling inflation, such a measure will add further fuel to the fire of inflationary pressure developing fast in our economy. It would result in the increase of prices instead of curbing inflation.

As far as the inflationary situation is concerned the only criterion to justify the increase in bank rate can be: would it help to bring down prices? If the purpose is to restrict bank credit, it is likely that this symbolic measure will fail to achieve the purpose. It is feared in business circles that the Reserve Bank's action will lead to a rise in the cost of production which would be passed on to the consumer. It is also argued that it will result in further rise in prices and the whole purpose of fighting inflation through dearer money policy would be defeated.

So long as the fiscal policy of the central and state governments continue to be indiciplined, people will have sufficient spending power at their disposal. There is some truth in this argument. We have a unique situation in which the country has been witnessing deficit financing by the government as well as by the private sector. The Reserve Bank has made a feeble effort to curb the deficit financing by the private sector. But in the matter of monetary policy half-hearted measures are worse than no measures. What is required is the logical and courageous rethinking on credit expansion which has been pushed up beyond measure by the wild promises of politicians in a hurry.

Before taking a symbolic measure on bank rate with numerous exemptions for providing cheap credit, the monetary authority should accept the basic principle that, in a capital-scarce developing economy, what is crucially important is not the cost but the timely availability of credit. A small man or a farmer in need of credit goes to the money lender, though he knows him to be rapacious, because his credit needs are met expeditiously. Unless we tackle this fundamental question of cost and availability, any amount of tinkering with the monetary policy would be a self-defeating proposition.

In fine it may be pointed out that India at present requires neither a full-fledged dear money policy nor the traditional type of cheap money. We should take a middle course of action and persue a policy of flexible interest rate and this will be in conformity with the Reserve Bank's overall policy aiming at controlled monetary expansion.

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Cotton textile industry

Depreciation policy in Rajasthan

N. K. Sharma

A STUDY was conducted by the author to examine the depreciation policy of cotton textile industry of Rajasthan. Out of the 16 cotton textile units, a survey of eight units, covering 80 per cent of total fixed assets of the industry, was made. The survey covers a period of 17 years from 1956 to 1972. It was found that the companies surveyed use either the straight line method or the written down value method for preparing their financial accounts. Three units use the straight line method and the rest five units use the written down value method.

There is no costing system practised in three units out of the eight units. The remaining five units keep systematic record of their cost. Out of these five units, four units use the same figure of depreciation in the accounts of various processes as calculated for the financial accounts, but one unit allocates the amount of depreciation to the various processes based on charging lesser amount to spinning process and more amount to weaving process.

The methods of writing off depreciation followed by the various units for financial accounting, cost accounting and tax accounting are as detailed in table on page 839.

No change has been made during the period surveyed in depreciation methods in seven units. Only one unit changed its depreciation method from written down value to straight line method due to losses. One company reported that it favoured a change from written down value method to the straight line method because it gives equal charge of the amount of depreciation over the life of the assets.

Three companies keep detailed fixed assets records, four companies keep only plant registers and one company does not keep any separate record of its fixed assets.

Six companies provide depreciation on itemwise basis while two companies provide on groupwise basis. Seven companies charge cost of additions and betterments to the account of the assets already in existence and only one company keeps a separate account of the additions etc. During the period surveyed only one company undertook revaluation of fixed assets at the time of taking over its administration by the government.

Out of eight units, six units state the purpose of charging depreciation as the allocation of cost and two units as the valuation of assets. No company charged depreciation for making provision for future replacement.

The information about depreciation is also disclosed by five units in the notes to the balance sheets and in directors' reports, by two units in the notes to the balance sheets, in the directors' reports and in the chairman's speeches and by one unit in the directors' report only.

Every company makes systematic economic analysis before taking major replacement decisions. In one unit the general manager, the financial executive chief accountant and the engineer participate while in another unit the managing director, the financial executive, the chief accountant and the engineer participate. In four units the secretary, the financial executive and the engineer participate. In two units a nominee of the National Textile Corporation also participates. This is shown in the following table :

Participation by Type of Executives

	No. of units
General manager, financial executive, chief accountant and engineer ..	1
Managing director, financial executive, chief accountant and engineer ..	1
Secretary, the financial executive and engineer ..	4
Nominee of National Textile Corporation with the chief executive of staff ..	2
Total	8

In five units there is no regular and systematic programme to finance replacements while three units have this programme. Replacement of assets is financed by four units by borrowing from the Rajasthan Finance Corporation, by two units from both internal and external sources, and by two units only from internal sources.

During the period of study it was observed that only one unit deferred major replacement of fixed assets for lack of funds.

It was reported to the writer that three units are satisfied with the existing provisions regarding depreciation in the Income Tax Act and Rules and in the Companies Act and five units are not satisfied with the same because the rate of depreciation is very low.

No unit measures the rise in the replacement cost of assets. Six units would like to use the replacement cost basis for writing off depreciation, if it is recognised by the Income Tax Act and the Companies Act but two of the units do not favour this method for charging depreciation, even if it is recognised because they are of the view that it will not disclose true and fair position of the unit in financial accounts.

long-term liability

The amount recovered through annual depreciation charges is applied by five companies in increasing net working capital, two companies applied the amount in acquisition of new fixed assets for expansion and one company applied it in financing specific replacement. No company applied the amount in replacement of long-term liability.

Three companies rectify their past mistakes in charging depreciation to current year's profits, two companies rectify past mistakes to general reserve and three companies do not rectify the mistakes.

It was found that there is no system of premature retirement of plant and machinery in any company but the main reason of retirement in five companies was obsolesence, in one company lack of good maintenance, in one company due to accidents, and in one company heavy of plant machines.

Three companies consider depreciation in ascertaining the cost of finished stock and work in progress, while five companies do not follow this practise.

The plant and machinery replaced in three units was scrapped, sold in second hand market and put into internal use. By two companies it was sold in second hand market, by one company it was sold in second hand market and kept idle, and by one company it was scrapped only, and by one company it was scrapped and sold in second hand market.

Thus it can be obserevd that the depreciation policy followed by the eight units under study is varied.

It is suggested that each unit should prepare its cost accounts and follow its own depreciation policy in such a manner that correct allocation of depreciation becomes possible. For the cotton textile industry the process costing system appears to be the most suitable system and depreciation should therefore be allocated to each process based on the cost of fixed assets employed in that process.

Further, it will be better if the cotton textile units apply the amount of depreciation for acquisition of fixed assets. A sound depreciation policy will emerge if in these units the managing director, the chief accountant the engineer and the financial executive participate in its formulation. They should use their combined experiences for taking decisions for replacement of fixed assets. Every unit should have a regular and systematic programme for the purpose of financing replacements.

amending the act

It is also suggested that the Income Tax Act and Rules and Companies Act may be amended so as to permit writing off depreciation at a higher rate so that the cost of fixed assets is fully written off say within 10 years. The decision of the government to abolish development rebate on machinery installed after May 31, 1974, will give a set-back to the modernization of this industry. The proposed initial depreciation as a substitute will not be so helpful, because it helps an enterprise to anticipate the depreciation but does not allow it to depreciate the asset in excess of 100 per cent of its value as was possible under the development rebate. It is finally suggested that depreciation based on replacement cost should be used by the cotton textile units in Rajasthan at least for cost accounting purposes.

Methods of Writing Off Depreciation

Unit	Financial Accounting	Cost Accounting	Tax Accounting
A	Straight line	—	Written down value
B	Written down value	—	-do-
C	-do-	Written down value	-do-
D	-do-	-do-	-do-
E	-do-	Specific allocation	-do-
F	Straight line	Straight line	-do-
G	Written down value	No	-do-
H	Straight line	Straight line	-do-

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BHUBANESWAR.

Consumption of pesticides in Kulu orchards

S. C. Tewari, R. K. Sharma and G. D. Vashist

AGRICULTURAL PRODUCTION and efficiency depend largely on imputs, investments and technology used. With the introduction of the new agricultural strategy, i.e. high yielding variety programme, multiple cropping, plantation of orchards in hilly area etc., the importance of plant protection measures has increased, because without their adequate and timely uses the expected returns against costly imputs would be nullified, causing frustration and lack of faith in the agricultural development programme and policy. The present study was undertaken to examine the consumption pattern of pesticides in Kulu valley with the following specific objectives:

i) To identify the consumer's characteristics and pattern of pesticide use.

ii) To estimate the pesticides consumption and further demand in the district as a whole.

Four villages in each of the three selected blocks in Kulu district were selected at random having sizeable area under orchards. A list of orchard owners with the number of fruit trees was prepared. The farmers were stratified into different size group according to the proportion of the area of fruit trees per farm. Fifteen orchard owners were allocated among different size-groups according to the proportion of the number of farmers in each size group to the total number of farmers in the village. The allocated number of orchard owners were selected at random from each size-group. A list of non-orchard owners was prepared from the villages and a random sample of five farmers was selected. Thus a total sample of 180 users of pesticides and 60 non-users was selected for detailed study. The study was conducted in the year 1970-71.

The study showed that the average size of holding of users of pesticides was nearly three times that of non-users. The average size of holding for non-users was 1.9 acres whereas the figure for users was 5.1 acres. The study also revealed that 24.28 per cent of the total land owned by the users had been leased out whereas non-users leased in 9.6 per cent of the total operated area. The average cropped area of a user was 8.04 acres and for non-user it was 3.32. There was a significant difference in the cropping pattern of users and non-users. The users had 47.51 per cent area under food crops to total cropped area while in case of non-users the share of food crops was 87.95 per cent. The intensity of cropping was more in case of non-users (174.7) as compared to users (157.60). The reasons for low intensity of cropping in case of users may be attributed to more area under orchards.

An attempt has been made to study the differences in economic aspects of farming for users and non-users. In this study economic aspects of farming are confined to cash and kind expenditure, value of farm output and farm business income.* The gross value of produce per farm in case of users group was Rs 5080 as compared to Rs 1054 for the non-users category, i.e. about five times more.

Apple (77.44%) wheat (8.17%) and maize (7.91%) were the major contributors towards gross income in users category while maize (32.26%), wheat (30.46%) and apple (20.68%) in case of non-users. In case of non-users, the lion's share of the total output was contributed by food crops (76.09%) whereas in case of non-users, it was contributed by cash crops (79.17). The average expenditure per farm was Rs 140 and Rs 189 for users and non-users respectively. Among different crops the share of apple was 81.21 per cent in case of users while it accounted for 34.39 per cent of total cash and kind expenditure. The data was further analysed on per acre basis for different size of holdings and is summarised in Table I.

From Table I it can be observed that the per acre gross income, expenditure and farm business income was Rs 740, Rs 208 and Rs 532 respectively for users whereas corresponding figures for non-users were Rs 325, 99 and 226 respectively. It could be observed from the table that per acre farm business income in the case of users increased with the increase in size of holding except in the farm group >25 acres. On an average the per acre farm business income was higher in case of users as compared to non-users and also in different size groups. The reasons for this may be attributed to the

TABLE I

Users' and Non-users' Per Acre Gross Income, Expenditure and Farm Business Income for Different Size Groups.

Size group in acres	Gross income		Expenditure†		Farm business income	
	Users	Non-users	Users	Non-users	Users	Non-users
Below 2	923	683	171	83	752	590
2-5	843	371	157	73	686	293
5-10	704	651	191	190	518	461
10-15	1165	—	312	—	853	—
15-20	1469	—	235	—	1234	—
20-25	1935	—	438	—	1494	—
25 & above	1119	—	547	—	572	—
Average	740	325	208	99	532	226

†Cash and kind expenditure.

* Cost A. concept has been used in the study, and farm business income means difference between the value of total farm production and cash and kind expenditure.

fferences in the productivity in apple. ecause the apple growers were mainly ers of pesticides, the user category of rmers shows a better performance as mpared to non-users in all economic erformance.

The users were further classified according to different levels of expenditure ey had incurred on pesticides during ie year 1969-70 and summarised in able II.

It is evident from Table II, that more an 53 per cent spent less than Rs 19 r farm whereas more than 15 per cent f farmers spent more than Rs 100 per rm and their total share in the market as more than three-fourths. The distribution of sample was highly skewed.

To identify the different groups of farers the following characteristics of users ere studied according to different levels f pesticide expenditure level by using X^2 st.

TABLE III

haracteristics of Users According to Level of Expenditure on Pesticides

haracteristics f users	Chi-square values	Degree of freedom
ize of farm	30.72**	2
Age of users	8.41*	3
ducation	29.16**	3
rrigation	28.16**	2
ertiliser use	66.27**	2
arming experience	5.03*	2

**Significant at one per cent probability level.

*Significant at 5 per cent probability level.

From Table III it is evident that there was significant association of all characteristics of users except farming experience with use of pesticides per farm. The study also showed that at aggregate level, the ratio of fertilizer expenditure to pesticide expenditure was 61:39. The ratio was varying considerably amongst different pesticides and fertilizer groups. Thus, it is not enough to see the relationship between expenditure on fertilizer and pesticide. Therefore we further analysed the data to establish whether the intensity of fertilizer was related to the intensity of users of pesticides. Table IV showed this relationship.

It is evident from Table III that fertilizer expenditure is directly related to pesticides expenditure. The expenditure on pesticide per acre was highest for those who spent between Rs 30-50 per acre on fertilizer as compared to other fertilizer users groups. More than 46 per cent of the total expenditure on pesticides was incurred by this group of farmers whereas they had incurred nearly 19 per cent of total expenditure on fertilizer and area cropped by them was more than one-sixth of the total cropped area of users. The reason for higher expenditure on pesticides may be attributed to peculiarity of orchard cultivation.

To identify the factors influencing the pesticides use, the following multiple linear regression equation was used:

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + b_6x_6 + b_7x_7 + b_8x_8 + b_9x_9$$

Y = Pesticides expenditure per farm
x_1 = Number of apple trees in age group of .. .. 5 years
x_2 = —do— 5-10 years
x_3 = —do— 10-15 ,,
x_4 = —do— 15-20 ,,
x_5 = —do— 20-25 ,,
x_6 = —do— 25 ,,
x_7 = Distance travelled in miles to purchase pesticides.
x_8 = Gross value of output apple per farm.
x_9 = Fertilizer expenditure per farm.
b_1-b_9 = regression coefficients of respective independent variables.

$$Y = 12.0041 + .2011\ x_1 - .1151\ x_2 - .4013\ x_3 - 1.4394\ x_4 - 14.9734\ x_5 - .3585\ x_6 + 2.5316\ x_7 + .0189\ x_8 + .1911\ x_9$$

R^2 = .97

The multiple linear regression equation shows that different variables depicting the number of trees of varying ages, distance between orchard and the nearest market place from where the pesticides were purchased, gross value of output (apple) and fertilizer expenditure per farm were significantly related to pesticide expenditure. The number of trees below five years of age had a positive coefficient whereas the number of trees above this age group had negative coefficients. This could be explained in the sense that as the number of trees below five years increased in an orchard the expenditure tended to increase by 20 paise per additional tree. But as the orchard became old and the number of trees above five years of age increased there was a tendency for pesticide expenditure per farm to decline. One mile of increase in distance between pesticide market and orchard increased pesticide expenditure by Rs 2.5; for every one rupee increase in fertilizer expenditure pesticide expenditure increased by 19 paise. All the variables discussed above explained 97 per cent of variation caused in pesticide expenditure.

TABLE II

Distribution of Farmers According to Level of Expenditure Per Farm

Pesticides expenditure level per farm (Rs)	No. of farmers	Total of expenditure (Rs)	Average expenditure on pesticides/ farm (Rs)
Less than 5	23	139	3.9
5-10	25	219	8.7
10-25	15	833	18.5
25-50	31	1136	36.6
50-100	17	1333	78.4
100-200	10	1443	144.3
200-500	9	2790	310.0
500-1000	4	3373	843.2
More than 1000	4	12006	3001.5
Average	180	23272	129.2

TABLE IV

Intensity of Fertilizer and Pesticide Use

Fertilizer expenditure per acre (Rs)	No. of users	Acre cropped (acres)	Per crop acre expenses on	
			Fertilizer	Pesticides
Less than 10	74	457.2	4.6	3.7
10-20	26	237.2	14.9	5.3
20-30	16	74.2	25.9	7.6
30-50	23	213.7	32.3	51.0
50-75	18	89.0	62.0	25.2
Above 75	21	165.2	94.7	39.2
	180	1236.6	30.0	18.8

An attempt has also been made to estimate the value of pesticide business in the district. In calculating the estimates of the total expenditure the sample of 180 user farmers was treated as simple random sample. The estimates of the average pesticide expenditure per farm and the total pesticide expenditure in the district were Rs 121.33 and Rs 5.61 lakhs respectively and their respective standard errors were estimated to Rs 35 and Rs 1.62 lakhs respectively. The 95 per cent confidence limits of the district estimates were Rs 8.85 lakhs and Rs. 2.37 lakhs.

The demand for pesticides in the district was also estimated. The past trend of pesticides in Kulu district reveals an increasing trend. This increase can be explained by two factors: (i) the increase in the rate of expenditure per farm and (ii) the expansion of area under new orchards. In calculating the future demand the following assumptions were taken into consideration: (1) the average expenditure per farm would increase by 25 per cent and area under orchard would also increase by 25 per cent, (ii) pesticide expenditure on non-orchard crops would also increase. On this basis the total expenditure on pesticide for the district as a whole would be Rs 9.7 lakhs in 1973-74.

Save with grace

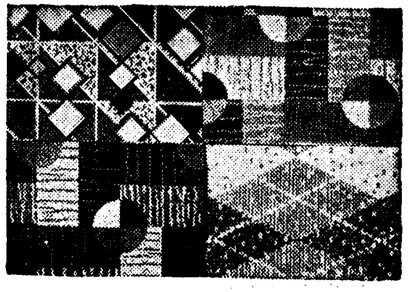
Linoleum floor-coverings are an economic investment. Linoleum endows your home with a graceful decor. By retaining its striking elegance for years, it saves you so much in repair and renovation costs.... you'll need a whole elephant to serve as a piggy-bank!

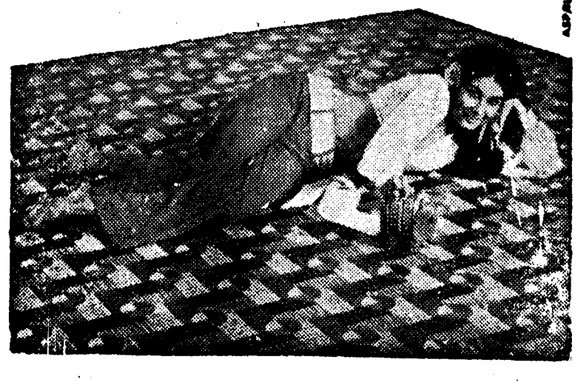
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The versatile floor-covering ■ For better living

India Linoleums Ltd.,
P.O. Birlapur, 24 Parganas, West Bengal.





ASP-4

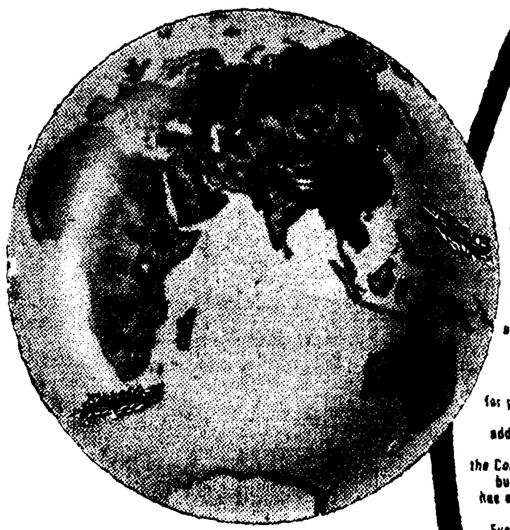
THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

NILHAT SHIPPING CO.LTD.

(Incorporated under the Companies Act, 1956.)

Regd. Office : 'Nilhat House', 11, R. N. Mukherjee Road, Calcutta-700 001.

ANNOUNCEMENT REGARDING THE ISSUE OF 10,20,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT PAR



ISSUE MANAGED BY:

CHAMPAKLAL INVESTMENT & FINANCIAL CONSULTANCY LTD.,

PLACE, SIDOONS & GOUGH (PVT.) LTD.

History :
The Company was promoted by J. Thomas & Co. Pvt. Ltd., Calcutta, on 20th August, 1973, and commenced its business on 10th October, 1973.

Objects of the Issue :
The issue is being made for providing finance required for working capital, repayment of unsecured loans from the promoters, and to meet part of commitments on foreign currency loans.

Project and Progress :
In February 1974 the Company purchased two 24,600DWT sister-ships namely M. V. Falkunger and M. V. Fossunger (since renamed as M. V. Alexandra 'N' and M. V. Charisma 'N') respectively)from M/s. Westfal Larsen & Co., A/S of Bergen, Norway, each at a price of U. S. $ 7,200,000, identical in all essential respects, each ship is equipped with the latest navigational aids and cargo handling equipment. The Company has entered into two separate Agreements in December, 1973 with Messrs. Himatt Maritime Enterprises Ltd. — a large American Company, under which the Company chartered both the ships at very attractive rates for a period of 24 months for world wide trading within Institute Warranty limits. Under the terms of the Time Charter Agreements, the cost of bunker fuel is entirely on account of the Charterers. The Company has also entered into an agreement with Mackinnon Mackenzie & Co. Pvt. Ltd., Bombay, a Member of the P & O Group, one of the largest shipping combines in the world. Under this agreement, the Company will have the benefit of their association in all operational aspects of international maritime trade.

Prospects and Profitability :
Shipping industry in India is still in a nascent stage and the scope for profitable expansion appears to be limitless. The estimated 5th plan target for Indian Shipping is 8.5 million tonnes GRT which means adding a million tonnes of shipping strength each year to the country's tonnage. Based on their faith in the shipping future in the country, the Company is planning to initiate negotiations for purchase of additional bulk carriers of similar tonnage in the immediate future. The Company has also plans to diversify in other correlated shipping activities such as coastal shipping, inland water transport and chartering in of ships. Even on its present operation of two bulk carriers, the projected return on capital employed is quite remunerative in the overall context in India. Considering the commercial expertise and knowledge of the Directors and the Company's operating agents, the growth prospects appears to the bright. The Directors consider that, barring unforeseen circumstances, the Company would be in a position to pay a reasonable dividend after the second year of operation. Development Rebate is admissible to the Company in respect of the two ships purchased.

Share Capital :

Authorised :
20,00,000 Equity shares of Rs. 10/- each Rs. 2,00,00,000

Issued, Subscribed and fully paid-up:
6,80,000 Equity shares of Rs. 10/- each Rs. 68,00,000

Present issue :
10,20,000 Equity shares of Rs. 10/- each Rs. 1,02,00,000

Terms of Payment:
On application: Rs. 5 per share
On allotment: Rs. 5 per share

Board of Directors:

Shri D. C. Kothari, (Chairman),
"Kothari Buildings", Nungambakkam High Rd., Madras-600 034.
Industrialist.

Chairman, Kothari Sugars & Chemicals Ltd.
Director, South India Viscose Ltd., Brooke Bond India Ltd., and other Companies.

Shri Dipak Roy,
3, Ballygunge Park Road, Calcutta-700 019.
Company Director.
Chairman & Managing Director J. Thomas & Co. Pvt. Ltd., and Director of other Companies.

Shri T. C. Satyavan,
XXVIII/235, Pallurutty Road, Cochin 682 005
Company Director, J. Thomas & Co. Pvt. Ltd.,
Managing Director, and Director of other Companies.

Shri N. J. Setna,
29, Park Mansion, Park Street,
Calcutta-700 016.
Company Director.
Director, J. Thomas & Co. Pvt. Ltd., and other Companies.

Dr. Dara P. Antia,
Flat No. 7, 10, Judges Court Road, Calcutta-700 027.
(Industrial) & Management Consultant.
Director, Jessop & Co. Ltd., Indrek Tyres Ltd., Uni Abex Alloy Products Ltd., and other Companies.

Shri O. K. Basu,
24-B, Lake View Road, Calcutta-700 029.
Solicitor.
Partner : Orr, Dignam & Co., and King & Partridge
Director of other Companies.

Shri B. K. Butt,
36, Ballygunge Park, Calcutta-700 019.
Company Director.
Director, General Insurance Corporation of India Ltd., Amines & Plasticizers Ltd., and other Companies.

Shri N. N. Kapadia,
Thakur Niwas, Flat No. 29,
173, J. Tata Road, Bombay-400 020.
Industrialist.
Managing Director, Harshadray Pvt. Ltd.,
Proton Engineering Co. Pvt. Ltd.,
and Director of other Companies

Shri Nazir Latif,
"Seawards" Mackinnon Building, 4, Shoorji Vallabhdas Marg, Bombay-400 001.
Company Director.
Chairman & Managing Director, Mackinnon Mackenzie & Co. Pvt. Ltd.,
and Director of other Companies.

Bankers to the Company
Syndicate Bank, 10, Homji Street, Fort, Bombay 400 001
Bank of India, 70/80 Mahatma Gandhi Rd., Bombay-400 023.
Mercantile Bank Ltd., 8, Netaji Subhas Road, Calcutta-700001.

Bankers to the Issue
Syndicate Bank, 10, Homji Street Bombay-400 001.
Bank of India, 70/80 Mahatma Gandhi Rd., Bombay-400 001.
Mercantile Bank Ltd., 52/60,M.G. Rd., Bombay-400 001.
Vijaya Bank Ltd., Raj Mahal, Veer Nariman Road Bombay-400 020.
The Bank of Karad Ltd., 24 B/D, Hamam Street Bombay-400 001.

Solicitors
Orr, Dignam & Co., 29, Netaji Subhas Road, Calcutta-700001.

Auditors
Lovelock & Lewes, 4 Lyons Range, Calcutta-700 001.

Issue House
MAS Services Pvt. Ltd., A2/118, Safdarjung Enclave, New Delhi-110 016.

Underwriters & Brokers to the Issue :
The entire issue now offered to public for subscription has been fully underwritten as follows :

	Amount underwritten (Rs. in lakhs)
Institutions:	
The Industrial Credit & Investment Corporation of India Ltd., 163, Backbay Reclamation, Bombay-400 020.	7.00
Unit Trust of India, 45, Veer Nariman Road, Bombay-400 001.	7.00
Oriental Fire & General Ins. Co. Ltd., Mahatma Gandhi Road, Bombay 400 001.	5.00
National Insurance Co. Ltd., Ruby House, 8, India Exchange Place, Calcutta-700001.	4.00
The New India Assurance Co. Ltd., 87, Mahatma Gandhi Rd., Bombay- 400 001	2.50
Syndicate Bank, 10, Homji Street, Bombay-400 001.	5.00
Bank of India, Express Towers, Nariman Point, Bombay-400 021.	5.00
Vijaya Bank Ltd., Rajmahal, Veer Nariman Road, Bombay-400 020.	5.00
The Bank of Karad Ltd., Raja Bahadur Compound, 24-B/D,Hemam Street, Bombay-400 001	5.00
Brokers	
Bombay	
Bhupendra Champaklal Devidas, Bhupen Chambers, Dalal Street.	10.00
Batlivala & Karani, Union Bank Building Dalal Street,	2.00
G. S. Purbhoodas & Co., Stock Exchange Bldg., Apollo Street.	1.00
Jamnadas Motarjee & Co., 5-A, Hamam Street.	2.00
Jasvantlal Chhaganlal, Bhupen Chambers, Dalal St.	1.00
Lewis & Jones, Bank of Baroda Bldg., Apollo St.,	...
Magantal T. Vora, Bhupen Chambers, Dalal St.	1.00
Poracha Brothers, 19, Stock Exchange Bldg., Apollo St.	1.00
Prabhudas Lilladher, 5-A, Hamam Street.	1.00
S. Ramdass, Bhupen Chambers, Dalal Street,	2.50
Calcutta	
Brijnath Khandelwal & Co.13, India Exchange Place,	2.00
G. M. Bosu, 7, Lyons Range	...
G. M. Pyne, 14, India Exchange Place,	1.00
M.M. Murarka, 1/8, Mandeville Gardens,	2.00
N. L. Roy & Co., 7, Lyons Range	1.00
Place, Siddons & Gough Pvt. Ltd., 8, Lyons Range	6.00
Reed Ward & Co., 14, India Exchange Place.	...
Stewart & Co., 14, India Exchange Place.	3.00
Shyam Sunder Chirpal, 7, Lyons Range	3.00
S. M. Mitra, 7, Lyons Range	...
New Delhi	
Amritlal Bajaj & Co., United India Life Bldg. 'F' Block, Connaught Place,	2.00
Bharat Bhushan & Co., H-45, Connaught Place.	2.00
D. B. Malhotra & Co., 13, Stock Exchange Bldg., Asaf Ali Road.	1.00
H. P. Mehta & Co., Surya Kiran, 3rd Floor, Kasturba Gandhi Marg.	2.00
Harcaas Singh Mehta & Co., 33, Regal Bldg., Parliament Street,	...
Jalan & Co., Stock Exchange Bldg., Asaf Ali Road.	2.00
Raja Ram Bhasin & Co., 'Jeewan Mansion' 8/4, Desh Bandhu Gupta Road.	2.00
Sikander Lal & Co., 42, Stock Exchange Bldg., Asaf Ali Road.	...
Vinod Kumar & Co., A/6, Connaught Place.	2.00
Madras	
Chitra & Co., 322/323, Linghi Chetty St.	...
Kothari & Sons, Kothari Building, Nungambakkam High Road,	1.00
Venkateraman & Co., 322/323, Linghi Chetty St.	...
Paterson & Co., Vanguard House, 11/12 Second Line Beach	...
Ahmedabad	
Champaklal Bhailal Chokshi, Manek Chowk, Near Share Bazar.	2.00
Laxminarayan N. Gupta, Anandji Kalyanji Bldg., Relief Road.	...
Nareshchandra Lalbhai Parikh, Manek Chowk, Near Share Bazar.	1.00
Hyderabad	
Laxmi Narayan Rathi, 4-5-173, Hashmat Gunj, Sultan Bazar.	...
Indore	
Govind Das Shrikishan Agrawal,97 M. T. Cloth Market.	...
Bangalore	
M. Nanjappaiah Jahgirdar, 205, Cavalry Road.	...
Vijai & Co., 9, Eleventh Main Road, Malleswaram	...
	102.00

The above underwriters brokers (except the Financial Institutions, Insurance Companies and Banks) are also acting as Brokers to the Issue.

How to Apply

1. Obtain copies of Prospectus and Application Forms from the Registered office of the Company and/or from the Brokers, Underwriters, Bankers and Managers to the issue mentioned above.

2. Fill and sign the Application Forms (Applications must be for 50 shares or for multiples of 50) and deliver them together with Cash or Bank Draft or Cheque at the rate of Rs. 5/-per share to any of the branch of Banks listed in the application form; Cheques and Drafts should be drawn on Bank/s situated in the town where applications are submitted.

Opening Date
Monday, the 18th November 1974

Closing Date
Thursday, the 28th November, 1974,
but not earlier than Thursday,
the 21st November, 1974

Applications are being made to the Calcutta and Bombay Stock Exchanges for permission to deal in and for an official quotation for the Equity shares of the Company.

Imageads

Kissinger on Indo-American relations

I AM honoured to be invited to address such a distinguished gathering. For the basic objective of this organization—to comprehend, communicate, and help shape the state of world affairs—has been the central purpose of my own life since long before I served in government. And I since have found that the statesman, too, has no more important task.

Former President Radhakrishnan once said, "Life becomes meaningful only when we grasp the character of the age we live in, see its significance, understand the objectives it sets us and strive to realize them."

The fundamental reality of *our* age is that we live in a world inextricably linked by interdependent economies and universal aspirations, by the speed of communica-

This is the text of the address by Dr. Henry A. Kissinger, Secretary of State, USA at the Indian Council of World Affairs, New Delhi, on October 28, 1974

WINDOW ON THE WORLD

tions and the spectre of nuclear war. The political lesson of our age is that the national interest can no longer be defined or attained in isolation from the global interest. And the moral challenge of our age is to free ourselves from the narrow perception of the nation state and to shape a conception of global community.

The three years since I was last in New Delhi have seen profound changes in the relationship between India and the United States, in the whole region and in the world.

On my last trip to South Asia I paid my first visit to Peking. On this trip I have visited Moscow. Moving about among capitals only recently considered hostile is a new pattern for the United States. It signifies the transition from a bipolar world locked in confrontation and seemingly destined for some final encounter to the new world of dispersed power and reduced tension.

This changed environment is more complex and therefore, for some, less assuring. Yet we see it as a world of hope. For the process of detente among major powers has not made the world more complex; it merely signifies that leaders have recognized its complexity. Those who ought always to have known how serious is man's predicament have learned how little benefit confrontation brings and how absolute is the need for cooperation.

This has not been an effortless transition for the American people. Nor is it without difficulties in other nations of the world. For it requires coming to terms with less simple views of right and wrong, of the possible and the ideal than have permeated political thinking for a generation.

This new American view, it is appropriate to acknowledge, owes much to an old vision of India's national leaders. Jawaharlal Nehru perceived the impermanence of the post-war world into which India was born—of frozen hostility between the super-powers and their insistent efforts to enlist other nations on one side or the other. Under Nehru and since, India sought to deflect, to moderate and to redirect those forces. This was the origin of the concept of non-alignment.

It is not necessary to debate now whether the United States should have welcomed the concept at that time in order to agree that in the present world it is for nations such as India an altogether understandable and practical position. The United States accepts non-alignment. In fact, America sees a world of free, independent, sovereign states as being decidedly in its own national interest. Support of national independence and of the diversity that goes with it has become a central theme of American foreign policy.

a new approach

Nowhere is this clearer than with respect to South Asia, where a fifth of mankind lives. In testimony before the US Senate Foreign Relations Committee six weeks ago, I stated this principle of American foreign policy in explicit terms: "We do not look at the subcontinent as being composed of some countries that are clients of China, others that are clients of the Soviet Union, others that should be clients of the United States. We believe that we can have productive relationships with all of them. And we believe also, especially with respect to India, that our relations are in a stage of dramatic improvement."

The warming of our bilateral relations has been increasingly manifest for some time. It began inevitably as the Simla process began; and it has proceeded and strengthened as that process has proceeded and strengthened. For it was conflict within the subcontinent that brought the involvement of outsiders in the first place. And correspondingly, the region's political capacity to resolve regional conflicts has, to a considerable degree, diminished outside involvement. President Ford has asked me to affirm that the United States strongly supports the efforts of peaceful settlement on the subcontinent, free of imposition, or pressure or outside interference. We want political stability and economic success for South Asia. That is what we believe south Asians hope for, and what the rest of the world should hope for as well.

The statesmanship of all of South Asia's leaders has been at the heart of this process. It has taken great courage to persevere toward the goal agreed upon by Pakistan and India at the Simla Conference in 1972: "The promotion of a friendly and harmonious relationship and the establishment of a durable peace in the subcontinent."

The size and position of India give it a special role of leadership in south Asian and in world affairs. They confer on it at the same time the special responsibility for accommodation and restraint that strength entails. The United States recognizes both these realities. They are wholly compatible with the close friendships and special bonds we have with all the nations of the region. As we wish south Asia well, we wish India well.

durable relationship

Thus a more mature and durable relationship is emerging between India and the United States—one which leaves behind the peaks and valleys of the past.

Both India and the United States still consider themselves youthful nations. The restlessness, the striving and the ideals of our people attest to the reality of that image. But a basic quality of youth—enthusiasm unseasoned by experience—often caused us to assume or expect too much. We are two great nations of independent judgement and perspective; often our zeal and moral convictions have led us into disagreements with a passion that might not have been present had we not been conscious of similar ideals.

For a quarter of a century our relations tended to oscillate between high expectation and deep suspicion. The low point occurred in 1971 when a basic disagreement flowed from different political judgements. We faced these differences candidly: that crisis is now behind us. We have surmounted past strains and moved ahead with promise. We can now build our relationship free of past distortions and conscious of the interests and values we share.

From the events of the past—from our experience with the world as well as yours—we have both developed a more balanced view. Both of us independently have come to temper our zeal and to understand limitations on our ability to bend the world to our expectations. In parallel with this, in our relations with each other we both stress the basic compatibility of our interests. This promises to provide a durable basis for cooperation and friendship.

America's purposes

For our new relationship to thrive, a great deal depends on our mutual understanding. Nations face different problems and different opportunities—their perspectives and power inevitably vary. Let me therefore briefly sketch America's broader purposes—especially as they have evolved in recent years in a changing international environment.

Around the world today, the new and the old coexist in uneasy equilibrium. The frozen international landscape of the past quarter century has begun to thaw but we have yet to put a durable structure of cooperation in its place. A new era of stability has begun in Europe and Asia, while chronic disputes in the Middle-East and Indochina still endanger regional and global peace. The United States and the Soviet Union have perceived a common interest in avoiding nuclear holocaust, while some potential for conflict persists and the arsenals of the two sides continue to grow. The United States and the People's Republic of China have succeeded in overcoming two decades of estrangement, but important differences in philosophy remain. And as the old blocs among old powers decline, new blocs among new nations threaten to emerge.

The United States sees its central task today as helping the world to shape a new pattern of stability, justice and international cooperation. We have rejected the old extremes of world policeman and isolation. But we recognize that America's principles, strength and resources impose upon us a special responsibility.

Our goal is to move toward a world where power blocs and balances are not dominant; where justice not stability can be overriding preoccupation, where countries consider cooperation in the global interest to be in their national interest. For all that has been achieved; we must realize that we have taken only the first hesitant steps on a long and arduous road.

The United States has three principal policy objectives:

First, America has sought to foster a new spirit of responsibility and restraint among all powers.

The cornerstone of our foreign policy is—as it has been for a generation—our partnership with our Atlantic allies and Japan. Theee bonds have served both the world's peace and its prosperity. Our cooperation provided a solid foundation for efforts to reduce tensions with our adversaries. It has enabled us to contribute to world economic growth. And the nations which provide the industrial, financial and technological sinews of the global economy now share a heavy collective responsibility to concert their efforts in a time of global economic stress.

In the last five years the United States has also sought to put its relations with the Communist powers on a new and steady basis.

Since the dawn of the nuclear age, man's fears of holocaust and his hopes for peace have turned on the relationship between the United States and the Soviet Union. Never before have two nations had the physical ability to annihilate civilization. Never before has it been so important that the two nuclear giants maintain close contact with one another to avoid conflicts which would menace other nations as much as themselves.

Progress has been achieved in our relationship with the Soviet Union which would have been unthinkable a decade ago. We take the easing of tensions for granted only at the risk of the return of confrontation. In my discussions in Moscow I stated yet again the determination of the American government to maintain the momentum of the process of detente, and was assured by the Soviet leaders that they shared this intention. The United states will persevere to reduce military competition with the Soviet Union in all its aspects; to ensure that our political competition is guided by principles of restraint especially in moments of crisis; and to move beyond restraint to cooperation in helping find lasting solutions to chronic conflicts.

stable peace in Asia

America's relations with the People' Republic of China are also of fundamental importance. There cannot be a stable peace in Asia—or in the world—without a pattern of peaceful international relationships that includes this powerful and talented nation. It was essential to end a generation of mutual isolation and hostility.

Yet rapprochement with the People' Republic of China is not sought at the expense of any other nations; on the contrary it attempts to serve a wider purpose. The principles of the Shanghai Communique commit our two nations to respect th

independence, sovereignty and integrity of all countries as we work to improve our own relationships.

Our relations with the non-aligned countries are another pillar of our foreign policy. No accommodation among countries, however powerful, can be durable if negotiated over the heads of others or if an attempt is made to impose it on others. Our attitude toward the non-aligned will be based on the principles of equality, mutual respect and shared endeavours and on the premise that all countries have a stake in a peaceful world. Condominium, hegemony, spheres of influence are historically obsolete and morally and politically untenable.

It is a corollary of this, however, that bloc diplomacy of any kind is anachronistic and self-defeating. We see a danger of new patterns of alignment that are as artificial, rigid and ritualistic as the old ones. The issues the world faces are so urgent that they must be considered on their merits, on the basis of their implications for humanity, and for world peace—rather than on some abstract notion of ideological or bloc advantage. In a real sense the world is no longer divided between East and West, North and South, developed and developing, consumer and producer. We will solve our problems together or we will not solve them at all.

Second, America seeks to limit and ultimately to reduce nuclear weapons competition.

The relaxation of international tensions cannot survive an unrestrained arms race by the two strongest nuclear powers. And international stability will be seriously jeopardized by the proliferation of nuclear weapons. This is why the United States has made it a major objective to bring about a more stable nuclear environment.

SALT agreement

The Strategic Arms Limitations Talks are among the most crucial negotiations ever conducted. The agreements already signed by the United States and the Soviet Union represent a major step toward strategic stability. They placed a permanent limit on defensive weapons and an interim limit on offensive nuclear weapons. Our task now is to control the qualitative as well as quantitative advance of weapons. We seek a long-term agreement which would establish stable ceilings and other restraints, from which we could begin the long-sought process of arms reductions. Progress in this direction was made during my recent talks in Moscow.

At the same time, a world in which an ever-increasing number of nations possess nuclear weapons vastly magnifies the risks of both regional and global conflict. And proliferation complicates—if it does not inhibit—international cooperation in the peaceful uses of the atom.

global effort

Last month at the United Nations I proposed a comprehensive global effort. The United States is of the view that countries capable of exporting nuclear technology should agree to common restraints on a multilateral basis which would further the peaceful, but inhibit the military uses of nuclear power. We take seriously India's affirmation that it has no intention to develop nuclear weapons. But India of course has the capability to export nuclear technology; it therefore has an important role in this multilateral endeavour. Needless to say, the United States does not ask other countries for restraint on the export of nuclear materials and technology which it is not prepared to apply to itself. We will work vigorously with others on the practical steps which should be taken to limit the dangers of the atom while furthering its potential for human good.

A third objective of American policy is to build global cooperation to meet unprecedented global problems.

The traditional agenda of international affairs—the balance among major powers, the security of nations—no longer defines our perils or our possibilities. To some extent we have mastered many of the familiar challenges of diplomacy. Yet suddenly we are witnessing a new threat to the governability of national societies and to the structure of international stability. A crisis threatens the world's economic system. The industrialized nations see decades of prosperity in jeopardy; the developing countries see hopes for development and progress shattered or postponed indefinitely. And even the newly wealthy oil producers are beginning to perceive that their recent gains will be swept away in a global crisis.

The dangers are as self-evident for the United States as they are for India and other countries; rates of inflation unknown in the past quarter century; financial institutions staggering under the most massive and rapid movements of reserves in history; and profoundly disturbing questions about the ability to meet man's most fundamental needs for energy and food.

This is not a conventional political problem, which can be dealt with by conventional diplomacy or on the basis of conventional promises of social and economic theory. It affects all countries and groups. There is no gain for one at the expense of another. Piecemeal solutions offer no hope; a global enterprise is imperative. No nation or bloc of nations can impose its narrow interests without tearing the fabric of international cooperation. Whatever our ideological belief or social structure, we are part of a single international system on which our national objectives depend. Our common destiny is now not a slogan; it is an unmistakable reality.

The United States is prepared to dedicate itself in practical ways to this global effort. At the World Food Conference we will offer a comprehensive programme as our contribution to freeing mankind from the eternal struggle for sustenance. We recognize that America's agricultural productivity, advanced technology, and tradition of assistance represent a major obligation. We know that we cannot speak of the global responsibility of others without practicing global responsibility ourselves. America pioneered in development assistance, particularly with respect to food; we are determined to step up our past contributions. We will increase our production at home so there will be more food available for shipment abroad. And we will help developing nations increase their own production which is the only long-term solution to the problem.

magnitude of problem

The magnitude of the world's food needs—and the redistribution of the world's wealth—imply that others must enlist in the fight against famine. The United Stated will work cooperatively with other exporters, with food importers, and with those countries in a position to help finance increased food production in the developing countries.

But it is an objective fact that we cannot meet man's need for food, much less ensure economic and social advance, without coming to grips with the energy crisis. Higher oil prices directly affect food prices by increasing the costs of fertilizer, of operating agricultural machinery, and of transporting food to deficit areas. This in turn contributes to the more general economic crisis of inflation and stagnation which will surely destroy the ability of the economically advanced countries to fulfil their obligations to the less well-endowed. Both consumers and producers have a parallel stake in a global economy that is stable and growing. The economic progress of thirty years has brought the goal of universal well-being closer; today's crisis puts it in jeopardy. This is why the United States has emphasized global interdependence and seeks cooperative global solutions.

The American purposes I have described are, we believe, consistent with India's purposes. We are nations whose values and aspirations are so similar that our disputes are often in the nature of a family quarrel. We have no conflict of interest, no basic animosity or disagreement that keeps us apart. And we face a world in crisis and transition, that compels us to work together.

We are both democracies, with all that implies for the kinds of decisions we are able to make. The leaders of a democracy can only sustain policies which their electorate will support. If there are no general rules as to what such policies are likely to be, there are specific limitations as to what they cannot be. It is clear that our relationship cannot be based—in either country—on the dependence of one on the other. Nor can our relationship survive constant criticism of one by the other in all international forums. There must be a sense of common purpose in at least some endeavours. To Indian-American relations equality and mutual respect are more than doctrines of international law. They are political necessities.

positive content

In the past year or two we have removed major obstacles to an improved relationship. Our energies are now focussed on the positive content of our relationship. Even importantly we find once again that as two great nations we share certain aspirations for the world at large. We share a concern for cooperative solutions to man's fundamental needs.

The present crisis confronting both developed and developing nations reveals all too clearly the world's past failure to address global problems on a truly cooperative basis. India and the United States have much to contribute. The world's best minds must be mobilized and India has the third largest pool of scientific talent while the United States has the first. We must apply the great economic strength of our two nations; the United States has the largest industrial output in the world and India the tenth largest. Our economies are complementary; the fact that India is only the 26th largest trading partner of the United States reveals what potential is yet untapped.

The Joint Commission we are establishing—for scientific, cultural, and economic cooperation—provides a new means to match our resources with our challenges. It is the symbol of the new era of equality. And the United States stands ready to expand the concept of the Joint Commission into other areas. We share a concern for economic development.

It is impossible to visit South Asia without being deeply affected by the plight of so many of the peoples of this region. Individual hopes for survival and national aspirations for development have been dealt a cruel blow by the crises in energy, food and inflation.

The American people want to be helpful, while avoiding the dependence we both reject. Earlier this year, the United States wrote off the largest amount of foreign debt ever cancelled in history. This year the United States will launch a modest bilateral aid programe. A substantial portion of our multilateral aid already comes to India. Our new food programme which I will outline at the World Food Conference will be of particular relevance to India. We share a concern for world peace.

Neither India nor the United States will ever be satisfied with a world of chronic conflicts, uneasy truces and offsetting blocs. We have a joint interest in a comprehensive, institutionalized peace, based not merely on a balance of forces but on a sense of justice.

In recent months our dialogue on the entire range of global concerns has assumed a new frequency and depth. Our consultation has defined areas where we agree and narrowed those where we do not. We have found anew the basis for collaboration in many areas.

Tagore wrote with foresight: "During the evolution of the nation the moral culture of brotherhood was limited by geographic boundaries, because at that time those boundaries were true. Now they have become imaginary lines of tradition divested of the qualities of real obstacles. So the time has come when man's moral nature must deal with this fact with all seriousness or perish."

The time has come for nations to act on this vision. Let there be hope rather than despair, creativity rather than disarray. The recognition and understanding of our problems are clearly emerging. We have the technical means to solve them. And the urgency of our tasks impels us.

Half a century ago, Mahatma Gandhi wrote that we must launch "experiments with truth." In this spirit, let us resolve to strengthen the new beginnings between India and America. Let us build a relationship that can endure and serve common ends for a long time. Let us make our contribution to help mankind match its capacity to its challenges for the benefit of our two peoples and of all of mankind.

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LRC/15/74

Japan's continuing "economic miracle"–II

Jossleyn Hennessy

London

THE RAPID growth of Japanese industry, and the reorientation of industrial output and exports towards capital-intensive and technically advanced sectors, have been key factors in Japan's remarkable economic performance of the past two decades. A few figures illustrate the degree of expansion and the direction that it has taken. Total manufacturing production rose nearly nine times from 1955 to 1972. But the output of such industries as engineering, iron and steel and petrochemicals increased still more rapidly; in particular, the various engineering branches as a group experienced a more than 20-fold production growth and by 1972 represented about 38 per cent of total manufacturing added value as compared with 18.5 per cent in 1955.

Especially marked was the expansion in such equipment as machine tools, electric motors and generators, and ships, as well as consumer durables including cars, television sets, tape recorders and refrigerators. On the other hand, output of traditional industries such as textiles, leather goods, toys, developed far more slowly; textile production, for example, increased only 3.6 times.

high productivity

This shift in Japan's industrial structure, and the modernisation and rationalisation carried out in various sectors, have led to considerable productivity increases in industry. Between 1960 and 1972, labour productivity in manufacturing industry as a whole more than tripled.

The creation of a modern industrial structure after the war was indispensible if living standards were to be raised. But problems have arisen as a result of the speed and intensity of industrialisation and of certain geographical and other factors in Japan's situation.

First, industrial growth has necessarily been subject to precariousness because of the heavy dependence upon imports of raw materials and energy products, with which Japan is poorly endowed. Furthermore, Japan's strong export orientation accumulated foreign exchange reserves leading the authorities in recent years to take measures to redress the balance of payments disequilibrium. The effectiveness of these measures, accentuated by the floating of the yen in 1973, in reversing the balance of payments trend and the many ramifications of the energy crisis, all of which are not yet clearly discernible, are, however, again changing the conditions which dictate Japanese policy.

At the same time, the pace of industrialisation and its concentration in a few densely built-up areas have created pressing problems of urban blight, environmental pollution and disparities in regional income, while a lag in resources devoted to social infrastructure has produced pressures for the improvement of housing, health and other social aims.

two-fold structure

Finally, a problem directly related to the structure of industry is the two-fold structure of Japan's economy: the great contrast between the larger more dynamic industries and the many small, often very small, firms lacking managerial and technological know-how and having difficulty in obtaining adequate financing on terms that they can afford. In general, there is a wide gap in productivity and profits between these firms and the larger enterprises, and growing concern for their survival amidst increasing international competition.

Both in promoting the development of industry and in their recent intensified efforts to cope with the problems of rapid industrial expansion, the Japanese authorities have built up a code of industrial policy measures. In Japan, industrial policies fulfil a more clearly defined function than in many other OECD countries. Moreover, because of distinctive features in the historical background, institutional structures, traditional attitudes and practices, industrial policy in Japan has special characteristics. Before discussing some of the main directions which Japanese industrial policy has taken, let us, therefore, look briefly at the way in which it is carried out.

II
Nature of Japanese Policy

The role played by industrial policy is rooted in development that goes back to the origins of Japanese modernisation a century ago, when the government was not only the main source of capital but also operated numerous enterprises.

Today, however, the direct entrepreneurial role of the state is negligible. Moreover, the government has relatively little impact on industry as a buyer of goods and services, because the level of state procurement is lower than in all other industrial countries. Nevertheless, the tradition of cooperation between government and business persists, and although it now takes the form of guidance and consultation it still contributes to the effectiveness of Japanese industrial policy.

That policy has a flexible mechanism to define objectives and the means of obtaining them; to revise them to meet new conditions; and to implement policies both through guidance and persuasion and through financial incentives sometimes within the framework of legislative programmes to develop or adapt a particular sector.

principal agency

The principal government agency for industrial policy planning and implementation is the ministry for International Trade and Industry (MITI). This ministry is effective because of:

In addition to its competence with regard to international trade and industry (except for a few sectors: transport equipment, pharmaceuticals and foodstuffs) MITI has, together with other ministries, responsibility for both cooperation with developing countries and environmental protection. This scope of competence, wider than in the equivalent ministries of many other countries, facilitates a coordinated approach to related problems.

More readily than in many other countries, new policy orientations have been accompanied by changes in ministerial organisation. Most recently, under a reorganisation in July, 1973, a more integrated view of industrial policy problems was reflected in a changeover from a mainly sectorally-structured organisation to a more "horizontal" approach; a unified new agency was set up to bring within one administrative unit considera-

ion of natural resources and energy problems; and, in order to link the problem of industrial siting with that of environmental protection, an Industrial Siting and Pollution Control Bureau was established. Sections dealing with counter-inflationary policy and consumer protection were also reinforced.

These objectives are set both nationally and in view of the adaptation of specific sectors or intersectoral problems. Again, as in the case of the structural reorganisation of the ministry, objectives and policy are reviewed as conditions change. At present MITI is attempting to work out a long-range view of Japan's overall industrial structure, an ambitious aim when one considers the difficulties in foreseeing the complex pattern of the relevant domestic and international conditions.

exchange of ideas

MITI officials keep in daily touch with industry, which maintains a variety of discussion groups as continuous forums for the systematic exchange of ideas. In particular, new policies are worked out by government officials in consultation with advisory councils for various policy areas; these are attached to MITI and consist of representatives of business, banking, the trade unions, economists and others. On the basis of the recommendations of the relevant advisory council, a set of aims laying down, for example, the desirable scale of investment and production in a particular sector is defined; in recent years, these aims have frequently also included criteria for prices, environmental protection, consumer interests and other aspects of industrial behaviour.

The cooperation of industry on implementing the policies is facilitated by tax or other financial incentives—such as grants, loans or interest subsidies — although regulatory measures to ensure compliance also exist. More generally, MITI is able to guide industry in accordance with national policy objectives because of the goodwill that it enjoys with the business community and because of the century-old tradition of active government interest in industry.

III
Financing of Industrial Development

Japan's postwar industrial growth was funded largely by bank credits, especially in the earlier stages. As firms had to invest rapidly amidst exceptionally fast growth, they could not finance their own investments to any great extent from internally generated capital, and the securities markets were inadequately developed. The government therefore acted—e.g. by various tax concessions—to help companies to improve their finance through greater recourse to equity capital and to self-financing. The ability of the banks to finance such explosive growth was due to several factors which begin at the "grass roots": the household savings rate, the highest of that in any OECD country. And, as noted here last week, the propensity to save has been significantly increased by a specifically Japanese practice: the regular monthly wages are usually supplemented by half yearly bonuses, linked to profits, each of which may be several times the value of a month's pay, and which most workers save rather than spend, paying them into bank deposits or postal savings.

The private banks, in conditions of rapid economic expansion, sought neither to boost traditional industries nor to support obsolescent "lame duck" industries, but looked for growth industries to which to lend, generally heeding the views of MITI in identifying growth sectors. Intent on improving their share of the business, they over-extended themselves, creating the so-called "overloan" phenomenon, rendered possible by credits from the Bank of Japan to replenish their funds and which lasted in to the late 1960s. In order to ensure a smooth flow of long-term capital for plant and equipment and also to remedy the "overloan" phenomenon, a clear separation was made between short and long-term capital; special facilities were created for converting short-term in to long-term funds. This was done by means of three private banks specialising in long-term capital supply; these banks float financial bonds bought mainly by commercial or city banks, so that many accounts of short-term money are converted into long-term money. The supply of long-term capital, particularly to basic and heavy industries, is also facilitated by a "loan-trust" system under which funds entrusted by the public to trust banks are pooled for lending to industry.

Reliance on bank loans has diminished in recent years, as firms have been able to finance an increased share of their investments through the strengthened securities markets and from retained profits.

Parallel to financing by private banks, the government has played a role in guiding industrial activity through financing provided by a number of state institutions, such as the Japan Development Bank and special bodies to provide funds for, eg, regional development and small businesses. These government financial institutions also derive a large part of their resources from savings—eg postal savings accounts.

Japan's Import Liberalisation

Year	Ratio of liberalised imports (1) (% at year end)	No. of items liberalised	No. of items under residual quantitative import restrictions (at year end)		
			Total	Non-agricultural products	Agricultural products
1960	42	—	—	—	—
1961	70	—	492 (2)	—	—
1962	88	268	224	—	—
1963	92	69	155	—	—
1964	93	32	123	—	—
1965	93	1	122	—	—
1966	93	— (3)	124 (3)	—	—
1967	93	0	124	—	—
1968	93	3	121	53	68
1969	93	3	118	50	68
1970	94	28	90	35	55
1971	95	50	40	12	28
1972	97	7	33	9	24
1973	97	2	31	8 (4)	23 (5)

(1) Calculated by using as weights the value of Japanese private imports in 1959.
(2) Number of items as of April 1962 when Japan's system of import restrictions was changed from a positive to a negative list.
(3) The number of items changed as a result of the revision of the Customs Tariff in May 1966.
(4) Including integrated circuits and electronic computers (counted as four items) scheduled to be liberalised sometime during 1974 and 1975, respectively.
(5) Including one item (malt) scheduled to be liberalised in October 1974.
Source: Ministry of International Trade and Industry, White Paper on Foreign Trade of Japan.

The types of industrial activity in which the government owned banks have engaged have changed in line with the evolving priorities of Japanese industrial policy. In the postwar reconstruction period attention focussed on electric power, iron and steel, coal, and other basic industries, while from the mid-fifties emphasis shifted to such manufacturing industries as machinery, electronics and chemical products.

More recently, financing by state banks has aimed at improvements in the industrial infrastructure and in the distribution network; pollution abatement; the development and commercialisation of new technologies and the promotion of new industries, such as data processing and other "knowledge intensive" fields; the development of stable sources of energy; and the adaptation of the smaller firms to the rapid changes in industrial structures and international trade investment patterns.

IV
The Main Thrust

In fostering postwar industrial development, Japanese policy, particularly up to the late 1960s, aimed primarily at:

Providing the country with the materials and equipment necessary for maintaining the maximum feasible economic independence, hence the promotion of baisc industry (steel, non-ferrous metals), machinery and chemicals; exporting the maximum added value, hence the development of technologically advanced industries, such as optical and precision instruments, electronics, petrochemicals, and automobiles, this development relying heavily on technological imports; rationalising and modernising traditional sectors, e.g. textiles, and promoting the adaptation of the large number of small firms which are vulnerable to competitive impact of trade liberalisation.

A network of private financial institutions caters to the needs of small business; this has been supplemented by government measures to help these companies modernise their equipment or to set up cooperative ventures.

The weakness of small firms is aggravated because many work as subcontractors for one big company, and the government has sought to improve their situation vis-a-vis the large firms, for example, by issuing regulations prohibiting the deferment of payments or the demand for unusually high discounts by the client enterprises.

Parallel with the efforts to promote advanced industries and help the traditional sectors to adjust, controls on imports and on foreign investment in Japan cushioned the impingement of foreign industry on the Japanese market.

progressive integration

As the economy gained strength, permitting progressive integration into the international system of economic cooperation these controls have been successively reduced, although a "hard-core" still remains, particularly controls on direct foreign investment in Japan.

In the early 1970s the need for vigorous action to redress balance of payments surpluses (although, as already noted, the recent reversel of the situation has once again altered the premises of Japanese policy-making) was an added spur to liberalise imports and to damp down exports. The desire to stimulate capital outflows led to greater efforts to promote Japanese investment abroad already regarded as an important avenue to develop the natural resources that Japan lacks and to alleviate domestic manpower shortages.

The progressive opening up, from the late 1960s, of the Japanese economy to the outside world drew attention to certain weaknesses, particularly in the traditional sectors. At the same time, the constraints on continued rapid economic growth, the aggravation of regional disparities resulting from that growth, and the lag in social infrastructure were also perceived more clearly.

These factors have led to the recent shifts in emphasis among industrial policy aims and the present efforts to rethink these policies from a long-term viewpoint. Increasing emphasis is being given to promoting modernisation and greater efficiency both in the older, traditional industrial sectors and also in the network where fragmentation and outdated method have contributed to inflationary pressures. As to industry in general, efforts are being made to stimulate more domestic research and development, both in order to reduce Japanese dependence on foreign technologies and to develop complex new technologies of national economic or social importance. Much remains to be done to improve Japanese scientific capacity, particularly in basic research, which has suffered neglect partly as the result of efforts to adapt imported technologies.

Parallel to the general promotion of intensified domestic R and D, the authorities are fostering data processing and other "knowledge-intensive" industries. This is a shift away from types of industry heavily dependent on raw materials and natural resources. At the same time, the application of the new information technologies to the satisfaction of health, housing and other social demands is being fostered.

The oil crisis has brought out the vulnerability of Japan, even greater than that of most other industrialised countries, to raw material, energy supply and price factors. Under the new coordinated administrative framework set up by MITI, numerous activities are being undertaken in the hope of providing stable, long-term resource supplies. For example: the promotion of oil prospecting and development overseas and on Japan's continental shelf through the Government Petroleum Development Corporation; sea water desalting and encouragement of industrial effluent-recycling to increase limited water supplies; and the prospection for mineral resources overseas and domestically.

regional development

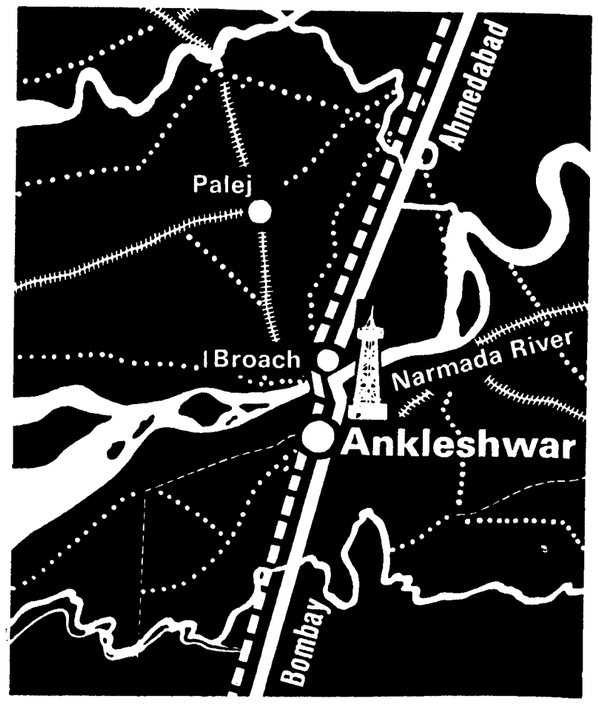
Regional development programmes are being revised because policies carried out so far have failed to prevent overcrowding in the built-up areas and the exodus from other regions, while new problems—e.g. the opposition of local residents to the installation of new industry because of the fear of pollution—have emerged. The extent of regional imbalance can be seen from the fact that the central region —including Tokyo, Nagoya, Osaka and the Seto Inland Sea district—accounts for only 31 per cent of the area of Japan but 66 per cent of the population and 48 per cent of industry. New legislation seeks to coordinate the previously separate measures for promoting the relocation of plants away from overcrowded areas and for encouraging industrial development in under-developed regions; at the same time, nature conservation and other plans for preserving the amenities of life are being strengthened.

It is not possible to foresee the degree to which these revised industrial policies will be able to alleviate difficult problems, the solution of which will depend in part, on factors outside Japan's control, but at least the new orientation of policy starts from awareness of the constraints on Japan's industrial growth and seeks to reduce the effect of those constraints and to bring about a shift in the present structure of industry so as to meet new needs.

Note : *This is the second of two articles on Japan. The first appeared last week.*

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TRADE WINDS

Credit Policy for Busy Season

THE TRENDS in banking in recent months have been broadly in line with the objective of slowing down monetary expansion, but the Reserve Bank still feels that there is no scope at this stage for relaxation in monetary restraint, as there is no marked evidence of an abatement in inflation. In consonance with fiscal and other economic policies, monetary policy has to keep as its primary objective the combating of inflationary pressures. The situation thus calls for a continuation of the restraints on credit creation, while at the same time providing selectively for the deployment of credit for sustaining investment, augmenting production and facilitating distribution of essential commodities. This was indicated by the governor of the Reserve Bank, Mr S. Jagannathan, at a meeting he had in Bombay today with the chief executives of major scheduled commercial banks.

The governor emphasised that, in the present economic setting, banks have to operate within the context of the primary objective of containing inflation but nevertheless assisting production and investment. He outlined the considerations which banks should keep in mind while planning the deployment of their funds. These are as follows: (*i*) Primary consideration has to be given to increased agricultural production and the building up of an adequate public distribution system for foodgrains. (*ii*) Agricultural credit requirements, including those for the production and distribution of agricultural inputs, should continue to be given maximum possible attention. (*iii*) It is necessary to introduce in certain designated priority sectors (such as small-scale industries and other small borrowers) a greater degree of selectivity in the deployment of further credit. Small-scale industrial units producing inputs for 'core' sector and wage goods industries should be preferred to the small-sized units in less essential lines. It should be possible to apply such scrutiny and selectivity in the case of units which are technically "small-scale units" but absorb sizeable amounts of credit. The policy of giving priority to small industry *as such* may be refined in its application so as to accord such treatment more particularly to units having credit limits of Rs 10 lakhs and below. (*iv*) The special requirements of export credit should continue to be accorded high priority, with emphasis on the need to bring about a faster turn-round of funds. (*v*) In the public sector, the working capital requirements of manufacturing units for expanding production should receive prior consideration. (*vi*) In the private industrial sector, preference should be accorded to units in the 'core' sector (mainly those producing fertilisers, pesticides and other needs of agriculture, transport and electrical equipments, and basic metals and minerals) and those engaged in the production of goods needed for mass consumption (such as controlled varieties of cloth, edible oils and sugar). In all these categories, special consideration needs to be given to the working capital requirements of new units in which fixed investments have already been made. (*vii*) The selective credit controls on sensitive commodities (such as foodgrains, cotton, oilseeds and oil, sugar and textiles), introduced to discourage speculative hoarding, will continue. As hitherto, banks will be required to keep down the financing of *Multani* hundis and such other financial transactions.

Within each sector or category indicated, the decision regarding the extent of accommodation to be given to different individual borrowers will vest with the banks concerned which will be required to study the financial position of individual units and their minimum needs that are directly related to the needs of essential production. The Reserve Bank proposes to have individual discussions with each of the major banks in the ensuing weeks to review their operations with reference to objectives of policy.

Consistent with the objective of limiting the pace of monetary expansion, no relaxation in credit policy is possible. But the following indication has been given of the funds which the Reserve Bank will make available to banks for meeting essential needs during the ensuing busy season, in accordance with the criteria and priorities indicated: (*a*) *Liquidity Ratio*: The statutory liquidity ratio will continue at 33 per cent. The minimum statutory balances which the scheduled commercial banks are required to keep with the Reserve Bank will be reduced from five to four per cent of the total demand and time liabilities; the reduction will be in two instalments, that is, 0.5 per cent with effect from December 14, 1974 and a further 0.5 per cent with effect from December 28, 1974. (As a result of this reduction, about Rs 120 crores are expected to become available to banks by the end of this year). The minimum net liquidity ratio relevant for lending by the Reserve Bank at Bank Rate will stand reduced from 40 per cent to 39 per cent with effect from December 28, 1974, the maximum rate chargeable for refinance remaining unchanged at 18 per cent. (*b*) *Refinance*: A bank's ordinary recourse to the Reserve Bank for refinance will be limited to an amount equal to one per cent of its demand and time liabilities as on September 27, 1974; this will amount to Rs 120 crores approximately. The quota will be available to banks throughout the busy season, in addition to a moderate amount of refinance allowed in respect of public food procurement advances. Any further access to refinance will be strictly at the discretion of the Reserve Bank. (*c*) *Rediscount*: The flow of Reserve Bank funds through the new bill market scheme will be encouraged in preference to assistance through refinance. Here also, a basic bill rediscount quota will be available to each bank, which will be equivalent to 10 per cent of its total inland bills purchased and discounted as on September 27, 1974. This accommodation, which would amount to about Rs 100 crores for the banking system, will be available at the Bank Rate and will not be counted in determining the net liquidity ratio of a bank.

Any additional limits will be made available only at the discretion of the Reserve Bank. Rediscount allowed on discretionary basis (that is, in excess of the basic quota of 10 per cent of the total inland bills purchased and discounted) will be at specific rediscount rates ranging from 10 per cent to 15 per cent. Such discretionary rediscount facility will also not be taken into account in determining the net liquidity ratio of a bank.

Exemptions from Compulsory Deposits

In a notification issued on October 30, 1974 by the government of India under Section 17 of the Additional Emoluments (Compulsory Deposit) Act, 1974, employees, whose employment is of a casual nature or is not likely to continue for more than 180 days in a year including intervening holidays and periods

of leave as well as employees who are due to retire or superannuate from service on or before December 31, 1974, have been exempted from the operation of all the provisions of the Act.

The other exemptions announced include : (*i*) bonus payments to employees of any company/establishment made after the July 6, 1974 to the extent of the statutory minimum rate viz. 8.33 per cent will not be treated as 'additional wages' to be compulsorily deposited under the Act. This exemption covers bonus payments under the Payment of Bonus Act, 1965 as well as ex-gratia bonus payments by new companies/establishments during the period of bonus holiday under Clause (b) of Section 16(1) of the Payment of Bonus Act; (*ii*) increments in non-time scale posts held by employees drawing emoluments upto Rs 1250 per mansem will not be treated as 'additional wages' under the Act if such increments are within the undermentioned limits : (*a*) where an employee has not been sanctioned any increment in the preceding 12 months : Upto five per cent of the emoluments drawn by the employee prior to the sanction of such increment. (*b*) where an employee has not been sanctioned any increment in the preceding 24 months : Upto eight per cent of the emoluments drawn by the employee prior to the sanction of such increment.

Price Control on Tractors Removed

Statutory control on prices of agricultural tractors has been discontinued. This has been substituted by a system of surveillance of price behaviour through pricing norms based on optimal utilisation of capacity and fair return. Over the last few years, manufacture of tractors in this country has risen significantly. The gap between demand and availability in terms of aggregate numbers has almost been bridged. A sizeable number of projects for the manufacture of tractors are either in different stages of implementation to full rated capacity or in the process of installation. The union ministry of Industry, therefore, foresees that there will be no shortage in availability of tractors in the near future.

A press note issued by the ministry of Industry states that in the context of unstable prices of materials and components, a system of price control operated through fixation of rigid prices at a point of time is unlikely to retain its contextual validity for a sufficient length of time. Frequent revision of prices tends to introduce further element of uncertainty. It is also of paramount importance that this industry, which is critical to the national economy, must be provided with the correct environment to grow and fulfil the national purpose of mechanisation of agriculture as a means of optimising agricultural production.

The press note adds that the pricing norms which are being fixed take into full account the need to maintain the production at the optimal level while ensuring an equitable return to the producers in order to enable them not only to maintain the level of production but also a steady rate of growth that is essential for survival of an industry of this type in today's changing economic environment. The mechanics of surveillance of price behaviour in this critical industry has been so organised that the manufacturers will not be able to take any advantage of any excess price fixed in disregard of the pricing norms calculated to ensure maximum production with fair return.

Indo-Hungarian Cooperation

India recently signed an agreement with Hungary laying a solid foundation for further development and diversification of economic relations in the fields of industry, commerce, agriculture, telecommunications, electronics and pharmaceuticals. The agreement was signed at the first meeting of the Indo-Hungarian Joint Commission by Mr T. A. Pai, Industry and Civil Supplies minister, on behalf of India, and the visiting Hungarian minister for Machine Building and Metallurgy, Dr G. Horgos, providing for a working programme of cooperation mutually beneficial to the two countries. Of particular interest to India was the agreement for the export of "expertise" in the setting up of large-sized coke oven batteries on a turn-key basis, incorporating the latest technology, for which India has the capability. In addition, India has also a large capacity for the manufacture of equipment for steel plants and an excess capacity for the manufacture of seamless tubes to meet the requirements of Hungary. In the reverse direction is the development of solar energy which Hungary has been able to develop in view of its "geographical position". The agreement provides, among other things, the utilisation of solar energy and geothermal energy in which India is vitally interested in view of the oil price hike.

The Joint Commission, during its four-day session in New Delhi, arrived at working programme for cooperation in the fields of telecommunication and electronics, industry, science and technology, agriculture, chemicals and pharmaceuticals and trade exchanges. In the field of telecommunication Hungary has agreed that orders placed by India, worth over Rs 10 crores, for microwave equipments, will be executed expeditiously. Hungary has also agreed to consider requests for the supply of special alloys, used in telecommunication equipment, and pure aluminium foils. In the reverse direction. Hungary has expressed interest in obtaining from India a number of electronic equipment and telecommunication cables. In the field of agriculture, the major cooperation is in setting up in India modern slaughter-houses and carcase utilisation centres, commercial trout fishing, rearing of ducklings, protein rich maize production and in return, the supply of cereal, vegetable and fruit seeds to Hungary.

Trade with South Korea

India and South Korea have agreed that both countries should increase their trade by identifying the areas of cooperation and collaboration. A 12-member South Korean economic mission visited this country recently and had meetings with the union minister of Commerce and Industry. The main purpose of the mission's visit to India was to find out the possible areas of cooperation and how best the trade could be increased. The minister for Industry mentioned, in particular, the export of machinery for textile industry, sugar, chemicals and cement and sophisticated machine tools from India. The South Korean leader affirmed that his country was also keen to develop mutual trade ties.

The volume of trade between India and South Korea had increased from Rs 38 lakhs in 1965-66 to Rs 6.28 crores in 1973-74. The main items of exports from India to South Korea were railway wagons, rails, iron and steel, human hair and common salt. In the reverse direction, raw silk, fertilisers, concentrates of tungsten and zinc are imported from South Korea. This country entered into a trade agreement with South Korea in April 1964, which continues to be in force from year to year.

The representatives of the Federation of Indian Chambers of Commerce and Industry and the visiting South Korean economic mission led by Mr Bang Yong Song, a member of the Presidential Council of Economic and Scientific Advisers met under the chairmanship of the FICCI President, Mr K. K. Birla. Potential existing in the two countries which offered scope for further increase in two-way trade as also economic cooperation in several other fields was discussed. It was felt that complementarities in the economies of the two countries needed to be explored. Mention was also made that India could competitively supply a wide range of products including automotive components and parts, agricultural equipment, bicycles, textile machinery, construction materials, air conditioning equipment, wagons and cement and sugar plants etc. It was suggested that India could import besides tungsten ore some other non-ferrous metals and larger quantities of urea, if available, and also ships for which S. Korea had recently built large capacity. The scope for setting up joint ventures and turn-key projects in S. Korea was also highlighted in the context of the liberal policy followed in inviting foreign capital and technical skills in South Korea. The mission expressed keenness to extend requisite facilities for Indians setting up enterprises in South Korea.

FIEO Mission to USA

A five-member trade team sponsored by the Federation of Indian Export Organisations left recently on a 25-day tour of the USA and Canada. The team will explore the possibilities of increasing exports from India to these countries of steel pipes and fittings, garments, injection and compression moulded plastic goods and canvas and PVC footwear. The team will visit New York, Los Angeles, Chicago, Toronto and Montreal.

New Tyre Project

Exim Bank of USA has agreed to finance the import of American plant and machinery worth Rs 4.7 crores for J.K. Industries. The government of India is allowing direct lines of French and Dutch credit for the import of Rs 1.61 crores worth of machinery from France and Holland. The rupee financing has been finalised with Indian banks and financial institutions. The plant is being set up in technical collaboration with General Tire International Co of USA. The company proposes to make radial tyres built with steel tyre cord, which gives twice the mileage given by conventional tyres.

Cotton Corporation

The Cotton Corporation of India, a government of India undertaking, has had a record turnover of Rs 116.5 crores, and also a record net profit of Rs 5.04 crores before taxation, for the year 1972-73. It has paid a dividend of 12 per cent on its paid-up share capital, and also maintained a bonus of 20 per cent to its employees. The corporation's purchases during 1972-73 exceeded Rs 90 crores. More than half of this was accounted for by indigenous purchases of cotton valued at nearly Rs 47 crores. Imported cotton accounted for over Rs 40 crores. Man-made fibre imports accounted for about Rs 15 crores. Yarn purchases were of the value of Rs 1.8 crores.

On the import front, the share of the corporation in the total imports increased from about 26 per cent in 1970-71 which was the first year of its operation, to about 82 per cent in 1972-73. The import duty on cotton was revised to 40 per cent ad valorem in the budget of 1973-74.

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COMPANY AFFAIRS

On the Retreat

ONTRARY TO expectations quities turned easy and regis- red widespread losses under ersistent pressure during last eek. The initial steadiness as caused by prospects of nproved Indo-US relations nd hopes of sizable inflow of S private capital into the ountry following Dr Kissin- er's visit to this country. owever it proved short-lived nd sluggish conditions began o prevail in the market. With stitutional buying extremely estricted and public support icking, bulls preferred to ghten their commitments. ith investors' confidence at low ebb even small selling as enough to depress prices. o some extent the turn in entiment was also due to dis- atisfaction of marketmen with e Reserve Bank's credit policy or the busy season. Reports f the government's rejection f the plea of All-India Share- olders' Association to modify he Companies (Ceiling on Di- idend) Act also further dam- ened the market sentiment.

The buoyancy witnessed in Bombay stock market in the past two weeks petered out and became dull towards the end of last montn. Dalal Street commenced trading on a steady note last week thanks to the encouraging talks between Dr Kissinger and the Indian lea- ders which seemed to pave the way for a wide ranging coope- ration between our country and the United States with the establishment of a joint Indo-US Commission. No doubt prices tended to improve but it proved abortive as evident from the pattern of trading in subsequent series. Towards the close of the week trading be- came featureless in the absence of fresh incentives with price fluctuations confined to a narrow range. The volume of business too was thin. Dull conditions prevailed in Lyons Range during last week. Bar- ring a few scrips which dis- played a steady trend, elsewhere prices showed a sagging ten- dency. Hence any offer, how- ever small, tended to reduce prices out of proportion. The volume of business in Madras stock market during the week was also restricted and mod- erate with operators showing interest in select scrips.

Electric Construction & Equipment

Mr Gyul Horgos, the Hungarian minister for In- dustry paid a visit to the various manufacturing units of the Electric Construction and Equipment Company Ltd (ECE) at Sonepat last week. This unit, which has been set up in technical collaboration with United Incandescent Lamp and Electrical Com- pany of Budapest, (popularly known as Tungsram), has the proud privilege and unique distinction of being the only unit of its kind in the world to which the Hungarian govern- ment has parted with its techni- cal know-how. The unit has already gone into production and it is rolling out electric bulbs and fluorescent tubes on a mass scale since April last.

Although the plant has an installed capacity for producing six million general service lamps and one million fluorescent tubes, the unit has so far been operated only at half of its rated capacity due to causes beyond the control of the management, the principal factors being the frequent in- terruptions as well as the severe restraints in the supply of power. Despite these great difficulties and handicaps the company was able to produce and sell goods to the tune of Rs 50 lakhs. It is indeed com- mendable that the company has been able to make consi- derable progress even under such trying circumstances and this has naturally left pleasant and deep impressions in the minds of such high dignitaries as Mr Turi, Hunga- rian Ambassador in India, Mr B. Dienes, Chairman of of Tungsram, and other special invitees who were at the site last week. All in all, the com- pany is well set to make fine progress and especially under the able stewardship of Mr A. V. Birla an explosive growth is assured for the company.

Bharat Commerce

The directors of Bharat Com- merce and Industries have pro- posed to issue bonus shares in the ratio of two shares for every three shares held by capitalis- ing a sum of rupees one crore from its reserves. The issue is, however, subject to the consent of the Controller of Capital Issues.

PICUP

Although the year ended March 31, 1974, was the second year of the working of Pra- deshiya Industrial & Invest- ment Corporation of Uttar Pradesh Ltd (PICUP), it was the first full year of its opera- tions. The PICUP obviously is in its infancy. But it has al- ready been highly successful within this very brief span of time to build up a sound and solid base. Not content with its past proud achievements and creditable performance, it is planning to launch on an ambitious scheme of expansion during the current year. To meet its expanding commit- ments the corporation is attempting to tap the money market for additional resources. Its effort to raise resources through market borrowing dur- ing the year under review did not succeed. But permission to raise one crore of rupees outside the state Plan was accorded by the Reserve Bank of India this year and the cor- poration undertook market borrowing and raised Rs 1.10 crores in July, 1974 by issue of bonds. The corporation's paid-up capital was also en- hanced by the state govern- ment by Rs 0.90 crore to Rs 2.15 crores. The corporation will make further efforts for market borrowings as and when the situation demands.

A new development during the year under review was the establishment of a wholly- owned subsidiary for the de- velopment of electronics, called the UP Electronics Cor- poration Limited. This corporation will work in close coordination with PICUP and will be the focal point for all entrepreneurs intending to establish electronics industry, to obtain all technical, financial and even managerial develop- ment assistance.

The term loan sanctioned by PICUP during 1973-74 was of the order of Rs 336.20 lakhs as against the target of Rs 250 lakhs. However, three cases involving loans amounting to Rs 47.70 lakhs were withdrawn because of various difficulties including that of power shortage, leaving net sanctions to the tune of Rs 288.50 lakhs. The loans dis- bursed during the year however totalled Rs 41 lakhs only. After the close of the year however a further sum of Rs 68 lakhs had been disbursed. When all the projects sanctioned during the year 1973-74 come up, they will involve a total investment of Rs 17.19 crores and generate em- ployment for over 2500 per- sons. But at present the pro- gress of disbursement is lower than originally anticipated. The most important single factor on account of which disburse- ment of funds has not been quicker and the corporation has not achieved better results

is the problem of power short- tage. The corporation is attempting to minimise the effects of power shortage by concentrating on non-power in- tensive projects and projects whose gestation periods are more than 1½ to 2 years during which with the commissioning of new generation units the po- wer situation can hopefully be expected to improve. In addi- tion the corporation is encou- raging new industries to set up diesel power units of their own with the generous subsidy offered by the state government in the capital cost and the inte- rest on loans taken for the pur- pose.

Sakthi Pipes

As there is a great demand for pipes of larger diameter of over 300 mm, Sakthi Pipes Ltd is taking steps for producing of such types of pipes by im- porting the necessary machinery and equipment from abroad. It is worth mentioning here that the spun pipe industry the world over is now switching over to the production of ductile iron pipes in view of its decided advantages. In tune with this market trends, Sakthi Pipes is also making arrangements for importing this technology and the neces- sary balancing equipment and hopes to implement the same next year once the clearance is obtained from the authorities concerned. At the same time vigorous steps are being taken for establishing the foundry for making specials for cast iron pipes but this foundry unit has been so designed and conceived that it can be utilised for manu- facture of graded iron castings for which also there is a luc- rative market. On the market- ing side it is gratifying to note that the company has made sizeable sales to states other than Tamil Nadu, namely, Kerala, Karnataka, and Maha- rashtra. Judging from the cur- rent performance it can be con- fidently stated that before long the company will be supplying pipes all over the country. Its exports sales are also picking up and it has on hand orders worth about £ 75,000 obtained from Singapore. Good res- ponse has been received from Canada, USA and western Europe and there are bright prospects of obtaining huge orders from middle-east and African countries especially from Nigeria, Algeria, Kenya and Tanzania. As the pipes are manufactured conforming to British Standard Specifica- tions, International Standards and American Standards be- sides Indian Standard Speci- fications, the company is quite capable of undertaking exports' throughout the globe. In view of the expansion pro- gramme to take up manufac- ture of pipes suitable for tyton joining C.I. fittings, ductile iron pipes and castings which have ready markets the com- pany is looking forward to a significant improvement in ex- ports in the coming years.

Like other units the com- pany's performance during 1973-74 has been affected by erratic power supplies and dras- tic power cuts. Orders have been placed for the import of diesel generators of sufficient capacity to meet the complete power requirements of the plant on deferred payment basis and the generator is expected to be in- stalled in the course of next three to four months.

As a major portion of the production of the company has to be sold only to govern- ment or quasi-government organisations, the company has decided to enter the DGS&D contracts from this year on- wards. It is gratifying to note that as a result of represen- tations made by the company DGS&D has now agreed to provide for the escalation of the selling price on the increase in the cost other raw materials also besides pig iron. Mean- while steps are being taken by the company to strengthen the melting section by putting up modified melting units and additional equipment in the testing and finishing sections so as to increase the tempo of production. This will increase the melting days by about 40 per cent and conse- quently the quantum of pro- duction will also be increased.

Shipping Corpn. of India

The Shipping Corporation of India Limited is about to undertake a new venture of great importance which will be unique in the history of In- dian Shipping. Arrangements are in a very advanced stage for establishing a new shipping line in Iran, to be named IRANO-HIND Shipping Com- pany, in collaboration with Arya National Shipping Line of Tehran. This will be the corporation's first joint venture abroad, and the required tech- nical expertise will be provided by the company.

The corporation has re- ported impressive improve- ments in its working re- sults during the year 1973-74. Its operating earnings crossed the Rs 1000-million mark for the first time in the company's history, recording a spectacu- lar rise from Rs 838 million in 1972-73 to Rs 1232 million in 1973-74. Despite a crash in the oil market and some decline in the dry cargo sector, the finan- cial results in the current year 1974-75 are expected to regis- ter a substantial improvement even over the record perfor- mance in 1973-74.

The Shipping Corporation continued its rapid expansion of fleet. As on March 31, 1973 the corporation had 95 vessels of 1.869 million DWT. During 1973-74, 14 more vessels of 0.447 million DWT were added to the corporation's fleet. Three vessels were sold for scrapping and one vessel was sold to the Bangladesh Ship- ping Corporation. Contracts were signed for five new ships aggregating 1.03 million DWT besides concluding contract for the acquisition of a second-hand cargo vessel which will be delivered in 1974-75. The cor- poration's fleet today consists of 111 ships of 2·757 million DWT and tonnage comprising 29 ships of 2.111 million DWT is on order which includes 2 OBO carriers of 0.25 million DWT ordered during the cur- rent year. It is expected that most of these vessels on order are likely to be delivered dur- ing the next two to three years.

To meet the changing re- quirements and the shifts in pattern of trade as well as to participate in a larger measure in the country's sea borne trade the corporation is opening up new liner routes and increas- ing the area of coverage pro- vided by the existing services. The corporation has introduc- ed a new service between India and Mediterranean ports in Libya, Tunisia and Turkey. Besides a regular service has been offered for Fiji on the basis of transhipment at Syd- ney. The absence of a direct service between Bombay and the Pacific Coast of USA and Canada has been felt for some- time though the export cargoes available cannot justify an ex- clusive service. A way-out has been found by planning the introduction of container-ori- ented fast ships to run a new service on this route which will start operating shortly. It has also been decided to provide a regular coverage for Bangkok and Manila from Calcutta and Madras. Arrangements have also been made to extend to Bombay the liner services con- necting Calcutta and Madras with US Atlantic coast ports.

The corporation's operations

Indian Aluminium Co., Limited

1, Middleton Street
Calcutta-700 106

The Board of Directors of the Company has decided to make the Final Call of Rs. 5.00 per share on the partly- paid Ordinary Shares issued on 26 March 1974. Out of this Final Call, Rs. 2.50 per share will be credited towards par value and Rs. 2.50 per share towards premium.

The Final Call will be payable by registered holders of the aforesaid partly-paid Ordi- nary Shares as on 21 Novem- ber 1974.

Call Notices are expected to be issued about 10 December 1974, giving full instructions and requiring payment of call money to the Company's banks on or before 11 January, 1975.

P.K. PAL
Secretary.

17 October 1974

during the year has resulted in a record net profit of Rs 139 million as against Rs 81 million in 1972-73. Gross profit before depreciation interest and taxes amounted to Rs 341 million, an increase of as much as Rs 137 million over 1972-73. Despite achieving a record net profit of Rs 139.1 million during the year under review, the directors are unable to recommend any dividend for this year. In the past few years the corporation has been paying regularly dividends at the rate of six per cent. This year as a result of the need to create a substantially higher quantum of development rebate reserve to the extent of over Rs 170 million as per statutory requirements there is no surplus available and since under the dividend ordinance no dividend can be declared except out of the current year's profit it has not been possible for the directors to propose any dividend this year.

ACC

The Associated Cement Companies has skipped both equity and preference dividends for the year ended July, 1974. The company paid an equity dividend of eight per cent for 1972-73 and 12 per cent for 1971-72. For the first year in succession production and sales were unsatisfactory. Utilisation of capacity was severely affected by power limitations, inadequate supply of wagons both for inward movement of coal and outward movement of cement. Production at 52.95 lakh tonnes and despatches at 52.85 lakh tonnes remained more or less the same as in 1972-73. The installed capacity too remained unchanged at 67.37 lakh tonnes. Although sales were up by Rs 6.16 crores to Rs 89.52 crores, gross profit was down by Rs 1.49 crores to Rs 4.83 crores. The directors have appropriated a sum of Rs 423.56 lakhs to depreciation reserve as against Rs 417.43 lakhs in 1972-73 while the allocation to development rebate reserve was enhanced from Rs 53.56 lakhs to Rs 79.24 lakhs. After these provisions, there is a net loss of Rs 19.48 lakhs as against a net profit of Rs 160.75 lakhs in the preceding year. After adjustments there is a debit balance of Rs 255.77 lakhs, as compared to Rs 117.90 lakhs in 1972-73, which has been adjusted against the general reserve.

Except for an interim increase of Rs 10 per tonne in the retention price from September 15, 1973, the delay on the part of the government of India in announcing the final retention price payable to producers until after the close of the year i.e. with effect from August 2, 1974, led to avoidable losses. Moreover the union Labour minister's award, fixing the minimum wage at Rs 295.10 per month plus all other allowances then obtaining inclusive of house rent allowance, thus increasing the minimum wage by Rs 64.88 per month per worker with effect from September 15, 1973, which together with dearness allowance linked to the cost of living index, has imposed a heavy burden of over Rs 3 crores on the company for the year ended July 31, 1974. Because of the late announcement of increase in retention price from August 21, 1974, this extra burden remained unrecouped.

Due to the phenomenal increase in the dearness allowance the incremental liability for retiring gratuities has been heavy and this was mainly responsible for the heavy loss. With the increase in the retention price of cement (including selling expenses) of Rs 25.55 per tonne with effect from August 2, 1974 and of Rs 4.95 per tonne from September 15, 1974 raising it to Rs 142.15 per tonne, the company will be in a profit making position during the current year. Barring unforeseen circumstances, the company, during the current year, should be able to show a reasonable profit, after absorbing the carried forward loss of last year.

News and Notes

Willard India which made a public issue of Rs 64 lakhs in December last has made substantial progress in the execution of its project to manufacture batteries. It has already commenced trial production of PVC separators for batteries. The plant for batteries is expected to be commissioned by December, 1974. The construction of the factory buildings is nearing completion and installation of plant and equipment is in progress. Meanwhile there is an over-run in the company's project cost by Rs 50 lakhs to Rs 4.10 crores. The additional project cost is being met largely from institutional borrowings. The increase in cost, according to the directors, is not likely to affect adversely the company's profitability.

New Issues

Shree Gopal Steels will shortly be entering the capital market with a public issue of Rs 26.40 lakhs, all in equity shares of Rs 10 each at par. The company has received a COB industrial licence for setting up a project in Madhya Pradesh for manufacturing annually 18,000 tonnes of steel ingots. The plant will be set up in the backward area of Khargone. As such the company will be eligible to various concessions and incentives. The plant is expected to go into commercial production by April 1975. The capital cost of the project is estimated at Rs 1.20 crores. It will be financed by the share capital of Rs 44 lakhs, loan from Madhya Pradesh Financial Corporation of Rs 30 lakhs, loan from a private sector bank of Rs 31.50 lakhs, and central subsidy of Rs 14.50 lakhs.

Hyderabad Vanaspati will shortly be offering to the public for subscription 3,30,000 equity shares of Rs 10 each and 6,000 cumulative redeemable preference shares of Rs 100 each at par. The company has at present an issued, subscribed and fully paid up capital of Rs 35 lakhs - Rs 30 lakhs in equity shares and Rs 5 lakhs in preference shares. It proposes to raise fresh capital to the tune of Rs 30 lakhs, comprising Rs 25 lakhs in equity shares and Rs 5 lakhs in preference shares. In addition there is an offer of sale from the existing shareholders of 80,000 equity shares of Rs 10 each at par and 1000 cumulative redeemable preference shares of Rs 100 each. The offer of sales is being made to apply with the stock exchange regulations for listing the shares. Incorporated in May, 1970, the company has been manufacturing Vanaspati, bakery refined oil and soap at Hyderabad. It is also setting up a solvent extraction plant and expanding its activities in refinery and soap plants. The capital cost is estimated at Rs 129.38 lakhs.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Same Dividend			
Bally Jute	March 31, 1974	14.0	14.0
Davangere Cotton	March 31, 1974	12.0	12.0
Kinnison Jute	March 31, 1974	Nil	Nil
Orient General Industries	March 31, 1974	Nil	Nil
Tata Merlin & Gerin	March 31, 1974	Nil	Nil
Reduced Dividend			
Champdany Jute Co	March 31, 1974	Nil	7.5
Dalhousie Jute	March 31, 1974	Nil	5.0
New Commercial Mills	March 31, 1974	8.0	12.0
Star Paper Mills	March 31, 1974	Nil	10.0
Devan Tea and Produce Co	March 31, 1974	7.5	15.0
Nelliampathy Tea & Produce	June 30, 1974	12.0	20.0
Sheveroy Estates	June 30, 1974	2.0	7.5

COMPANY NOTICES

Bharat Sugar Mills Limited

NOTICE

NOTICE is hereby given that the Forty-third Annual General Meeting of Bharat Sugar Mills Limited will be held on Wednesday, the 27th November, 1974 at 3.15 p.m. at 9/1, R.N. Mukherjee Road, Calcutta-1 for the following purposes:

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 30th June, 1974.

2. To declare dividends.

3. To elect Directors in place of Shri S.C. Roy and Shri O.P. Adukia who retire by rotation and being eligible offer themselves for re-election.

4. To appoint Auditors and fix their remuneration.

By Order of the Board
S.N. GUPTA
Secretary

9/1, R.N. Mukherjee Road,
Calcutta-1, the 14th October, 1974.

NOTES :

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

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

3. The Register of members of the Company will remain closed from the 8th November, 1974 to the 21st November, 1974 both days inclusive.

New India Sugar Mills Limited

NOTICE

NOTICE is hereby given that the Fortieth Annual General Meeting of New India Sugar Mills Limited will be held on Thursday, the 21st November, 1974 at 3.30 P.M. at 9/1, R.N. Mukherjee Road, Calcutta-1, for the following purposes:—

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 30th June, 1974.

2. To declare dividends.

3. To elect Directors in place of Shri P.D. Himatsingka and Shri T.D. Kanoria who retire by rotation and being eligible offer themselves for re-election.

4. To appoint Auditors and fix their remuneration.

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

9/1, R.N. Mukherjee Road,
Calcutta-1, the 14th October, 1974.

NOTES:

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

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

3. The Register of members of the Company will remain closed from the 8th November, 1974 to the 21st November, 1974 both days inclusive.

INDIAN RED CROSS SOCIETY

ANNUAL FUND RAISING
&
MEMBERSHIP CAMPAIGN

Remember that November is Red Cross month. Throughout this month a concerted nationwide drive is always on for collection of funds and enrolment of members.

The people of our country, to whom the humanitarian activities of the Red Cross are well known will now have an opportunity of associating themselves with the manifold activities of the Red Cross by becoming members and by making liberal contributions.

ENROL AS A MEMBER
DONATE LIBERALLY

Association of Man-made Fibre Industry

SUMMARY of the speech delivered by the President, Dr. C. Rossi at the Twentieth Annual General Meeting of the Association of Man-made Fibre Industry held on Tuesday, the 29th October, 1974.

Welcoming the member of the Planning Commission, Shri M. S. Pathak and other distinguished guests the President, at the outset, dwelt in brief upon the major economic events, national and international. He pointed out, among others, that the important industrialised nations today were confronted with the major problem of striking a precarious balance between holding the price line under heavy inflationray pulls and pressures on the one hand and the need to neutralise the threat posed to future economic growth by the oil embargo and gallopnig prices of oil on the other. According to him, the world was fast heading for negative economic growth and recession was not a passing fear but a hard reality already being faced by Japan and western countries. While focussing attention on the unprecedented rise in prices and agonising shortage of essential raw materials, he was of the view that Government may succeed in the task of restoring normalcy and increasing exports if only a climate of hope and confidence was created by the three-cornered concerted efforts of the Government, the industry and the scientists to achieve preferred and realisable goals with all speed and efficiency.



DR C. ROSSI

A. Man-made Fibre Industry in India and the World

With a sense of justifiable confidence based on past performance the President pointed out that man-mades would continue to occupy a position of enduring significance based as it is on the growing mass appreciation of its inherent virtues of utility, beauty and practicality. As such, with a measure of reasonable incentives meted out to the industry, he was confident that the development of man-mades in India would significantly contribute to the improvement of the country's economy in general and textile economy in particular in a variety of ways. His observations in this regard were as follows:

(i) The World

Within a short span of seven decades, man-mades have made phenomenal progress with their output reaching a dizzy height of 24,650 million pounds at the close of 1973 with a potential capacity of about 29,000 million pounds in all probability to be achieved by the end of 1974. While the percentage share of cotton in the total textile fibre output is perceptibly on the decline over the years, the percentage share of man-mades is gradually on the increase and has already crossed the 40 per cent mark in the year 1973. The Third World Congress of the International Rayon & Synthetic Fibres Committee has made an estimate, and reasonably so, that the world consumption of textile fibres in 1980 should be somewhere around double the figure of 1960 and man-made fibres alone will be catering for more than half of the world's needs. This apart, with the population increasing in menacing proportions and with the demands of science, technollgy and space exploration getting larger and more complex, the textile chemists and technologists are exploring all possibilities to keep abreast of the fast changing world and are capable of meeting these challenges in good measure.

(ii) In India

India's man-made fibre industry which is just twenty-four years young has entered the seventies with a renewed measure of confidence, a confidence which has its roots in the eventful past that has become a part of textile history. At the turn of the sixties the industry was still ten years young, consisting as it did of six rayon units only with an output of about 37 million kgs made up of 20.3 million kgs of Viscose Staple and Rayon Filament claiming the balance. In the course of the last decade the existing units expanded and diversified their range of production and a number of new units sprang up in different parts of the country. In the year 1962, India made its debut in Synthetics too. Between 1951 and 1973 the output has nearly trebled averaging an yearly increase of about 30 per cent — a growth rate having few parallels in the realm of India's industries. The output aggregate in 1973 was in the region of 143 million kgs as against licensed capacity of 205.5 million kgs. Additionally, man-made fibre fabrics are also registering a gradual increase and the present production is stated to be around 1,200 million metres. Even in the realm of exports from a small beginning of 41.67 lakhs in 1953 the man-made textile industry within a span of two decades has reached an export figure of 21 crores per annum with the hope of augmenting its exports to about 35 to 40 crores in the near future.

This apart, the envisaged targets set in the draft fifth five year Plan ard 203 million kgs of production of cellulosic fibres as against 225 million kgs of production capacity. As regards synthetic fibres the envisaged targets are 85 million kgs of production towards the end of the fifth five year Plan as against a capacity of 104 million kgs thereunder. Thus, by the end of the fifth five year Plan the envisaged target for man-made fibres as a whole is 329 million kgs of production capacity and 288 million kgs of etimated production. This apart, the production target for man-made fibre fabrics is estimated at 2,000 million metres as against 10,000 million metres of cotton cloth (all sectors). It could be concluded that, by and large, the demand pattern for the Fifth Five Year Plan would be a near 250 per cent increase over the current production of man-mades in the country.

In any dynamic industrial setting there cannot be any rigidity about the target-aims at a particular time. As such, these targets will have to be reviewed and reassessed from time to time depending upon the change in environmental conditions. But this can only be truly effective if there are periodical discussions between the Government and the Industry on these points of review and reassessment. It would also be prudent to have periodical consultations among the different sectors of the textile industry *inter se* — natural as well as man-mades. It is the collective wisdom of all the sectors taken together that will serve the interest of the industry and at the same time protect the interests of the consumer. The time is opportune when we should think in terms of every fibre playing its part and complementing the rest and as such, a blue-print for the progress of the entire textile industry should be drawn up by a conference of all textile manufacturers where they can discuss and decide about the development programme for the whole industry without impairing the interest of any textile sector. Blends being the order of the day, what is eminently desirable is not a conflict between the fibres but a judicious blend of the fibres wherever necessary and desirable thereby making optimum contribution to enrich the textile economy of the country.

B. Problems of the Industry

(a) Paucity of Raw Materials

What is causing grave anxiety to the industry is the irregular and inadequate supply of its basic raw materials.

(i) Rayon Grade Wood Pulp

The Viscose Filament Yarn and Tyre Yarn manufacturing industry is at present on the threshold of a big crisis because of acute shortage of Rayon Grade Wood Pulp. The position is as serious as shortage of newsprint, if not more. The main source of supply of textile grade wood pulp is Canada and USA. Actually Tyrecord Grade Wood Pulp, is available only from the USA. Even though Scandinavian countries like Norway, Sweden and Finland are manufacturing Textile Grade Wood Pulp, they are unable to offer any quantity of dissolving pulp since their production capacity for pulp is mainly utilised for manufacture of paper grade pulp.

The position with regard to the supply of both Textiles as well as Tyrecord Grade Wood Pulp from USA has further worsened mainly because the US Government has lifted the price-freeze on sale of pulp in the domestic market and imposed curbs on exports of wood pulp. It is also understood that the US Government has directed that the exports of wood pulp during the year 1974 should not exceed the export performance during the year 1973 and since the USA suppliers have entered into long-term contracts with other markets, they are unable to offer pulp to the Indian market and thus the country is very far down in the list of customers for wood pulp so far as the USA manufacturers are concerned.

The industry had foreseen this acute short supply position of both textile as well as tyrecord grade wood pulp as far back as October, 1973 when the Union Commerce Ministry and other concerned authorities were requested to take up the matter of supply of Rayon Grade Wood Pulp to the Indian Industry at highest diplomatic levels and to persuade the USA and Canadian manufacturers to enter into long-term contracts for Rayon Grade Wood Pulp to meet the country's requirements for say next three years to avoid any hardship to the industry. Unfortunately, no action appears to have been taken regarding this suggestion. Such an action was considered absolutely necessary especially when it was understood that the Embassies/Trade Commissions of various wood pulp importing countries which are located in USA and Canada had contacted the wood pulp manufacturers as well as the respective Government authorities in these countries with a view to persuading them at diplomatic levels to enter into long-term contracts for supply of pulp.

It will thus be observed that a stage has now reached whereby a fall in production of Viscose Filament Yarn in the coming months is almost inevitable unless speedy measures are taken for obtaining further supplies of wood pulp promptly. Curtailment of production, through no fault of the industry, will indubitably have its adverse effect on the working of the entire artsilk textile industry, specially so in the realm of exports of Viscose Filament Fabrics. The Association of Man-Made Fibre Industry has, therefore, once again requested various concerned Government authorities, including the Prime Minister, to take up this matter at highest diplomatic levels to persuade, in particular USA and Canada to agree to supply this essential raw material to the industry promptly in adequate quantities with a view to avoiding the closure of the industry and the undesirable consequences which would certainly ensue. It has also been suggested that this matter may be included as one of the items on the agenda for discussion with the accredited representatives of USA during their visit to India some time towards the close of the year, so that some fruitful results could be achieved in procuring adequate supplies of Rayon Grade Wood Pulp, both on short-term as well as long-term basis.

Additionally, the exports of rayon fabrics during 1973-74 are estimated to be Rs 21.00 crores. The target for the current year (1974-75) is Rs 30.00 crores. The requirement of foreign exchange of the rayon spinning sector for import of wood pulp, sulphur, zinc etc at present is estimated to be Rs 19.00 crores. Since the export earnings have exceeded the amount of foreign exchange required, the Govearnment should grant import licence/Letter of Authority to the spinning units so that supply of wood pulp to the manufacturing units is assured, yarn is made available on a continuous basis to the exporting units and the *tempo* of export trade is maintained. Further, in order to encourage production of wood pulp in the country, such spinning units which are producing their own wood pulp and are self-sufficient in this regard should instead be allowed to use such an import licence/Letter of Authority for import of spare parts and equipment required by them.

(ii) Alcohol

There is only one unit manufacturing Acetate Yarn and this unit is still suffering from acute shortage of Alcohol. Moreover, this unit is also experiencing various difficulties for the supplies of Alcohol from other states. If this unit is to achieve its full capacity the Government should use its good offices and take adequate steps to ensure regular supplies of Alcohol at reasonable prices.

(iii) Caprolactam and DMT

Caprolactam, the basic raw material for nylon is very difficult to come by. However, with commencement of production of the Gujarat State Fertilizers' Caprolactam plant there is reason to hope that within a reasonable period the current tight supply position will be eased to some extent. Supply, however, is not the whole problem. There is also the question of price. GSFC have initially fixed a rather high price for their caprolactum and added to this, is the imposition of 50 per cent by way of Excise Duty, bringing the price in the region of Rs 41,000 per tonne as compared to about Rs 22,000 for the imported mate-

rial. Naturally, this will be reflected in higher costs of nylon fabrics making them too costly for Indian consumers and virtually impossible to be competitively priced for export.

(iv) Furnace Oil

Despite the fact that man-made fibre industry is a priority industry and an essential commodity, the Government has imposed 20 per cent cut in the supply of furnace oil. Furthermore, if as reported, it is true that Government is also considering a proposal to allow import of Furnace Oil to export-oriented industries, then it indubitably stands to reason to treat Man-Made Fibre Industry in general and Viscose Filament Industry in particular as an export oriented industry. As for instance, currently the indigenous manufacturers of rayon yarn have agreed to increase yarn supplies to exporters of rayon fabrics from 10 per cent to 25 per cent at highly concessional prices which are far below the prevailing international prices. As a sequel thereof the exports of rayon fabrics have reached an all-time high figure of approx. Rs. 21 crores and has every possibility of getting augmented to the tune of Rs 30/35 crores even in the short run. In the circumstances, it is very essential to include this industry under the exempted category and if, for certain valid reasons, this is not possible, the Government should at least allow this export-oriented industry to import furnace oil to the required extent against the foreign exchange earned by the industry.

(v) Burden of heavy excise imposition

Between 1956 and today, the excise duty of this industry has shown a phenomenal increase and in several cases the increase has crossed the 1000 per cent mark i.e. there has been a ten-fold increase. One can say without hesitation that very few industries have borne such a high increase. Further the excise duty element in selling price constitutes a very big factor proving to be a burden for the entire man-made textile industry, the spinners, weavers and also the ultimate consumer. Judged by any reasonable standards man-made fibre industry in general and cellulosic fibre industry in particular, cannot be deemed to be a luxury industry confined to the elite. If increasing public acceptance could be deemed as reliable yardstick, and if its increasing production could be taken as its proof of its importance to the economy then it is submitted that the heavy excise duty imposed on the industry deserves to be revised to lower levels taking into account its growth perspective and its capacity to stabilise the entire textile industry in particular.

C. Self-reliant measures in man-mades

(i) Expansion of output

Beginning with a meagre production of 2.5 million kgs in 1951 and with only two units to make up this figure, the man-made fibre industry is currently having 21 plants under production with a production capacity of about 143 million kgs per annum catering, among others, to the needs of more than a lakh of powerlooms and nearly four lakh of handlooms in the country. The increase in the output over the years on the one hand and the fulfilment of the targetted demand by due expansion on the other connote that import substituation has already been resorted to by reducing the import bill in a significant measure through indigneous production.

(ii) Raw materials for man-made fibre industry

(a) Rayon Grade Wood Pulp: After carrying out extensive research and development work, it is found that bamboo and eucalyptus trees, which is and which could be made available in abundance, are also quite suitable like softwood, viz spruce, fir and pine trees for the manufacture of rayon grade wood pulp. But it was not until 1963 that rayon grade wood pulp was produced indigenously on a large scale and the pulp so produced was found fit for utilisation in the manufacture of staple fibre. With the passage of time, things in this direction has substantially improved and the problem of manufacture of rayon grade wood pulp has been resolved in a very satisfactory measure with indigenous know-how and having almost all the machinery available in the country. This apart, the plentitude of renewable forest resources in the country gives one enough encouragement that with the increasing production of cellulosic fibres year after year, there would not be any problem regarding the availability of Rayon Grade Wood Pulp. However, what is required is a planned afforestation and suitable incentives, by way of permitting man-made forests either in the public, private or joint sector even and by way of certain tax facilities, among others, should be allowed by the Government so that the forest-based industries could rise to their full stature with a time-bound programme, catering to the requirements of the country in an abundant measure.

(b) Caprolactam and D.M.T.: Efforts towards achieveing import substutions in the field of raw materials for synthetic fibre industry is also gathering momentum. The Government of India have already decided to set up various projects in the country for producing raw materials for synthetic fibres and when these projects materialise, it would have the capacity to produce 90,000 tonnes of synthetic fibres per year resulting in a foreign exchange saving estimated to the tune of Rs 36 crores per year. It is, of course, true that the current oil crisis has counselled caution in going ahead with these projects. But the fact remains that this situation need not deter the Government or the industry to feel that the growth of the synthetic fibre industry on this account would be the reverse of forward; for, the quantum of available oil resources needed for the growth of the synthetic fibre industry is of smaller dimensions than what it would be for other oil-based products.

(c) Machinery and Equipment: It is, highly commendable that the country is now in a position to manufacture and even export complete range of rayon and allied plant and machinery with very few imported components. Some headway has also been made in the field of machinery equipment for the manufacture of synthetic fibres. Certain chemical plant manufacturers are already making some of the equipments needed in this direction, such as, sophisticated polymerisation, spinning and take-up equipment in respect of Nylon and Polyester plants. It is not necessary for us to elaborate on the progress made in the field of manufacturing machinery equipment for synthetic fibre industry, but suffice it to say that the machinery-building activities for synthetic fibres have assumed greater importance in the present context of implementing synthetic fibre projects by the public, private and joint sector undertakings, and a sound and worthwhile beginning has already been made in this direction.

(d) Spinner's Gesture to Boost Exports: After the abolition of the export promotion scheme following devaluation in June 1966, India's export of rayon textiles suffered a serious setback. Taking this fact into account the viscose spinners had agreed as far back as 1968 itself to give 10 per cent of their production of first quality rayon filament yarn at concessional prices by way of replenishment against export earnings. As things stand, exports of rayon textiles have shown a commendable face-lift. In order to stabilise the present upward trend and also has a measure of planning for the future, the viscose spinners, have entered into a new agreement, whereby they would make available 25 per cent of the production of yarn at concessional rates which are not only far below the international prices but are even below the cost of production of the industry.

If the result, however, has to be on desired lines, it becomes evident by any reasoning that there has to be equality of sacrifice, i.e. the weavers also should envisage a scheme whereby they would be sacrificing a part of their earnings for the sake of all-round betterment in the realm of indigenous production and exports as well. Additionally, it would be a part of prudence to streamline the existing administrative council of the Silk & Rayon Textiles Export Promotion Council by giving adequate representation to the viscose spinners who have contributed and are contributing sizeably by way of supply of yarn at highly concessional rates. This apart, it would be quite in keeping at this juncture to suggest that the Government should also advice the S.T.C. to continue its cash assistance programme for some more time until our exports get stabilised at higher levels.

D. Voluntary Agreement—A Pattern for Progress

It goes to the credit of the man-made textile industry that it is not viewing its problems in isolation, but has, by and large, taken the initiative of accommodating as far as possible the viewpoints of all those within the industry. The agreements it has reached is an instance in point. The agreement indeed blazes the trail of a new approach to inter-industry understanding. It has at least shown that, without official interference, it would be possible to sort out many of the problems of the different sectors of the industry to their mutual advantage. It is, however, a two-way traffic requiring a degree of responsibility and responsiveness from both the sectors for the successful implementation during the currency of the agreement. It also connotes and casts an obligation on each sector not to make capital out of market fluctuations to the disadvantage of another sector.

One can also venture to add that an opportunity is again created for the betterment of the industry at large through co-operative and collective endeavour. As things stand with shortages of vital raw materials and heavy and disproportionate excise imposition facing the industry to the bargain, it is the fervent hope of the well-wishers of the industry that it would not do anything to miss the bus because of its narrow sectoral loyalties but would rise to the occasion to dispel the prevailing misconceptions and improve the image of the industry with a conscious and concerted endeavour.

E. Growth Perspective

In the world of today, man-made fibre industry has become a symbol of progress and is playing a pivotal role in the realm of textiles, among others, affording new values, aesthetics and economy. Today almost everywhere around the world they are enriching the natural resources and have not only been able to vie with nature but in some cases have even excelled her. By means of these new and reasonably priced materials the broad mass of society have been able to enjoy necessities and luxuries that have for centuries been restricted to the elite and to the privileged few. If the present era could be styled after the materials that characterise it, our age could go down in the history as the age of science, synthetics and blends. We may also venture to add that man-mades have helped mankind to bridge the raw material gap and has made significant contributions to the present pace of scientific and technical progress. It is against this picture of prospects and possibilities, its problems will have to be resolved and its much-needed progress visualised by a forward-looking policy of the Government.

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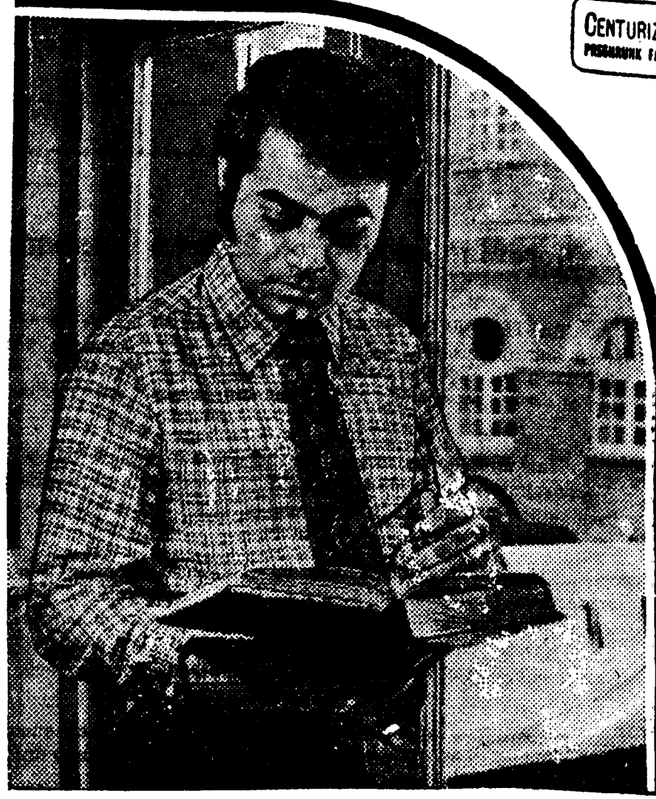
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RECORDS AND STATISTICS

Indo-US joint communique

THE FOLLOWING is the text of the Indo-US joint communique issued at the end of Dr Henry A. Kissinger's visit to this country:

At the invitation of the government of India, the US Secretary of State, Dr Henry A. Kissinger, paid an official visit to India from October 27 to 30, 1974. The Secretary called on the President of India and held discussions with the Prime Minister, Foreign minister and other senior ministers and officials of the government of India. He conveyed to the President and the Prime Minister, President Ford's personal greetings and his satisfaction over the improvement in US-Indian relations. The cordial and frank nature of the discussions during the secretary's visit reflected the desire and interest of both countries in broadening the basis for their relationship and in strengthening the many contacts and ties between the Indian and American people.

During the discussions there was an exchange of views on various aspects of bilateral relations, the situation in South Asia and neighbouring regions and a review of the global situation including the world economic situation.

The Indian side explained the initiative and steps it had taken under the Simla agreement towards normalisation, and for the establishment of durable peace and cooperative relations between the countries of the sub-continent.

The American side expressed its satisfaction at the initiative taken by the prime minister of India and the effort of other leaders of South Asia and at the progress that had been made in bringing about regional peace and cooperation and expressed their supports for the Simla process.

Both sides agreed that it was in the interests of all the countries of the region to live in peace and harmony on the basis of sovereign equality and without intervention by outside powers or attempts by such powers to gain positions of special privilege in the region.

The two sides expressed their satisfaction at the improvement that has taken place in their bilateral relations and agreed that based on their democratic traditions, structure of government and past relationship, there was considerable scope for further strengthening of bilateral relations. Both sides affirmed that there is no conflict of national interests and that Indo-American relations are based on the principles of equality, mutual respect and mutual understanding.

The two sides agreed that it was desirable to promote cooperation between the two countries and that the agreement to set up an Indo-US Joint Commission which Secretary Kissinger and Foreign minister Chavan signed on October 28 marked a significant step forward in building a framework for more mature and meaningful relations and active cooperation.

They expressed confidence that the joint commission would facilitate contacts and exchange in the fields of trade and commerce, economic cooperation, science and technology, education and culture and other fields.

The first meeting of the Joint Commission was held in New Delhi, on October 28, 1974, and the next meeting will be held in Washington early next year. It was also agreed that sub-commissions would soon be established and begin their regular meetings in New Delhi and Washington.

The Secretary reviewed recent developments toward a lasting peace in the Middle East. The Indian side welcomed the progress so far achieved. Both sides expressed the hope that a just and lasting peace will be achieved on the basis of Security Council resolutions 242 and 338.

The Secretary reviewed progress to date in implementing the Paris accords on Indo-China. Both sides expressed the hope that just and lasting peace would be established in Indo-China on the basis of respect for the independence and sovereignty of the states of the region without any outside interference.

Both sides noted with satisfaction the series of agreements which have helped to reduce tension in Europe. They expressed satisfaction at the process of decolonisation in Africa and expressed the hope that this process will be accelerated.

In reviewing the international situation, both sides expressed satisfaction that relaxation of tension and development of cooperation are becoming the main characteristics of international life. They expressed their strong support for further efforts to reduce international tensions and build a global detente.

On disarmament matters the secretary described US-Soviet efforts to accelerate progress in reaching agreements on strategic arms limitation. Both sides expressed their support for the realisation of concrete measures in the field of arms limitation and disarmament.

The Secretary also discussed US concern over the implications for regional and global stability of nuclear proliferation.

The Indian side reiterated its consistent position that the highest priority in international efforts should be accorded to nuclear disarmament and that in order to achieve international peace and stability, all proliferation of nuclear weapons should be stopped.

The Indian side also affirmed India's policy not to develop nuclear weapons and to use nuclear technology for peaceful purposes only. The US side welcomes the government of India's affirmation in this regard.

There was mutual recognition of the need of putting nuclear technology to constructive use, particularly for developing countries, and of ensuring that nuclear energy does not contribute to any proliferation of nuclear weapons.

In reviewing the current international economic situation and the rising prices of food, fertiliser, fuel, industrial materials and technology, both sides agreed that cooperative efforts by governments were called for to prevent further deterioration of the world economic structure to the detriment of both the developed and the developing nations. The two sides noted the serious situation developing in the most seriously affected countries as a result of rising prices and the paucity of resources now available to them.

They expressed the hope that the forthcoming World Food Conference in Rome will find a way of conserving world foodstocks and making them available to the most seriously affected developing nations on more favourable terms. They also agreed to exchange views and technology on a bilateral multilateral basis in order to achieve increase in national food production and ensuring the necessary inputs of energy, fertilisers, technology, etc.

The US Secretary of State

thanked the government of India for their cordiality and warm hospitality and invited the minister of External Affairs of India to pay an official visit to the USA. The invitation was accepted with thanks.

The Prime Minister conveyed an invitation for President Ford to visit India in 1975, and Secretary Kissinger accepted the invitation on behalf of the US President.

Indo-US agreement on joint commission

THE FOLLOWING is the text of the agreement between the government of the Republic of India and the government of the United States of America to establish a joint commission on economic, commercial, scientific, technological, educational and cultural cooperation.

"The government of the Republic of India and the government of the United States of America, guided by a common desire to strengthen further the friendly relations between their two countries, determined to explore the possibilities of fostering mutually advantageous cooperation between them in the economic, commercial, scientific, technological, educational and cultural fields, have agreed as follows:

Article 1: The government of the Republic of India and the government of the United States of America hereby constitute a joint commission on economic, commercial, scientific, technological, educational and cultural cooperation.

Article 2: The tasks of the commission may include the following:

1. In the field of economic and commercial cooperation: (a) To review matters concerning economic and commercial relations between the two countries; (b) To identify and investigate areas for closer cooperation, to make joint studies in areas of common interest and to recommend programmes concerning economic growth and development through mutual cooperation; (c) To recommend measures and activities to stimulate two-way trade between the two countries consistent with their international obligations, which may include inter alia the sending of trade promotion missions and trade delegations; (d) To promote possibilities of increased investment consistent with the investment policies of the two countries: and (e) To explore possibilities of enhanced cooperation between financial, industrial and commercial institutions and organisations.

2. In the field of scientific and technological cooperation: (a) To review and recommend plans for cooperation between the two countries and measures for their implementation and coordination, which may include, inter alia, the exchange of specialists and information and the organisation of bilateral seminars on problems of common interest; (b) To identify common scientific and technological problems and to formulate and recommend joint research programmes which might lead to application of results in industry, agriculture, health and other fields; and (c) To explore possibilities of enhanced scientific and technical cooperation between the two governments, their agencies and other institutions in the two countries.

3. In the field of education and cultural cooperations: (a) To review and recommend programmes, plans and priorities for cooperative efforts to facilitate the interchange of peoples, materials and ideas in the broad fields of education, scholarship, and such areas of cultural endeavour as performing arts, fine arts, libraries and museums, sports and mass communications, and (b) To review periodically the progress and functioning of existing programmes and arrangements, making recommendations as may be appropriate.

4. The commission may also consider matters arising in the course of the implementation of the agreements between the two countries in force from time to time in the fields of economic, commercial, scientific, technological, educational and cultural cooperation including those which may be signed hereafter and make recommendations for the successful fulfilment of those agreements.

5. The commission shall also be commpetent to review other problems that might arise in the implementation of this agreement and other related matters that might be brought up by either party.

Article 3: The commission shall consist of representatives of the two governments with the representation of each government headed by an official of ministerial or cabinet rank. The commission may appoint sub-commissions and with other bodies as may be necessary to deal with specific issues or fields of cooperation and to make appropriate progress reports.

Article 4: The commission shall hold its meetings not less than once a year. Meetings of the commission shall be held in each country alternately. The commission may invite to such meetings, as may be mutually agreed, the required number of experts and advisers. Special meeting of the commission may be convened by mutual agreement.

Article 5: Within its areas of competence, the commission may submit mutually agreed findings or proposals to the respective government.

Article 6: Administrative expenses incidental to the meetings of the commission and its sub-commissions shall be borne by the country in which the meeting is held. Each government shall bear the expenses of its own representation at the meetings of the commission and its sub-commissions, including the expenses of travel to such meetings as well as board and lodging and other personal expenses of its representatives. All procedural and administrative matters not provided for herein shall be determined by the commission or its sub-commissions upon the mutual consent of the two sides.

Article 7: This agreement shall remain in force, subject to the right of either government to terminate it upon notification to the other government in writing of its intention to do so, such notification being made not later than six months prior to the proposed date of termination of the agreement. Unless otherwise agreed, the termination of this agreement or of the activities of the commission shall not affect the validity or duration of any other agreements entered into by the two governments in the fields of economic, commercial scientific, technological, educational or cultural cooperations.

Article 8: This agreement shall come into force from the date of signature hereof.

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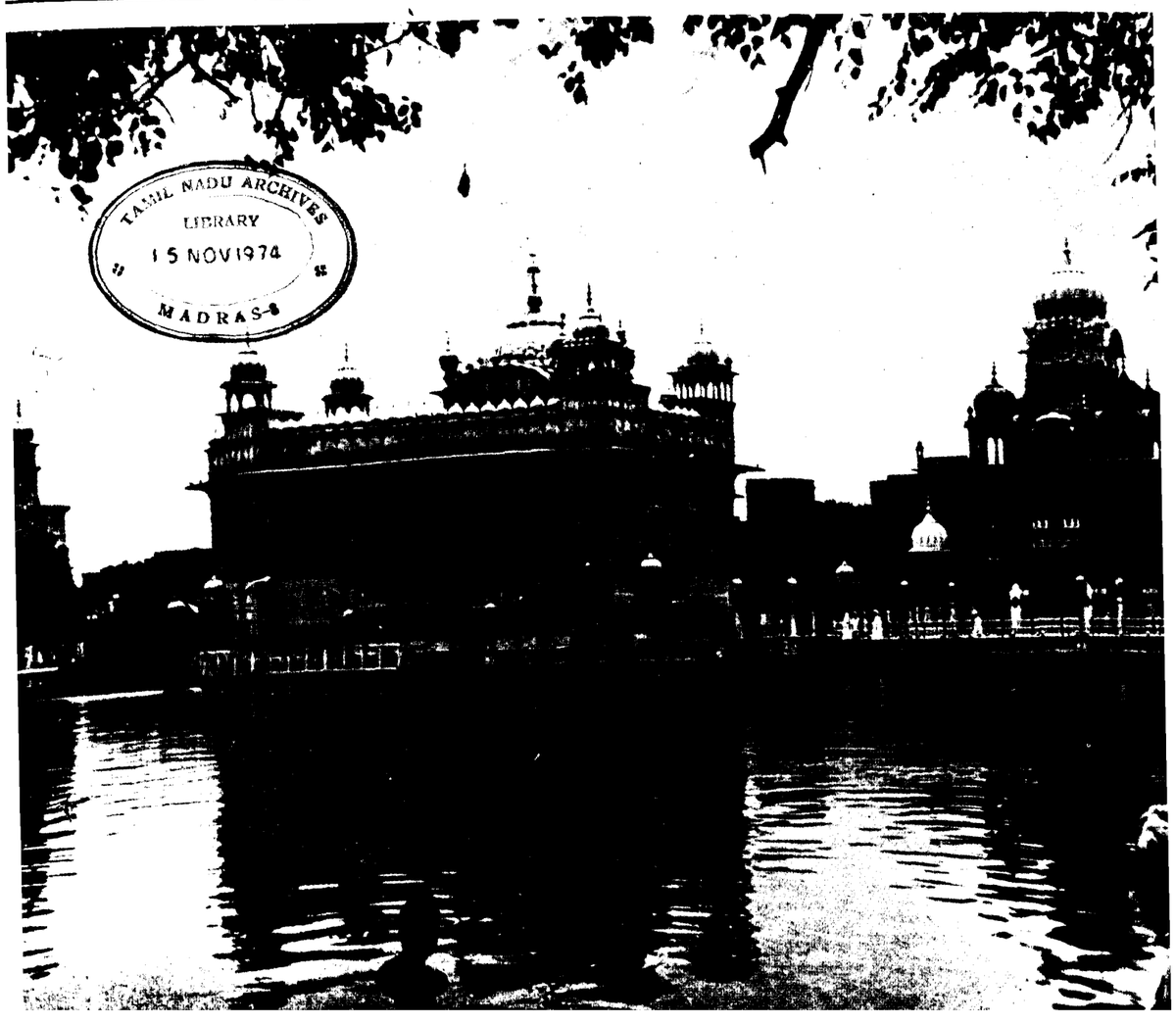
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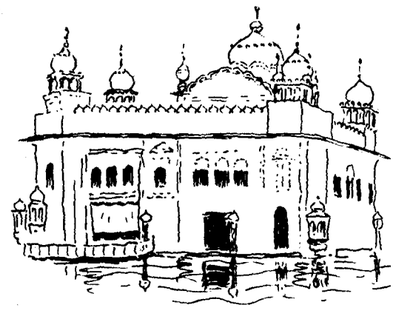
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Vol .63 November 8, 1974 No. 19

Prosperous Punjab iii
Punjab—the Land of the Brave
—Giani Zail Singh iv
Mobilising Resources for Development
—Hans Raj Sharma viii
On the Path to Plenty
—S.P. Chopra x
Punjab, the Gemini
—P.L. Tandon xiii
Power Crisis—Reasons and Remedies
—Gurbux Singh Sibia xiv
Industry Minus Power Equals Dismay
—R.L. Toshniwal xviii
Irrigation Network in Punjab
—Balram Jhakkar xix
Punjab State Tubewell Corporation
—M.M. Anand xxi
Punjab and Its Problems
—M.K. Mohta xxv
Bharat Commerce and Industries
—P.K. Jain xxv
Molins for Machines
—D. Saha xxviii
Woes of Woollen Industry in Punjab
—Ram Prakash Kapoor xxxi
PSIDC Forges Ahead
—A.S. Chatha xxxi
PSSIC Spreads Its Net Wide
—Kanwal Nain Singh xxxiv
Cooperatives for Rural Prosperity
—S.L. Kapoor xxxvii
Markfed Makes Its Mark
—A.S. Pooni xxxviii

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PUNJAB HAS earned the distinction of being the most prosperous state in the sense that today its per capita income is the highest among all the states of the country.

How has this border state which underwent the bitter trials and tribulations associated with military conflicts on two occasions — 1965 and 1971 — come up so fast in the income scale of the country? This supplement is an attempt to study not only this state's ascent to the peak but also the economic and political trends and the inherent characteristics of the people of this state.

One fact which stands out is that during the last three years, the state has enjoyed political stability which was denied to it in the preceding five years due to the interplay of various political, economic and social forces. The Congress ministry under its present chief minister, Mr Zail Singh, has a comfortable majority in the state legislature and, thanks to the sound foundations laid down during the chief ministership of the late Partap Singh Kairon, Punjab has taken rapid strides both in agriculture and industry.

True that Punjab has very few large-scale industrial units but this deficiency has been filled by the multiplicity of medium and small-scale industrial units which are spread all over the state. The sturdy people of Punjab have carved out a unique position for themselves in this country and have become the defenders of our borders as well as providers of foodgrains to the deficit states of this country.

Apart from the short-term difficulties created by the failure of rains and the shortage of power and diesel which have affected adversely its paddy crop this year, the farmer in Punjab is prosperous and is still optimistic about his future. The chief minister, Mr Zail Singh, was reflecting the mood of the people of Punjab when he said in an exclusive interview with *Eastern Economist* that given the necessary inputs such as water, steel, fertilisers and coal, this state could raise the standard of living of the people, within the next decade, to the level of the most advanced country in Europe.

Because Punjab is an agricultural state, it is but natural that the budgets of the state should set apart larger shares for its promotion. Further, the state government is aware of the need for promoting industries both large and small-scale in order to make use of the technical manpower available in abundance in the state. Some of the public sector undertakings particularly the Punjab State Industrial Corporation, the Punjab Financial Corporation and the Punjab Small Scale Industries Corporation have done pioneering work in this regard.

The farmer in Punjab has converted a state which was deficit in foodgrains on the eve of independence into a surplus one. Punjab has now acquired the capacity to increase its surpluses further provided it is able either to mobilise its own resources or get adequate assistance from the centre. Some of the major projects particularly in the field of irrigation and power are beyond its capacity and hence the centre's assistance is imperative. Surely the state has done well and is expected to do much better in the coming years provided it is able to get the assistance that it needs from the centre.

The centre has been less than fair to this state for having fixed extremely low prices for paddy in the current kharif crop. It is likely to reduce the state's capacity to raise itself through its own bootstraps. The withering away of the paddy crop in vast areas has cast gloom over the state. The unremunerative kharif prices have further dampened the spirit of the farmer. This policy will make him turn to cash crops leading to a further reduction in foodgrain surplus.

—S.P. CHOPRA

Punjab—the land of the brave

INTERVIEW : GIANI ZAIL SINGH

Mr S.P. Chopra, Senior Assistant Editor, *Eastern Economist*, interviewed Mr Zail Singh, Chief Minister, Punjab, at Chandigarh on September 18, 1974.

Q. *Will you kindly give a bird's eye view of the current economic and political situation in Punjab with special reference to recent developments*?

A. As you are aware, this border state passed through full five years of political instability. It is only during the past about three years that the state has had a stable government and it was during this brief period that it has once again resumed its march towards progress and prosperity. However, the state is facing today an acute shortage of power which is becoming a stumbling block in our onward march.

Before the present government came into power, there were certain inherent deficiencies which plagued its political as well as economic scene. There was the demand for Punjabi Suba which generated a lot of heat in the state and gave birth to a number of agitations. Even though at that time the state enjoyed a stable government yet the agitations had injected an element of uncertainty.

Again, there were wars between India and Pakistan which resulted in bitter fighting on the borders of Punjab. The intensity of the war operations on the borders of this state made it extremely sensitive. There is no doubt that there are a few other states which have borders touching other countries but the borders of Punjab with Pakistan have assumed special importance.

Q. *Does it mean that because of the perpetual danger of war it would not be advisable to set up large industrial units in Punjab*?

A. It is true that the private sector has always felt shy of setting up large-sized industrial units in this state That is why it is the public sector in Punjab which is going ahead with its plans to set up both large and medium-sized industrial units here. The private sector industrialists, rightly or wrongly, are of the view that they should set up their industrial units as far away from the border as possible.

However, the war between India and Pakistan in 1971 brought home the truth that none of our cities is safe, however far away from the border it may be. Many cities in India were bombed by Pakistani planes which were pretty far away from the border. Perhaps you know that the very first bombs after the Indo-Pakistan hostilities of 1971 were dropped in Agra. The private sector industrialists should realise that if there were any war, it would not be possible to predict where the bombs would fall and where they would not do.

The government of Punjab also realises that it has failed in encouraging the private sector industrialists to come to Punjab for the setting up of large-sized industrial units. Now we have started a campaign in right earnestness and we are helping the industrialists in every possible way. We are offering them a number of incentives.

Again, if an entrepreneur comes forward in the Department of Industries with a proposal to set up a plant, he will not have to do much leg work. Within two months, he will get a reply in the affirmative or the negative. If any officer takes longer time than the period stipulated, then he is censored for incompetence. A delay in the finalisation of the project can take place only if the industrialist is not able to put up a complete proposal. It may be delayed because the industrialist has not been able to finalise the proposal and not because of any delay on the part of the department here. I want to repeat, he has not to bribe anybody neither has he to appoint any special agents for this purpose nor to adopt any under-hand means.



Giani Zail Singh

I am of the firm view that the industrialists who set up big factories are people with extraordinary talents. That is why they are able to manage such big manufacturing units whose annual turnover runs into crores of rupees. Instructions have been issued to our officers that in no case the industrialists coming forward with new proposals should be treated with less respect. They should be given the utmost respect and they must be listened to at the appointed time. The officers have been advised to be fair and frank and they should not play a game of hide and seek with the entrepreneurs.

I wish to tell the industrialists of India that they should not forget one basic truth and that is that the country is moving towards socialism. Private ownership is not going to stay in this country for ever. Gradually the share of private ownership in industry has to go down. It may not come at one stroke but surely a steady decline will take place.

We are not bringing up socialistic measures at a fast pace because we are also tied up in a democratic set-up. We cherish democratic values though we have started our march on the road to socialism. However, the private sector industrialists should realise that the day will come when they will also become a part of the public sector. Whatever resources they have, they will have to be used for the general uplift of the economy of this country.

We do face a short-term problem in the shortage of power at present but we are determined to overcome it. If an industrialist decides to set up a plant in Punjab, he will not be serving this border state but the whole country. In coming to this state, he should feel completely fearless just as the farmers and the factory workers here are looking after their work in a fearless manner.

Q. *What is your message to the large-scale industrialists of this country*?

A. My message to them is this: they must come over to our state and make the maximum possible investment here. Even in the case of large business houses, I will advise that they must come over and plan the setting up of new industrial units here. If there is any ban on licences being issued to them, I will go to the centre on their behalf and will see to it that they are given licences for setting up industrial units in Punjab. I will like these industrial units to be set up in the three border districts of Punjab but if they are not willing to do so they can also select sites in other districts of this state. They will get every kind of assistance for the completion of the projects.

I am convinced that our agriculture has taken rapid strides and we do not have large scope for expansion. We do not have more than 1.1 million acres of arable land. Even if we are able to provide all the inputs such as water, improved seeds, fertilisers and pesticides, our production can at best go up by a million tonnes. That is the upper limit. Our agricultural output may not be able to rise much further than that. At best we can through frequent changes in crops try to gain more from the land in money terms. There are some lands which have not been brought under the plough. We will make every possible effort to bring them under the plough.

We are selling the idea to the people that the residential houses should be constructed on the smallest possible land. At no place in the state the construction of a house is allowed to cover more than a kanal* of land because land at our disposal is limited and after the reorganisation of the state, the portion which has come to our share is fully developed particularly in agriculture.

However, we must understand it very clearly that small-scale industries can prosper only if the large-scale units are also established in the state. We do have a large variety of small-scale units but the share of small-scale industry is relatively small. We have done our best to encourage the establishment of large-scale industries. The state does not lack technical hands. We have technicians of every calibre, low as well as high. There are technicians in Punjab who may not have obtained diplomas in an institute but who are capable of fabricating sophisticated machinery comparable to the best imported from foreign lands. Every time a delegation from this state went to a foreign country, its members came back with new ideas and they fabricated machines, which they had seen there without the assistance of any blue-prints. That is why we are keen that we should be able to exploit their capabilities. We wish to create facilities in the state so that their talents may further progress.

Q. *Punjab has been able to attain the highest per capita income among the various states of this country. Will you kindly enumerate the salient reasons for its progress to the top position in such a short period*?

A. In order to answer this question, I may have to delve deep into the history of this state. You are aware that this border state has a long historical past and in this respect, it completely stands apart. Whenever our country was invaded, the invaders passed through this state. It was the people of Punjab who faced the invaders first.

It were such challenges and difficulties which made the people of Punjab not only strong but also fearless and hard-working.

Second, our gurus, rishis and gods all stayed here and for pretty long periods of time. Lava and Kush, sons of Lord Rama were brought up in this land. Lord Krishna preached the Gospel of Gita here. Guru Nanak, Guru Govind Singh and Banda Bahadur were all the products of this soil. All of them made the people of this state self-respecting. The people here inherited the habits of sharing and enjoying the gains in life. They did not amass wealth. They worked hard and they earned enough to keep body and soul together. You yourself are a Punjabi; you know very well what the motto of a Punjabi is. He will earn well, eat well and dress well; all these have become a part of the nature of a Punjabi. It is well-known in Punjabi: "What you eat and drink is yours. What is left over will be plundered by Ahmad Shah." (The reference here is to Ahmed Shah

* About 500 sq yds.

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Abdali who plundered northern India before Sikhs came into power). This saying is reminiscent of the prevailing mood of the times because the invaders looted whatever the people saved; hence the emphasis on consumption.

Let us not forget that through the ages, whatever calamities befell, they became a boon in disguise because they fashioned the character of the Punjabi in a different mould. That is why the Punjabi today operates in every field with courage and without fear.

Other parts of our country remained under the foreign yoke for more than 200 years but Punjab was the only state which remained free for 100 years while the other parts of the country had been enslaved. Punjab spent 102 years in slavery but during this period, it was struggling to be free. It was not like a mute bird in a cage; it fought big battles with the foreign rulers. It gave birth to outstanding martyrs, that is why slavery and its ill effects did not enter the blood stream of the Punjabi.

With this background, it is no wonder that the people are hard-working and capable of utilising all the resources available to them. They have confidence in themselves. They believe in the full utilisation of their faculties. If they earn on a good scale, they also spent on the same scale.

Our irrigation system is among the best in the world; it had attained rare excellence even before Independence. It was because of the superior irrigation system that we were able to increase our agricultural output substantially.

Also, the Punjabi feels at home even in far off places. He is fond of going round the whole world. While people from other states are fond of knowing about the world through their books on geography, the Punjabi believes in going out and seeing things with his own eyes. He watches others at work and tries to learn the ways of operation of superior races. Thus, through his own capabilities and inherent talents he has been trying to push himself forward economically. Even recent history has demonstrated that ignoring the hardships he has worked very hard, specially after Independence. Wherever and in whatever corner of the country he has settled, he has not begged for help. On the contrary, he gave something to that place as his contribution. He made a bigger contribution than what he obtained for his sustenance.

I can assert with confidence that if in Punjab we are able to get enough power, steel, fertilisers, coal and water, then within the next nine years Punjab will compare favourably in standard of living with the most advanced nation in Europe.

Q. *Your description of the character of a Punjabi is indeed very fascinating. You have made me feel proud as a Punjabi. May I ask you what would be the shape of things in Punjab during the next six months because of the failure of rains and consequent upon the power crisis*?

A. Surely it has had a very unfavourable impact on our crops. At present, our paddy crops are withering. Every time I pass by the withering paddy fields, my spirits droop and I feel disheartened. We had not experienced such a calamity in the recent past. We had sown the paddy crop in the hope that there would be sufficient rains and by closing down the Nangal Fertilizer Plant and also borrowing power from various parts of the country, we will be able to sustain the crop. Unluckily, the rain god has failed us. Even then, we have not lost heart. Even today we are hopeful that we will have rains in Punjab. We also hope to get power from other parts of the country. We are determined to fight the obstacles which are man-made. We are even prepared to face all the difficulties created by nature. We are determined to give a tough fight to natural forces as well.

Q. *Recently you had visited New Delhi in order to procure additional power. Did you have any success*?

A. I had a long discussion with the central leaders in regard to the supply of power; they have promised to release additional quantities of diesel for Punjab. They have also promised to give us more power and coal.

Q. *Has there been any decision on the prices of agriculture produce for the Kharif season*?

A. There was a discussion on kharif prices but the decision has been left to the central cabinet. We in Punjab believe in plain speaking. Accordingly we put forward our point of view plainly. After that, we have left the final decision in the hands of the national leaders. Whatever the decision, we will make every effort to implement it in letter and spirit.

Q. *What are you doing to mitigate the misery of the people caused by rising prices*?

A. You will have to agree with me that wealth multiplies if you consume it. If you let it lie unused, then you are putting a stop to further creation of wealth. I think that circulation of money gives a push to the economy. On this particular question, I have serious disagreement with the economists. In my view, except for the salaried classes, rising prices have benefited every section of society; they have not harmed them. Prices, no doubt, have risen all over the world. But let us not forget that rising prices have led to rising wages as well. If prices had not risen, how could the tailor ask for additional tailoring charges? Even for a shave today, you pay much more than you paid in earlier times. There is hardly a section of society which is not getting increased wages as a result of rising prices. On top of all this, we are told that we must watch the interests of the consumer. My question is: which consumer?

Q. *What about the fixed income groups? What are you doing for them in Punjab*?

A. We have to give as much attention to the fixed income groups as to the down-trodden classes. The poor man does not hanker after clothing. He does not ask for cement. He does not ask for a house. He lives under the blue sky and asks for only food enough to fill his stomach. I believe it is the duty of the government to provide cheap foodgrains to the poor people. We are determined even to make the down-trodden person hard-working. If he works hard, even a poor man can prosper. At this time daily wages in Punjab range between Rs 8 and 9. At the time of harvesting of the rabi crop, daily wages had risen to as much as Rs 19.

If prices have risen all round, wages have also taken an upward trend. Then in the name of the consumer, all the present agitation seems senseless. Among the consumers, there are people who are affluent enough to spend every evening as much as Rs 300 on a bottle of scotch whisky. They take a number of other foods with whisky; the wheat and rice consumed by them is very small in quantity making a difference of 10 to 15 paise for each one of them. It makes a mockery of the whole problem if these people raise slogans against rising prices.

Q. *May I have your views in regard to the relief currently being given by your government to the fixed income groups*?

A. Before I answer that question, may I ask you if the house-building activity has not increased in the wake of rising prices? Has inflation not benefited the industrialist and the trader? Has inflation not brought about a significant change in the way of living of the people? Today everybody claims to have a watch while 40 years ago there was hardly one watch in a village. In those days, even the richest household had only one watch but today every body has a watch. When the bicycle cost Rs 30 there used to be only one of it in the family. Today, when the price of bicycle has multiplied 10 times and even more, the number of cycles in every household is equivalent to the number of members in the family. Have a look at the steep rise in expenditure on the movies. Look at the new sparkling and pure clothing worn by our womenfolk. Today inflation has brought prosperity to a large section of our population. To say that inflation has proved a curse is baseless. Everyone has benefited from it — farmer, labourer, trader and industrialist.

Q. *Right in your secretariat, there are fixed salary workers whose incomes have not kept pace with the rising prices. How are they to make both ends meet*?

A. The income of the salaried group has also gone up. There was a time when the basic salary in the secretariat used to be not more than Rs 15 a month. The incomes have increased here but even then I believe that they deserve more. It is conceded that inflation has kept ahead of their increasing income. Let us keep this group apart, though even among the salaried classes there are people who occupy key posts. Their number is small but they are far more prosperous and comfortable than the average person. Their children are getting the best of education and medicines. In fact, they have all the comforts of life. They may be spending all that may be earning and may not be saving anything. But let us compare their condition with those of the depressed classes whose members sleep on the pavements or in the fields. Today the landlord having 20 acres of land but without any other means of sustenance cannot afford to have a change of clothes for himself let alone any luxuries.

Q. *Let me come back to the shortages of consumer goods. Most of the people in Chandigarh whom I have met felt concerned about the non-availability of such products as soap, vegetable oil, sugar, etc. Consequently, they are not able to devote their full attention to work in office. What is the Punjab government doing to reduce their hardship*?

A. There is no doubt that shortages are causing a lot of concern. People are not as much worried about rising prices as about the non-availability of goods. If the consumer goods are available and wages also rise along with prices, then it makes no difference to the consumer. A product which was selling for Rs 10 only recently, is today selling at Rs 25. People are willing to pay Rs 25 provided the product is available. There should certainly be a way out of these crippling shortages. I have recommended this to the central government that we should, as a government, take full responsibility for the distribution system. Even if we leave it to the trader, the public is bound to blame us for any failure. While we should make all possible effort to increase production, we should also have full control over distribution.

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Mobilising resources for development

INTERVIEW : HANS RAJ SHARMA

Mr S.P. Chopra, Senior Assistant Editor, *Eastern Economist*, interviewed Mr Hans Raj Sharma at Chandigarh, on September 17, 1974



Mr Hans Raj Sharma

Q. What is your problem No. 1 today?

A. To find more money for industrial development, agricultural production, irrigation and power generation.

Q. How do you divide your time between Planning and Finance?

A. I divide my time equally between effort involved in raising resources for the plan and for allocating funds for plan schemes.

Q. What are your major sources of revenue?

A. Major sources of revenue are sales tax and excise duties.

Q. Are there any anomalies in your sales tax laws?

A. We have removed the anomalies since we took over.

Q. What about the anomalies in regard to rates of sales tax prevailing in the neighbouring states and in Punjab?

A. Sales tax is a state subject and we take our decisions according to our judgement. Unless Parliament passes an enactment enforcing uniform sales tax rates for all the states, the anomalies will continue. One state raises sales tax on one item, the other state raises it on another item. Unless Parliament comes to make an enactment this problem cannot be solved. The union territory of Chandigarh and Delhi administration would never raise their sales tax rates as they try to attract trade by lowering sales tax rates. It has been discussed many a time in the Northern Zonal Council. Even within the Northern Zone, there is no uniform rate of sales tax.

Q. How effective is your machinery for the realisation of sales tax?

A. Our machinery is very effective. There is of course scope for improvement and we can stop evasion. At present, the evasion is about 25 per cent.

Q. How did you arrive at this figure?

A. We have formed flying squads which make raids. They have informed me about the extent of evasion and the measures needed to check it. It is my own guess based on discussions with various people.

Q. What is your state doing about prohibition?

A. I think prohibition should be there but it cannot be brought about by force. Our Public Relations Department carries on propaganda to discourage drinking habits. If you enforce prohibition by law, you spend more on police for enforcement besides losing sizeable income. There is need to convince the people that this is a bad habit.

Q. So, you think, this is a task for the social reformers?

A. Besides social reformers the government in the Public Relations Department is doing propaganda in this behalf.

Q. Yours is an agricultural state and a major portion of the revenue has to come from taxes on agriculture. What measures have you taken to increase the yield from this sector?

A. Whatever effort we have made during this year after a lapse of many years, it has been appreciated by Mr Chavan and Mr Dhar and both of them have praised our effort and they have said that Punjab has done a commendable job in mobilising resources from the farm sector. We have taken the following measures:

(1) We have increased electricity tariff for power supplied to tubewells.

(2) We have increased water rates by 100 per cent.

(3) We have increased the land revenue on a graded basis and imposed a cess on commercial crops.

Tax on agricultural income is not possible. The lobby in Parliament of those who are in its favour is strong and more so in the state legislature. I think it is a bold attempt on the part of the Punjab government to raise resources from the farm sector and remove the budgetary gap.

Q. Why have you not accepted the recommendations the Raj Committee on agricultural tax?

A. The procedure suggested by the Raj Committee is cumbersome. The yield will not be commensurate with the effort involved.

Q. Have you compared the proposals of the Raj Committee with the measures that you have taken? The Raj Committee had estimated Rs 2½ crores from this source.

A. The central government has appreciated our measures and has recommended them to other states. We have accepted the approach of the Raj Committee and have adopted the above measures on that basis. In raising the rates of land revenue, we have adopted the principle that larger the holding, the greater the pro-rata tax. It is cumbersome to tax agricultural holdings. There is a progression in the tax on land revenue. The element of progression has been further introduced by the cess on commercial crops.

Q. Has Punjab found additional resources for Beas Project?

A. Whatever was indicated initially, has been contributed. When they wanted additional resources, we made available Rs 5 to 6 crores. Last year also we contributed whatever the Planning Commission had desired, and we have made provision in our Plan and the budget accordingly. Whatever the additional requirements, funds are being found accordingly.

A committee of the central government is scrutinising expenditure on Beas. We shall give five crores of rupees over and above the money provided for this project, i.e., Rs. 20 crores by cutting expenditure on education and other social services.

Q. If the state had a balanced budget, why did you go in for an over-draft?

A. Whatever the central government spends on our behalf, on Beas etc, is booked against us and we come to know of it later. The system of accounting and budgeting is such.

Q. There is a power crisis in Punjab. What is your government doing about it? If the state government had set up small power plants for the small-scale industries, they could come to their rescue today. Have you discussed this problem?

A. The cost will be very high and we have to enter into an agreement with the electricity board. This problem is being examined by us.

Q. Why cannot you provide small coal plants?

A. Coal is very difficult to get and also costly to transport. We will be lucky if we are able to get enough coal even for the thermal plant at Bhatinda. We made an additional demand for diesel but the central government told us that they would have to incur

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is engaged on installation of deep tubewells for irrigation purposes in State. 280 nos. deep tubewells in the following blocks/areas have been completed and 145 nos. energised:

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3. **Derra Bassi Block in Patiala District**
4. **Along Sirhind Canal from Ropar to Manpur**

58000 Acres additional areas has been brought under irrigation in the State with the tubewells energised so far

an additional expenditure of Rs 30 crores in foreign exchange. The Rs 30 crores foreign exchange component should be compared with production which may be of the value of Rs 50 to 60 crores.

Q. The price of petroleum has gone up 5-6 times. This country cannot afford to pay more on petroleum products in foreign exchange. We have to depend on coal resources as a short term measure. Have you looked into this aspect?

A. We will examine if it is feasible in Punjab.

Q. Punjab is a prosperous state. Are consumer goods reaching the people?

A. We are streamlining the distribution system. We are rationalising the rationing system as Mr Subramaniam has stated. We shall take responsibility for 50 per cent of the weaker sections population.

Q. That is good for the future. What is the position today?

A. We have organised the distribution system in wheat, atta, sugar, vegetable ghee (partly) and kerosene oil through ration cards.

Q. How do you visualise the situation in the next three months in Punjab?

A. We will sort it out.

Q. You may be sorting it but will it not get very difficult for the people?

A. The failure of rains is a natural calamity but we will face the challenge as we have done in the past.

Q. Do you go round the state to see for yourself the prevailing conditions?

A. Yes, I have been out for the last four days to Pathankot, Jullundur, Ludhiana, Malout and Gidderbaha. Only at one place a few people stopped me; they wanted a diesel truck to be unloaded there. I told them that I would go to Ludhiana and ring up the Deputy Commissioner to make immediate arrangements for the supply of diesel. We give diesel to each farmer according to his weekly requirement. We will do our best to tide over the economic crisis.

On the path to plenty

S. P. CHOPRA

A TOUR of the state of Punjab in the middle of September this year has left some indelible impressions on my mind. Way back in 1947 I had a chance to look at Punjab; at that time the state was in complete disarray. In sharp contrast to the anarchy which prevailed 27 years ago this border state showed signs of vitality and progress.

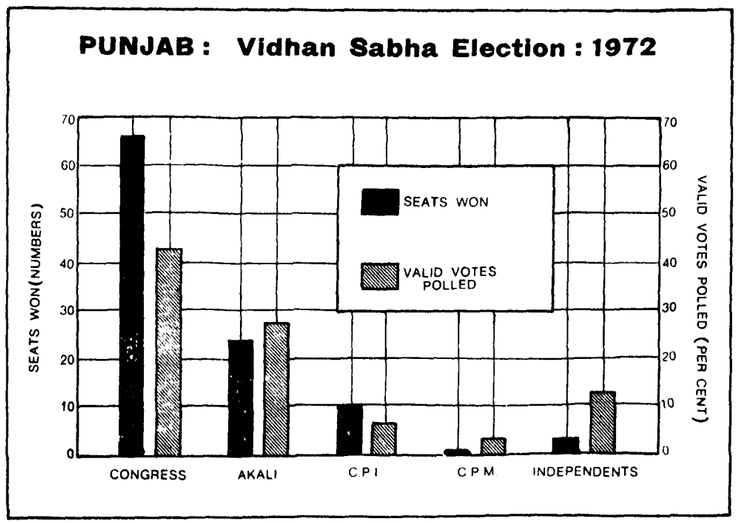
The statisticians have measured the progress of the state through its income per head which at more than Rs 1000 per annum today places it above every other state in the country. However, the implication of this is to be seen in the glowing faces and upright walk of the farm and factory worker in Punjab. By and large, the state is an agricultural one and its new-found prosperity is largely dependent on it. The replacement of the old wooden wheels of carts by pneumatic tyres and the mechanisation of farming are sure indicators of the prosperity of the farmer and his capacity to change with the times.

However, in the middle of September this year the vision of the farmer as well as the factory worker and the industrialist was clouded by the failure of rains which had hurt the kharif crop. There was great anxiety because power available in the state was found to be inadequate. What is more, the supplies of diesel oil had also been found insufficient. At every oil pump, the farmers had queued up to purchase diesel oil for running the pumpsets. Some of them had to wait for two to three days to get their canisters filled with diesel oil. The farmer was sad but was not dispirted. In one-fourth of the land under paddy, there seemed to be little chance of saving the crop.

The farmer in Punjab has taken to the use of agricultural inputs in a big way. He has learnt the use of improved varieties of seeds and also of chemical fertilisers and pesticides. Through his own savings he has also acquired the tubewell and the tractor.

At the 1972 general election for the Vidhan Sabha, Congress won 66 seats out of a total of 104, with Akalis trailing far behind with 24 seats and the Communist Party of India 10 seats only. The Communist Party (Marxist) got a single seat while there were three successful independent candidates out of 95 contestents. The parties which failed to bag any seat in the Vidhan Sabha were Jana Sangh, Swatantra, Congress (O), Socialist and Akali (G).

In percentage of votes polled, Congress led the rest with 42.84 per cent of the total. The Akali polled 27.64 per cent of the votes followed by 6.83 per cent by the Communist Party of India. After the Congress and Akalis, the largest number of votes were polled by the independent candidates who were 95 in number and polled 12.72 per cent of the total votes polled. This decisive victory of the Congress party has without doubt brought stability to the state and for the first time during the last eight years, it has been possible for a well-entrenched state government to pursue both long-term and short-term policies in keeping with the directives from the central Congress party headed by the prime minister, Mrs Indira Gandhi. The 1972 election victory came in the wake of the Indira wave in Punjab but there are clear signs at present which show that due to economic difficulties, people are getting somewhat disillusioned with the Congress ministry.



A number of indicators point to the heavy dependence of this state on agriculture for its prosperity in recent years. The state income estimates for 1970-71 indicated that no less than 60.7 per cent of the income of the state originated in the primary sector, namely, agriculture, animal husbandry and forestry. The share of large and small-scale manufacturing industries was much lower at 10.3 per cent only. The income originating in trade, storage, hotels and restaurants was higher at 11.1 per cent of the total. Being a border state, there does not seem to be a high prospect of its expanding the industrial sector though the small-scale industrial units have sprung up in a number of places in the state.

Intensive cultivation

Out of the total area of the state at 5.03 million hectares, the net area sown was 4.08 million hectares in 1971-72 indicating that nearly 80 per cent of the area was being cultivated. The balance was not available for cultivation for a variety of reasons. The area which was sown more than once in a year was 1.65 million hectares. Thus, the total cropped area of the state was 5.72 million hectares.

The chief crop of the state is wheat which has recorded spectacular growth since Independence. Whereas the production of wheat in 1950-51 was a little more than a million tonnes, it rose to 5.62 million tonnes in 1971-72 and to 5.36 million tonnes in 1972-73. Rice is the next crop with output at a little less than a million tonnes in 1972-73 followed by maize at 0.90 million tonnes and bajra, gram and barley being produced in relatively small quantities. Among oilseeds groundnut production in 1972-73 was of the order of 152,000 tonnes while the production of mustard was 101,000 tonnes. Cotton was also one of the important cash crops in the state. Its output in 1950-51 was only 254,000 bales which rose to more than 1.02 million bales in 1972-73.

Increased productivity

Much of the prosperity of the state is the result of increased productivity of land. Whereas in 1950-51 average yield per hectare of wheat was 901 kg, it rose to 2,406 kg in 1971-72 and 2,233 kg. in 1972-73. Largely it was the result of improved agricultural practices adopted by farmers in this state and also because of the utilisation of improved varieties of seeds, fertilisers, pesticides and tractors. In the case of rice also, productivity has more than doubled. In 1950-51 the average yield of rice per hectare was 892 kg but it more than doubled itself in 1972-73 when it was 2007 kg per hectare. The output of maize in the state has multiplied almost seven times between 1950-51 and 1972-73 largely because of the improvement in productivity. Whereas in 1950-51 average yield per hectare of maize was 563 kg it was as high as 1610 kg in 1972-73. Similar improvement in the productivity of other cash crops such as cotton, potatoes, sugarcane and groundnut was also seen.

The income of the state from animal husbandry is around 15 per cent of the total. It means that one rupee out of seven earned by the state is through animal husbandry. This is largely because the livestock population of the state is sizeable. Latest comparable figures are available for 1956 and 1966 only. They show that the livestock population of the state was 7.2 million in 1956 which rose to 7.5 million in 1966. However, the state has devoted considerable attention to the setting up of veterinary institutions so that the livestock population is kept in the most hygienic conditions and are well looked after. For example, the number of veterinary hospitals in the state in 1966 were only 189 but their number rose to 259 in 1973. The number of cases treated in these institutions in 1972-73 was 1.6 million. The institutions performed such functions as vaccination, inoculation and castration.

Because of the liberal supply of milk in the state a number of cooperative milk societies have been set up and the state has encouraged the formation of a number of dairies both in the cooperative sector and the public sector so that the farmers may be able to obtain a fair price for milk.

The number of cooperative societies in Punjab dealing with milk supply was 366 in June 1966 but their number almost doubled to 642 by June, 1972. Similarly the membership of these cooperative milk supply societies rose from 8,000 in June 1966 to 14,000 in June, 1972. With the establishment of a number of dairies at such places as Amritsar, Bhatinda, Ludhiana, Chandigarh, the farmer is not only able to get a fair price for milk produced by him but he has been able to provide the urban population with milk at reasonable prices. There is at present a "white revolution" sweeping the state as against the "green revolution" which took roots earlier.

For rural prosperity, cooperatives in Punjab have played a dynamic role. Their network has been spreading at a fast rate in recent years. In June 1972, the cooperative societies (excluding the appex societies) numbered a little

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more than 23,000 while their membership exceeded two million persons. The share capital of these cooperatives exceeded Rs 50 crores while their own funds were of the order of Rs 84 crores. The working capital exceeded Rs 514 crores. The largest number was of cooperative primary, agricultural credit (services) societies and labour and construction cooperatives. There were a number of general cooperative banks as well as primary land mortgage banks. The number of farming societies has also been on the increase. The consumers as well as the wholesalers have also formed cooperative societies to facilitate business transactions.

The primary agricultural credit societies have done commendable work in recent years and according to Mr S. L. Kapoor, Registrar of Cooperatives, Punjab, the recovery rate of loans has been 60 and 65 per cent which is quite encouraging.

White revolution

As stated earlier, the speciality of cooperatives in Punjab is production of milk and milk products. In an exclusive interview to *Eastern Economist* Mr S. L. Kapoor said that during the last three years the state had devoted special attention to four districts namely, Jullundur, Kapurthala, Hoshiarpur and Sangrur. The milk plant in Hoshiarpur has already been constructed while similar plants in other three districts are in the process of coming up. Tenders for the Jullundur plant are currently being finalised. The Hoshiarpur plant is expected to go into production next year. The central objective of setting up these milk plants is to give a second means of living to the weaker sections of the rural population. It is the marginal farmer who is mainly associated with these milk projects. He gets loans from the cooperative banks to purchase cattle and is able to return it on the basis of his income. The milk collected by these cooperatives is passed on to the centres which again are run on cooperative basis. The milk is processed at the milk plants and is sold in the form of butter, ghee, milk etc. Currently milk is collected and sold to the dairy development plant in Chandigarh and Ludhiana. As soon as the four above mentioned plants go into production, all this milk will be used by them. Besides giving remunerative prices to rural suppliers of milk, these cooperatives also meet the increasing requirement of milk in urban areas.

Industrial scene

The number of industrial units in Punjab has shown a steady increase during the past seven to eight years. In March, 1966, the total number of units in the state was 19,621 and it rose to 32,629 in March, 1973. During the same period, the number of industrial workers increased from 109,018 to 176,635 a rise of more than 60 per cent.

The industrial units cover a wide variety, the major ones being agricultural implements and machine tools, cotton textiles, cycles, flour mills, fertilisers, engineering goods, sugar and woollen textiles.

While the quality marking centres have been set up at Ludhiana, Jullundur, Batala, Malerkotla, Patiala, Amritsar, Nakodar and Hoshiarpur, a number of common facilities centres have also been set up at some of these places. Rural industrial development centres for leather, leather retanning and finishing etc. also have been set up at a number of places. Industrial development centres for light engineering, motor mechanic, carpentry and blacksmithy and pottery have been set up in some places. The state has set up industrial estates as well as industrial development colonies at places given in Table I.

It will be seen that Ludhiana and Jullundur top the list in regard to the number of sheds constructed in industrial estates and industrial development colonies. The government has also set up a number of industrial training centres for various special trades. Despite all these efforts, the share of industry in the total economy of the state is not large mostly because of the sensitiveness of its borders.

TABLE I

Industrial Estates/Industrial Development Colonies/Areas

Urban Industrial Estates	Ludhiana	(223)	Batala	(50)
	Malerkotla	(30)	Bhatinda	(20)
	Patiala	(20)	Amritsar	(50)
	Jullundur	(40)	Hoshiarpur	(20)
	Gurdaspur	(10)	Ferozepore	(18)
	Rajpura	(20)		
Rural Industrial Estates	Oralon	(12)	Banur	(11)
	Sarai Naga	(5)	Rurka Kalan	(11)
	Panjgrain	(8)	Hariana	(9)
	Nakodar	(12)	Talwandi Chaudarian	(9)
	Dhudike	(9)	Fatehgarh Churian	(8)
	Kathunangal	(8)	Ramgarh Sardaran	(8)
	Sunam	(8)	Morinda	(8)
	Adampur	(8)	Dhariwal	(8)
	Ghuman	(8)	Dasuya	(8)
			Lauka	(8)
Industrial Development Colonies	Amritsar	(49)	Ferozepore	(29)
	Hoshiarpur	(53)	Jullundur	(96)
	Mohali	(156)	Dhandarikalan	(131)
	Rajpura	(71)		
Industrial Areas	Jullundur	(389)	Phagwara	(64)
	Patiala	(28)	Ludhiana A &D	(1014)

Note: Figures in brackets indicate No. of sheds constructed in industrial estates and colonies and plots planned in industrial areas.

While the state government is keen to hasten the process of industrialisation, it has not so far taken such measures as would overcome the limitations arising out of its geographical situation. Apart from its proximity to a sensitive border, its industrial towns are far removed from the suppliers of raw materials as well as the consumers including the ports which are highly relevant in relation to exports. The cost of production works out to be on the higher side for industries located in Punjab and surely they need some incentive for the neutralisation of the enhanced cost if steady industrial development of the state is to be ensured. There are substantial possibilities of increasing exports from Punjab but the unduly long distances between the producers in Punjab and the harbours put an additional burden which tends to dampen the export effort.

TABLE II

State-Wise Per Capita Income

(Comparable estimates of average per capita state domestic product at state prices for the years 1967-68, 1968-69 and 1969-70.)

State	Average per capita SDP at state prices for 1967-70 (Rs)
1. Andhra Pradesh	537
2. Assam*	581
3. Bihar	409
4. Gujarat	667
5. Haryana	810
6. Himachal Pradesh	585
7. Jammu & Kashmir	426
8. Kerala	555
9. Madhya Pradesh	458
10. Maharashtra	686
11. Manipur	458
12. Mysore (Karnataka)	552
13. Nagaland	420
14. Orissa	488
15. **Punjab**	948
16. Rajasthan	455
17. Tamil Nadu	558
18. Tripura	532
19. Uttar Pradesh	480
20. West Bengal	667
All States	551

* Includes Meghalaya

Source: Central Statistical Organisation.

Punjab, the Gemini

P. L. TANDON

IF PUNJAB had a racial horoscope its sign would be of the Gemini. It is a state that like its people is split and dual—a twin personality, cruel and gentle, passionate and lethargic, handsome and untidy but always fascinating, though sometimes frightening.

The country like its people has its varying moods —quivering under the blazing heat of summer, when temperature in the day may hit one hundred and twenty-five in the sun, and in the winter dip down to the twenties. Endless days of still, dry searing heat, when not a leaf moves and the only movement is an occasional squall of whirlwind carrying dry leaves and dust upward in spirals; broken with dramatic suddenness by seething, billowing, white-edged clouds approaching like the angry crowd of villagers on horses, with axes and spears, galloping across the fields, bent on seeking revenge for some insult real or imaginary. The earth would then be beaten by lashing rain as the sky is rent by long shafts of lightning as they madly race across the black sky.

Resilient people

The people, like the country, have their contradicting moods, and a resilience taught by every invasion when like supple trees before a storm they have learned to bend and rise again when the invaders passed on to the prize of Delhi and the Hindustan beyond. Punjab was just a no-man's land, lightly held by the Afghans of Kabul or the Moghuls of Delhi; and its people had learned to externally look like its rulers but keep their faith and custom inside their home, hearth and heart.

Such a country and people after a century of rule that unified it into one modern state had to split; and if as it was not enough that the departing rulers, who loved it most as their youngest and most vigorous child born the last, left it split between the Muslim and the Hindu; we proceeded soon afterwards to split it again between Hindu and Sikh, Hindu and Hindu. Of the thirty-two districts we received only nine and these we split into three, without any logic or compulsion, economic or ethnic.

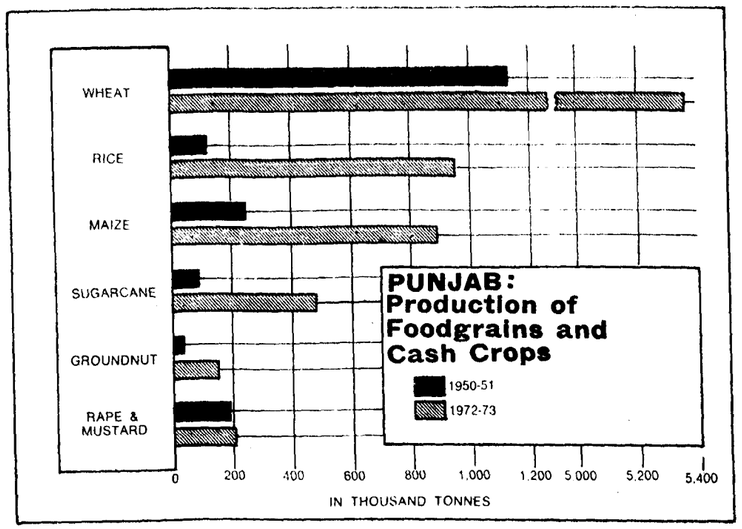
Out of this land of five rivers was born the new Punjab of two rivers, with a third following barely for a few miles through it. It was not even the original heartland, because we had lost almost half of that too. The original heartland was the four flat valleys between Sutlej and Beas, Beas and Ravi, Ravi and Chenab, and Chenab and Jhelum. But even without the trans-Ravi areas Punjab it is and will remain, until another partition or coalition takes place. History is prepared to expect anything to happen to these virile contradictory people; but Punjab it is today of one language, though two people; of common origin at least even though they may believe themselves separate.

The new Punjab has all its old vitality; and something more. It has also learned the alien phenomenon of a political system of democratic, parliamentary style to which it applies all its old vigour and contrariness.

Moving spirit

In twenty-five years its politics has certainly not stood still; it has had changes of government as sudden and dramatic as its changes of weather. Leaders come and go with a passionate and forceful repetitiveness and time certainly does not hang still or dull. There has been a Ranjit Singh, a seeming swami, a couple of modern small town pleaders of the kind that sprang in every district town with the advent of the British, a well meaning judge, an Attariwala kind of Sardar of Ranjit Singh's time, and an earthy towering, soft-spoken village Sikh, of common sense and with a knack of using Punjabi language that could stem only from a scholarship in English that at least seemingly he does not possess or perhaps suppresses. But like in France once, in Punjab now, leaders come and go but its people, ably supported by its services, continue to progress on the road to growth and development, sometimes because of its leadership, when it is good, and despite the leadership, when it fails. Under any system, democracy, autocracy, or plain dictatorship, Punjab will always flourish because it is a split people. They can split themselves and render unto wherever is Caesor's that which may or may not belong to him, but make sure to keep to themselves what a shrewd people will regard as their right and from the sweat of their brow.

But even for Punjab times are changing, and fast, and we must make sure to reverse a process that set in fifty years ago, when the vigorous or the dissenters began to leave and went to China, California, Kenya and Coventry. If we don't get our talent from outside back, at least our new talent inside should stay because even that is still leaving us as fast as before. The numbers of managers, administrators, scientists and teachers, industrialists and businessmen —politicians we never exported —outside the Punjab are far more than within the Punjab.



Mr P.L. Tandon is chairman of Punjab National Bank and author of such best-sellers on Punjab as *Punjabi Century* and *Beyond Punjab*.

Punjab deserves more of those that it has spawned. Fortunately, our farming stock, that also began to leave after partition for the Terai and elsewhere, was still there in enough strength when the green revolution came. I do not think the rest of India really understands that given in full, ungrudged and unmeasured quantities, the inputs that Punjab needs, we could keep India well fed with wheat, rice, milk, eggs, poultry and potatoes. In fact, the rest of India might even consider accepting an injection of farming stock into its veins that could be enriched with agricultural, horticultural and dairying stock of Punjab as a catalyst.

But that is not our concern —to impose ourselves on others. My concern, as someone who was born in a Punjabi century of renaissance, has lived beyond Punjab for nearly half a century, and has now returned to Punjab is to suggest that the new Punjab revitalises and regenerates by itself with its own stock that left through necessity but should return through choice.

Punjab should therefore plan for itself, in its own style and for its own needs, a new kind of society, that while remaining India's "sword arm" that fought two wars and a massacre in two decades, now to build an updated Punjabi culture, industry and agriculture. In this our present political leadership has a role to play. It has the talent and strength to play it.

Industrially, we need to build not polyester plants but to encourage, at least for the next many years, industry that is a direct input into agriculture —trucks, tractors, scooters, power, fertiliser, pesticides, forge, foundry, tools and implements—everything that strengthens the sinews of agriculture. At the output end of agriculture, we need plants that will process and add value to what we sell at controlled, throw-away prices in return for non-controlled price-inflated goods; plants that will process maize into starch and cattlefeeds; wheat into bread and biscuits; dehydrate, can and freeze-dry vegetables, fruits, meat, and turn milk into powder, cream and ghee. And, of course, make barley into beer—that "new river of the Punjab".

Agriculturally, we have now the scientific skills that can breed new varieties of all foodgrains, wheat, rice, maize and millets, and there are scientists who have the advantage of coming from the soil and are still close to it. We can, I reiterate, by breaking our dependence upon "allotments" and making our inputs ourselves, easily bridge India's chronic nutritional gap.

I would urge our Punjabi leadership to indulge in some new thinking and strike out in some new directions. They are capable because they are of a vigorous kind. Punjab will continue to grow despite them but with them it could grow into a new phenomenon of India. Though I do hope too that in the process, if it is successful, Punjab will not lose its loveable characteristics, but its people will stay a Gemini; that they will somehow manage to stay a competent but contrary people; a people at their best in a crisis. We should put them on a crisis footing now.

Power crisis—reasons and remedies

GURBUX SINGH SIBIA

OUR COUNTRY has been in the grip of power famine for the last three years. There is acute power scarcity in almost all the states, both in the north and the south. Agriculture and industry which are the vital sectors of the economy have been badly hit. As a consequence there has been considerable fall in industrial as well as agricultural output.

Punjab is currently passing through a period of the severest power famine on record. There is 60 per cent cut on power supply to industries and almost 40 per cent cut on power supply to tubewells and other activities connected with agriculture.

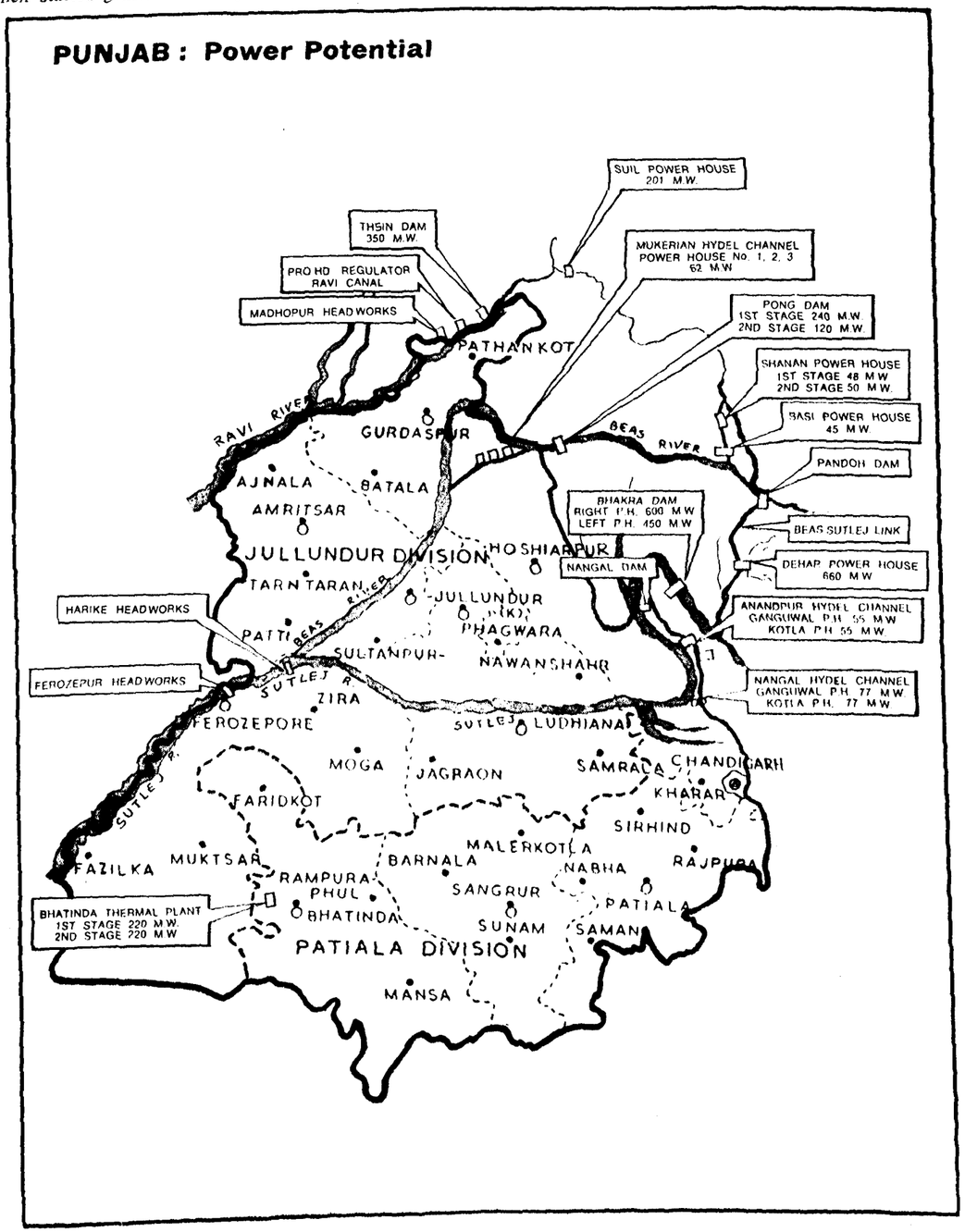
The total power generation in Punjab from all sources at present is approximately of the order of 5.60 million units per day. This power has to be shared for domestic, industrial and agricultural purposes. Although efforts are being made to increase power generation but even if Bhatinda thermal station is commissioned, the gap between generation and demand is bound to remain unbridged since Bhatinda plant, even if commissioned, will not be out of the wood for another four to six months.

In retrospect it can safely be said that although the country has been passing through the worst ever power famine in its history, no serious attempt has been made to go into its causes. It is surprising that although the power famine has been experienced for over three years, final decisions have still not been taken as to what should be done about it. Admittedly the state governments have much to answer for but even at the centre there has been considerable delay in the clearance of various power projects. Evidently there has been a failure to anticipate the nation-wide crisis which partly explains the present helplessness of the governments, both in the states and at the centre. It should not have been difficult to foresee that the prolonged drought would severely reduce hydro-electric generation. However, concrete steps were not taken to regulate the generation of power on the basis of limited water resources or to restrict non-essential consumption. In any case the drought explains only a part of the overall shortfall in power output.

The performance of many thermal stations has steadily deteriorated. The measures which could have prevented it, should have been encouraged if not enforced. It is apparent that no comprehensive plan to cope with the emerging crisis was framed. Towards the end of February 1973, Dr K.L. Rao, the then union minister for Irrigation & Power, told Parliament that the problem would be solved by "integrated approach" to remove the bottlenecks and he drew up a six-point plan in this connection. The situation has, however, deteriorated further.

The functioning of the Indraprasatha Thermal Station at Delhi has not been satisfactory since it was put on stream in 1968. The first unit was installed by a Japanese firm and it gave trouble. Units 2, 3 and 4 installed by an American firm became inoperative when their blades got damaged; the Fifth unit, an indigenous fabrication is also not trouble-free and it starts vibrating when it generates 35 MW power although installed capacity is 62.5 MW. If the Indraprasatha thermal power station had started producing power equivalent to its installed capacity, it would have been simple enough for Delhi to spare the Bhakra power for agricultural purposes both in Punjab and Haryana. Unfortunately this is not so and the precious Bhakra power, which was sold to Delhi under an agreement at a time when Punjab had not visualised its requirements, continued to be used in the capital for purposes which are not even remotely connected with agriculture.

Like the Indraprasatha thermal station at Delhi, the Badarpur thermal station, the construction of which was started in 1964, is still not in operation. Sometime back it was stated that this project would start supplying power in 1971. However, according to the reports available the trial runs which started generation of power in September 1973, are still going on and the power supplied from this prestigious thermal station has not only been erratic but the station has remained closed for days on end. Punjab was due to get 20 MW of power from this unit in the first stage but unfortunately although the erratic generation from this unit has been of the order of 1.8 million units per day, Punjab has not been able to get even 0.30 million units



Mr Gurbux Singh Sibia is the minister for Irrigation and Power in Punjab.

allotted to it by the government of India. This is due to the fact that the thermal station has not been functioning as it should have been.

The quality of a conventional plant built in India has always been unsatisfactory and the performance is also inadequate in terms of quantity. The only unconventional source which can be considered is nuclear energy. But in this field also after a promising start the nuclear power plant has received a setback by a variety of uncertainties. The Rajasthan power plant has still not come out of its teething troubles. In the immediate future, therefore, emphasis will have to be on conventional power generation. Simultaneously, with plans for expansion, there is an urgent need to improve the performance of existing plants. There is scope for more efficient production and for reducing losses, particularly in transmission. The most important of all, however, is better maintenance and timely repairs, failures in which have been a chronic cause of breakdown.

No early relief

It has been generally admitted that there is no chance of early improvement in power supply and it is being said that overall shortage may remain longer than forecast even now. The fourth Plan envisaged increase from 14.3 million kilowatts to 23 million kilowatts, but the figures that are now available indicate that the achievement had not exceeded 18 million kilowatts by 1973-74. Even the Planning Commission does not seem confident that the capacity can be increased to 40 million kilowatts by the end of the fifth Plan. However, whatever the targets finally set, it is necessary that the relevant projects be decided upon without any further delay. It may take more than five years to complete a large power project. If manufacturing orders were to be placed in time, the decision regarding erection capacity, design and other features should have been taken much earlier. There is no evidence that the exercise has begun even now.

According to expectations and the plans in hand, the generation capacity during the fifth Plan period is likely to be increased as indicated in Table I below. This is, of course, subject to the condition that the various generation schemes are started and completed according to the schedule.

Out of the total expected generation of power Punjab's share will be approximately 1100 MW. According to a load survey carried out by the Punjab State Electricity Board the demand and availability during the various years will be as given in Table II.

Power gap

While computing figures given in this table the expected generation as indicated in Table I has been taken into account. It is apparent that even at the end of the fifth Plan theoretically the gap between demand and generation will be of the order of 148 MW. It can be argued that this gap is a very small gap and should not, therefore, cause any concern to planners. However, as already indicated the various schemes mentioned in Table I are not likely to be completed by the end of the fifth Plan. The Beas Project Unit No. I, which was supposed to be complete by 1976, has already been delayed by two years as is apparent from the various press reports. The Beas Project Unit No. II, stage I, which is anticipated to be completed by 1977-78, is still in the blueprint stage. Guru Nanak thermal plant at Bhatinda was commissioned in September 1974, but steady generation from the same is not likely to be on stream by the middle of 1975. Work on Shanam Extension, Anandpur Hydel Scheme, Mukerian Hydel Project and UBDC Hydel Project Stage II is still in the project formation stage. These projects have still not been cleared finally and work is still to start thereon. With the steady rise in price the costs of these projects are likely to increase manifold and with the resources not being sufficient, these projects cannot be brought to completion by the end of the fifth Plan. The Suil and Salal projects, on which work was started many years back, are reported to be far behind schedule, and it does not seem feasible that these will be completed by the end of the fifth Plan.

The gap between generation and demand by the end of the fifth Plan will, therefore, be very wide, unless drastic steps are taken to complete the short term projects which, subject to the availability of requisite funds and subject to the availability of turbines from Bharat Heavy Electricals, can be completed in a short time. These schemes are:

1. Shanam Extension.
2. Anandpur Hydel Project.
3. Mukerian Hydel Project.
4. UBDC Hydel Stage II.

These power projects in themselves can generate 267 MW of power which can give considerable relief to Punjab. These pro-

TABLE I

Generation Capacity During Fifth Plan

Sr. No.	Name of Project	Expected date of commissioning	Installed capacity in MW
1.	B. P. Unit-I	75-76 76-77	4×165=660
2.	B. P. Unit-II	76-77 77-78	4×60=240
3.	GNTP	74-75 75-76	2×110=220
4.	GNT Extension	76-77 77-78	2×110=220
5.	Shanam Extension	78-79	1×50=50
6.	Anandpur Hydel	78-79 79-80	4×27.5=110
7.	Mukerian Hydel	78-79 79-80	3×15=45 1×17=17
8.	UBDC Stage II	78-79 79-80	3×15=45
9.	Suil	77-78	3×67=201
10.	Salal	78-79 79-80	3×115=345
11.	BP Unit II Stage II	78-79 79-80	2×60=120

TABLE II

Demand and Availability of Power 1974-79

Year	Maximum demand (MW)	Power available (MW)
1974-75	800	476
1975-76	920	604
1976-77	1058	768
1977-78	1217	1145
1978-79	1400	1252

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THANA (Maharashtra)

3. Sujata Textile Mills, Nanjangud
(Karnataka)

4. Bharat Commerce & Industries Limited
RAJPURA (Punjab)

Regd. Office :

Surya Kiran, 5th Floor, 19, Kasturba Gandhi Marg, NEW DELHI-110 001

iects can be completed quickly provided they are given high priority and are cleared expeditiously and work on them is allowed to be commenced.

The time has come when it is absolutely essential to give the highest priority to short-term projects which may give immediate relief rather than the long-term projects which may take years to complete, and by which time price escalation may make them economically non-viable.

Increased production which is closely linked with enhanced power generation, is an inescapable necessity for us if we are to survive as a self-respecting nation and convert the slogan of 'garibi hatao' into a reality. Although much has been done but much more still remains to be done and it is, therefore, necessary that the power generation projects should be given the highest priority besides revitalising and reorganising the electricity boards which are the fountain-heads for the execution of power projects in the country.

Industry minus power equals dismay

R. L. TOSHNIWAL

AT PRESENT, the foremost problem facing industrial units in Punjab is shortage of power. Unless the supply of power is adequately increased, there is little prospect of this state making any significant progress in the sphere of industry.

Both agriculture and industry depend on power. The importance of agriculture in Indian economy cannot be denied and it should be accorded top priority, but the industry in Punjab which is progressing despite all the odds is being denied its proper share. No mineral wealth, no big plants, but still the per capita income in Punjab is the highest. The entrepreneurial spirit of Punjab is being curbed by denying the industry its legitimate share in power.

Acute shortage

When there is acute shortage of power a proper balance has to be maintained between agriculture and industry because they are two wheels of a carrier on which the economy runs. Both wheels have to be run at the same pace so that economy is not disrupted at any time. To think of running the economy only on one wheel is fraught with dangers.

New connections have been issued to power-based industries such as mini-steel plants when there is awareness that the present power supply is not sufficient even to feed the established installed capacity. There does not seem to be any logic for issuing any new licence. It is criminal waste of resources available to the nation.

If there is any justification for a cut in the supply of power up to 75 per cent, I do not know how the government of Punjab as well as the government of India propose to cover this gap. Is another Bhakra coming up? What steps are being taken to cover the present gap and also to provide for future expansion in agriculture and industry? It seems that the state will be threatened with power shortage perpetually, unless something is done immediately on a war footing.

The demand for power for agriculture also is a continuous one. Currently, power is needed for irrigating the paddy crop. When it is harvested, then ground will have to be prepared for the rabi crop. The wheat crop in the rabi season will also need water. To come to the conclusion that the supply of power could be alternated between industry and agriculture is a misconception because agriculture and industry will need power supply simultaneously.

Captive plants

In the short run, this problem can be tackled by allowing the establishment of captive plants. In the case of big textile units, this is a must. Small thermal plants will be fruitful in the case of textile units.

The problem of shortage of diesel perhaps is beyond the capacity of this country to solve. Therefore, it will be in the national interest to initiate the setting up of thermal plants. The centre or the state should make funds available for this. These funds should be returnable within 7 to 8 years. For the supply of power to a large number of small units, a co-operative thermal plant will be of great assistance. These thermal plants can be set up speedily provided this work is entrusted to the private sector. To set up an additional plant of the size of the Bhatinda Thermal Plant will not only involve extensive expenditure but will also take a lot of time. The thermal plants which will suit the industries in Punjab are of small size with 1000 to 2000 KW power.

Crash programme

These plants should be spread over a large area so that the problem of transport of coal does not assume alarming proportions. Provisions should be made to set up these plants during the next 10 to 15 years during which period the smaller units will have fully depreciated. The industry does not have the capacity to setup plants of 2000 KW. Financial assistance will be needed and the government should come forward liberally in this regard.

There is no doubt that given the option, no industrialist will like to come over to Punjab and set up industrial units because of the perpetual power shortage. The only feasible solution of this problem is to encourage the establishment of small thermal captive plants in order to tide over the short-term power scarcity. The prime minister and the Irrigation minister at the centre should accord the highest priority to the setting up of power plants. For setting up small power plants, the government will have to issue licences for the import of turbines. It will certainly mean expenditure in terms of foreign exchange but it will also bring about a saving through reduced imports of petroleum. Expenditure of about Rs 400 to 500 crores at this time will save considerable loss in production.

Cheap labour

Punjab has been lucky in this respect that its sturdy labour is not as costly as in some of the other states. It is true that per capita income in Punjab is the highest yet, the wages of labour in this state are not the highest. Industrial labour here comes from rural areas; they work partly on the farm and partly in the factories. They are satisfied with the low wages because they tend to supplement their agricultural income. The industrial wages in Punjab are low as compared to other states. Looking at the prevalent industrial wages, this is a plus point for the establishment of new industries in the state. Moreover, industrial relations in Punjab are not too bad. By and large, the bilateral relations between employers and the employees are on a healthy level. The OCM unit with 2000 workers at present is running without a labour union. The workers committee and the management sit together to sort out all their industrial problems.

Why labour in Punjab takes a responsible posture is that the food problem is less acute in relation to other states. Even at the prevailing wages, the consumption standard is far better than that of workers in other states. However, for industrial labour which has no agricultural support, the times are very hard. Till last year, wheat was available at Rs 100 a quintal. Within six months, the price of wheat has jumped to Rs 250 a quintal. This certainly causes a lot of distress. The OCM has evolved a system of providing assistance to its employees. The canteen here is subsidised by the management. Here, bread is being supplied for 5 Paise each, meals i.e. lunch for 25 paise; a cup of tea costs here not more than 5 paise. This causes a loss to OCM of Rs 30,000 to 40,000 a month but the management thought it was worth it. This assisted people here who lived on the margin as they were free to take their lunch as well as dinner at 25 paise each.

However, under the new ordinance whatever increase in dearness allowance is allowed, cannot be passed on to the worker in cash. Half of it will have to be deposited in his account. This is likely to create hardships for the low-paid workers and might lead to some industrial unrest in Punjab. I believe that in the case of low-waged worker, there is no justification for impounding 50 per cent of the increment in dearness allowance. If this ordinance was made applicable in the case of those who earn more than Rs 500 a month, there was some justification.

During the past two years I have been associated with OCM, the unit has not only progressed, it has been a fruitful association for myself as well. It threw up challenges which I met through increased production. Its total production used to be worth Rs 3.8 crores and I propose to take it up to Rs 11 crores this year.

I know difficulties will continue cropping up but we will be able to face them. Our country has seen the emergence of a new entrepreneurs' class in recent years. The trader of yesterday is the entrepreneur of today. He is inclined to do something new. It is this spirit which is likely to open up new gates for expansion in the coming years. Surely it will be necessary to overcome the current bottlenecks but then there is no cause for any undue dismay.

Irrigation network in Punjab

BALRAM JHAKKAR

PUNJAB HAS a predominantly agricultural economy. About 75 per cent of the population depends on land. The population is also increasing rapidly. It is, therefore, vital that agricultural output in foodgrains is stepped up to meet the ever-increasing requirements. This can only be achieved by intensive cultivation of land which cannot be adequately attained without assured supplies of water. Irrigation, therefore, continues to be the prime necessity for sustaining the economy of this border state.

The less expensive and more profitable irrigation schemes were implemented in the early stages during the past 100 years. The task of development and utilisation of water resources on a planned scale began only after the country achieved independence.

Phenomenal progress

Punjab, the one-time granary of India, was a deficit state in 1947 when a major part of it became a wing of Pakistan. Due to various political and socio-economic reasons, the major development of irrigation had been undertaken by the Britishers mainly in West Punjab the portion which is now a part of Pakistan. The truncated and dismembered East Punjab had only four dilapidated canal systems which depended on such headworks as were primitive in design and could not be considered efficient enough to enable diversion of supplies to canals up to the extent necessary. The headworks at Madhopur and Ropar were open- weirs and there was, thus, little or virtually no control over the vagaries of the rivers Ravi and Beas.

Migration problem

The problems that were created by the large scale migration of population became manifold when it was found that large areas of land were devoid of irrigation facilities and, thus, people who had migrated from rich and fertile lands in the canal areas of West Punjab, could not be expected to remain satisfied and content with their lot for long under such conditions. Something, therefore, had to be done and that also quickly if the sufferings and misery of a vast section of humanity had to be removed.

In the years immediately following the partition of the country, a network of new canals known as the Bhakra canals was constructed. The existing headworks at Ropar was converted into a barrage. A new barrage was constructed at Harike to replace the vulnerable headworks at Ferozepur. A link known as Sirhind Feeder taking off from Harike was constructed. In the Bari Doab Tract, the headworks at Madhopur was converted into a barrage, and a link known as the Madhopur Beas Link, for transferring the Ravi waters to Beas, was simultaneously complected.

Dream to reality

After great persuasion the government sanctioned the Bhakra Dam project and the work on this gigantic project was pushed with great speed and vigour. The task of converting a dream into reality and the blue-prints into blue lakes was accomplished in 1962-63. The construction of Bhakra Dam and the acceptance of the scheme as such by the government brought to the forefront the basic realisation that creation of waters and consequent creation of irrigation potential by storage was a must if the ideal of a welfare state was to be achieved.

The work on the Beas Project both Unit No. 1 and 2 was taken up in 1960. This project comprises two units called Beas Project Unit No. 1 and Beas Project Unit No. 2. The Beas Project Unit No. 1 envisages the diversion of Beas waters through 16 miles long tunnels discharging into the Gobind Sagar reservoir fed from the river Sutlej. During the diversion the water available due to the topography of the country will be used for generating 660 MW of power by constructing a power house at Dhahar in Himachal Pradesh. The Beas Project Unit No. 2 envisages construction of a dam at Pong, providing a total storage of 5.3 MAF of water and simultaneously generating a total energy of 900 MW of power in stages I & II.

Reorganised state

The state was reorganised on November 1, 1966, and the present state of Punjab was created. The total area of the reorganised state is 12.42 million acres out of which the culturable area which ean be brought under command of both canals and tubewells is 11.06 million acres. The area under irrigation in 1947 belonging to the reorganised state was 2.8 million acres. At the end of 1967, this was raised 5.025 million acres. The area being irrigated from canals and tubewells as at present is 5.6 million acres. Thus the irrigation intensity

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being achieved is only 51 per cent.

Such a low percentage of intensity of irrigation is due to insufficient quantity of river waters available to Punjab. The total water being utilised at present in Punjab is of the order of 11.931 MAF. The additional requirements of water to attain the pattern of Bhakra-Nangal project area which envisages a water allowance of 3.5 Cs, per thousand acres and an intensity of 62 per cent works out to 5.700 MAF. The total requirement of water to attain the pattern of Bhakra Nangal area thus works out to be 16.929 MAF which would give an intensity of 62 per cent. In case, however, the state wants to increase production, it would be absolutely necessary to increase the intensity to 100 per cent in which case the requirement of water would work out to be 25.361 MAF.

The total water of Sutlej, Beas and Ravi which would become available after the storage of these river waters is completed will be as below:

1. River Sutlej	..	12.81 MAF
2. River Beas	..	12.65 MAF
3. River Ravi	..	6.33 MAF
		31.79 MAF

Unfortunately, a major part of the water of all the three rivers has already been allocated to Rajasthan and Haryana. According to the present allocations, Punjab is entitled to 16.62 MAF of water but even out of it Haryana is claiming an additional share. It would be apparent that even if the entire waters are utilised in Punjab, it would still not be possible to attain an intensity of 62 per cent for all the areas in the state and it will also not be out of place to mention that even this quantity will be available only after Thein Dam is completed and the storage on river Ravi starts. Till then, even this intensity cannot be achieved.

It is gratifying to note that storage on the river Beas had already started. This will provide rabi irrigation to an additional area of approximately 300,000 acres which was previously being fed only from non-perennial sources. This area is located along the borders of Pakistan and it is the responsibility of the government to ensure that this area is developed as quickly as possible.

The interest of Punjab demands that the construction of Thein Dam on river Ravi should be taken up immediately so that its waters are harnessed to meet the growing and immediate demands of water in the state. It is indeed paradoxical that for various reasons this project has not received clearance either technically or otherwise, although Ravi waters stand withdrawn from Pakistan as from March, 1970.

As is well-known, India has secured the total rights over the waters of Sutlej, Beas and Ravi by paying a compensation of nearly Rs 100 crores in foreign exchange to Pakistan and it is, therefore, in the national interest that not a single drop of water of river Ravi should have been given to Pakistan after the end of the treaty in March, 1970. However, the fact remains that this important project has not yet started and keeping in view its gigantic magnitude, it will not be possible to complete it in less than 8-9 years. Till such time, therefore, as the waters of river Ravi can be stored, Punjab will continue to suffer due to its inability to fully utilise the Ravi waters which can become available only after storage facility is completed.

Punjab's entire economy is linked up with its irrigation system and the canal network. In spite of the fact that the people of Punjab had to face two attacks from Pakistan, one in 1965 and the other in 1971, they have not allowed their economy to be shattered. Today, the per capita income in the state is the highest in the country. While this may be due in some measure to the extensive irrigation programmes taken up in the state, but the major contribution in the building up of this economy is that of the Punjab peasant who is known for his hard work. Punjab's contribution to the central foodgrains pool has been the highest in the country. In 1970-71, Punjab's contribution was approximately. 3.002 million tonnes to the central pool. In 1971-72 and 1972-73, Punjab's share in the central pool was 4.181 million and 4.361 million tonnes respectively. In 1973-74, the contribution was 4.179 million tonnes. The effort of every Punjabi is to maintain Punjab's reputation as the 'bread basket' of India. In spite of the shortages of fertilisers, diesel and other important inputs, Punjab is struggling to attain its food target.

LOOK

AT OUR PROGRESS

(Rupees in lacs)

	1966	1974
No. of Branches	66	225
Owned Funds	570	2750
Deposits	1845	9085
Loans advanced	2000	12380

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Amarjit Singh

General Manager

Punjab state tubewell corporation

M. M. ANAND

IRRIGATION HAS been the mainstay of Punjab's economy, prosperity and development. The gross area of the state is 12.42 million acres out of which the culturable commanded area (CCA) is only 11.0 million acres.

It was anticipated that by the end of the fourth Plan, i.e. in 1973-74, an area equivalent to 5.6 million acres would be provided irrigation facilities both from the canals and government tubewells annually. An irrigation intensity of 50 per cent would thus be achieved on the basis that the CCA will be the same as the culturable area.

Still more

There are three rivers namely Sutlej, Beas and Ravi from which the state can get waters for irrigation. While the river Sutlej has been fully harnessed by the construction of the Bhakra Dam, partial storage on river Beas has begun during the current year. The work on the proposed Thein Dam is likely to be started in the near future and the supplies of river Ravi are likely to be harnessed by about 1980. Unfortunately, however, a major portion of the available waters of the three rivers has already been allocated to the states of Haryana and Rajasthan and more are likely to be allocated out of 7.2 MAF which were allocated to the erstwhile state of Punjab from the stored waters of Ravi and Beas. Due to the allocation of a major portion of the waters of the state's rivers to the adjoining states, the intensity of irrigation will not improve beyond 60 per cent even after full exploitation of all the river waters, both "Flow" and "Stored".

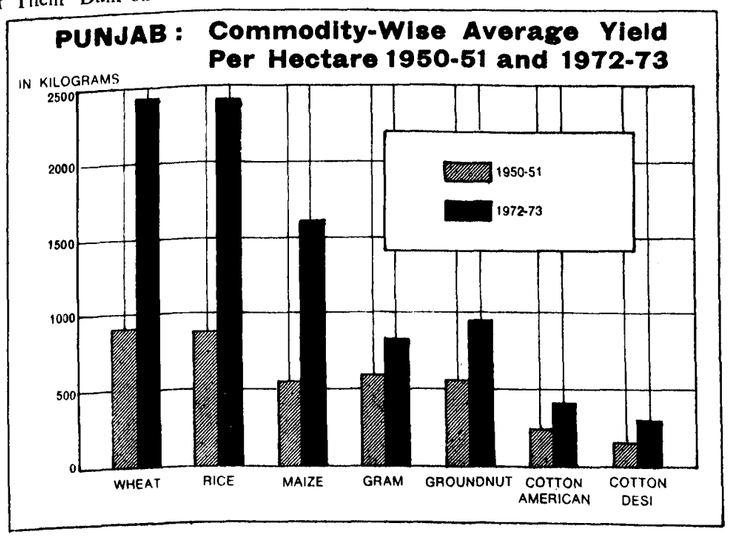
With the introduction of new cropping patterns and extensive use of chemical fertilisers, the requirement of water for crops has considerably increased. The population is also increasing at the rate of 3.1 per cent per year and to meet the full requirements, it will be necessary to exploit other available sources of waters. The state is, therefore, left with no choice except to exploit the underground waters on the one hand and take all possible steps to save and conserve the waters which are at present being lost through seepage, both in the distributaries and in the field channels, on the other.

In 1970, it was assessed that even after the construction of Thein Dam on river Ravi, the intensity of irrigation could not be increased beyond 52 to 55 per cent. It was also realised that since irrigation was the vital requirement of the state, other sources of water had to be tapped if the 'Green Revolution' was to be extended further. The only other source of water is the underground reservoir. According to rough estimates, approximately three to four MAF of underground water could be safely exploited for providing irrigation to areas hitherto un-attended and thus extend the 'Green Revolution'.

Punjab is probably the first state where scientific studies for the correct assessment of the underground potential available were taken up on a proper basis. It was also realised that in order to exploit three to four MAF of underground water, funds required will be colossal and could not be made available from government sources. It was against this background that a decision was taken in 1970 to create the Punjab State Tubewell Corporation for exploiting the underground waters in the state by attracting institutional finances.

The corporation was incorporated under the Companies Act in December, 1970 but much headway could not be made till March, 1971 when a part of the equity capital was released by the state government. During 1971-72 a project for the installation of 300 deep tubewells along Sirhind canal was taken up. This project was framed to create water to the extent of 600 cs. which could be fed into Sirhind canal for augmenting supplies thereof and thus increasing the intensity of irrigation in the arid areas of Bhatinda and Ferozepur

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districts. It was felt that if the present supplies could be augmented by tubewells, considerable relief could be provided to those areas. Simultaneously work was also started in the Kandi areas and schemes for providing 50 tubewells in Saroya block and another 50 tubewells in Bajwara block were approved by the board of directors.

New schemes

5. In 1972-73, besides the above projects on which work was started in 1971-72, work on the following schemes was taken up with the funds provided by the government of India under the Emergency Agricultural Production Programme:

(i) Installation of 40 tubewells in Kharar-Sialb-Majri-Ropar Block. (ii) Installation of 30 tubewells in Dera Basi Block. (iii) Installation of 30 tubewells in Balachaur Block.

All these blocks are located in the Kandi areas where it is not possible for the cultivators to instal shallow tubewells.

The primary objective of the corporation is to provide irrigation to those areas where the irrigation intensity at present is zero and it is not possible for the cultivators to instal tubewells themselves. It is for this reason that the government has given the highest priority to installation of deep tubewells in Kandi areas located along the foothills of the Shivaliks where the water table is very deep and it is not possible for private enterprise to instal shallow tubewells. During 1971-72 and 1972-73 work was pushed up with speed in spite of the initial handicaps such as lack of equipment etc. By the end of July, 1973 almost 400 tubewells had been drilled. However, these tubewells could not be commissioned as they had not been developed for want of development equipment, nor had the underground pipelines been laid due to the shortage of pipes. In order to create irrigation potential quickly it was decided to complete these 400 tubewells in the first instance in all respects and commission as many as possible so that maximum potential could be created. Up to the end of July, 1974, 280 tubewells out of 400 drilled tubewells had been completed in all respects, while 150 had been energised and put into operation. The potential thus created was of the order of 112,000 acres, while the potential actually utilised was of the order of 60,000 acres. The delay in energisation is due to lack of equipment with the PSEB which is, however, doing its best to energise almost all the tubewells in the shortest possible time.

It is anticipated that by the end of 1974 more than 350 tubewells would be in operation thus providing a potential of 140,000 acres.

Fully equipped

Today, the corporation is equipped with a fleet of drilling rigs which are suitable for drilling in alluvial soil and also hard strata encountered particularly in Kandi areas. Simultaneously, the corporation has a fleet of development units suitable for developing tubewells in different stratas. The corporation has also established its own workshop at Doraha where it undertakes repairs and overhauls of machinery besides manufacturing such equipment as is required by it for the installation of tubewells.

In the fifth Plan period, it is proposed to instal approximately 2,500 tubewells at the rate of 500 tubewells per year as given in Table I.

It is hoped that with the construction of these tubewells an additional quantity of 4500 Cs. of water will become available which will bring an additional area of approximately one million acres under irrigation. It is the intention of the government to augment supplies in Khara Maja area of UBDC and in Abohar and Fazilka areas where the water is saline and tubewells cannot be installed. The tubewells proposed along river Ravi will feed the Khara Maja area, while the tubewells along Sirhind Feeder, Ferozepur Feeder and in the Bet area between Ferozepur and Harike will increase the supply of waters to Abohar and Fazilka areas. Similarly, tubewells along Bhakra Main Line and Narwana Branch are intended to serve the areas of Sangrur and Bhatinda districts. As far as the other blocks are concerned, only those blocks have been taken which are located in the backward areas and Kandi areas.

Punjab has virtually come to the end of its water resources and even after full utilisation of groundwater potential, the intensity can hardly be increased beyond 55 to 56 per cent.

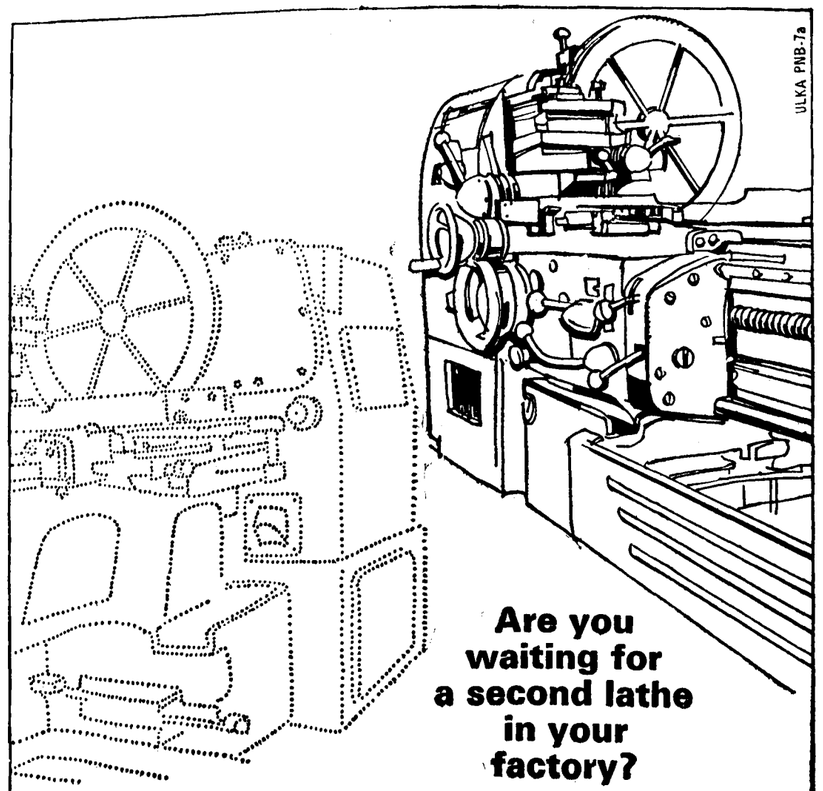
According to the present needs of the country and keeping in view the fact that in more advanced countries an irrigation intensity of 200 to 300 per cent has already been achieved, it is necessary to exploit other sources for the creation of more waters without which the economy of the state may not be able to make much headway.

Loss through seepage

It has been estimated that about 30 per cent of the water is lost through seepage in the field channels. Working on the basis that the total quantity of water being used by the state through various outlets of the irrigation channels is approximately of the order of 9 MAF it can safely be assumed that if all the watercourses in the state are lined, there will be a saving of approximately 3 MAF of water which can provide irrigation to an additional area of approximately 1.7 million acres, thus adding 2.6 million tonnes to foodgrains production. However, lining of all the watercourses in the state is a venture which cannot be completed in a short period as funds required for the same will be colossal. The Agricultural

TABLE I

	Numbers
1. Direct Irrigation Tubewells:	
1. Sinking of tubewells in Dera Bassi Block, Phase II ..	35
2. Sinking of tubewells in Hoshiarpur Block ..	66
3. Sinking of tubewells in Rajpura Block ..	70
4. Sinking of tubewells in Bhunga Block ..	92
5. Sinking of tubewells in Kharar-Sialba-Majri-Ropar Block, Phase II ..	48
6. Sinking of tubewells in Balachaur Block ..	20
7. Sinking of tubewells in Nurpur Bedi Block ..	50
8. Sinking of tubewells in Anandpur Sahib Block	39
Total	420
2. Augmentation Tubewells:	
1. Sinking of tubewells along river Sutlej from Harike to Ferozepur ..	300
2. Sinking of tubewells along river Sutlej from Ferozepur to Fazilka ..	500
3. Sinking of tubewells along Sirhind Feeder	80
4. Sinking of tubewells along Ferozepur Feeder	100
5. Sinking of tubewells along Bhakra Main Line	200
6. Sinking of tubewells along Narwana Branch	100
7. Sinking of tubewells along river Sutlej from Ropar to Harike	400
8. Sinking of tubewells along river Ravi ..	400
Total	2080
Grand Total	2500



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Refinance Corporation has already accepted in principle the urgent need for taking up this work.

The total length of watercourses to be lined is of the order of approximately 30,000 miles. The cost for this will be about Rs. 100 crores. It is significant that while this cost will be only Rs 100 crores and will create waters to the extent of 3 MAF the cost of constructing the Thein Dam will be approximately one and a half times, while the live storage for irrigation will be only of the order of 1.0 MAF. It is, therefore, obvious that the cost benefit ratio in this case for the creation of water by lining canal water courses is far better. However, the entire Rs 100 crores cannot be arranged in the next five years. It is, therefore, proposed to restrict lining of watercourses to the tune of Rs 15 crores during the fifth Plan period by incurring an outlay of approximately three crores of rupees per year. This will enable lining of approximately 900 miles of watercourses per year, making the total length lined as 4,500 miles in the fifth Plan. This in turn will create water to the extent of 0.5 MAF thus increasing the area under irrigation by 300,000 acres adding 450,000 tonnes of foodgrains worth Rs 50 crores. It is obvious that the return is 3½ time in terms of value of foodgrains as compared to the capital invested.

The priorities for taking up the work of lining of watercourses have been fixed keeping in view two factors namely:

(i) Areas where absorption is high due to the sandy nature of soil; and (ii) Areas where underground water is not available.

Such areas have been given the highest priority for taking up the work of lining of watercourses and on this basis the work is proposed to be started in the districts of Bhatinda, Ferozepur, Sangrur and Faridkot. On April 13, 1974—the New Year Day in Punjab — a massive programme of lining the watercourses was launched by the chief minister, Punjab, at Dam Dama Sahib near Bhatinda. Simultaneously, the schemes were inaugurated at Ferozepur on April 15, and Sangrur on April 16, 1974. The various schemes which have been drawn up for this purpose are given in Table II. The names of banks which have agreed in principle to sponsor these schemes have also been indicated. The corporation is indeed very grateful to these Banks namely, Punjab National Bank, the New bank of India, the Punjab & Sind Bank and Central Bank of India for having agreed in principle to sponsor these schemes subject to their clearance by the ARC.

The total length of watercourses to be lined on these channels works out to 2,720 kilometres.

The schemes mentioned above have been accepted by the technical experts of the ARC who visited Punjab during the months of August, 1974. Simultaneously, the economic experts of the ARC are evaluating the economic viability of the schemes and it is hoped that these schemes will be cleared in the very near future.

For the first time since its formation, the corporation has started earning revenue from the sale of water. The tubewells along Sirhind Canal which have been installed for purposes of augmentation started operating in the middle of January, 1974. Up to the end of August, 1974, the corporation has earned Rs 246,000 approximately by the sale of water from these tubewells. Simultaneously, tubewells which have been installed in Dera Bassi Kharar-Sialba-Majri-Ropar and Balachaur blocks started operating in February, 1974 and up to the end of August, 1974 the total revenue earned from these tubewells was approximately Rs 42,366. Although these figures are insignificant, but they are an index of the fact that the corporation which started from scratch has now started showing results.

During 1974-75 the corporation has repaid loans and interest to the various banks to the extent of approximately Rs 6.8 crores. The corporation which was established in December 1970, has now come of age and is fully equipped to take up works not only in Punjab but also outside the state wherever its services may be required.

TABLE II

Name of scheme	Estimated cost (Rs crores)	Name of the sponsoring bank
Sangrur District		
1. Lining of watercourses of Sheron disty. of Kotla branch	13.902	The New Bank of India
2. Lining of watercourses of Sangrur disty. of Kotla branch	4.248	-do-
Ferozepur District		
1. Lining of watercourses of Malukpur disty. of Abohar branch	29.020	Punjab National Bank
2. Lining of watercourses of Panjwa disty. of Abohar branch	13.738	-do-
Faridkot District		
Lining of watercourses of Faridkot disty. of Sidhwan branch	15.852	Punjab & Sind Bank
Bhatinda District		
Lining of Phul disty. of Bhatinda branch	21.1	Central Bank

The Punjab State Cooperative Land Mortgage Bank Ltd.

CHANDIGARH

A Bank of Farmers

Its affiliate 42 Primary Cooperative Land Mortgage Banks advance long-term loans for :

i) Sinking of wells
ii) Installation of tubewells and pumping sets
iii) Purchase of tractors and other heavy machinery
iv) Levelling and reclamation of land
v) Construction of surface and underground channels
vi) Construction of go-downs, cattle-sheds and tractor-sheds.
vii) Purchase of land and redemption of mortgages in the State of Punjab.

The Bank is executing special area development schemes with the refinance facilities of the Agricultural Refinance Corporation for the installation of tubewells, water management, land levelling, cultivation of grapes, tractors etc.

The Bank accepts fixed deposits at fine rates for one year and two years.

Secretary

Punjab and its problems

M. K. MOHTA

IN SPITE of about four years of political instability following the repartition of Punjab in 1966, the state has once again regained the tempo of accelerated economic and industrial progress. The Green Revolution in wheat production has increased the reputation of this north-western state as granary of the entire country. But the scope for exploitation of the land and of the excellent human resources in agriculture is rather limited and the economy of this border state cannot be raised exclusively on agricultural prosperity. There has to be balanced development of agriculture and industry; otherwise it would be difficult to maintain the rate of progress even in the agricultural field. The continued economic growth of the state requires the deployment of production capacity in a variety of fields, i.e., simultaneous investment in mutually complementary sectors.

Industrial progress

In the agricultural field Punjab is the biggest single contributor to the food kitty of our country; but on the industrial front, it is far behind the industrialised states. By this I do not mean that there has been no progress in this sector, but comparatively the state of Punjab is backward in this regard; the rate of per capita value added by manufacture for Punjab is 25 per cent less than the all-India average. The percentage of population employed in industries in Punjab is not only stagnant but actually declining. A good progress was achieved during the early sixties and today the state has about 37,000 registered small-scale units besides a good number of medium and large-scale industries. There are five projects in the joint sector of which four—tractors, steel billets, TV sets and dry cell batteries—have gone into production. Production in two fertilizer plants and one vanaspati factory in the cooperative sector have also started. A fertilizer plant costing Rs 137 crores is also being set up in the state at Bhatinda. Besides a scooter factory will soon come up at Nabha. The most happy and welcome feature for the industrial community is the commissioning of Bhatinda Thermal Power Station which has started the generation of about 500,000 units of electricity since mid-September.

The assessment of the economic development of the state can be had from the estimate of per capita income. The per capita income of people of Punjab in 1961 was Rs 374 which rose to Rs 995 in 1970-71 and finally it has touched Rs 1054 at current prices. This definitely shows an improvement in the standard of living of the people in this state. It is worthwhile mentioning in this context that the major contribution to the state is from primary sector i.e. agriculture, animal husbandary, forestry, etc and the contribution to the state income from secondary and territory sector is of marginal importance.

Focal points

The industrial units are dispersed throughout the state. The important centres are: Ludhiana, Amritsar, Batala, Bhatinda, Rajpura, Jullundur, Goraya and Patiala. Substantial growth of industries has been observed at three focal points which have been located in Dhandri near Ludhiana, Rajpura near Patiala & Mohali near Chandigarh. The cities of Amritsar, Ferozpur and Batala have been declared as border focal points by the state government for providing stability to these areas.

The industries of Punjab are today manufacturing agricultural implements, machine tools, auto parts, cycle and cycle parts, electrical goods, hosiery, sewing machines and various other items. The Punjab units which exported goods worth Rs 10.11 crores in 1967-68 had reached a figure of Rs 31.10 crores during 1972-73. The bulk of these goods came from hosiery, cycle parts, sports goods, pipe fittings, hand tools and machine tools and a major part of the contribution was from the small-scale sector. The products of industries of Punjab are capturing the most sophisticated markets of the world such as the USA, the UK, Canada, West Germany, New Zealand, Japan, the Netherlands, Denmark besides the Afro-Asia countries.

The industry in Punjab suffers from certain inherent disadvantages such as long distances from sources of supply of vital raw materials such as coal and steel, inadequacy of credit and other financial inputs, inadequacy of power, long lead to markets and ports etc. Due to historical reasons there is a preponderance of medium and small-scale units.

Mr M. K. Mohta is the chairman of Punjab, Haryana & Delhi Chamber of Commerce & Industry.

BHARAT COMMERCE AND INDUSTRIES

P.K. Jain

The nationalisation of aviation business by the government of India in 1953 resulted in the change-over of Bharat Airways Ltd. into Bharat Commerce & Industries Ltd. (BCIL) with spinning of staple and synthetic yarn as its chief activity. It has four units in this country, one each at Thana (Maharashtra), Nanjangud (Mysore), Nagda (Madhya Pradesh) and Rajpura (Punjab). The total capacity of all the four units is 117,336 ring spindles and 47,156 doubling spindles; the unit at Rajpura has 25,080 ring spindles and 5,200 doubling spindles.

The partition of the country in 1947 caused the migration of thousands of refugees to Punjab. In order to rehabilitate them, an industrial estate came up in Rajpura. BCIL decided in 1963 to contribute its share in the development of the state and the absorption of the refugees by setting up a spinning unit at Rajpura. The unit came up in record time and went into production in 1964.

The important role currently being played by the Rajpura unit of BCIL can be gauged from the fact that it caters for the needs of Punjab upto 75 per cent in cotton and staple yarn. In the initial stages, 12320 spindles were installed which were increased by 13,000 spindles (taking the total capacity to 25,320 spindles) keeping in view the rising demand of yarn by weavers of this state. Yarn of all counts is manufactured in the unit.

The annual production of the unit is equivalent to five million kg. Besides income tax, the Rajpura unit yields revenue to the government equivalent to about Rs 16 lakhs per annum in the form of excise duty and sales tax. The unit employs 2,000 workers. BCIL is willing to expand its capacity further provided the state government takes up the matter with the centre for releasing the requisite licence.

Mr P. K. Jain is vice-president, Bharat Commerce & Industries, Rajura, Punjab.

in this region and there are not enough industries in the large-scale sector around which supporting ancillary units could be built. To keep pace with the rapid technological development as also to contribute substantially to the state's economy and the national economy as a whole industries in this state particularly engineering, cotton textiles, woollens and hosiery need to be geared to raise their level of output through modernisation and capital repairs.

The state does not lack entrepreneurs, skilled labour and hard working people. In spite of these positive trends and strong rational characteristics of Punjabis, the big industrial units in the private sector do not find the land attractive for new ventures. They find this border state risky which has already witnessed three confrontations with Pakistan after independence. The industry in Punjab specially in the private sector has been facing a large number of problems for the last few years. There is strong need for examining the urgent requirements of the industry of the state which are groping in the dark due to the lack of basic infra-structure suitable for the proper industrial development of the state. During the last two years, the industrial production of the state has touched a new low. Unemployment among industrial workers is rising and the situation has been further worsened by the severe shortage of power. The workers are victims of lay-off and there is an apprehension of deterioration in the law and order situation in the state unless appropriate measures are adopted to remedy the situation.

During the current year when the demand for annual energy is 4449 GWh, the availability is only 3550 GWh; the position is not likely to improve much in spite of the commissioning of the Bhatinda Thermal Power Station. A study made by the Punjab, Haryana and Delhi Chamber shows that the entire northern region will suffer from huge deficit of power during the first four years of the fifth Plan period and unless advance action for establishment of more hydel and nuclear power generation is immediately taken the shortage will continue even at the end of the sixth five-year Plan period. The centre should take all steps to exploit the hydel potential of Himachal Pradesh and Jammu & Kashmir to the maximum extent in the interest of the entire country. We are happy that the Fuel Policy Committee in its final report has commended the piping of coal gas to new thermal power generating stations. The entire state, as far as power is concerned, depends mostly on the Bhakra complex and a few hydro resources of its own. Since the hydro power generation is very much subjected to the vagaries of nature, the entire agricultural and industrial activities of the state virtually depend on the monsoons.

There is no supporting thermal power capacity with the state except that which has been commissioned recently at Bhatinda. There is, therefore, an urgent need for the installation of a few thermal power stations or an atomic power plant in lieu thereof. Unless these complimentary arrangements are made, the stability in the system would be lacking and the industries would be facing critical situation as far as power is concerned. In the present context, the immediate steps which the state governments should take are listed below:

1. To expedite the construction work of power stations already in hand;
2. To allow the import of new and reconditioned generating sets for captive use by the industry;
3. Non-conventional sources of energy such as Gobar, night-soil gas, solar energy, etc. should be exploited to the maximum extent in place of electricity used in the rural areas.
4. To take steps for reducing immediately the system losses and power thefts which are the highest in Punjab.
5. There should be some equality in suffering from power shortage in other states of the northern region and other states should help Punjab during its crisis.



Scarce raw materials

Without regular supply of raw materials, the optimum production in industries is not possible. As discussed earlier, Punjab is situated far away from the sources of supply of raw materials which put the state at a disadvantage vis-a-vis other states. At all big industrial centres, the small and the big industrial units are fighting a running battle against the scarcity of basic raw materials such as steel. The small manufacturers are getting limited quantities of steel. So is the case with the machine tool industry. Even with the open market purchases of steel, the units in the state are only working at half of the rated capacity.

The state of affairs of hosiery units is far from satisfactory. These units are not even getting sufficient quantity of needles to work besides prevailing high prices of wool and cotton yarn. The supply of coal is very irregular. During the last three months the supply of coal has been substandard while units are being charged for grade I coal. This coal contains a very high percentage of stone, dust, etc. leading to severe damage to the boilers. It is absolutely necessary that the central government should take immediate steps to open a few coal dumps in major consuming centres of Punjab. The foundry industry of Batala has been passing through one of the worst crises on account of the non-availability of pig iron for the last six months. Against the requirement of 200 wagons, the industry is hardly getting 20 to 30 wagons a month i.e. only 10 to 15 per cent of its requirements. Unless arrangements are made for a regular supply of raw materials, the industrial production of the state is bound to suffer.

Due to the poor quality and irregular supply of coal, a large number of industrial units in Punjab have switched over to fuel oil during 1970-72. With the unprecedented hike in the petroleum prices throughout the world, for which our export bill has gone up considerably, the government of India has enforced compulsory cuts ranging from 10 to 20 per cent in furnace oil.

The consumption of fuel oil may be reduced further and the government of India has since classified industries technologically into four groups depending on whether they would be allowed to use furnace oil or would be required to switch back to coal over varying periods. This poses such problems as derating of boilers which may be solved only after a long period. Therefore at the moment the industries which are export-oriented should be at least allowed to use furance oil according to their requirements. The pressure on foreign exchange through the import of diesel oil may be more than offset by the additional exports.

Institutional finance

For accelerating the pace of industrialisation in the country, a number of financial institutions have been set up. Probably due to lack of adequate and viable industrial projects, the financial assistance rendered by the IFC, the IDBI, the ICICI, etc. has been comparatively negligible for Punjab as compared to the other states of the country. The trend of assistance given by the term financial institutions has been as follows from 1970-71 to 1972-73.

States	*Assistance Sanctioned (in crores)*		
	1970-71	1971-72	1972-73
Maharashtra	52.8	48.4	64.3
UP	14.7	11.3	24.2
West Bengal	11.3	13.7	20.8
Punjab	0.5	3.5	4.1

Also, the state-wise distribution of industrial projects as on June 30, 1973, according to the annual report of the IFC, was as follows:

State	*Amount*	*No of Projects*
Maharashtra	99.37	137
West Bengal	40.05	72
Gujarat	31.34	47
Haryana	13.20	32
Punjab	7.82	14

The Industrial Finance Corporation has financed 621 projects in different parts of the country, its direct finance amounting to Rs 484 crores. However, there were only 14 projects with financial assistance of Rs 7.8 crores in Punjab. The major share of the financial assistance has been given to the developed states.

Flow of funds

The flow of funds from the banking system to the industrial units in Punjab is also very meagre. Despite the steady rise registered by the deposits collected by the banking system in Punjab, the advances granted by the commercial banks have been well below the all-India average in this respect. The per capita advances in Punjab in 1972 were Rs 95.09 against the per capita deposits in the same period at Rs 286.72. The all-India average of per capita advance was Rs 102.44 against the per capita deposit of Rs 152.

The most significant fact which emerges from it is that despite the specific breakthrough in the form of deposit mobilisation by the banks there has not been any corresponding rise in advances to industrial units in Punjab. The problem of bank finance has now assumed a new dimension particularly in the context of the stringent monetary policy pursued by the government. A special characteristic of Punjab is that the state suffers from a shortage of raw materials while the industry is seasonal. It is for this pressing reason that bank finance should be made available to industries on a liberal basis. The industries of this nature are supposed to keep a minimum level of inventory of raw materials because the material could not be obtained immediately from other centres due to long haulage.

The centre has all along ignored Punjab regarding the location of major public sector industries. There is no major public sector unit in the state around which subsidiary and ancillary industries may depend for growth. Even in the calender year 1973, the ICICI investment was only Rs 27 lakhs or 0.1 per cent out of the total investment of Rs 445 crores.

Joint sector

The joint sector projects belong to medium-scale industries. The small-scale industrial units which have contributed significantly to the growth of the economy of Punjab and to national exports need modernisation for the maintenance of vitality. A recent survey by the central government's Small Industries Service Institute (Ludhiana) stressed the immediate undertaking of modernisation programme in a number of industries. The government departments at various levels have given scant attention to this. Also, to face the current domestic and international economic crisis, diversification of production ranges and capabilities is absolutely necessary but little guidance is available to small-scale entrepreneurs in this regard.

Quick growth of agriculture and industry was possible in post-independence Punjab because of the existence of a good network of railways and trunk roads. In the fifties, the road networks were developed in the state increasing the approaches to markets; this, in turn helped the tempo of industrial development. Over the years, the capability of the railways for essential goods movement between this state and other regions of the country has declined while there has been no increase in capacity. In this background, recent distance restrictions on haulage of goods by road carriers will

adversely affect the various industrial units. The union government must review the situation and ensure a better way to secure maximum coordinated use of all types of transportation.

Both the union government and the state government have taken a number of measures to promote new industries and increased productivity and production and to encourage new entrepreneurs and investments. But unfortunately there is a wide gap between the spirit behind such wise and farsighted policies and actual implementation of such policies at lower levels. There should be a continuous dialogue between policy-makers of the administration and the active representatives of the business community to check faults and failures in the implementation of accepted policies and for reviews from time to time.

Recognizing the importance of balanced and coordinated development of the north-western region and the crisis in the industry of Punjab, the union government in 1973 constituted a high level task force committee consisting of representatives of several central ministries and the state governments of Punjab and Haryana and Delhi administration to examine the problems of industries in this region. We are much obliged to the union government, specially the ministers of Planning and Industrial Development for the constitution of this committee on which our chamber and the engineering industry are represented. Soon after taking over the office of the additional secretary in the ministry of Industrial Development, Dr Arun Ghosh, an eminent economist on his own, has activized this task force and we are sure that the committee will be able to get its recommendations implemented during its tenure. I think that considering the economic integrity of the entire northwest, Himachal Pradesh should also have been brought under the terms of reference of the Arun Ghosh Committee.

I would like to emphasise the fact that even the incentives and the concessions granted by the state government for accelerating industrial growth are not implemented in time by the state authorities. This creates a credibility gap which is the cause for concern in industrial circles.

I may further mention here that at the time of the Punjab Industrialists' Conference in February 1973 certain incentives were announced by the chief minister but even though a period of 1½ years has passed, some of the notifications regarding these incentives have not been made so far. Several units at such focal points as Dhandri Kalan and Mohali are finding it difficult to claim these incentives.

Molins for machines

D. SAHA

TODAY THE name of Molins is recognised throughout the tobacco industry of the world and is synonymous with quality, precision and reliability. Molins has been in the forefront in the design and construction of highly specialised machinery. Its interests have been extended to printing and paper converting machinery, and quite recently numerically controlled machine tools.

Due to the increasing difficulties experienced by the tobacco trade to import spare parts, Molins was approached to establish a manufacturing unit in India. In 1960 Molins of India Limited commenced production in Calcutta in a modest manner with 30 operators and a product range covering approximately 500 items of spare parts.

The prime aim of the company initially was to quickly extend its range of spare parts, and today it has increased its manufacturing range to over 40,000 different items satisfying the trade's requirements.

In further fulfilment of its initial aims to reduce the national foreign exchange burden the company has progressively undertaken the

Mr D. Saha is general manager, Molins of India Ltd.

Pangs of Progress

In an exclusive interview recorded at Mohali recently, Mr. Saha said :

"The growth of the cigarette industry in terms of cigarettes consumed has been static for some while. Some of the bigger cigarette manufacturers are diversifying into other lines. The government of India is lately encouraging the establishment of units for the manufacture of cigarettes in the joint sector. There are many such units projected to be located in the states of Jammu & Kashmir, Assam, Madhya Pradesh, Tamil Nadu, West Bengal and Karnataka.

"Molins of India Limited is confident that it will be able to meet the demands of machines by these joint sector units fully and on time, but it is feared that with the present constraints on building construction, power etc., the development of joint sector units may not be according to the pace originally contemplated.

"We take in orders from parties other than for the cigarette industry. These are for component parts and not machines, and are mostly for items involving intricate machining. We supply parts to Hindustan Machine Tools Limited, Hindustan Aeronautics Limited, and Garden Reach Workshops. Wherever engineering skills are required in the manufacture of components, our services could be utilised. Our rates though not cheap compare favourably with engineering firms of similar standing, our workmanship is considered to be excellent, and we are punctual in meeting delivery dates.

"Our factory situated as it is in the focal point at Mohali suffers from a number of limitations. For example, the transport system is not adequate and three large units at Mohali have to pay Rs. 500 each monthly as subsidy to get public bus service. With more industries being set up at Mohali the number of buses should be increased, as it is leading to overcrowding and causing great inconvenience.

"For the last two years we have failed to get a telex connection for our factory at Mohali. Every telephone call to Chandigarh is a trunk call. Without proper communications we are isolated and our effectiveness is very much impaired."

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A. S. POONI, *IAS,*
Managing Director

THE PUNJAB STATE COOPERATIVE SUPPLY AND MARKETING FEDERATION LIMITED, CHANDIGARH.

manufacture of complete machines, introducing a new machine type each year since 1968. It is now able to offer indigenously manufactured machines covering the tobacco cutting, cigarette making, filter-tipping, packing and wrapping of cigarettes. In addition to manufacturing complete machines, a considerable amount of foreign exchange has been saved by assembling machines outside our present range from piece parts imported by our customers. The necessity for servicing these Indian manufactured high speed sophisticated machines was anticipated and a team of service engineers was built around a nucleus of personnel trained in Molins, England. This foresight has enabled us to provide with confidence a highly skilled and competent service in meeting the increasing demand from new entrepreneurs for installation, maintenance and training of crew for the comprehensive range of Molins machines.

Encouragement to ancillaries

A large number and variety of components are used on our machines. The policy of the company has been to confine the manufacture of the complex items to the company's own manufacturing plants. Small-scale industries were encouraged to take on the responsibility of supplying the easier items, some requiring specialised know-how which was provided by the company. Over 100 sub-contractors have been developed in this manner and their products undergo the same inspection standards as our own manufactured items.

The company has been able to use its expertise to assist non-tobacco business houses and also government enterprises in the manufacture of difficult components, normally imported by them.

The growing research and development section has been able to progressively reduce the imported element of our own machines, so that the amount of dependence has been rapidly diminishing standing at 12.5 per cent import for some machines and nil for others. The wide experience of the company in the sphere of packaging and wrapping is now being exploited by our research and development section to develop further types of similar machines indigenously for pharmaceutical, food and other consumer goods industries.

Reduced prices

As a result of constant investigation into its manufacturing process, and improved overall efficiency, the company was able, despite rising material and labour costs, to pass on to the customers in October 1972 the benefit of a price reduction on some machine spares, which on an average decreased the prices by 10 to 15 per cent. Recently, in July, 1973, the price of the Duplex Packing Machine was reduced by one lakh of rupees.

With increasing demand, particularly for complete machines, it became evident that a second manufacturing unit was essential. After a thorough and extensive survey of potential sites in many parts of the country, the decision was taken to locate the new unit at Mohali, Punjab.

The factory is situated in a 17-acre plot. From the outset the concept has been to formulate a planned and integrated general purpose factory complex for the entire site, even though the extent constructed for the moment approximates to only 25 per cent of the maximum possible. Flexibility has been allowed in the integrated plan of the layout for diversification into other product lines in the future.

The layout of the units within the factory has been designed to embody the full requirements of a modern production unit. By a careful siting of the machine shops, ancillary units and assembly bay, minimum handling and most expedient routing of work from the receipt of raw material to the despatch of complete machines has been ensured. Maximum advantage has been taken to design the buildings not only to suit the product requirement, but also to provide maximum natural lighting and cooling in all areas particularly the workshops. Overhead travelling cranes will be provided in workshops and stores to reduce major manual handling.

Annexed to the main workshop building is a multi-storied 'Utilities Block' accomodating the workshop administration and maintenance staff, central inspection department, tool stores, dispensary and toilets on the ground floor, with direct access to the workshop area and the upper floor which contains the employees canteen. The layout is such that once a factory employee is within the production complex all his requirements are provided for under one roof and within easy reach.

The operations involving noise, fumes and movement of heavy incoming and outgoing packed goods have been isolated in areas where the employee density is minimum. As the factory works three shifts, a high intensity of artificial lighting has been provided particularly in the workshops, which should reduce fatigue and improve safety. A standby diesel generating set caters for the full production needs.

Nearest to the main road stands a three-storied central administration building, forming the head office, with the managing director's and executive offices, accounts, sales, personnel, drawing offices, research & development, central production control and planning departments.

The new factory thus allows for future extension as production capacity is increased, and provides ample area for recreational facilities for employees such as cricket, football, hockey and badminton.

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Woes of woollen industry in Punjab

RAM PRAKASH KAPOOR

THE STATE government has not taken certain necessary measures which could have reduced the difficulties of the manufacturers of woollen textiles. For example, there is 100 per cent difference in sales tax on wool tops purchased in Punjab and in the neighbouring state of Rajasthan. If one buys wool tops in Ludhiana, the sales tax payable is six per cent while the central sales tax on the purchases of wool tops in Bikaner is three per cent only. Naturally the manufacturer in Punjab is constrained to make his purchases outside Punjab. On several occasions, this anomaly has been brought to the notice of the chief minister as well the minister of Finance but no action has been taken so far. Even in the case of accessories, the central sales tax is three per cent as against six per cent in Punjab. The transport cost between Jullundur and Jaipur does not absorb the full advantage of three per cent.

Again, in regard to the supply of power all sorts of assurances have been held out for industry in Amritsar. For example, we were told that as soon as Bhakra was commissioned, there would be no dearth of power in Amritsar but currently we are being supplied with only one-fourth of the power that we need. On top of that, the units are allowed to operate only three days in a week; how can an industrial unit keep alive in these circumstances? On the one hand the government insists that the wages of workers should be increased, on the other hand no assistance is given through increased power for raising production. How can the industry meet these challenges?

Recently, the state government had fixed the minimum wage (even for a sweeper) at Rs 150 per month. The price index has moved up, consequently we have to pay an additional Rs 27 per month as dearness allowance. If these additional burdens continue to be imposed, how can the industry become viable?

Amritsar is starved of accessories, dyes and even capital. And these conditions have persisted for the last few years.

During the regime of the late Pratap Singh Kairon we received considerable assistance for expansion in industry and it was due to his untiring efforts that Amritsar had been able to retain its stature among the industrial towns of the state. During Kairon's tenure, the purchase tax was not more than one per cent.

The prices of woollen goods are moving up because of the taxation policy of the government. In fact, the government is a major partner in the realisation of funds through the sale of woollen goods. The major taxes are from the import duty on wool tops and the excise duty on finished products. The import duty on wool tops is five rupees a kg. The import duty on finished goods is Rs 5.75 a kg. The tax element comes to 25 to 30 per metre of woollen cloth. How can prices come down if the government takes away such a big slice of the earnings?

For a woollen garment, the good quality cloth is retailed at Rs 80 a metre out of which Rs 25 are taken by the government as tax element. Therefore, there is no possibility of prices of woollens coming down in the near future. The only way prices can come down is to let production go up. There is a tendency on the part of the manufacturers to sell their products speedily. In a market where supplies are restricted there is little chance of prices coming down. The industry finds itself in a tight corner. On the one hand, the banks have raised their advance rates while on the other, the industrial units are not able to increase their production. While the interest rate has gone up, the banks have also applied credit squeeze. The interest rates charged by banks today are truly the Kabuliwala interest rates. There was a time when we were paying not more than six per cent as interest on loans taken from the bank but today we are paying as much as 18 per cent per annum. The future of this industry in Punjab is therefore not bright.

Our chief minister, Giani Zail Singh, went out to Maharashtra and asked Punjabi businessmen to come back to the state but they all refused; they do not want to come back here. They know that we are operating under very difficult conditions here. It is a pity that the government itself is not planning the expansion of industry and it is also not letting us plan our affairs. If we chalk out our annual plan, it is thwarted by official measures which obstruct our schemes. Currently, easing of the credit squeeze and adequate supply of power hold the key to industrial prosperity in Punjab.

Mr Ram Prakash Kapoor is the managing director of Punjab Woollens, Amritsar.

PSIDC forges ahead

A. S. CHATHA

PUNJAB STATE Industrial Development Corporation Limited (PSIDC), a wholly-owned state government undertaking, was incorporated on January 31, 1966. The authorised capital of the corporation is seven crores of rupees and the state government has provided a sum of Rs 366.60 lakhs to the corporation. A provision exists in the current year's budget of the state government for investment of Rs 210.00 lakhs in the share capital of the corporation.

The aims and objectives of the corporation are wide in scope but, at present, it has concentrated on the following two:

(a) It acts as an institutional entrepreneur for promoting industries in the large and medium-scale sectors. In pursuance of this objective, the corporation undertakes techno-economic investigations and preparation of feasibility reports. Based on the results of its investigations, it approaches the government of India for the issuance of letters of intent and takes necessary steps for converting letters of intent into industrial licences. After the finalisation of technical and financial collaborations, wherever required, it floats companies for implementing the projects.

As a matter of policy, the projects are implemented in the Joint Sector. The corporation holds not less than 26 per cent and the private sector co-promoter not more than 25 per cent of the paid-up equity capital of the company incorporated for the implementation of a project. The balance 49 per cent of the equity capital and the entire preference capital, if any, is offered to the public for subscription. The term loan requirement of the project is met from the national financial institutions such as the IDBI, the IFCI, the ICICI, the LIC and the UTI. Assuming the normal debt-equity ratio of

Mr A. S. Chatha is the managing director of the Punjab State Industrial Development Corporation Ltd.

1.5:1, it has been found that the corporation has been able to promote projects by contributing only about 8-10 per cent of the total capital cost of the project under the joint sector concept.

(b) The corporation has recently been assigned the role of an investment institution by the state government. It is hoped that this role will fill the gaps created by the absence of an organised stock exchange and other similar institutions. As an investment institution, the corporation can provide direct investment in the equity share capital of a project promoted by a private entrepreneur to enable him to make up the promoter's capital. It would underwrite equity and preference share capital to be offered to the public for subscription and would also act as a lender of last resort to bridge the gaps in term lending left after the entrepreneurs have availed of the term-lending facilities provided by the all-India financial institutions the state financial corporation and the banks.

Given below are salient features of the projects which have already been commissioned:

Punjab Tractors Limited

The manufacture of a suitable agricultural tractor which would be competitive in price as well as performance, had been engaging the attention of the state government for the past several years. In late 1969, after investigating several alternatives, the corporation decided to take up the manufacture of "Swaraj" tractors developed by the Central Mechanical Engineering Research Institute, Durgapur. This tractor based on 100 per cent indigenous technology, incorporates some highly desirable features such as a hydraulic system for automatic draft and position control and an efficient transmission resulting in better than the average draw bar pull per unit horse power. A significant feature of the project is its reliance on ancillary units for the manufacture of nearly 80 per cent of its components. In the process of developing suitable ancillary suppliers, necessary technical guidance is being provided to them by the company.

The Punjab Tractors Limited was incorporated in June, 1970 for the implementation of this Rs 3.70 crores project. The first tractor rolled out of the assembly lines in November, 1973. The regular commercial production has since commenced and the tractors are on sale in the market. The unit has been set up at Mohali near Chandigarh.

Punjab Con-Cast Steels Limited

In order to meet the shortfall of steel billets, required by the re-rolling mills and other engineering units in the state, the corporation has promoted this project for the manufacture of steel billets from scrap by the continuous casting technology. The capacity, in the first phase, is 40,000 tonnes of billets per annum which would be increased subsequently to 100,000 tonnes. Two 10-12 tonnes electric arc furnaces have been installed. The first furnace was commissioned in December, 1973. The capital outlay on this project is Rs 3.00 crores. The unit has been set up at Industrial Focal Point Dhandari Kalan, Ludhiana.

Punjab Breweries Limited

The company was incorporated in April, 1970 to set up a brewery with a capacity of 50,000 hecta-litres per annum. The technical know-how has been provided by Messrs Skoda (India) Private Limited. The trial production commenced in July, 1974 and commercial production has since commenced. The outlay on this project is estimated at Rs 2.05 crores and the unit has been set up at Dhandari Kalan, Ludhiana.

Punjab Anand Batteries Limited

The company was incorporated in April, 1972 to set up a dry cell batteries manufacturing unit with a capacity of 60 million nos. per annum. The technical know-how has been provided by Messrs Toshiba Ray-O-Vac, Tokyo, Japan. This Rs 1.85 crore unit commenced trial production in June, 1973 and commercial production has since been commenced. The dry cell batteries manufactured by this unit located at Mohali are on sale in the market.

Punjstar Standard Electronics Limited

The company was incorporated in January, 1973 for the setting up of a TV sets unit with a capacity of 5,000 sets per annum. This unit assembled 800 sets during its first financial year ended on December 31, 1973. It is expected to assemble nearly 2500 sets during 1974.

In addition to the above five large and medium scale projects, the other small units promoted by the corporation such as tannery, nylon reinforced leather beltings and footwears units at Jullundur, the pesticides unit at Ferozepur and process plants and prestressed concrete poles manufacturing units at Mohali are in production for quite some time past.

Projects Completed

The following Projects are at various stages of implementation and it is expected that construction work on these projects would commence during the next 6-8 months.

Automobile Tyres and Tubes

The technical know-how for this Rs 30.00 crore project is being obtained from Messrs The B.F. Goodrich Company, Akron, Ohio, USA. The Technical Assistance & Engineering Services Agreements were signed on July 31, 1974 by the New Company "Punjab Tyres Limited".

Scooters

The technical know-how for this project is being provided by Messrs Scooters India Limited. (A government of India undertaking). The preliminary project report has been received and a suitable site has been selected at Nabha. The company is under formation. The unit is expected to go into production in early, 1976.

Synthetic Detergents and Soaps

The new company "Stepan Chemicals Limited" was incorporated in April, 1974 to set up this Rs 5.00 crore project. Orders for most of the imported equipments have been placed and the construction work at Rajpura would commence during the next 2-3 months. The unit is likely to go into production in early 1976.

Precision Measuring Instruments

The new company "Accumeasures Punjab Limited" was incorporated in September, 1973. The proposal to obtain technical know-how through P. E. Consulting Group Limited of the UK has been approved by the government of India. The agreement has been signed recently and the detailed engineering work has been taken in hand. The construction work is expected to commence shortly and the unit is likely to go into production during 1976.

Glass Bottles

The government of India has cleared capital goods application and an application has been filed with the Industrial Credit and Investment Corporation of India Limited, for the sanction of the foreign exchange loan. The company "Punjab Pure Glass Industries (P) Limited" is being converted in to a public limited company shortly. The construction work on this Rs 2.20 crore project is scheduled to commence during the current year.

Cotton Spinning Mill

The industrial licence for this project was issued by the government of India in June, 1973. The detailed project report is under preparation. Studies for the selection of a suitable site in the cotton belt of the state have been completed. The construction work, on this Rs 5.00 crore project, is likely to start in early, 1975.

Polyester Staple Fibre

The technical collaboration and capital goods application have been cleared by the government of India. The project has been referred to K.F.W. (A West German development bank) for appraisal so that the foreign exchange cost could be met from the West German project aid. A new company for the implementation of this Rs 18.00 crore project, is under formation.

Maize Starch, Glucose and Dextrose

The construction work on this Rs 4.00 crore project is likely to commence during the current year.

VHF Trans-Receivers

The detailed project report has been received. The company is under formation. The construction work on this project is likely to commence in early 1975.

Wood Combing

The licence for this project was issued by the government of India in March, 1974. Steps have been initiated for the transfer of assets of Messrs All-India Wood Combers Co-operative Society Limited, Ludhiana, to the corporation. It is hoped that this Rs 1.50 crore project would go into production during the year 1976.

Projects in Progress

The following projects, for which the corporation has received letters of intent, are making steady progress.

1. Electronic Components.
2. Kraft Paper.
3. Nylon-6 Filament Yarn.
4. Furfural.
5. Oxygen Gas.
6. Soda Ash/Ammonium Chloride.
7. Caustic Soda.
8. Heavy Duty Alloy Iron Castings.
9. Malathion.
10. Gelatine.
11. Cold Rolled Strips.

The activities of the corporation are directed at achieving the objective of the state government to bring about rapid industrialisation so that this predominently agricultural state may have balanced growth. In this task it looks forward to cooperation from enlightened and progressive entrepreneurs, professional managers and technicians and constant support and guidance of the central and state governments and the all-India financial institutions.

PUNJAB STATE
INDUSTRIAL DEVELOPMENT CORPORATION LIMITED
Forges Ahead with Joint Sector

Following Projects have Recently Commenced Production

1. SWARAJ TRACTORS
2. STEEL BILLETS
3. DRY CELL BATTERIES
4. BREWERY
5. T. V. SETS
6. NYLON REINFORCED LEATHER BELTING.

Work on the Setting up of the Following Projects is Scheduled to Commence During 1974-1975.

1. SYNTHETIC DETERGENTS & TOILET SOAPS
2. GLASS BOTTLES
3. SCOOTERS
4. COTTON SPINNING MILL
5. AUTOMOBILE TYRES AND TUBES
6. PRECISION MEASURING INSTRUMENTS
7. ELECTRONIC COMPONENTS
8. POLYESTER STAPLE FIBRE
9. OXYGEN GAS
10. STARCH, GLUCOSE AND DEXTROSE.

PSSIC spreads its net wide

KANWAL NAIN SINGH

THE PUNJAB State Small Industries Corporation Limited (PSSIC) has made phenomenal progress in the decade ending 1972-73. Whereas in 1962-63 its turnover was Rs 78.73 lakhs, it rose to as much as Rs 11.52 crores in 1972-73. Among its major functions are: (a) procurement and distribution of raw materials, (b) supply of machines on hire purchase basis, (c) supply of seed money as well as margin money for both working capital and purchase of machinery, (d) development of industrial areas and construction of industrial estates, (e) imports against actual users' licences and (f) registration of small-scale industrial units.

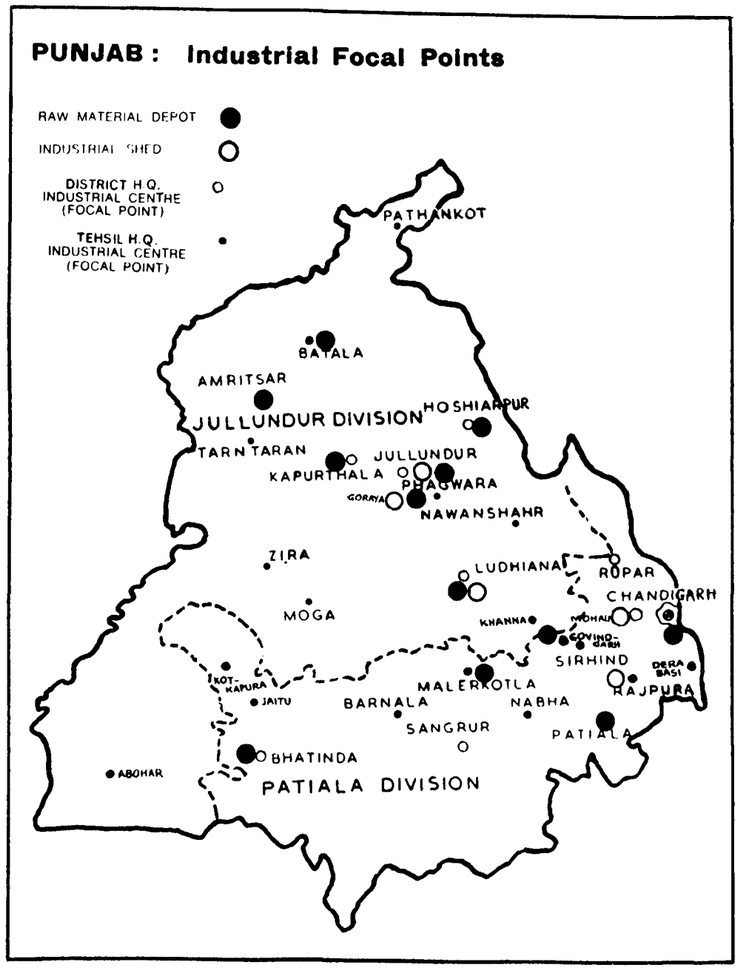
Equitable distribution

The procurement and distribution of scarce raw materials is one of the most important activities of this corporation. It makes bulk purchases of raw materials and supplies them to the small-scale industrial units in accordance with the policies laid down by the Director of Industries, Punjab government. Among the raw materials distributed by it are pig iron, iron and steel, coal, coke, stainless steel, tin plate, zinc, aluminium, tallow, palm fatty acid, chemicals, cotton yarn and staple yarn. In 1973-74, it procured and distributed more than 41,000 tonnes of pig iron and 48,000 tonnes of iron and steel.

In order to help the small-scale industries get established in the state, the corporation assists in particular the educated unemployed. The corporation supplies them machines on hire-purchase basis. During the three years ending in 1972-73, machines valued at nearly Rs 19 lakhs were supplied to 67 small-scale units. The government of Punjab has evolved a number of schemes to help the educated unemployed, particularly the engineers. The qualified engineers are no doubt keen to set up their own industries but they fail to get any financial assistance from the banks and other financial institutions as they have no resources of capital and have no collateral to offer by way of guarantee. In order to overcome this difficulty, the PSSIC has evolved a scheme whereby seed money is provided to budding entrepreneurs. The seed money is usually equivalent to 10 per cent of the total investment under a scheme. A matching contribution is to be made by the entrepreneur. The balance amount required for the implementation of the scheme is obtained from the financial institutions. The corporation provided more than Rs 32 lakhs to 107 industrial units during 1973-74.

The corporation has undertaken to develop industrial areas and to construct industrial estates for the educated unemployed. A separate wing has been established in the corporation to attend to the problems of this group of applicants.

It has been decided by the Punjab government to develop industrial areas at the following 25 places in addition to the three focal points at Mohali, Dhandari Kalan and



Mr Kanwal Nain Singh is the managing director of PSSIC.

PUNJAB TAKING RAPID STRIDES

The progress of the past two and a half years has been spectacular in implementing the target oriented programmes.

27 lakh tonnes wheat was contributed to the central pool last year as compared to 18 lakh by all other states. Contribution for this year too will be in the neighbourhood of 60 per cent.

11,917 out of 12,138 villages were linked with main roads.

Total length of metalled roads constructed being equivalent to seven times the distance between Srinagar and Cape Comorin.

6,700 small-scale and 5 large-scale industrial projects were set up.

86 letters of intent got issued and goods worth Rs. 63.71 crores exported. 24 new complexes also selected.

7,230 villages provided electricity, Rs 8 crores provided this year to electrify all the remaining villages.

5 lakh children for primary education were enrolled.

House sites to over 1,86,000 families were allotted.

Punjab is the first state to introduce 'Medical Manthan' to remove urban rural imbalance of medical services.

1/3rd rural population already covered.

Several crores of Rupees were spent on constructing of Dharamsalas, Chaupals, electrification of Harijan Bastis, providing drinking water facilities, pavement of streets and provision of drainage for the benefit of Harijan and backward classes.

The people of Punjab have dedicated themselves to the glorious task of nation building.

PRD/7/633

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Rajpura (see table at the end). These focal points are sufficiently advanced in regard to the development of new industries. The construction of 206 industrial sheds at Mohali, Dhandari Kalan, Rajpura and Jullundur has already been undertaken. It is hoped that these sheds will be completed by the end of the current year. They will also be speedily allotted to industrial units.

In order to provide technical guidance, project reports, feasibility reports and important information with regard to various developmental schemes and policies of the government, the corporation has set up the Punjab Industrial Consultancy Organization. Already the chief consultant and some other junior officers have been appointed. They have started providing technical advice to industrial units in Punjab. The central aim of this consultancy organization is to assist the entrepreneurs who are planning to set up viable industrial units in the state.

The corporation started its export activity in a small way in July 1971. The chief difficulty faced by exporters from this state is the inadequate supply of such raw materials as steel. The corporation has therefore given top priority to the task of replenishing raw material requirements of manufacturing units which are taking up export orders. Various industrial products worth nearly a crore of rupees have so far been exported by business associates of the corporation.

In addition, the corporation assists industrial units in the procurement of imports against actual users' licences. The corporation imported raw materials worth Rs 16.32 lakhs in 1973-74 against actual users' licences. Also the corporation has set up six emporia at Amritsar, Ludhiana, Jullundur, Patiala, Chandigarh and New Delhi where goods manufactured in cottage and small-scale industries of the state are sold. The total sale of the emporia in 1973-74 was worth Rs 55.62 lakhs.

The corporation is also running a hosiery work centre at Ludhiana which was purchased from the Punjab government Industries Department in 1966. This centre manufactures hosiery items for home guards, military and police departments and also for the civilian population. The centre also makes supplies against tenders invited by government departments. The annual output of the centre is about Rs 10 lakhs.

The corporation has registered no less than 178 small-scale units which undertake to provide their products to the Controller of Stores, Punjab. These units are given 15 per cent price preference in accordance with the policy of the Punjab government which is designed to help the small-scale units.

Industrial Centres in Punjab

Centre	Area to be developed
1. Jullundur	100 acres
2. Phagwara	100 ,,
3. Moga	100 ,,
4. Bhatinda	50 ,,
5. Hoshiarpur	102 ,,
6. Sangrur	50 ,,
7. Khanna	114 ,,
8. Malerkotla	50 ,,
9. Goraya	109 ,,
10. Nangal	25 ,,
11. Kapurthala	50 ,,
12. Gobindgarh	100 ,,
13. Batala	50 ,,
14. Sirhind	25 ,,
15. Ropar	50 ,,
16. Abohar	25 ,,
17. Kotkapura	25 ,,
18. Kubarakpur, Zirkapur, Dera Bassi, Lalru	100 ,,
19. Zira	50 ,,
20. Nabha	50 ,,
21. Barnala	25 ,,
22. Nawan Shahr	100 ,,
23. Tarn Taran	—
24. Pathankot	50 ,,
25. Jaitu	—

Cooperatives for rural prosperity

S. L. KAPOOR

IN ORDER to recover loans advanced by the cooperatives, it has been recently decided to first get the previous loan repaid before a fresh one is made to a member. Usually 15 days are allowed to lapse before sanctioning a new loan which may be higher or lower than the one which has already been repaid.

The loss incurred by farmers due to natural calamities, however, puts the cooperatives in a complicated situation. When the loans are made, the cooperatives take the view that the farmer will be able to get an average return from land against all the investments he has made. Even in the worst years, the farmers have a high chance of getting average return from land. Even though the current paddy crop is not very promising in some areas, the cooperatives in Punjab are hopeful of good recovery. This belief is based on the understanding that the return from the present paddy crop will be average and not excellent as was earlier expected.

In the extreme situation where the cooperative is not able to get back the loan which has been made to the farmers due to natural calamities, what are the options open to a cooperative? As an alternative, this loan can be converted into a medium-term loan i.e. loan payable in three years. The farmer would not be called upon to immediately part with the stipulated sum. Also, it is not possible for the cooperative to write off the loan completely simply because the crops have failed. As an alternative, the state government can underwrite a part of the loss but, as it is, the finances of the state government do not permit such a contingency.

The cooperative, therefore, has no option but to recover the funds advanced as far as possible. The chances are that the farmer will like to pay off the previous loan because he will be equally keen to contract a fresh loan for the coming crop. There is no doubt that the question of repayments needs more attention and there is room for improvement in this regard. As compared to other states the cooperatives in Punjab have a good record regarding recoveries.

Punjab had a market surplus of 3.3 million tonnes of wheat in 1971-72 which came down to 2.8 million tonnes in 1972-73 which further dropped to two million tonnes in 1973-74. The marketable surplus in Punjab has been going down year after year. Despite this declining trend, the recovery of the cooperatives in Punjab has been maintained between 60 and 65 per cent.

In regard to long term loans, the recovery rate is between 96 to 99 per cent. Through these cooperatives, about Rs 60 crores have been advanced by way of short and medium term loans and Rs 16 crores every year by way of long term loans. A long-term loan is one which extends for more than five years. A short-term loan is one which does not exceed beyond 12 months. The medium-term loan ranges between three and five years.

Mr S. L. Kapoor is secretary, department of Public Relations and Industries, Punjab.

Markfed makes its mark

A. S. POONI

THE PUNJAB State Cooperative Supply and Marketing Federation Ltd (Markfed) is an apex body. It has built an extensive infrastructure of cooperatives and has branched out into a number of fields. In fact, it has attempted to cover the totality of the needs of the farmer. All the inputs needed by the farmer as well as the facilities required by him are provided by Markfed. The farmer can get not only fertilisers and seeds but also tractors, diesel engines, etc. through Markfed. Markfed also undertakes spraywork through an aviation unit of its own for the benefit of the farmers.

Markfed is 21 years old. It started operating towards the end of 1953 with a capital of Rs 60,000 only. Today its equity capital is Rs 13.2 million out of which Rs 9.9 million have been provided by the state government. The rest of the shares have been purchased by the cooperative marketing societies.

Cooperative effort

In Punjab, each market is regulated and in every market there is a cooperative marketing society. It is these marketing societies which elect the board of directors of Markfed. The managing director is nominated by the state government. The annual turnover of Markfed last year was Rs 42.00 crores. For financing its operations, Markfed seeks the assistance of banks. Having established its creditworthiness with all the major banks even at a time when financial stringency was being experienced and the Reserve Bank had imposed a credit squeeze, Markfed could start a new project costing as much as Rs 7 crores; its progress would not be held up for want of funds. With an equity capital of Rs 13.2 million, Markfed has working capital of Rs 12.00 crores and owns assets of Rs 22.00 crores. Markfed has evolved a system whereby it is able to make prompt recoveries from its members. Even in a bad year the recovery rate is of the order of 62 per cent. The table below sums up the financial performance of Markfed industrial units in 1972-73 and 1973-74.

Apart from this, Markfed has built over the last few years a grain storage capacity of 454,000 tonnes under a scheme for godowns sponsored by Agricultural Refinance Corporation (ARC). The federation is a major agency of the state for procurement of wheat and has touched a peak of one million tonnes of purchases in one year. Even under the modified purchase policy, the organisation was able to purchase in open competition 462,000 tonnes of wheat, half of which was given to the central pool and even the levy-free stocks have been distributed under the guidance of the state government so that these stocks may be used for the public distribution system in deficit states. Markfed also worked as agent of the Cotton Corporation of India and was able to procure for it cotton of the value of 28 crores of rupees.

Another contribution of Markfed has been the starting of inter-state trade in the cooperative sector at apex level. Working in this direction, Markfed was the sole agency which supplied 40,000 tonnes of bajra during the crisis period in Gujarat, apart from making purchases of other cereals for such states as Bihar and Himachal Pradesh.

Today, Markfed has in hand a massive programme of supply of fertilizers of the value of Rs 75 crores to the farmers in Punjab for the rabi crop apart from programmes for the supply of seeds and insecticides. In short by trying to keep pace with the increased and diversified demands of the farmers, Markfed is well on the way to becoming their major assistant and guide. In the process it is fast becoming a symbol of the strength of cooperative effort in agricultural production.

Markfed: Profit (+)/Loss (—) of Industrial Units in 1972-73 and 1973-74

S. No.	Name of unit	1972-73 (Rs lakhs)	1973-74 estimated upto 31-5-1974 (Rs lakhs)	Proportionate profits in 72-73 for 11 months (Rs lakhs)	Estimated increase/ decrease in 73-74 over proportionate profits/ loss in 1972-73 (Rs lakhs)	%
1.	Punjab Fertilizers, Ludhiana	(+) 3.8	12.8	3.50	9.30	266
2.	Markfed Fertilizers, Dhuri	(+) 2.8	14.6	2.53	12.07	477
3.	Markfed Fertilizers, Anandpur Sahib	(Under const)	28.3	—	28. 3	—
4.	Markfed Vanaspati Plant, Khanna	(+)10.6	40.3	9.70	30.60	315
5.	Markfed Canneries, Jullundur	(—) 7.7	(—) 13.9	(—) 12.10	(—) 1.8	(—)15
6.	Formulation Plant, Mohali	(+) 2.9	(+) 4.28	2.64	1.64	62
7.	Cement Pipe Plant, Ropar	(+) 0.2	0.36	0.18	0.18	100
8.	Cement Pipe Plant, Sarna	(+) 0.5	0.21	0.44	(—) 0.23	(—)52
9.	Modern Rice Mill, Patiala	(not commissioned)	0.25	—	0.25	—
10.	Modern Rice Mill, Rajpura	—(do)—	1.84	—	1.84	—
		(+) 13.1	89.04	6.89	82.15	

Note: 1. Figures for 1972-73 have been taken from the balance sheet and have been brought at par with those of 1973-74 to make them comparable.
2. Figures for Combines Harvester Unit and Agro Aviation Unit have been excluded, as comparable figures for two years are not available. In the case of Combines Harvester Unit, the main Wheat Season 1974 is still continuing. In the case of Agro Aviation Unit, some of the operations are continuing making comparison with 1972-73 invalid.
3. In the case of Jullundur Canneries, the stock evaluation has been done conservatively at sales or market price whichever is less. Besides last year's production Markfed has 43 tonnes or dehydrated peas, 23 tonnes canned peas, curried cabbage, *sarson ka saag* etc. which are expected to yield more than Rs 2½ lakhs of profits as soon as sale is made.

A. S. Pooni is the managing director, Punjab State Cooperative Supply and Marketing Federation, Ltd, Chandigarh.

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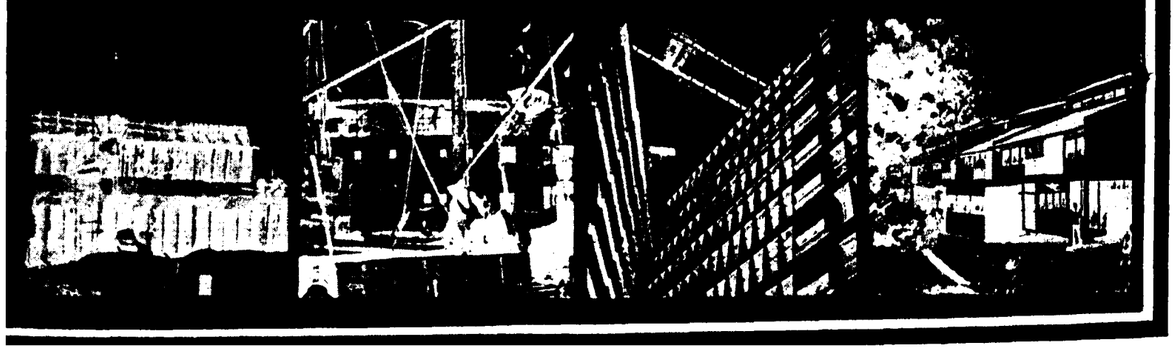
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Food for the hungry

THE WORLD Food Conference which opened in Rome on November 5, 1974, brought together politicians, economists, experts and consultants to thrash out a solution for the problem of finding food for some countries which have been unfortunate victims of natural calamities in recent years. Bangladesh, some countries of Africa and some parts of our country have already engaged the attention of not only the governments there but also of the developed countries who have shown some keenness to assist in this regard. The problem of food shortage has not dawned on the world all of a sudden but is the cumulative effect of a number of factors not the least of which is the steady increase in population which in some developing countries has exceeded the rate of increase in food production. Also the demand for food has increased while the food inventories of the world have during the past decade steadily come down. If in 1961 the world stocks of foodgrains were enough to feed the whole population of the world for about a hundred days, the present level of reserves may not last even 25 days and, if this trend continues, the reserves may drop to a level which may be sufficient for the world population for hardly a week.

Dr Kurt Waldheim, UN Secretary-General, made a fervent appeal to the industrialized countries of the world to put up $5,000 million in the next five years so as to provide food assistance to the needy developing countries. He also urged the developing countries to recast their economic development plans by laying increased stress on agriculture, especially food crops. He rightly told the world's food ministers, officials and others gathered in the Hall of the Palace of Congress in Rome that the stage for words was long over and that immediate action was called for if the deliberations of the conference were to result in any concrete action. The central theme of his address related to the need for national and international action to ensure some insurance against food famine in the poor countries of the world.

It is true that the solution of this problem in the short term hinges on the attitude of the food-surplus countries led by the USA. Dr Henry A. Kissinger, the US Secretary of State, in his address listed five points, namely, increasing the production of food exporting nations, accelerating production in developing countries, improving means of food distribution, financing food operations and providing security against food emergencies. Surely the last point had great immediate relevance and in this regard Dr Kissinger proposed the establishment of an internationally coordinated world-wide reserve of foodgrains at 60 million tonnes above the present carryover stocks.

The analysis of the problem put forward by Dr Waldheim as well as Dr Kissinger was undoubtedly flawless but the central question remained: Who will bell the cat? It seemed that the Rome conference emerged as a confrontation between the developed and the developing countries. The representatives of the developing countries complained that there were hardly any signs of the developed countries coming forward to help the poor countries of the world in a really satisfactory manner.

It was Mr Jagjivan Ram, our minister for Agriculture and Irrigation, who put forward the idea of a food security council on the same lines as the UN Security Council which should be armed with sufficient power to evolve a world food policy and guide and implement it. He refuted the charge of the developed countries that the developing countries had exhibited lack of will to raise the level of food production. Mr Jagjivan Ram pointed out that the developing countries suffered from paucity of resources which was the direct outcome of their historical background as well as the existing structure and pattern of world trade. If the conference was not to be reduced to the status of a jamboree where participants from both the developing and the developed countries got away with platitudes, it would be necessary to devise some kind of machinery for follow-up action. Mr Jagjivan Ram laid great stress on this aspect of the problem.

Whatever the outcome of the deliberations at Rome, the developing countries

eastern ECONOMIST

NOVEMBER 15, 1974

Food for the Hungry 873

Bonds with Bonn 874

Accent on Production 875

From the Capital's Corridors 877

Points of View

The Monetary Screw and Production — Sagittarius 879

Debt Position of the States —Kiran Barman 880

Rational Land Use for Self-Sufficiency in Food — A.R. Rao & I.J. Singh 885

How Green Is the Green Revolution in Punjab? — K. Suresh.. 888

Window on the World

The A.B.C. of the Precious Metals: I — Jossleyn Hennessy 891

Coping with the Crisis — E.B. Brook 893

Trade Winds

Food Security Council; Paper Bank; Indo-British Economic Committee; Food Aid from Sweden; Wire Ropes for Turkey; Buses for Zaire; Exports to Surinam; Convention on Inflation; Export Credit; Exports in 1974-75; Assistance for Textile Exports; Fuel Economy; Distribution of Commercial Vehicles; Public Sector Unit for Electronics; Awards to Metallurgists; Release of Sugar; Sugar Output; Loan for Fertiliser Projects; Scrutiny of Small Units; Examination of Licences; Cut in Truck Tyre Prices; Sole Agency in Paper Abolished; Names in the News 895-899

Company Affairs

Dull Trading; Man-Made Fibre; Escorts; Indian Aluminium; Premier Automobiles; Gontermann-Peipers; Brooke Bond; News and Notes; New Issues; Capital and Bonus Issues; Dividends.. 901-904

Records and Statistics

Foreign Collaborations 905

will have to learn to manage their own affairs with increased self-reliance. They might get some doles which would meet only a fraction of their needs, but the bulk of the requirements of the people of these poor countries will have to be met through their own resources. The prosperity brought to some parts of developing countries through the green revolution in the recent past is proof positive of the capacity of these areas to be able to manage their affairs through their own efforts. Perhaps it would be unwise to be looking outward all the time for help when a significant increase in output can be attained through self-help and self-reliance.

Bonds with Bonn

TWO TEAMS of Indian nuclear and energy experts were in the Federal Republic of Germany recently to discuss energy policy and joint research projects. The visits were significant in the context of West Germany's intensive efforts to hasten the pace of research and development concerning new sources of energy. The chairman of the Atomic Energy Commission, Dr Homi Sethna, and the head of the Bhabha Atomic Research Centre, Dr Raja Ramanna, were the guests of the Bonn Foreign office. A three-member Indian government delegation of energy experts, headed by Mr K.S.R. Chari, Secretary in the ministry for Steel and Mines, and including Dr M.G. Krishna, director of the Central Fuel Research Institute at Dhanbad, and Mr H. N. Sharan, head of the Research and Development Department of Bharat Heavy Electricals, visited the Federal Republic last month for detailed discussions about joint research projects.

An interesting element of Indo-German cooperation has been that in recent years, increasing attention has been devoted to sophisticated areas, particularly after the conclusion of an agreement early this year on cooperation in the fields of science and technology. This is in addition to the 1971 Indo-German agreement on collaboration in the fields of peaceful uses of nuclear energy and space research. The scope of the new agreement is much wider. An effort is being made to establish links between Indian and German institutions in the fields of geology and geophysics, medicine, biology, metallurgy and coal research. After the oil crisis, gasification as well as liquefaction of coal has attracted both the countries.

West Germany achieved the premier position in respect of foreign collaborations with Indian entrepreneurs in 1973. As against 61 new approvals with West Germany, collaborations with the US firms were 48 followed by 53 with the UK and 38 with Japan. Indo-German collaborations are no drain on Indian foreign exchange resources in the sense that they earn more for this country than they spend. A recent survey of nearly one-third of Indo-German collaborations revealed that their total exports amounted to Rs 9.70 crores, Rs 9.30 crores and Rs 11.16 crores during the years 1970, 1971 and 1972 respectively. The figures of the total transfer by way of dividends, licence fees and interest payments of all Indo-German collaborations operating in this country were Rs 3.14 crores in 1969-70 and Rs 4.44 crores in 1970-71. This revealed the significance of the Indo-German collaborations as foreign exchange earners for the country. It may be added that the foreign partners gave valuable assistance in reaching a breakthrough in exports. It has been estimated that nearly half of the Indo-German collaborations were actively assisted in their export efforts by their collaborating partners.

Mr A. N. Kilachand, President of Indo-German Chamber of Commerce, pointed out recently that interest in Indo-German industrial cooperation existed especially among medium-sized companies which were centred around Stuttgart and Munich, as well as the Ruhr district. It was also a fact that many of these companies offered highly advanced technology, he added. Mr Kilachand asked the government of India to consider permission for marginal

Industrywise Split-up of the Indo-German Collaborations in 1973

Industry	Number of approvals
Electrical Machinery, Materials and Apparatus	12
Automobiles, Tractors, Locomotives, other Vehicles and Ancillaries	11
Industrial Machinery (General)	10
Other Industries (Engineering)	9
Other Industries (Non-Engineering)	7
Textile Machinery	4
Instruments and Hand Tools	3
Ferrous and Non-Ferrous Metal Products	2
Machine Tools and Small Tools	1
Chemical and Pharmaceutical Products, Rubber, Synthetic Resins, Paints	1
Consulting and Engineering Services	1

Regional Break-up of the 1973 Indo-German Collaborations

Region	Number of approvals in 1973
Bombay/Poona	23
New Delhi	11
Bangalore	6
Calcutta	4
Gujarat (Baroda 2; Broach 1; Vidyanagar 1)	4
Madras	3
Uttar Pradesh (Ghaziabad 2; Agra 1)	3
Coimbatore	2
Udaipur	2
Faridabad	1
Orissa (Kansbahal)	1

majority participation for foreign investors during the first three years of a new joint venture. This, he stated, would go a long way in removing the "psychological barrier" of many small and medium-sized firms in West Germany which could offer valuable technologies to their prospective Indian partners.

This country has been promised an assistance of 360 million DM (Rs 108 crores) during the financial year 1974-75, a 16 per cent increase over 1973-74. The agreement increasing financial assistance this year is an expression of the close cooperation between the two countries. This country has received the largest share of development assistance given by West Germany to all developing countries, and is estimated to be about one-third of the total bilateral commitments of that country. Up to 1973-74, Federal Republic's assistance for India's economic development had reached a total of 5.9 billion DM (Rs 1,770 crores) and has been distributed between project assistance, capital goods credits, commodity credits, loans to financial institutions and debt relief. There has also been a qualitative improvement in this assistance with a softening of the credit terms. The West German assistance is completely untied and enables this country to procure goods and services from any part of the world to her best advantage.

Mention may be made here of the new guidelines set early this year by the Federal Republic of Germany for its technical assistance. The central idea of this concept is to mobilise the resources of the developing country itself instead of supplying projects on turn-key basis. It has been emphasised that labour potential in the developing countries should be exploited and technical assistance should be designed to assist rural areas. Such assistance can take the form of German experts being sent for specific jobs or Indian experts being trained in West Germany. Assistance is also provided for economic surveys and studies.

Accent on production

THE FORTHRIGHT observation of the union minister for Industry and Civil Supplies, Mr T.A. Pai, in his address here on November 6 to the conference of state ministers of Industry, that "the only answer to inflation is production and the only answer to recession is also production" deserves pertinent notice for it indicates the anxiety of the government to step up output. The logic behind this observation, of course, is also not unsound. Besides the disproportionate expansion in the money supply with the public *vis-a-vis* growth in production in the past five years, global inflation and cost escalations on account of such other factors as under-utilisation of industrial capacities and high incidence of indirect taxes, the primary cause of the recent upswing in prices in our country is the widespread shortages of goods. Unless the situation is rectified through increased output, inflationary tendencies cannot be contained effectively. The decline in the prices of several commodities, including some of daily consumption, witnessed since the third week of September, following credit squeeze and the anti-smuggling and anti-unaccounted money compaigns of the government obviously cannot be sustained for long because it has, to an overwhelming extent, resulted from the dehoarding of stocks. The dehoarded stocks cannot be expected to last long. The improvement in the supply situation can be maintained only if production is stepped up.

Similarly, production is the only ultimate answer to recession in our country because it is primarily through increased output that production costs can be rationalised and brought within the means of the hard-pressed consumer, although the high incidence of customs and excise duties as well as the impact of credit squeeze cannot be ignored. What hurts the consumer most is the jacking up of prices due to physical shortages of goods. Besides hurting the consumer, this phenomenon also distorts the contours of the industrial scene. If costs and prices can be rationalised through higher output, a proper equilibrium can be established between demand and supply which would help facilitate future investment decisions. Higher output will also help in reducing at least to some extent production costs and obviate artificial creation of scarcities which assist in jacking up prices. Demand can, thus, be revived and recessionary tendencies warded off by and large, although this might not be possible in industries the consumption or the purchase of whose products can be postponed by consumers.

Equally significant are the observations of Mr Pai in respect of the utilisation of the existing industrial capacities as well as the direction to be given to future investments in industry. In view of the severe constraints of power, raw materials, financial resources, etc., it is apparent that the needs of all the segments of industry cannot be met adequately. The approach, therefore, has to be very selective. The government necessarily has to draw up a programme to identify the industries which have to be sustained as a priority basis. Mr Pai has grouped in this category all those industries which provide for infrastructure and capital goods with the industries manufacturing mass consumption items. On this, of course, there can be two opinions. The immediate task is the raising of the production of mass consumption goods and the stepping up of the output of equipment and raw materials required by the industries producing them. For a couple of years, indiscriminate expansion of the capital goods and infrastructure industries would only add to the inflationary tendencies because of their long gestation periods. Of course, from the long-term point of view, Mr Pai's emphasis on the inclusion of these industries in the core programme also is not unwarranted. Obviously, a judicious balance has to be struck between the immediate future and the long-term requirements.

Following from the above analysis is the plea of Mr Pai for a change in the approach to licensing of industrial units. As he has observed, there is no point today in issuing a large number of letters of intent and industrial licences for all kinds of items. Letters of intent and industrial licences for some time at least will have to be issued on a priority basis to meet the immediate requirements. Unless this is done, the scarce resources of the public

financial institutions, on which industrial entrepreneurs have come to depend to an overwhelming extent owing to the sluggishness in the stock market, will come under heavy pressure and it will not be possible to meet the requirements of the priority sectors squarely. The same will be the case in respect of other inputs. What is needed at present is concentration of efforts on specific fields of industrial activity and not their diffusion over a wide sphere. Export-oriented industries, of course, deserve all assistance. Significantly enough, the state Industry ministers pleaded that the manufacture of luxury items too need not be severely curtailed if these goods can be exported.

The suggestion of Mr Pai that in view of the need for a selective approach to licensing of industrial units, a review should be effected of the letters of intent remaining unutilised for a number of years both with the private and the state sectors is equally wholesome. So also his stress that once a letter of intent is issued after thorough examination, all assistance should be made available to its holder for translating it into a production unit as expeditiously as possible. Such a review should help in eliminating the pre-emptive type of letters of intent which have been issued in the last two or three years, particularly to the state industrial development corporations on the dogmatic consideration of fostering the public sector.

Mr Pai has also quite appropriately emphasised that the Industrial Development and Regulation Act as well as the Industrial Policy Resolution should be given a new orientation. The negative approach adopted under this act and the policy resolution of not allowing larger industrial units to expand to optimum levels, although this might be required not only on economic but also social considerations, is hardly what is needed today. If an industrial unit is not to be allowed to become sick or languish, it has to be allowed expansion to its optimum level. Ideological considerations ought not be allowed a sway in this field.

It is further heartening that Mr Pai has stressed the need for attuning the pricing and distribution policies of the government to the urgent task of stepping up output. Instead of rigid price and distribution controls, he feels that new industrial units should be allowed a fair return on capital employed. Rigid controls obviously go against the interests of prospective entrepreneurs and instances are not wanting of how stringent controls have hampered investments and instead of improving the situation, worsened matters in the long run.

Industrialisation of backward areas came up prominently for discussion at the state Industry ministers' meet. The anxiety of the state governments to industrialise these areas can well be appreciated. But it has to be recognised by the state governments that unless they take concerted steps to build up infrastructure facilities in these areas, mere grant of concessions cannot attract entrepreneurs to these regions. The plea of some state ministers that the large industrial houses should be allowed to set up industries based on local raw materials even though such industries do not fall in the core sector in which the large houses are allowed to operate, if accepted, should, however, facilitate to some extent the growth of industry in the backward areas. In view of the fact that the building up of infrastructure facilities in a backward area is a time-consuming process, the fixing of a deadline for large industrial houses for setting up manufacturing units in these areas, as suggested by some state ministers, will not be a step in the right direction.

The proposed weeding out of bogus industrial units in the small-scale sector — such units are said to account for nearly 25 per cent of the small-scale manufacturing concerns — should help in improving the supply position of the scarce raw materials for the genuine producers. There can be no denying the fact that the allocation of scarce materials to the bogus units, which are traded on to the genuine manufacturers at high premia, has added to the inflationary tendencies in the country to no small extent.

Eastern Economist 30 Years Ago

NOV. 17, 1944

Disappointment and dissatisfaction at the way the food problem in India has been tackled constituted the keynote of the speeches made by all sections of the Assembly while Government spokesmen indulged in self-praise which is wholly incomprehensible. What is the criterion by which to judge the success or failure of the food policy? It is to secure food to the people, sufficient both qualitatively and quantitatively, to ensure health and reasonable well-being, having regard to normal standards. Has the Government of India fulfilled this elementary obligation of a civilized Government? Sir A.P. Srivastava felt that they had done "extraordinarily well," while Dr. Rao, A government nominee, almost pathetically pleaded for "some little credit" for what they had achieved.

The Food Member recounted the achievements thus: "We have secured the recognition and adoption of an all-India policy steadily pursued with a common direction and a common aim." Presumably, the "common aim" was to ensure food for all and rationing was the means to achieve that end. And yet so far it remains merely a wish that "the statutory ration in India should not fall below 1 lb. a day," while it actually ranges between 6 ounces and a pound. Then there is the question of prices. The Food Member's second claim was the control of prices "which have shown a steady downward trend." But, as is well known, not the prices of all foodgrains have been controlled, and although a measure of stability, it may be conceded, has been achieved in regard to cereals, the prices of other food articles have continued high, especially those of the protective foods. Deaths from starvation in Calcutta have not yet altogether ceased, and observers who recently toured the interior of that affected province, found men and women in the villages who were utterly destitute.

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Iron Ore Exports • Steel Availability and Prices • IDPL's New Strains • Ancillary Industries

THE ACCEPTANCE, though in principle only, at the ministerial level meeting of the iron ore exporting countries at Geneva last week, of the proposal to form an association of these countries to secure a fair and suitable price for the exports of this ore has been received here with a good deal of satisfaction. The idea will receive concrete shape at the hands of a small preparatory committee, which has been set up to examine in depth the form and provisions for the proposed body. This committee, of which India is the chairman, will meet in New Delhi in January and report to another meeting of the ministers of the iron ore exporting countries to be held in March or April next year.

cooperative action

Although the proposal encountered some rough weather in the initial stages of the last week's Geneva conference, because two countries — Algeria and Venezuela — wanted that the association should be on the lines of the Organization of Petroleum Exporting Countries (OPEC), of which they are members, some others, particularly Australia, Canada and Sweden, were against this. Unlike the OPEC's operations in the recent past, the latter countries desired the interest of the consumer countries also to be taken into account; they were in favour of a cooperative action and not action in a mood of confrontation. The preparatory work done by India in Australia and Brazil in the recent past and the moderate approach of our minister for Commerce, Prof D.P. Chattopadhyaya, the chairman of the Geneva meet, helped in sorting out matters.

Prof Chattopadhyaya's approach, of course, was fully in line with the stand the government of India has taken right since the proposal came to be seriously discussed last year. India desires the association to be forum for discussions among the iron ore exporting countries with a view to coordinating the national policies in the field of iron ore exports, the creation of international conditions for an orderly and healthy development of these exports, and ensuring of stable, equitable and remunerative world price level for iron ore and its semi-finished derivatives.

Although the proposal came to be seriously considered only last year, after the oil exporting countries were successful in sharply raising the international prices of crude oil, it has its genesis in the deliberations of UNCTAD II, held in New Delhi in February-March, 1968. At the UNCTAD II conference, iron ore was listed among the commodities requiring prompt consideration at intergovernmental consultations in order to identify the problems faced by this commodity and to find out suitable remedial measures.

The issue came to the fore last year when it was felt that although the prices of steel and some other essential inputs of the steel industry such as coking coal, had gone up substantially, those of iron ore had not risen correspondingly.

depleting assets

As was stressed at the last week's Geneva meeting, while the prices of steel exports have increased by 200/400 per cent during the past three years, the improvement in iron ore prices — a depleting, non-renewable asset of the exporting countries, majority of which are as yet developing — has been only marginal. This marginal improvement has also come after considerable time lag — in the last about 16 months. Even the prices of coking coal during the last two years or so have gone up at a more rapid pace than the prices of iron ore. The increase in the prices of coking coal has been nearly 200 per cent, as against 60/80 per cent in the case of iron ore. If due consideration is given to the improvement in the iron content of the exported ore — from about 50 per cent in 1950 to as much as 60 per cent in 1970 — and also to the substantial improvements in the chemical characteristics of the ore, even the recent increase in the prices of exported ore pales into insignificance.

What the major iron ore exporting countries like India desire is that the price of iron ore ought to be correlated in a reasonable way to the prices of steel. The improvement in the prices of steel ought to be adequately reflected in the prices of iron ore. Unlike the unilateral action of the oil exporting countries to quadruple in a short span of about a year, the price of crude oil, the iron ore exporting countries expect the steel producers to appreciate the situation and voluntarily agree to improving it.

* *

Three important announcements were made by the union minister for Steel and Mines, Mr Chandrajit Yadav, in his address last week to the members of the Consultative Committee of Parliament attached to his ministry. The first was that despite considerable improvement in the supply position of steel, the government was not thinking of decontrolling this important commodity. Mr Yadav revealed that between April and October this year the availability of saleable steel had gone up to 3.66 million tonnes from 3.15 million tonnes during the corresponding period last year.

The integrated steel plants had contributed nearly 2.7 million tonnes of saleable steel, as against 2.479 million tonnes last year. The remainder addition al supply was accounted for by imports and the increased output of mini steel plants. The operations launched by the government against hoarders and profiteers in steel and the restrictions placed on construction activity were the other major factors which had contributed to the improvement in the situation. The minister expressed the view that it would be erroneous to construe from the easie

eel supply position that recession was ound the corner.

With the improvement in railway ovement, Mr Yadav said, the accumu- ted stocks at the steel plants had gone own from about four lakh tonnes in larch to approximately three lakh nnes. The availability of steel in the arket, he hoped, would improve further a result of the efforts being made to eed out bogus consumers, particularly the small-scale industrial sector.

Mr Yadav, however, assured the embers of the consultative committee at, as and when required, modifications the distribution system would be con- dered. All efforts would be made to prove production further so that, apart om meeting the domestic requirements, xports could be increased to earn valu- ble foreign exchange. The production roblems of both the integrated steel- orks and the mini steel plants would e sorted out expeditiously.

The second announcement made by Mr Yadav was that the government did ot intend to go slow with, or abandon, he setting up of the proposed steelworks t Visakhapatnam and Vijayanagar in spite f the difficult resources position. Before he year ends, the preparation of the etailed project reports for the two plants ould be ordered. The work on the alem steel plant, the minister assured, as progressing as scheduled.

The third announcement concerned he aluminium industry. Mr Yadav tated that there was "absolutely" no uestion of giving up the Ratnagiri roject in Maharashtra or shifting it to ny other state.

The minister called upon the mini teel plants to adjust themselves to the hanged supply position and refrain from xcessive profiteering. In view of the rowing scarcity of scrap, he assured that he programme to produce sponge iron, sing natural gas, would be pursued with igour to provide an alternative input to nini plants.

In terms of the recently revised distri- ution policy, new stockyards, Mr Yadav aid, would be opened soon at Poona and in the states of Haryana, Himachal Pradesh and Jammu and Kashmir.

* *

The Rishikesh plant of the public sector drugs manufacturing company—Indian Drugs and Pharmaceuticals Ltd—has planned to introduce during the coming months some new strains of streptomycin sulphate, tetracycline and griesfulvin. These have been developed from supplies from IDPL's collaborator, the Soviet Union. New isolates of strains of pencillin and oxytetracycline have also been made available by the Soviet Union. They are being tried out at the Rishikesh plant.

In view of the above development, the offers of some other parties, including Pfizers, to supply to IDPL improved technology for tetracycline and oxytetracycline may not find an easy acceptance, although the IDPL authorities assert that they are considering these offers in terms of the undertaking's plan to raise by 1978-79 streptomycin capacity to 120 tonnes, from 85 tonnes at present, and tetracycline capacity to 95 tonnes from 25 tonnes. The utilisation of the strains of the parties other than the Soviet Union depends on various factors. including the equipment and machinery of IDPL and the economic viability of the offers themselves. Significantly enough, it is pointed out that the Soviet Union has all along been making available improved strains developed by it.

Apart from raising the production of streptomycin and tetracycline, the fifth Plan expansion programme of IDPL includes establishment of a nicotinamide plant, augmenting of the capacity of the synthetic drugs plant and the setting up of a new formulation unit independent of the existing plants of the undertaking.

* *

With a view to fostering the development of small-scale industries, the definition of ancillary industrial units may be modified shortly. A green signal for this has been given by the state ministers of industries and the Small-Scale Industries board at their meetings here last week. The new definition is likely to be on the lines recommended recently by the Standing Committee on Ancillary Industries. According to this recommendation, a small-scale ancillary unit should be one engaged in the manufacture of parts, components, sub-assemblies, toolings, intermediates and rendering of services to the parent unit for production purposes, provided the unit supplies or proposes to supply 50 per cent of its production to one or more parent units, and further provided that it is not a subsidiary to, or controlled by, any large unit.

The effect of the change in the definition would be :

(i) units producing intermediates would be brought into the category of ancillaries—this has particular significance for the chemical industries;

(ii) ancillaries can develop around small-scale units also; and

(iii) servicing units such as sand blasting, machining, pressure cleaning, grinding, etc., which undertake certain processes but do not produce parts, components, etc., would be brought into the fold of ancillaries.

To some extent, the new definition may restrict the scope of the ancillaries. At present there is no stipulation regarding the percentage of production which an ancillary unit has to make available to the parent unit. It is now proposed that at least 50 per cent of its output will have to be supplied by a small-scale unit to one or more parent units if it is to qualify for consideration as an ancillary unit.

Ancillary units are entitled to some preferential treatment in their operations, particularly if they cater for the core and defence sectors. They also receive financial assistance on a priority basis.

In view of the rise in capital costs due to inflation, the union ministry of Industries is also likely to soon revise the capital ceiling for a small-scale industrial unit from the present level of Rs 7.5 lakhs to Rs 10 lakhs and of a small-scale ancillary unit from Rs 10 lakhs to Rs 15 lakhs. Clearance has been given to this proposal also by the Small-Scale Industries Board.

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The monetary screw and production

Sagittarius

THE NEW credit policy for the 1974-75 busy season announced by the governor of the Reserve Bank of India on October 29 has made an attempt to eliminate some of the complicating features of the policy for the last season and reduced the cost of borrowing for member banks from the central banking institution under the Bill Market Scheme and against refinance facilities. But there has been no significant relaxation of credit curbs and the monetary authorities have broadly indicated that the scheduled commercial banks will have to pursue the priorities newly determined for dispensing credit. Also, the lending institutions will have to be content with the use of fresh additions to deposits, after fulfiling statutory obligations, and the released funds for Rs 120 crores as a result of a reduction in the cash reserve ratio to four per cent from five per cent in two stages in December. A basic quota of Rs 100 crores has been fixed under the Bill Market Scheme and the discounting of bills within this quota can be effected at Bank rate. Fresh discretionary accommodation will be available at interest rates ranging between 10 and 15 per cent. There is also a basic quota of Rs 120 crores against refinance facility which can be used by member banks throughout the busy season.

new procedure

The financing of procurement operations will be carried out on somewhat different lines. The extent of refinance available in respect of procurement advances in excess of Rs 300 crores has been limited to 50 per cent until they reach Rs 450 crores. There will be full refinance in respect of credit in excess of Rs 450 crores. The new procedure will be slightly more advantageous to the lending institutions as the outlay out of owned resources will be only Rs 50 crores against an advance of Rs 100 crores above Rs 300 crores. Under the earlier arrangement there was no refinance up to Rs 400 crores though there was full refinance after this limit. The net benefit derived by the banking system by way of refinance facilities will be Rs 25 crores when procurement credit reaches the level of Rs 450 crores. New refinance will, however, be more costly at 10 per cent though the lending rate also for procurement credit has been raised to 12 per cent.

busy-season needs

No estimate has been made of the needs of borrowers during the busy season as there are many uncertainties and it was argued on the last occasion that the Reserve Bank had to revise its own estimates and permit expansion of credit for a gross amount of Rs 1175 crores including procurement finance of Rs 190 crores. It had been anticipated that the growth in advances would not be more than Rs 650 crores. The monetary authorities have, therefore, contented themselves by merely indicating what will be the quantum of resources available to member banks and how discretionary accommodation will be extended under the Bill Market Scheme and against refinance facilities. It has, of course, been helpfully decided that the cash reserve ratio will be reduced by one per cent to four per cent in two instalments in December. This will augment surplus funds of banks by Rs 120 crores.

No reliable estimates have also been made of the increase in deposits during the busy season though it is felt that the revised interests rates will be helpful in the mobilisation of additional resources. However, having regard to the uneven trends noticed in recent months it will be safe to proceed on the assumption that the growth in deposits in the six months ended April 1975 may not be more than Rs 650 erores. Allowing for the segregation of deposits to the extent of Rs 241 crores for fulfilling statutory obligations, the balance of Rs 409 crores can be utilised for granting fresh assistance to borrowers. The released cash balances of Rs 120 crores and the unused portion of the quota of refinance amounting to Rs 57 crores will also augment the pool of resources to a total of Rs 586 crores. The basic quota under the Bill Market Scheme had already been utilised fully as the outstanding amount on October 25, was Rs 108.10 crores while borrowing against refinance facility stood at Rs 63.33 crores on the same date.

The gross expansion of credit with the existing facilities and the resources in sight can not therefore be more than Rs 600 crores including even Rs 75 crores in respect of procurement credit out of owned resources against the gross credit of Rs 1175 crores in 1973-74. (Even allowing for the availability of procurement refinance for Rs 115 crores the adjusted expansion of credit was Rs 1060 crores.) There will, therefore, be a gap of Rs 460 crores if the trends in the last season are any guide.

readjustments completed

It may not, however, be necessary to provide assistance to all classes of borrowers in the coming months on the previous scale as imported inflation will not have the same distorting effect with the adjustment to the situation arising out of the big rise in oil prices having been largely completed. There may even be a reduction in requirements in some directions with the drop in prices of non-ferrous metals and some other items, but the requirements of public sector undertakings will be on a larger scale. Their output has been rising and the offtake of finished goods such as steel has not also been brisk. Again, some new developments have taken place which have been responsible for the increase in stocks of cloth and yarn and other consumer goods. The trade has not found it possible to hold stocks of previous dimensions because of the paucity of credit from bazaar sources. But for these new happenings there might have been a contraction in advances in October by about Rs 60 crores instead of an increase of Rs 41 crores that has been recorded.

It is now felt in industrial circles that the offtake of finished goods will assume normal proportions only after some weeks and stocks might increase further

by another Rs 100 crores. Taking into account the various factors it will be reasonable to presume that credit expansion will have to be of the order of Rs 850 crores. There may not immediately be any difficulty in finding the required resources for meeting new needs in November and December. In November last year deposits rose by Rs 176 crores and advances by Rs 177 crores.

The rise in advances in the current month may not be more than Rs 125 crores and banks can meet this demand without even fully utilising refinance quota as deposits may increase by about Rs 175 crores in the same period. In December 1973, advances increased by Rs 283 crores and deposits by Rs 164 crores. These trends may be repeated as heavy payments will have to be made in respect of tax dues. The gap of Rs 180 crores after making the necessary adjustments in new deposits in respect of statutory obligations can be taken care of by the released cash balances and the unused portion of basic quota of refinance.

The decision of the Reserve Bank to reduce the cash reserve ratio by one per cent is therefore to be commended and banks will not be increasing unduly their borrowing charges. Actually they will be helped to augment their income utilising the released cash balances remuneratively. The first three months of 1975 however will witness a heightening of the credit squeeze as fresh deposits will fall far short of additional demand for credit.

In the first quarter of 1974 advances increased by Rs 412 crores against a rise in deposits of only Rs 136 crores and it was necessary to borrow heavily on a penal basis against refinance facilities even after making a liberal use of the Bill Market Scheme. In the first quarter of 1975 advances may increase to the extent of Rs 325 crores while deposits may not rise by more than Rs 125 crores. It will be helpful at this stage if the cash reserve ratio can be reduced to three per cent from four per cent. This decision may be taken in February. Even so, it will be necessary to grant discretionary accommodation for Rs 125-130 crores under the Bill Market Scheme. In view of these difficulties the Reserve Bank could have desired to fix a higher basic quota under the Bill Market Scheme and also permitted a larger refinance quota of 1½ per cent of demand and time liabilities as at the end of last September.

The new credit policy has therefore many unexplained gaps though the fixation of basic quotas and the reduction of cash reserve ratio along with a lowering of the net liquidity ratio to 39 per cent, will prevent that distortion in interest rates witnessed in the last season. It is of course presumed that the statutory liquidity ratio will remain unchanged at 33 per cent. If a helpful attitude is adopted and the banks are enabled to take quick decisions much of the confusion witnessed in the last busy season can be avoided and the drawing limits can be relaxed to facilitate production being maintained at an optimum level. even while there was unexpected accumulation of finished stocks with some industries due to a dislocation in the activities of traders. As there are genuine complaints about inadequate credit hampering production and recessionary trends are emerging in some directions, any unimaginative attempt to tighten the monetary screw will do more harm than good.

Debt position of the states

Kiran Barman

THE STATE governments clearly have to shoulder considerable responsibilities in mobilising financial resources for economic development. Our Constitution has divided the functions and resources between central and state governments. In spite of the increasing assistance in the form of shared taxes and grants-in-aid from the centre, the state governments have to make their own effort to raise resources through taxation and borrowing to finance the economic activities included in the state and concurrent lists of the Indian Constitution.[1] The Constitution of India has assigned wide powers and functions to the states. To fulfil these heavy and increasing responsibilities, the mobilisation of financial resources has become one of the major problems of the state governments. There are always some limitations on the state governments to raise resources through taxation, resulting in their increasing debt burden.

The Constitution provides for borrowing by both the central government and the state governments either independently or collectively. However, under article 292 of the Indian Constitution, a state is permitted to borrow in India upon the security of the consolidated fund of the state within the limits fixed from time to time by its legislature. That is why sometimes the question of centralisation of the loan operations had arisen. In the case of centralised borrowing, the proceeds of total borrowing are shared by the central government and the state governments on an agreed basis. 'There were two reasons which led to the centralisation of states' market borrowings. First, the states had to pay higher interest rates than the central government which the former did not like; and second, the market prices of state government securities have been generally quoted below the level of the government of India securities, which probably implied a reflection upon the soundness of the financial position of the states.[2] The latter effect was also, at least in part, due to the Reserve Bank's policy of not supporting the state loans as it does when the government of India loans go unsubscribed in full or in part.

Keeping these points in mind, in 1963 in the wake of the Chinese aggression, it was decided to centralise public borrowing and it was proposed to borrow Rs 393 crores including Rs 100 crores on behalf of the state governments and to distribute a part of it among them, on the basis of gross amount borrowed by the state governments from the market in 1962-63. However, its result was not remarkable and the state governments realised that this plan would reduce elasticity in their own borrowing programme. Therefore in the next budget (1964-65) it was approved to borrow separately.

However, in our Constitution state governments do not have complete freedom to float any new loan without the prior consent of the centre. This has been done to prevent unsound borrowing and to safeguard the credit structure of the states. That is why some economists are of the opinion that there should be one common agency to do the function of borrowing to divide the proceeds impartially between the central and state governments and to know their relative needs. This type of policy will create integration between fiscal policies of the central and state governments and thus their elasticity of borrowing would increase. Being the manager of the debt of both the centre and the states, the Reserve Bank of India is in a position to coordinate the debt policies of the centre and the states for maintaining economic stability in the country.

The total outlay of the state governments during the three Plan periods amounted to Rs 897 crores,[3] Rs 2,103 crores and Rs 4,093 crores[4] respectively. During the three years of the annual Plans (1966-69) it amounted to Rs 3,052 crores.[5] In the fourth five-year Plan, states' total outlay increased to Rs 6,927 crores. Table I shows the annual outlay of the states in the fourth Plan period:

TABLE I

Annual Outlay of the States in the *Fourth Plan Period*

(Rs crores)

1969-70	932
1970-71	1,169
1971-72	1,388
1972-73	1,602
1973-74	1,836*

* Estimate outlay.

Source: *RBI Bulletin* (June, 1973), p. 939.

It is this rapid and sharp rise in the Plan outlay in addition to the increase in non-developmental expenditure and debt services that has been responsible for heavy borrowing by the state governments. The outstanding debt liabilities of the state governments increased from Rs 449 crores at the end of March 1952 to Rs 2,739 crores at the end of March 1961 and to Rs 8,749 crores at the end of March 1971 and further to Rs 10,794 crores at the end of March 1973. The outstanding debt liabilities are estimated to rise further to Rs 11,673 crores at the end of March 1974.

The public debt of the state governments can be classified as follows:

1. Permanent debt,
2. Floating debt,
3. Loans from the central government,
4. Unfunded debt,
5. Other debt.

Permanent Debt: The permanent debt covers loans raised with the open market having a currency of more than 12 months. It includes cash and conversion loans as well as bonds issued in compensation for the abolition of intermediary rights in land such as Zamindari abolition compensation bonds and encumbered estate act bonds. Permanent debt of the states increased from Rs 134 crores at the end of March 1952 to Rs 257 crores at the end of March 1956 and further to Rs 10,794 crores at the end of March 1973.

declining percentage

The increase in outstanding permanent debt in the first two Plans was higher than in the later Plans. The percentage of permanent debt to total debt has declined from 29.1 per cent at the end of March 1952 to 18.2 per cent at the end of March 1961 and further to 13.6 per cent at the end of March, 1972. Permanent debt is expected to rise to Rs 1,664 crores at the end of March 1974.

Floating Debt: Floating debts are of a partly temporary nature repayable within 12 months, viz, treasury bills or ways and means advances and overdrafts from the Reserve Bank of India and cash credits from the State Bank of India and other commercial banks. The total amount of floating debt decreased from Rs 16 crores at the end of March 1952 to Rs 10 crores at the end of March 1956. Since then there has been a rise in this component of the state debt and it increased from Rs 42 crores at the end of March 1956 to Rs 600 crores at the end of March 1972. Again the floating debt of state governments outstanding at the end of March 1973 registered a decline of Rs 304 crores from the end of March 1972 position. The decline during this period was mainly the result of the discontinuance, with effect from May 1, 1972, of overdrafts to state governments from the Reserve Bank of India (beyond the agreed limits). The outstandings of such overdrafts were cleared with central assistance. Floating debt is expected to rise marginally by Rs 8 crores at the end of March 1974.

Loans from the central government: The enormous increase in total outstanding debt of the states was due to the large amount of loans given by the central government. These loans are given for a variety of purposes (developmental and relief) and for specific projects only. Each year the state governments receive loans and make repayments. Besides, giving loans to states for Plan purposes and non-Plan purposes (to meet expenditure on natural calamities, purchase of fertilisers and rehabilitation schemes etc.) the central government initiated a scheme of special accommodation in 1969-70 to meet the overall non-Plan gap of some states. Loans of Rs 279 crores and Rs 195 crores for this purpose were granted to some states in 1969-70 and 1970-71 respectively, and in 1971-72 a sum of Rs 120 crores was provided in the central budget.

During the first Plan period, as much as 82 per cent of the aggregate capital disbursements by the states was financed by the central loans. This proportion, however, declined to 75 per cent during the second Plan but again rose to 85 per cent in the third Plan period. At the end of March 1972 the outstanding loans from the centre increased from Rs 6,756 crores to Rs 8,010 crores at the end of March 1973. The major factors accounting for the substantial increase during 1972-73 were special ways and means assistance from the centre to states for clearing their overdrafts with the Reserve Bank of India and loan assistance for meeting the additional expenditure on famine relief and for emergency agricultural production programme. Outstanding loans from the centre at the end of March 1974 are expected to go up by Rs 526 crores.

financial problem

The increasing indebtedness of the states to the centre has become a major financial problem to both the centre and the states. And when the states are not able to meet the increasing repayment obligations, they have started pleading for rescheduling of their debt repayments. The fourth Finance Commission has rightly observed that "...the entire question of indebtedness of the states and the soundness of the existing borrowing, interest payment, repayment and accounting practices in this respect should be reviewed on the basis of a detailed study and report by a competent body to be set up for the purpose."[6]

Other debt: 'Other debt' of state governments comprises mainly loans from National Agricultural Credit (Long-term) Operations Fund of the Reserve Bank of India, National Cooperative Development Corporation and Life Insurance Corporation of India. Loans from the first two

agencies are mainly intended for relending through cooperatives for investment in the rural sector; those from the Life Insurance Corporation of India are for financing development schemes like housing, water supply, etc. The 'other debt' of the states increased from Rs 50 crores at the end of March 1961 to Rs 162 crores at the end of March 1966 and further to Rs 302 crores at the end of March 1973. The 'other debt' is expected to rise to Rs 342 crores at the end of March 1974.

rising outstandings

Unfunded Debt: Unfunded debt consists of state provident funds, saving banks deposits, employees' insurance contribution etc. It has also recorded a substantial increase from Rs 58 crores (state provident funds—Rs 41 crores) at the end of March 1952 to Rs 133 crores (state provident funds—Rs 113 crores) at the end of March 1961 and further to Rs 724 crores (state provident funds—Rs 648 crores) at the end March 1973. It formed 12.6 per cent in the states' total debt at the end of March 1952 declined to 4.8 per cent at the end of March 1961 and further increased to 6.3 per cent at the end of March 1973. The outstandings are expected to rise to Rs 827 crores (state provident funds—Rs 746 crores) at the end of March 1974.

Market Borrowing : The borrowing achievements of the states under the Plans was highly successful. Their attractive rates of interest, prevalance of favourable conditions in the money market and the floating of their loans during the slack season when the investors have enough amount to invest are some of the main factors helping in the success of the borrowing programme of the states. They also tried to attract funds from small investors in rural areas. Experience of some states proved that with concerted efforts by the states substantial amount of loans could be raised from the rural sector, because they can tap local resources more effectively than the central government. The borrowing programme of the states under the Plans was highly remarkable. Total loan receipts of the states during the second and third Plans amounted to Rs 1887 crores and Rs 3,681 crores respectively as against Rs 965 crores during the first Plan period. During the three annual Plans net loan receipts amounted to Rs 3,471 crores as shown in Table II.

Further, the loan receipts of the state governments amounted to Rs 1,354 crores in 1969-70 and 1,293.9 crores in 1970-71. It increased to Rs 1,500.5 crores in 1971-72 and 2,305.2 crores in 1972-73 respectively. It is expected to rise to Rs 1,690.4 crores in 1973-74. Besides, on August 27, 1973, 20 states governments issued at par 5¾ per cent 12-year loan maturing in 1985, for an aggregate amount of Rs 149.75 crores As no state loan was maturing during the year subscriptions to the new loans were accepted only in cash and these aggregated Rs 166 crores[7].

TABLE II

Loan Receipts of the State Governments

(Rs in crores)

First Plan	
1951-52	92.09
1952-53	129.28
1953-54	152.86
1954-55	246.43
1955-56	344.38
Total	965.04
Second Plan	
1956-57	293.23
1957-58	332.24
1958-59	382.49
1959-60	397.04
1960-61	482.77
Total	1,887.77
Third Plan	
1961-62	520.05
1962-63	637.71
1963-64	723.73
1964-65	899.48
1965-66	910.26
Total	3,681.23
Annual Plans	
1966-67	1,099.06
1967-68	1,139.28
1968-69	1,232.81
Total	3,471.15
Fourth Plan (1969--74)	
1969-70	1,354.0
1970-71	1,293.9
1971-72	1,500.5
1972-73 (RE)	2.305.2
1973-74 (BE)	1,690.4
Total	8144.0

Note : The loanreceipts of states comprise of permanent debt, floating debt, loan from the centre, other debt from National Agricultural Credit (Long term operations) Fund of the Reserve Bank of India, Loans from National Co-operative Development Corporation and Central ware-Housing Corporation, loans from Khadi and Village Industries Commission, Employees State Insurance Corporation etc., and unfunded debt.

Sources : Compiled from the Capital Budgets of States, *Report on Currency and Finance* (various issues)

small savings schemes

The central government has provided some incentives to the states to step up collections by the small savings method. According to the method adopted during the first Plan a state could get 25 per cent of the average net collection in the state plus 50 per cent of the excess amount over this average in the same. This amount thus received was treated as a loan from the centre to the states. A new formula was adopted in 1957 according to which the states were entitled to get two-thirds of the net collections if they did not issue market loans and one-third if they did so. The above formula was liberalised in 1958-59 to provide for further incentives. In the revised formula each state would be entitled to get two-thirds of the net collections in the state as well as the entire proceeds of the market borrowing. But just after the declaration of emergency in 1962 a ceiling was imposed on the state's share in the total collections of small savings for the year 1962-63 and 1963-64 putting it at Rs 60 crores and 65 crores respectively. However, in November 1963, this ceiling was lifted and the net collections of small savings were to be shared between the centre and the states in the ratio 2:1.

In India, the state governments always have some complaints against the central government. They argue that the central government is placed in a favourable position; it can collect revenue even from abroad and by way of deficit financing. Even the second Finance Commission saw a distinct disparity caused by wide variation in the rates of interest and the terms of repayment between the union and the states and it recommended consolidation of loans and rationalization of the rates of interest and terms of repayment. The commission proposed fixation of the rate at three per cent for all loans irrespective of the period of maturity. It also suggested formulation of a scheme that would reduce the burden on all the states together by about Rs 5 crores[8].

On the basis of these recommendations the rate of interest on loans advanced upto 1957-58 was reduced and standardized towards the middle of February 1959. The terms of loans for industrial and commercial enterprises and for industrial housing were left unaltered. Loans for electricity and for the expansion of power facilities carried interest at four per cent per annum. All other loans, however, were to raise interest rate to three per cent per annum.

Despite this, the states were not in a position to pay even the annual interest charges on the central loans regularly thus being forced to seek further loans to pay the interest charges of total loans received by the states from the centre in 1966-67 and 1967-68. Nearly as much as 47 per cent and 69 per cent respectively was utilised to pay interest and instalments on old loans from the centre.

payment of interest

In recommending grants-in-aid to the states under article 275 of the Constitution the commission took into account the requirements of the states for payment of annual interest of loans outstanding at the end of the third Plan period and the loans that were to be raised by the states during the fourth Plan. They further recommended that interest payments should be reviewed on the basis of detailed study and report by a competent body to be set up for the purpose.[9] However, this recommendation has not been activated so far.

The third Finance Commission report[10] recommended an annual payment of total grants-in-aid of Rs 110 crores to all the states except Maharashtra. The commission felt that grants would assure the states the necessary funds to cover part of the revenue component of the Plan and also give them a greater measure of autonomy and flexibility in their administration. The fourth Finance Commission[11] recommended annual grants under article 275 of the Constitution amounting to Rs 122 crores equal to one-fifth of the deficit. It also suggested the creation of an institutional device between the union and the state governments for consultation on financial matters of common interest. In addition, the commission has recommended an early enquiry by a representative expert body for deciding the principles of the scheme of amortisation of public borrowing by states, which should form the basis for states to make their expenditure forecast for the next five years. Further, the commission is in favour of conducting a survey to assess the soundness of the present system of inter-governmental borrowing.

On the problem of unauthorised overdrafts and grants for buttressing the finances of the states, the fifth Finance Commission has strongly recommended[12] that the states should 'as a matter of necessary fiscal discipline', balance their budgets and manage their affairs within the resources available to them. It has further recommended that ways and means advances should not be considered as resources. The sixth Finance Commission has since been appointed with wider terms of reference than the previous ones with a view to having its recommendations well before the fifth Plan commences.

When the state governments could not raise enough resources through taxation they started taking unauthorised borrowings from the Reserve Bank of India to finance their incoming expenditure. During 1962-63 the central government granted ad hoc loans to seven states to help them clear their unauthorised overdrafts amounting to Rs 74 crores as against Rs 30 crores granted to four states in 1961-62. During 1963-64 the union government had to advance Rs 22 crores to the states for clearing their overdrafts with the Reserve Bank. These advances increased to Rs 34 crores in 1964-65 and to Rs 101 crores in 1965-66 (of which Rs 51 crores were made repayable in two to three years). The decline in capital receipts is largely under loans from the centre (at the end of March 1973) which at Rs 1,202 crores are budgeted lower by Rs 115 crores. This decline is partly offset by increases under loans and advances repaid by third parties to state governments (Rs 28 crores), loans from autonomous bodies (Rs 24 crores) net deposits and advances (Rs 14 crores).

Now it is clear that borrowing by the state governments has contributed considerably to solve the problem of mobilising financial resources for economic development of the country.

References :

1. See Article 246 (Seventh Schedule) of the Constitution of India.
2. NCAER : *Management of Public Debt in India*, Op. Cit. p. 22.
3. Government of India, *Review of the First Five Year Plan*, p. 24.
4. 'Finances of the State Governments', *RB Buleltin* (June 1961), p. 855 and (May, 1965) p. 644.
5. *Ibid*, (August, 1970) p. 1289.
6. *Report of the Fourth Finance Commission* (1965, August).
7. *Report on Currency and Finance*, 1972-7 p. 191.
8. *Report of the Second Finance Commission* (1957), pp. 53-54.
9. *Ibid*, p. 53.
10. (December, 1962)
11. (August, 1965)
12. Constituted on February 29, 1968, an submitted its final report on July 31, 1969.

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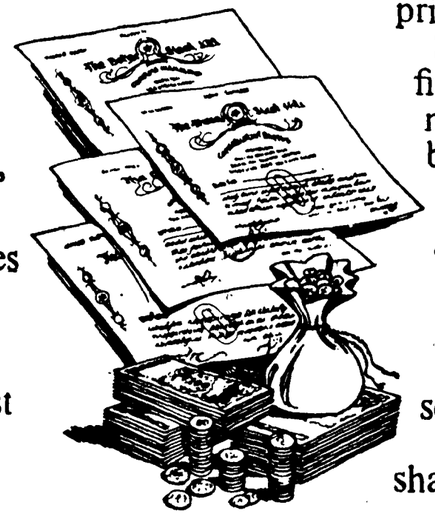
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TATA STEEL

Rational land use for self-sufficiency in food

A.R. Rao & I.J. Singh*

IN VIEW of the increasing population and limited cultivable land in India, there is urgent need to re-examine the present pattern of land use. With growing numbers and increasing urbanization, more land is going into such non-agricultural uses as housing, communications and industries leaving lesser land per capita for growing crops. Crops, in addition to meeting the food needs, have to fulfil the other necessities of life such as clothing or industrial raw materials. In addition, crops like cotton and sugarcane are vital raw materials for generating industrial employment as well as sources of foreign exchange. Crops are also the raw materials for the production of many desirable and nutritive foods of animal origin such as milk, meat and eggs.

possible substitution

In this context, it is necessary to study the possible substitution of these crops with non-agricultural alternatives, primarily of industrial origin. Several questions may arise in this connection. Is the present land use in India, compatible with our minimum social objective of preventing hunger in the country? Is the present pattern of our food production helping the poor, or is it subserving the desires of the well-to-do? Are the consumers of different foods getting invisible subsidies from the government or are losses being incurred by the producer which are going unnoticed?

How important is each crop to the overall economy in its material needs, as industrial raw material, as a generator of employment, as a vital input for a return on the investment in the industries, to fulfil the addictions of the population such as for tobacco, or as an earner of foreign exchange or of good-will? For which section of the population is each food item catering? What are the nutrients supplied to the consumer from each item of food? Can these nutrients be supplied through acceptable alternative sources at lower prices? Are our investments in research and development directed towards producing the most rational foods?

In view of the above broad considerations, this article attempts to fulfil the following specific objectives:

1. To study the existing allocation of land for producing various crops.
2. To examine the possibility of increasing the area under essential food crops.
3. To suggest unconventional alternatives to some agricultural products.

To fulfil the above objectives, secondary data from various sources have been used. For the first objective, the area under the cultivation of different crops has been examined. For the second objective, criteria such as the nutritive value of the different food crops, the nutritional needs of the population, ways to fulfil the other needs of the population like clothing and the requirements of raw materials for industries, the potentialities of the crops to generate employment and to help in the balance of payments have been considered. For the third objective, the alternatives available abroad and their feasibility under Indian conditions in terms of acceptability, prices and the impact of these alternatives on the overall national economy, have been examined.

under food crops

Existing land use : Of the land under agricultural use (which is about half the land area of the country), about 75 per cent is under foodgrains and about 12 per cent under other essential food crops such as oilseeds, fruits and vegetables (Table I). Sugarcane and cotton together account for 6.5 per cent of the total cultivated area and about 9 per cent of the irrigated area. Miscellaneous crops like tobacco or jute, account for the balance (7.5 per cent). Table I shows that most of our agricultural land is already under foodgrains, indicating thereby that the possibilities of shifting land to food crops primarily lie in crops like cotton and sugarcane.

TABLE I

Crop Acreage in India : 1969-70

(Thousand hectares)

Crop	Total	Irrigated
Foodgrains (cereals and pulses)	122,354 (74.6)	29,548 (79.4)
Fruits	1400 (0.9)	..
Vegetables	2,075 (1.3)	..
Total fruits and vegetables	..	787 (2.1)
Total oilseeds	13,845 (8.4)	739 (2.0)
Condiments and spices	1,655 (1.0)	418 (1.1)
Total food crops	141,329 (86.2)	31,492 (84.6)
Sugarcane	2,790 (1.7)	2,129 (5.7)
Cotton	7,728 (4.7)	1,210 (3.3)
Total area under sugarcane and cotton	10,518 (6.4)	3,339 (9.0)
Other crops	12075 (7.4)	2,385 (6.4)

Source : Ref. No. 1

Increasing the area under essentia foods : To be alive, man needs energ and an adequate supply of protein Cereals and pulses supply energy in th diets, but have slight imbalances in th essential amino-acid contents of the proteins. Cereals are low in lysine, bu rich in methionine, while pulses are ric in lysine, but poor in methionine. effect, a combination of cereals an pulses (*roti* and *dal*) constitute an accep table balanced diet. Fats and oils a highly concentrated forms of energy wi some essential fatty acids and, of cours add taste to the diet. Fruits and veg tables supply minor (but essential) nu

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rients like vitamins and minerals. Condiments and spices are useful for tasty diets.

Thus cereals, pulses, fruits, vegetables, oilseeds, condiments and spices are considered to be essential food crops leaving little scope for reduction in the area under these crops. These are also the reasons for making efforts to increase the area and input use for these crops. In view of these nutritional considerations, a survey was made of the other crops to which a lower priority could be given. These are discussed below:

(a) Sugarcane yields the maximum energy per unit area. However, this energy is figuratively called "empty calories", as it is not accompanied by any other vital nutrient like protein, essential fatty acids, vitamins or minerals. Therefore, from a nutritional point of view sugar (from sugarcane) is a dispensible food. Moreover, there are good and more efficient ways to obtain sweetness as well as energy from corn (maize) syrup or glucose syrup to which are added synthetic sweeteners like, saccharin and cyclamates. Glucose syrup is made from maize starch. It has the same energy as sugar (on dry matter basis) but is less sweet. The sweetness can be supplemented with artificial sweeteners. It is reported [5] that in the USA, glucose syrup is cheaper than sugar by about 20 per cent and artificial sweeteners are cheaper by as much as 85 per cent. Based on these considerations from a distinctly nutritional point of view and the currently available food technology for producing sugar substitutes, our long-term food planning may emphasise minimizing the area under sugarcane and using it for cereal crops. Implications of such planning are discussed later.

(b) Cotton is a traditional fibre with connotation of self-help, rural employment and connections with the lore of our political independence. India has the largest area in the world under cotton cultivation which is more than one-fourth of the total world acreage under this crop.[4] It is regarded as a fibre of choice by the rich in even affluent societies. In recent decades, numerous substitutes for this fibre have come into common use (Table II). Their prices per pound of fibre are slightly higher (Table III), but by virtue of their lightness, clothing made from them is much cheaper, so that in New York, a cotton shirt costs at least double the price of one made of nylon. Thus, for a poor population, clothing made of synthetics seems to be a cheaper substitute for cotton (no matter, how uncomfortable in the hot weather). This should be possible by making sufficient amounts of synthetic fibres in India. Since, most of the synthetic fibres are made from petroleum (Table II) which is in short supply, cellulose derivatives like rayon and acetate fibres seem to be our immediate choices for clothing. For industrial uses (as in tyre cords) nylon derived from castor oil or glass fibre derived from sand could be used. Other coarse cloth as used in home furnishings may also be made from glass fibre. From the above it is clear that synthetic fibres can largely replace cotton for consumption in India. Cotton should be grown only for the irreplaceable purposes, and mainly for the export market as textiles and ready-made clothes. Although cotton crop also yields edible oil and protein in the oil-cake, land released from cotton would have more economic advantage if it is used to grow oilseed crops like groundnut or sunflower for their nutrients like oil and good quality protein from the oil cakes.

TABLE III
Prices of Fibres in USA : 1967

Type	Price (Cents)
Rayon	28
Acetate	40
Nylons	77-78
Acrylic	67-110
Polyester	65-70
Cotton	25
Wool	107

Source : Ref. No. 5.

TABLE II
Man-made Fibres

Name	Intermediate raw material	Source	Uses
Nylons	Caprolactan Hexamethylene daimine/sebacic acid/adipic acid/ 11-amino undecanoic acid	Petroleum/ castor oil	Textile and industrial products
Polyester	Dihydric alcohols and terephthalic acid	Petroleum	Textiles
Acrylic	Acrylonitrile	Petroleum	Knitwear
Rayon and acetates	Cellulose/cellulose acetate	Cotton linters/ Pulpwood	Textiles
Spandex	Polyurethane	Petroleum	Hosiery
Glass	Glass	Silica/Sand	Home furnishings, industrial products

Source : Ref. No. 5.

The above discussion indicates the need for shifting area as far as possible from cotton to other essential food crops in our food production programmes. The pros and cons of this proposal will be discussed later.

There are numerous other crops like tobacco, plantation crops like coffee, tea and rubber as also others which really occupy a very small percentage of cultivated land. Around these crops have been developed several industries. We are not suggesting any shift of area from these crops to other essential food crops as such shift will make negligible contributions to the total food production.

common-sense approach

Feasible substitutes: As suggested in the previous section, sugar can be substituted with sweeteners based on glucose syrup and/or synthetic sweeteners. The areas under sugarcane cultivation in the various states of India (Table IV) and their yields do not justify the present pattern of land use. States such as Bihar, Haryana, Punjab and Uttar Pradesh account for nearly 68 per cent of the total area of sugarcane in the country. However, the per hectare yields in these states are only about half of those in Andhra Pradesh, Maharashtra, Karnataka and Tamil Nadu. Based on these figures, common sense would suggest that sugarcane cultivation, if at all sugar is to be produced, should be limited to the southern states and the entire shift of this land in the northern states should be to produce maize in the *kharif* season and other essential food crops in the *rabi* season. Such a shift should be welcome for the economy in three different ways:

(i) The northern states can concentrate on maize production and use it to produce glucose syrup as a substitute for sugar. In this industrial process maize gluten would come as a by-product to be used as an industrial raw material or as animal feed.

(ii) The labour force of these sugar mills could be employed by the maize syrup factories after some training.

(iii) The technical know-how for corn syrup is readily available in India and the industry does not involve heavy investment.

TABLE IV
Sugarcane (Gur) Production in Major States: 1970-71

State	Area ('000 hectares)	Yield of gur per hectare (Kg.)
Andhra Pradesh	199.6	7,920
Bihar	161.9	3,835
Haryana	155.0	4,503
Karnataka	96.7	8,772
Maharashtra	217.2	7,729
Punjab	127.7	4,127
Tamil Nadu	135.0	8,473
Uttar Pradesh	1,345.2	4,064
All-India	2,615.1	4,963

Source : Ref. No. 2.

Corn syrup may take some time to gain popular acceptance as a substitute for sugar because of its liquid nature. However, in time, sugar production in the southern states also may be similarly reduced to the minimum and the land deployed for other essential food crops.

As in the case of sugarcane, land under cotton in some states is yielding very little (Table V) calling for the shift of this acreage to other essential food crops. For example, such states as Maharashtra, Andhra Pradesh, Madhya Pradesh and Karnataka should be weaned from cotton to other more vital crops.

As suggested earlier, some synthetic fibres can satisfactorily replace cotton in various uses in industry or in apparel. However, the production of several synthetic fibres is capital intensive and these industries may take a long time to replace all the cotton textile industries.

TABLE V
Cotton Production in Major States : 1971-72

State	Area ('000 hectares)	Yield per hectare (Kg.)
Andhra Pradesh	337.3	87
Gujarat	1,847.4	222
Haryana	243.0	326
Karnataka	1,077.5	95
Madhya Pradesh	692.9	92
Maharashtra	2,378.1	69
Punjab	437.0	368
Rajasthan	334.7	212
Tamil Nadu	312.6	324
All India	7,783.6	151

Source: Ref. No. 2.

POINTS OF VIEW

Labour may be equally employed whether it is for cotton textiles or for the synthetic textiles.

The suggested reappropriation of land from sugarcane and cotton will have the following consequences:

(i) Assuming that all the 3,339,000 hectares of irrigated area under these two crops (Table I) is diverted for the production of maize in *kharif* and wheat or rice in *rabi*, the total maize production at an average yield of one tonne per hectare is expected to produce 3.4 million tonnes of maize and about 4.4 million tonnes of wheat or rice at the expected average yields of 1.3 tonnes per hectare. Thus, the total cereal production is estimated to be an addition of 7.8 million tonnes. Such additional production of foodgrains is recommended to replenish the world's foodgrain reserves which are alarmingly low.

(ii) The export earning of India for different forms of cotton as well as sugar are shown in Table VI. The table reveals that during a nine-year period (1965-73), the total net export earnings from these two traditional export commodities were Rs 997.9 million as against foodgrain imports

TABLE VI
Export Earnings from Sugar and Cotton and Foodgrain Imports

(in million Rs)

Year	Sugar			Cotton (raw and all manufactures)			Total net value of sugar and cotton	Cereals		
	Export	Import	Net value (±)	Import	Export	Net value (±)		Import	Export	Net value (±)
1	2	3	4	5	6	7	8	9	10	11
1964-65	179.0	—	179.0	581.0	1945.0	1364.0	1543.0	4160.0	—	—4160.0
1965-66	113.4	—	113.4	462.0	1297.2	835.2	948.6	6286.3	—	—6286.3
1966-67	161.2	—	161.2	564.7	1547.0	982.3	1143.5	11556.6	—	—11556.6
1967-68	159.5	—	159.5	830.1	1570.3	740.2	899.7	9514.3	—	—9514.3
1968-69	101.9	—	101.9	901.8	1167.2	265.4	367.3	6535.8	12.9	—6522.9
1969-70	85.8	—	85.8	827.8	1350.5	522.7	608.5	5025.6	25.9	—4999.7
1970-71	275.7	—	275.7	988.3	1379.9	391.6	667.3	4162.0	32.8	—4129.2
1971-72	302.0	—	302.0	1133.9	1899.4	765.5	1067.5	2518.8	—	—2518.8
1972-73	132.9	—	132.9	908.8	2511.6	1602.8	1735.7	1396.5	—	—1396.5
Total:	1511.4	—	1511.4	7198.4	14668.1	7469.7	8981.1	51155.9	71.6	—51084.3
Average:	167.9	—	167.9	799.8	1629.8	829.9	997.9	5684.0	07.9	—5676.0

Source : Ref. No. 1.

of Rs 5,676 million. Owing to good monsoon years, the country may become practically self-sufficient in foodgrains and thus reduce our food imports to zero. However, such prospects of good weather over the years are uncertain and at least for buffer stocks we may need to produce or import more grains. Therefore, an outlay on food imports appears to be a continuing phenomenon. For instance, it has been estimated that in 1974, India needs to import at least six million tonnes of cereals at an estimated cost of Rs. 2,000 per tonne involving Rs 12,000 million in foreign exchange.[3] Foreign exchange can be saved and the country's dependence on food imports eliminated by limiting the cotton and sugarcane crops to the rainfed areas only.

(iii) It is visualized that in about a decade from now, self-sufficiency in cereals will be attained. At that time, land under cereals may be reduced and used for other essential foods like oilseeds or pulses or even foods of animal origin such as milk, meat and eggs through price incentives.

(iv) To implement the above suggestion, the fund allotted for researches and development may be withdrawn from sugarcane and cotton and directed towards the substitutes for sugar and synthetic fibres.

To sum up, feeding over 600 million people from only 0.27 hectares of cultivable land per capita as also to clothe them in cottons has been our unattainable objective. The present despondency has prompted a re-examination of this goal in view of the egalitarian society we plan to evolve. The findings in this article have brought out the following possible solutions:

1. The present agricultural land use in India, though mostly devoted to foodgrains, has some margin for reappropriation to still more cereals (from sugarcane and cotton).

2. Sugarcane and cotton crops need to be given a low priority in planning the national food policy mainly because acceptable substitutes for these products can be readily made in India without major disruption in the employment situation in sugar and cotton industries.

3. If out of the present area under cotton and sugarcane only one-third which is under irrigation is reappropriated for cereal cultivation, the country would not only be completely self-sufficient in these grains, but would also be saving foreign exchange. Balanced against this are our export earnings from sugar and cotton which have been less than a fifth of our expenditure on grain imports.

This is one approach to our minimum social objective of feeding the hungry millions and deserves serious consideration in planning our food production programmes through a re-allotment of funds for research and development.

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How green is the green revolution in Punjab?

K. Suresh

At a time when planners and politicians have turned from their numerous sacred and profane activities to concede the highest priority to the all-embracing subject of food, the innate thoughts of the common man reel back to the late sixties with its twin slogans of 'green revolution' and 'agricultural break through'.

The new strategy of food production, backed up by technology and all the concomitant measures, had just begun to churn the sluggish waters of Indian agriculture. The dream of flooding the markets with the golden grain appeared a reality, the concessional imports under PL-480 were drastically curtailed and efforts were afoot to build a grain reserve of around 10 million tonnes to act as a buffer in times of poor harvest.

But this dream of self-reliance was not only shortlived but proved as illusive as numerous other goals in the field of developmental activity and economic growth. No wonder, during the past two years the deadly spectre of shortages and soaring prices is once again back with the nation while the initiative gained continues to slip out of our hands. From the avowed promise of plenty we are back to the unenviable position of donning an empty hat in one hand and emptier bread basket in the other in quest of help from the international community.

While offering any alibi for inaction or failures might be the best course to stage political gimmickry it does not lead to increased production of foodgrains. During the past two years every crop season began on an optimistic note but ended up in a whimper. Vagaries of nature with floods, scanty rainfall, frost bite, the need to feed additional mouths, power and energy crises, labour unrest and political turmoil, hoarding and blackmarketing; in fact any and every excuse has been trotted to cover up the shortcomings of policy. All this and more has not only made the green revolution appear a far cry in the wilderness but things have been allowed to drift from bad to worse. Production of foodgrains, which had touched the 110 million tonnes mark, is already down to a close 100 million tonnes in the current year.

Green revolution would not have appeared to be unreal if like love it had been nurtured properly. The experience of some other thickly populated countries such as Japan and Formosa, which have achieved phenomenal increases in the production of rice is there for anyone to emulate. Mexico has proved a striking example of a deficit country becoming self-sufficient in wheat and even attaining a small exportable surplus.

Tragically enough, in India, though chronically deficient in food since World War II, the progress of making a breakthrough in agricultural production has been allowed to be spread unevenly in different states. Green revolution was essentially a phenomenon largely confined to Punjab and in a lesser degree to Haryana. Most of the members of the farming community in other states were allowed to be content with their time-worn and antiquated agricultural practices. The crying call of the handful that any spurt in production in the twin states of Punjab and Haryana must be matched by progress in other states if the pace of the green revolution was to be sustained, did not carry conviction with the result that the promise of pushing up the pace of foodgrains production to 115 million tonnes target proved utterly Utopian.

gigantic effort

In Punjab the gigantic efforts to step up agricultural operations produced the desired results in the doubling up of foodgrains production in the course of five years — from 3.4 million tonnes in 1965-66 to over 7.4 million tonnes in 1970-71. The speed with which this transition was attained has hardly any parallel elsewhere in the world. Even Mexico, where the dwarf varieties were introduced earlier, needed 15 years to do what the peasantry of Punjab did in less than half a decade. Besides, of course, the introduction of high-yielding varieties, use of chemical fertilisers, pesticides, mechanisation, exploitation of ground water resources, rural electrification, road development, farm credit and a progressive price support policy which were the *sine qua non* of agricultural development there was the human factor involved in the operations. An arrogantly independent peasantry not afraid to work hard, successfully demonstrated that it could grow two grains where one grew before.

intensive cropping

Punjab is one of the smaller states of India representing 1.6 per cent of the area, 2.6 per cent of the cropped area and 2.5 per cent of the total population of the country. With mounting emphasis on the intensive use of land the pattern of land utilisation in this state has undergone a rapid change from 1950-51 to 1968-69. The net sown area increased from 3.5 million to 3.9 million hectares, the area sown more than once from 626,000 to 1,347,000 hectares and the total cropped area from 4.17 million to 5.299 million hectares. On the other hand, the fallow land has shrunk from 445,000 to 208,000 hectares and uncultivated land, other than fallow, from 511,000 to 138,000 hectares. In less than two decades, this tiny corner of our country, with a deficit of 30,000 tonnes in 1947 has turned the corner to fill the nation's food basket. In fact no farming area in the world has shown higher yields of comparable quantity than in Punjab — 2900 lbs. per acre as against 2,200 in the USA.

Three years ago when the Punjab farmers found their wheat surpluses almost unwanted, the centre and the state government were obliged to take them over. The grain piled up in the markets yards, warehouses and rotted at the railway sidings. In the wake of all this the cultivators were advised to diversify their crops. While this went on every other state claimed to be heading for self-sufficiency.

But all this has miraculously changed during the last three years. Every pound of surplus grain in Punjab is being sucked out and all eyes are set on the next crop. Once again, in the face of mounting shortages, the Punjab farmers are being urged to produce more grain while most of the other states prefer to lap up assiduously their own surpluses and extra supplies from other parts of the country as well as from imports.

The most disturbing feature of agricultural operation in Punjab today is the continued downward trend in production. During the past three years the total production of foodgrains has shown considerable decline. As against 7.93 million tonnes production in 1971-72, it was 7.68 million tonnes in 1972-73 and around 7.4 million tonnes in 1973-74.

Not only has wheat production shown a decline but even paddy and maize have begun to fall into the same pattern. Wheat production has fallen from 5.6 million tonnes in 1972, to 5.26 million tonnes in 1973 and will be well under 5.2 million tonnes in 1974. What appears to be undoing the vaunted green revolution in this state is a combination of natural and man-made factors.

For instance, Dr Borlaugh the father of the green revolution in wheat has warned the plant breeders that high yields from hybrid varieties could be obtained only for a period of about three years and thereafter the seeds must be altered. As is well known, little has been done to provide adequate quantities of new strains of seeds to the farming community. As it is enough good seeds are either just not available, or too many ordinary varieties are passed off as good seed. This is largely attributable to inefficient mechanism of seed multiplication and poses a serious threat to our advancement in stepping up foodgrain production.

irrigation facilities

In addition to the problem of seeds, there is the question of providing irrigation facilities to the farming community. It is the most important ingredient in the package of practices for intensive cultivation. The main sources of irrigation in Punjab are wells, tube wells and canals. The total irrigated area is 2.88 million hectares of which 1.29 million hectares is irrigated by canals and 1.59 million hectares by wells and tube-wells i.e. 44.7 per cent and 55.2 per cent respectively. The number of tube-wells installed has been on the incline and there are around 250,000 tube-wells in the state. When electric power and diesel needed to run tube-wells are in short supply, it is not difficult to visualise the havoc caused to foodgrains production. The situation assumes chaotic proportions if one was to take into account the diesel needs of tractors, harvestors, thrashers, and a horde of other mechanical contrivances employed in agricultural operations.

With increased irrigation facilities and adoption of high-yielding varieties for cultivation the availability of chemical fertilisers attained considerable significance in increasing production. In Punjab the consumption of fertilisers in 1969-70 was

856,000 tonnes as compared to 5,100 tonnes in 1950-51. Keeping pace with production the consumption of fertilisers was to have risen nearly three-fold by 1973-74. Not only the net availability of fertilisers has come down during the past three years, the prices obtaining are the highest in the world.

The fact that the physical production response to fertilisers in India is much lower compared to that in many other countries such as the USA and Japan adds to increased costs of fertilisers which the Indian farmers must bear. The shortage of fertilisers and high prices in turn adversely affected the foodgrains production.

important factor

While one could *ad nauseam* correlate a variety of reasons for the current setback to foodgrains production in Punjab, an important factor which must not be lost sight of is the growing concern of the farmers that they must diversify the cropping pattern. There is a gradual shift, already discernible, that more oilseeds, cotton, sunflower and soybeans could be grown profitably and marketed without interference from the official authorities. In turn their cultivation would provide a balancing force to rural economy and an insurance against vagaries of weather.

A more disturbing feature of the rural economy in Punjab is the growing imbalance between agriculture and industry. The contribution of Punjab to the net domestic industrial production is only 14 per cent—the lowest in the country. This is as against 31 per cent in West Bengal, 29 per cent in Maharashtra and 22 per cent in Gujarat. If anything most of the industry is small-scale with nearly 30,000 units in this sector and only 94 medium and large scale units. In other words the savings generated by increased agricultural production are being invested outside the state. There is need for balancing this discrepancy in national interest.

Unless remedial measures are taken on a war footing and correctives applied to set the development of agriculture in Punjab along the progressive path the slide-back to early sixties will not be a distant phenomenon. This would be nothing short of putting the clock back by several years and our continued dependence on imports.

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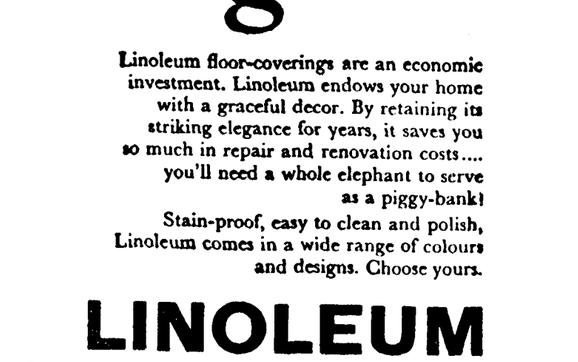
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The A.B.C. of precious metals--1

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I

Gold

THE PRECIOUS metals are no different from any other commodity. They are used for a considerable range of industrial purposes, and their price moves in line with that of raw materials generally, in particular the other non-ferrous metals.

The spectacular rise in commodity prices during 1973 persisted during the first two months of 1974, despite earlier forecasts of stabilisation or even reversal. Among the many reasons which may account for this, three seem dominant. The producing countries have become aware of their market power; consumption has continued to rise, pressing against limited resources; and raw materials offer both speculative potential and a repository for purchasing power. Obviously all three factors enter the demand for precious metals. Equally obviously, the last of them is all important.

World production of gold outside the Soviet Union fell from 41.4 million ounces in 1970 to 38 million in 1972, a decline of 8.2 per cent. This trend seems to have been maintained and even intensified in 1973: South Africa's output, which accounts for three-quarters of the total, was down by 6.2 per cent last year. This is an extremely unusual occurrence in mining, and is due in part to South Africa's quasi-monopoly and its deliberate policy of controlling supply.

The mining companies have reacted to higher prices in traditional manner. When costs and prices are stable, they work the richest seams and reinvest substantially. By contrast, when the price of gold rises faster than costs (which have been going up anywhere from 25 per cent to 75 per cent a year since 1972), they extract poorer grade ore which has become temporarily profitable. For an unchanged tonnage milled, output of refined metal falls; thus the logic of gold production is not that of demand and supply.

On the demand side, a distinction must be made between industrial uses, speculative demand, hoarding, and gold's function in the international monetary system.

The sustained growth in industrial uses is enough in itself to generate a steady increase in the metal's price but the rise observed in recent months is obviously due to speculative demand and hoarding.

The hoarders' motives are mainly defensive against the prospect of world inflation, intensified by higher commodity prices, and more recently, by dearer oil.

Samuel Montague estimates that demand for hoarding rose from 222 tons in 1972 to 390 tons in 1973, whereas the quantity coming forward was practically unchanged at 1,430 tons. French buyers alone are reckoned to have taken 100 tons, as much as the combined demand of the Gulf Emirates, which may, however, play a decisive role in 1974 markets, given the enormous growth in their oil income. Samuel Montague does not forecast any increase in supplies in 1974 and expects to see the price at $200 an ounce by end-year.

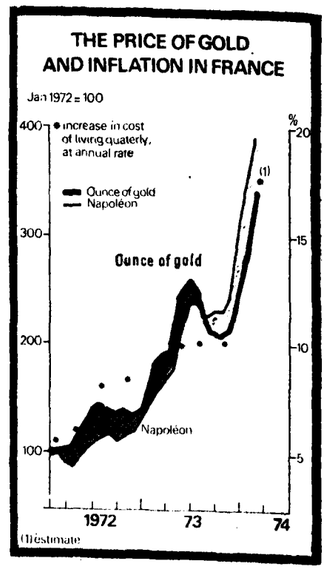
As regards the international monetary system, it is difficult to forecast the outcome of the economic and financial upheaval caused by the oil crisis. The possibility of a higher official price is offset by the potentially reduced role for gold in a reorganised and monetary system. Here again the investors' view seems firmly oriented towards the likelihood of a further rise.

II

Silver : A Satellite

World consumption of silver in 1973 is estimated at 43 million ounces, 13 per cent up on 1972, whereas production rose by four per cent to 300 million ounces a supply deficit of 180 million ounces US consumption rose by 22 per cent and accounts for one-third of world output.

Gold cannot at present be held by sidents of the USA, and US demand therefore the key to the world market



WINDOW ON THE WORLD

silver and to its price. This explains why gold and silver prices have traditionally tended to move closely together.

US investors' demand in the first quarter of 1974 seems at the root of the massive increase in the price of silver (up 72 per cent in the first two months of 1974, whereas gold rose by only (!) 45 per cent).

This joint reaction to economic and monetary uncertainties should not be allowed to obscure the white metal's industrial uses, which represented nine-tenths of world consumption in 1973. If a major economic slowdown occurs in 1974 it could lead to a more moderate trend in silver prices by the end of year, and even a fall.

III

Platinum : More Industrial then Precious

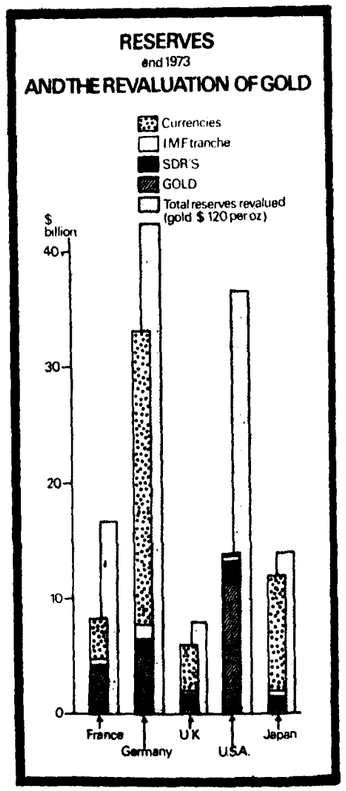
The much less abrupt rise in platinum prices reflects producer control of the market; the price behaviour of this precious metal has been similar to that of nickel or aluminium. Platinum is a rare industrial metal rather than a precious metal proper. Several major schemes are in hand, and by end 1974, production capacity will be 50 per cent higher than in 1972. Russia, the second largest producer, is also raising its output. Despite higher demand for platinum as the catalytic converter for reduction of lead pollution by automobile engines, it is unlikely that its price will go much higher.

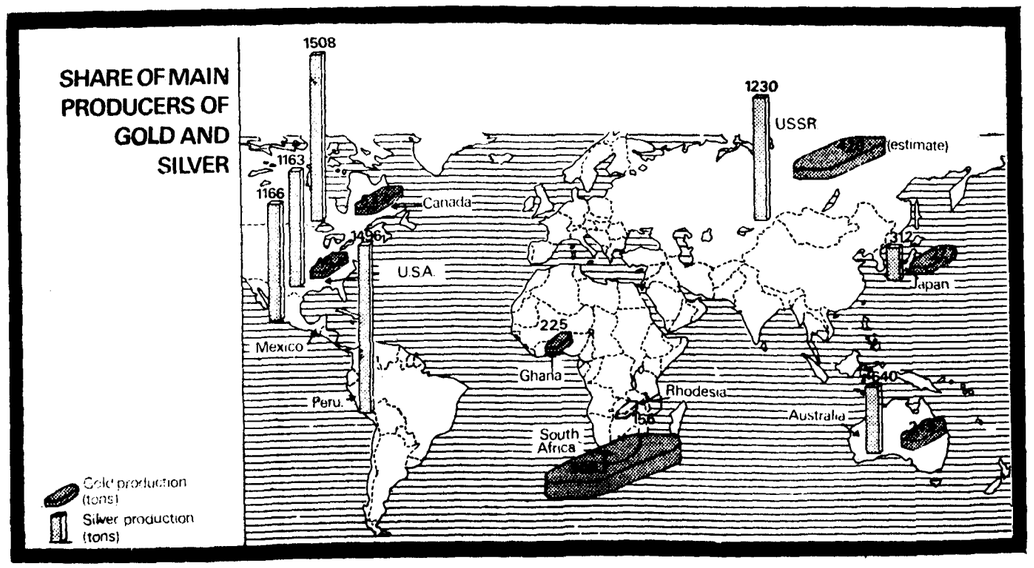
Next week I will report on Monetary Gold and the Trade in Gold.

Sources and Acknowledgements: The foregoing summarises a report in the latest issue of *Conjuncture*, the quarterly review published by the French Societe Generale, but the bank is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sources.

Countries Minting Gold Coins their Value & Weights

Issuing country	Nominal value	Usual name	Gross weight (grammes)	Fine weight (grammes)
France	20 F	Napoleon, Louis	6.45161	5.80644
	10 F	Demi-Napoleon, Demi-Louis	3.2258	2.90322
Switzerland	20 F	Vreneli Croix	6.45161	5.80644
Latin Union	20 F	—	6.45161	5.80644
Tunisia	20 F	—	6.45161	5.80644
UK	1 £	Sovereign	7.98805	7.32233
	1 £	Elisabeth II	7.98805	7.32233
	10 Sh.	Half Sovereign	3,99402	3.66116
USA	20 $	Double Eagle	33.436	30.092
	10 $	Eagle	16.718	10.04624
	5 $	Half Eagle	8,359	7.5231
Mexico	50 pesos	Centenario	41.666	37.500
West Germany	20 marks	—	7.965	7.170
Netherlands	10 florins	—	6.730	6.048
Russia	5 roubles	Nicholas II	4.3013	3.871





Coping with the crisis

Vienna
E. B. Brook

SIGNS AND noises of distress and anger over its partial loss of prosperity increase in west Europe. The villain of the piece in the cartoons is the Arab sheikh, the victim the average European and American who is described as "tightening his belt" and knuckling down to "wartime conditions." Both are laughable; the Russian oil and gas supplier has fully as complete an appreciation of the value of his fuel as any Arab or Iranian and, as for belt-tightening, the steak and cream cake-eating Europeans would soon find it painful if put into practice.

staggering unemployment

Difficulties there certainly are: banks have failed, prices have risen and go on rising, car firms are fighting "stagflation" or outright loss—as in Italy—reduced output and standing off employees—as in West Germany, air lines in Britain and Italy cut staffs and flights while American airlines are authorized to raise the prices for their trans-Atlantic charter flights. Unemployment, with ominous political overtones, is the bogey of all governments; in France unemployment is already 24 per cent up on the figures of a year ago—though France still enjoys one of the lowest percentage unemployment rates among industrialized nations—and West Germany expects a million jobless this winter. But countries which need to employ millions of "guest workers" from the much less well-off countries of southern Europe and north Africa and which can afford to pay unemployment rates almost as good as wages can scarcely call themselves afflicted.

Much of the banking trouble has been caused by sheer gambling on the foreign exchanges; price rises are caused just as much by the contending commercial politics of the Common Market and other main trading groups as by the increased cost of industrial fuel and at least some of the unemployment arises from such self-sacrificial restraints as middle-class families deciding to make do with one car instead of two. Industrialists have increased the basic cause of difficulties by withholding from sufficient productive investment either from nervousness or for deliberate political reasons. As a result, too much money chases too few goods, with the inevitable price increases.

France is a case in point. The non-socialist government of President Giscard d' Estaing instituted an anti-inflation policy of limiting oil imports and of credit restrictions and taxes on profits. The net result has been to draw criticism from both employers and workers: the latter regard it as a disguised wage freeze and industry dislikes the policy as increasing the burden carried by firms. The mildest critics of d'Estaing regard his proposals as piecemeal, limiting freedom of trade, risking regression, generalized state control and a closed economy from which France has been trying to escape for the last 20 years. The French decision to limit fuel available and to cut back on consumption could certainly damage the prosperous French car industry with Renault alone earning the nation £636 million last year on foreign sales.

imbalanced view

Similarly, West Germany senses a cut back in its prosperity, with up to 4½ per cent of workers out of a job in the industrial heartland of the Ruhr, a cut down in building activity and several building firms going bankrupt and an increasing burden of pensioners. These increasing though relatively little troubles put the European in just the irritably anxious frame of mind to look for more trouble and for scapegoats. As with all such exercises, he secceeds and, led by President Ford's America, sees the root of all evil in the oil producers. It is a grossly imbalanced view but one to be reckoned with politically.

Fortunately, in both the USA and in west Europe, there are those who can see further than present discontents, look for remedies and even see some silver linings and a happier days next year. One such is the US Federal Reserve Chairman, Mr Arthur Burns, who recently told the American Bankers' Association that the banking system remains strong and sound but that there was risk in the widely held belief that a bank in trouble could turn to a government lender in the last resort.

a glut of money

A glut of money—not all of it in "petrodollars" but very much in Eurodollars—has, during the last ten years, tempted some banks to develop new, partly questionable, techniques for expansion with the result that some optimistic carelessness has crept into their working and the quality of some areas of banking has suffered. Every bank failure—in the USA, Britain, West Germany, Italy, Israel, Belgium and, in Austria, two small banks —receives more publicity than it deserves and each shakes public faith.

The new practice of some banks allowing themselves to become short of cash and borrowing on large certificates of deposit and in the Eurodollar market to adjust reserve drains, accomodate new borrowers and meet regular customers' demands for loans is a genuine worry to depositors and

damaging to the core of the commercial system. In several countries stricter central regulation is necessary, a matter in which Britain certainly leads in its Bank of England's firm control of the commercial banks' initiatives.

The silver linings and happier days are to be found in such events as Britain's success in obtaining a lower price from the Market for sugar—at below world prices—and thus helping the many in Britain who have come slowly to the view that, Britain being in the Market, had better remain there and help to work with the others for unity and more basically secure economic life in west Europe, if not in the whole continent.

Britain's great experience as a trading nation and as bankers are as much an asset to the continent as freer access to continental markets are an asset to Britain. Similarly, in West Garmany, price increases will probably slow down next year and real economic growth—growth minus the effect of higher prices—should be at least double this year's rate. No responsible economic group anywhere in Europe genuinely expects a world-wide recession next year; it will not be long before the big industrial oil consumers begin to recover and, when that occurs, their recovery will probably be fairly rapid and create demand impulses helping to overcome economic slump in less powerful countries. President Ford's threatening jeremiads are read generally with a quiet smile in Europe.

Any idea that Britain, West Germany, France or any European state—even troubled Italy—is gasping its last economically needs speedy debunking. Recovery will begin soon—if it has not already begun—and the speed of recovery will surprise the world. Some of Britain's North Sea oil will begin to flow from British Petroleum's Forties field probably next year and more steadily till a relatively full flow is achieved six years hence. Norway is already in a period of boom; unemployment there is down to 0.4 per cent and taxation is being reduced—this is good news for Britain also since Norway is one of Britain's largest customers buying there as much as does Japan and as much as the whole of eastern Europe put together. The Norwegian market is still expanding and joint enterprises in developing North Sea oil with British enterprises offer heartening opportunities.

Meanwhile, the Common Market finance ministers have agreed in principle to a plan by which the Market will borrow money from the Arab oil producers to lend to those member countries most heavily hit by balance-of-payments deficits as a result of increases in oil prices.

The West Germans, sensing the possibility of a rapid run for funds from west Europe's more problem states, were quick to insist on strict terms for loans from this new fund—that they must be used exclusively to finance an oil balance-of payments deficit, not to redress deficits in a national budget. The loan will be useful in helping further to re-cycle the petrodollar surplus, an aspect of the operation more important than who gets loans for whatever purpose. It will be a welcome relaxing of the strain on the western banking system in re-cycling funds from oil producers to industrially-developed oil consumers which has been managed adequately so far but which is always a problem. To the Americans, at least, it is preferable to new mechanisms for re-cycling funds and is a needed European initiatives in monetary affairs.

INVEST IN KINDNESS

IN SPITE of crime, cruelty, violence and strife which are deplorably prevalent in life, there is deep down in every man a yearning to sympathise and share in others' sorrows and lend a helping hand to those stricken by distress, disease or calamity. It is this fundamental goodness of the human heart that forms the basis of charity and brotherliness.

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TRADE WINDS

Food Security Council

THE UNION minister for Agriculture, Mr Jagjivan Ram, proposed the formation of a "food security council", on the lines of the UN Security Council, clothed with adequate powers to evolve a world food policy and guide and oversee its implementation. He was addressing the UN World Food Conference held recently in Rome. The leaders of several delegations from Africa, Asia and Latin America, are reported to have concurred with Mr Jagjivan Ram's suggestion. Mr Ram emphatically denied the charge of lack of will, commonly levelled by the developed countries against the developing countries, to raise the level of agricultural production. He pointed out that the charge was unjustified in view of the little resources available in these countries, the existing structure and pattern of world trade, including the restrictive tariff policies of the developed countries, and the historical background of the present phase of their development.

Paper Bank

The current world shortage and rise in prices of newsprint had an unhealthy impact on the developing nations. The only solution to meet this crisis was to establish a World Paper Bank, stated Mr I.K. Gujral, union minister for Information and Broadcasting addressing the current session of the UNESCO recently. He added that due to the shortage of newsprint developing countries were facing a situation in which spread of literacy was in jeopardy and development of education and dissemination of scientific knowledge were getting inhibited. The national and international roles of information were also being circumscribed, he said. He therefore asked the world body to ensure that the special fund envisaged in the United Nations declaration on a new international economic order was also available to developing countries for meeting shortages of paper and newsprint. This fund, he suggested, could be used to meet their immediate needs, help in developing research and alternative methods of paper manufacture and for giving technical and other assistance to build paper and newsprint industry.

Mr Gujral also referred to the dominance of international news agencies which, he said, were presenting a distorted profile of developing countries to the rest of the world. He therefore asked for an international code of ethics for exchange of information. He also suggested that UNESCO should help in building up national news agencies and their groupings into regional organisations, establish an equitable cable rate system and provide technical and other assistance for developing electronic media.

Indo-British Economic Committee

A joint Indo-British Economic Committee is expected to be set up before the end of the year. The two governments have for some time been exchanging views on the aims and scope of the joint committee which will be more or less on the pattern of existing joint commissions between India and some of the countries in Europe. The idea of a joint economic committee was mooted by the Commerce minister, Prof. D. P. Chattopadhyaya during one of his visits to London early this year. The British Secretary of State for Trade readily agreed to the suggestion and both sides decided to exchange notes on the proposed committee. The Commerce Secretary, Mr Y. T. Shah, who was in Britain in the first week of October, pursued the matter with the British government. It is understood that some problems are to be sorted out before the committee can be established. First, there is already an Indo-British Technological group and the ministry of Industrial Development in New Delhi was believed to be keen that this body should continue separately. The British government, on the other hand, was not sure of the need for two bodies with overlapping functions.

Food Aid from Sweden

Sweden is likely to supply 100,000 tonnes of foodgrains to India. This follows talks which Indian Ambassador to Brussels, Mr K. B. Lal, had with the Swedish government officials recently. Meanwhile, the first shipment of 200,000 tonnes of foodgrains out of one million tonnes, which the European Economic Community has agreed to provide India, is expected sometime in December. It will be followed by further shipments at regular intervals. Of the one million tonnes 700,000 tonnes will be on commercial account and the whole deal is expected to be formalised by the council of ministers shortly.

Wire Ropes for Turkey

A bulk cargo of special type steel wire ropes is being air-lifted by Turkey. The order was secured by Usha Martin Black (Wire Ropes) Limited against stiff competition from advanced countries. A consignment of 35 tonnes, having two 10-tonne reels and two 7.30-tonne reels valued at $32,000 will be exported by Usha Martin Black to Turkey, urgently needed for her coal mining industry. As most of the airlines expressed their inability to lift this cargo, the Turkish government has to fly two C-130 aircrafts of the Turkish air force to Calcutta. The aircraft have been specially designed to handle such heavy cargo.

Buses for Zaire

Ashok Leyland has secured the largest ever order awarded to the Indian Automobile Industry. This order with a total value of Rs 10 crores is for the supply of 500 'Comet' single decker buses and an additional 20 per cent of the FOB value as spare parts to the state owned transport company in the Republic of Zaire, a country roughly the size of India. The Ashok Leyland buses are intended for use in the capital city Kinshasa and the surrounding districts. The contract was won in the face of stiff international competition with the active assistance of Ashok Leyland's collaborators, British Leyland.

The order follows the visit of the General Manager of O.T.C.Z. (the state run transport company in Zaire), Mr. Munga Mibinda to Ashok Leyland. Mr Munga was very much impressed by the quality and service life of Ashok Leyland buses operating under conditions very similar to those found in Zaire. This visit was followed by intensive negotiations in Zaire by representatives of Ashok Leyland. Ashok Leyland now holds firm orders for the supply of over 900 vehicles during the next 12 months with a total value of Rs 14 crores. This figure is higher than the total sales achieved by the company in the last five years put together.

Exports to Surinam

This country has won a Rs 12-crore tender for supply of telephone equipment to Surinam in South America, the union Communication minister, Dr S. D. Sharma stated recently. India, he said was now exporting telecommunications equipment to both developing and developed countries such as the UK, New Zealand and Brazil.

The production of the ITI and Hindustan Teleprinters during 1974-75 was expected to be Rs 50 crores and the foreign exchange required for this production programme was of the order of Rs 10 to 11 crores, Dr Sharma said. The balance indicated the savings in foreign exchange. In addition to this saving, foreign exchange earnings this year will be about Rs 1.5 crores.

Convention on Inflation

The Bombay Management Association will be holding a two-day convention on "Inflation and Scarce Resources—Challenge to Management". The convention will be held on November 22 and 23, 1974 at Bombay. The convention will have four working sessions: on Corporate Responsibility; Marketing and Consumer Protection; Procurement and Source Development; and Prices, Wages, Incomes Policy. The sessions will be conducted and chaired by leading figures from management and administration, and there will be papers presented by special study-groups set up for the subjects.

Export Credit

The Export Credit and Guarantee Corporation Limited has decided to enhance the extent of cover from 66-2/3 per cent to 75 per cent of the loss under its post shipment export credit guarantee issued in favour of banks to cover any loss in purchasing, negotiating or discounting of an export bill. This has been done without any increase in the existing premium rate. It was expected that this will enable the banks to offer export finance a little more liberally against export bills.

Exports in 1974-75

India's exports during the last three years have increased by Rs 1,000 crores, reaching the level of Rs 2,450 crores in 1973-74. There has been a 45 per cent increase in exports in the first five months of the current financial year. Judging by the trend, the exports were likely to touch the figure of Rs 3,200 crores in the current year (1974-75), stated Mr A.C. George, minister of state, ministry of Industry and Civil Supplies, government of India, in his inaugural address to the participants of the 26-day workshop for instructors in export promotion. The workshop has been organised by the Indian Institute of Foreign Trade in collaboration with International Trade Centre, UNCTAD/GATT, Geneva, under financial assistance by the Swedish International Development Authority (SIDA).

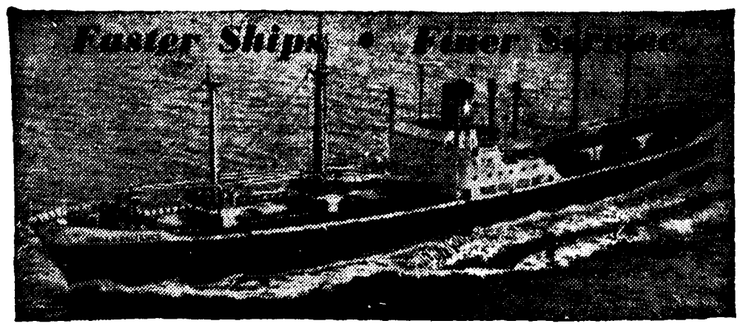
An export entrepreneur, Mr George indicated, should be a balanced combination of knowledge, experience and personality. He must not wait for export opportunities to knock at his door; he must create them by his innovative bent of mind, and sensitivity and responsiveness to the environmental milieu. This called for professionalisation of export management which, Mr George hoped, would be developed and promoted in the the present workshop for instructors in export promotion. Delivering the key-note address, Count Axel Lewenhaupt, Ambassador of Sweden in India, gave briefly the highlights of some Indo-Swedish projects for import promotion into Sweden from India. His country, he added, was keen on absorbing more and more of Indian products, for which it was taking practical measures.

Assistance for Textile Exports

At a recent meeting of the yarn sub-committee of the Indian Cotton Mills' Federation (ICMF) it was decided that a voluntary collection be made from spinning mills, and composite mills selling yarn, so as to collect funds for extending export assistance for exports of handloom cloth, handloom garments, hosiery and powerloom cloth. This decision is subject to ratification by ICMF committee, a meeting of which has been called on November 18, 1974. Such collection, together with refund of non-rebatable taxes by the government on all exports, is expected to result in export assistance being extended at around 10 per cent of the fob value, for shipments made from October 1974.

Fuel Economy

Mahindra and Mahindra Limited, manufacturers of Jeep vehicles in India, in their continuous efforts towards achieving fuel economy for the users of Jeep vehicles introduced significant innovations in their "Maximiler" campaign. During the "Maximiler" campaign, conducted throughout India in February and March this year at various dealer points, the Jeep vehicles were given a thorough diagnostic check of "all Jeep system" which directly or indirectly affected petrol consumption and thus demonstrated the optimum mileage that could be obtained. The present campaign, lasting from October 15 to November 4, introduced two petrol saving innovations —Solex Corburettor Kit and and Free Wheel Flanges. Extensive tests on both innovations were conducted by leading independent authorities and research agencies, fuel economy of five per cent to 25 per cent was achieved



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Distribution of Commercial Vehicles

The union government has decided to ensure a more efficient and equitable distribution system of commercial vehicles. At present, there is no control on their sale and distribution and the manufacturers have prescribed their own systems for distribution. In order to evolve a system of consensus, an informal committee has been set up in the department of Heavy Industry, ministry of Industry and Civil Supplies. The committee consists of representatives of the manufacturers, dealers and users organisations.

In view of the change in the position of availability of commercial vehicles in the country, it has not been considered necessary to make any change for the present in the distribution system *per se* prescribed by the various manufacturers. The informal committee has recommended that government should sponsor priority allotment of vehicles. The manufacturers have assured the government that vehicles would be released forthwith to persons and regions considered eligible for priority release. The priority release of vehicles would relate to educated unemployed, cooperative sugar-cane societies and cooperative societies of self-employed transport operators, backward regions where road transport has not developed adequately and individual operators in cases of extreme hardship. Requests under these preferential categories could be sent to the department of Heavy Industry which will be processed for early release of vehicles on merits. The applicants are expected to arrange finances for their purchase before approaching the government.

The Finance ministry has taken up a detailed study of the cost structure of various manufacturers of commercial vehicles. The Chief Cost Accounts Officer of the ministry has called for detailed information from the manufacturers regarding their costings. Physical verifications are also being made by visits to the manufacturing centres to arrive at the correct cost of production of the vehicles. The Finance ministry's move is obviously intended to check whether the upward revision in prices of certain popular models of commercial vehicles, made by some of the manufacturers earlier last month, is within the parameters laid down by the government.

Public Sector Unit for Electronics

A new public sector undertaking, the Electronics Trade & Technology Development Corporation, has been set up by the Department of Electronics to foster foreign trade and development of technology in the electronics field in the country. The office of the corporation is presently located in New Delhi. Mr. R. M. Nayar, till recently General Manager of the Electronics Division of Hindustan Aeronautics Limited, Hyderabad has taken over as its Managing Director. Prof. M. G. K. Menon, F. R. S., Secretary, Department of Electronics, is the part-time Chairman of the board of directors of this corporation.

In addition to handling import-export trade, the corporation will also act as an agency for promoting inter-governmental cooperation and implementation of bilateral trade agreements relating to electronics. Its activities will include technology assessment for import of know-now, particularly to set up production-cooperation ventures of the type envisaged in many inter-governmental agreements. The corporation will also explore and identify markets for export of electronic items from India and bring this to the attention of government and industry for necessary action. The electronics industry, particularly in the small and medium sectors, will be significantly helped by the setting up of this corporation.

Awards to four Metallurgists

Four metallurgists of the country have been honoured by the ministry of Steel and Mines as Metallurgists of the Year for their contribution in the field of metallurgy. They received a cash award of Rs 3,000 each. The awards were presented on the occasion of the 12th National Metallurgists' Day in Bombay on November 14, 1974. The following were the award winners: (1) Dr. V. S. Arunachalam, National Aeronautical Laboratory, Bangalore. (2) Dr. M. K. Asundi, Bhabha Atomic Research Centre, Bombay. (For outstanding contribution to Metallurgical Research.) (3) Mr K. N. Gupta, National Metallurgical Laboratory, Jamshedpur. (4) Dr. J. J. Irani, Tata Iron and Steel Co. Ltd., Jamshedpur. (For outstanding contribution to iron and steel research and technology.)

Release of Sugar

The union government has ordered the release of 260,000 tonnes of sugar for December, 1974. It will consist of 180,000 tonnes for levy and 80,000 tonnes for free sale.

Sugar Output

According to the Indian Sugar Mills Association (ISMA), the sugar production in the month of September, 1974 the last month of the season 1973-74 was about 24,000 tonnes as against 40,000 tonnes during the corresponding period last season. This brings the total production during the season 1973-74 to 3,949,000 tonnes as against 3,873,000 tonnes during the corresponding period last year. The off-take of sugar from factories during the month of September, 1974 was about 269,000 tonnes for internal consumption and 54,000 tonnes for exports as against about 3,19,000 tonnes for internal consumption and 17,000 tonnes for exports in the corresponding period last season. The total despatches during the season 1973-74 was 3,522,000 tonnes for internal consumption and 446,000 tonnes for exports as against 3,514,000 tonnes for internal consumption and 108,000 tonnes for exports during the corresponding poriod last season. The total closing stock of sugar with the factories on September 30, 1974 was about 824,000 tonnes as against about 843,000 tonnes on the same date last season.

Loan for Fertiliser Projects

The World Bank will give loans totalling $200 million for the fertiliser projects at Phulpur and Sindri. This was disclosed recently at a news conference by Mr Jashwant Mehta, Chairman, and Mr Paul Pothen, Managing Director of the Indian Farmers Fertilisers Cooperative(IFFCO), which is setting up the Phulpur fertiliser complex in UP. Mr Mehta and Mr Pothen, who had gone as members of a government of India delegation for discussions with the World Bank authorities, stated that the Board of Governors of the Bank was expected to approve the loans on November 22. Mr Pothen said that out of the $200 million as loan from the World Bank, $109 million was for the Phulpur project and $91 million for the Sindri project.

Scrutiny of Small Units

The union minister for Industries and Civil Supplies, Mr T. A. Pai, stated recently that stringent measures should be taken to "weed out" bogus units in the small-scale sector. The census of small industry had shown that around five per cent of the registered units were bogus. A large number of such units generally dealt with the sale of scarce raw materials and did not do any manufacturing. Mr Pai, who was addressing a meeting of the Small-scale Industries Board, pointed out that the elimination of bogus units would make it possible for genuine ones to get better

departmental, banking, technical and financial assistance.

Examination of Licences

The union minister for Industries and Civil Supplies, Mr T. A. Pai, has asked his department to issue immediately suitable instructions to all production ministries for a more meaningful examination of all applications for industrial licences. He has also directed that the position regarding automatic registration with the DGTD of units which did not require licences or imported raw material should be clearly spelt out. The Industries minister's directions were issued in the light of the discussions at the State Industries Ministers Conference held recently. One of the points that emerged from the conference was that the manner of the centre's communication of decisions on the licensing applications to either the entrepreneurs or the states left very much to be desired. The decision to reject in application, based on the recommendations of the licensing committee should give the precise reasons why the government had deemed it fit to do so. Moreover, the language should not give the impression that the application had been disposed of in a routine fashion.

Cut in Truck Tyre Prices

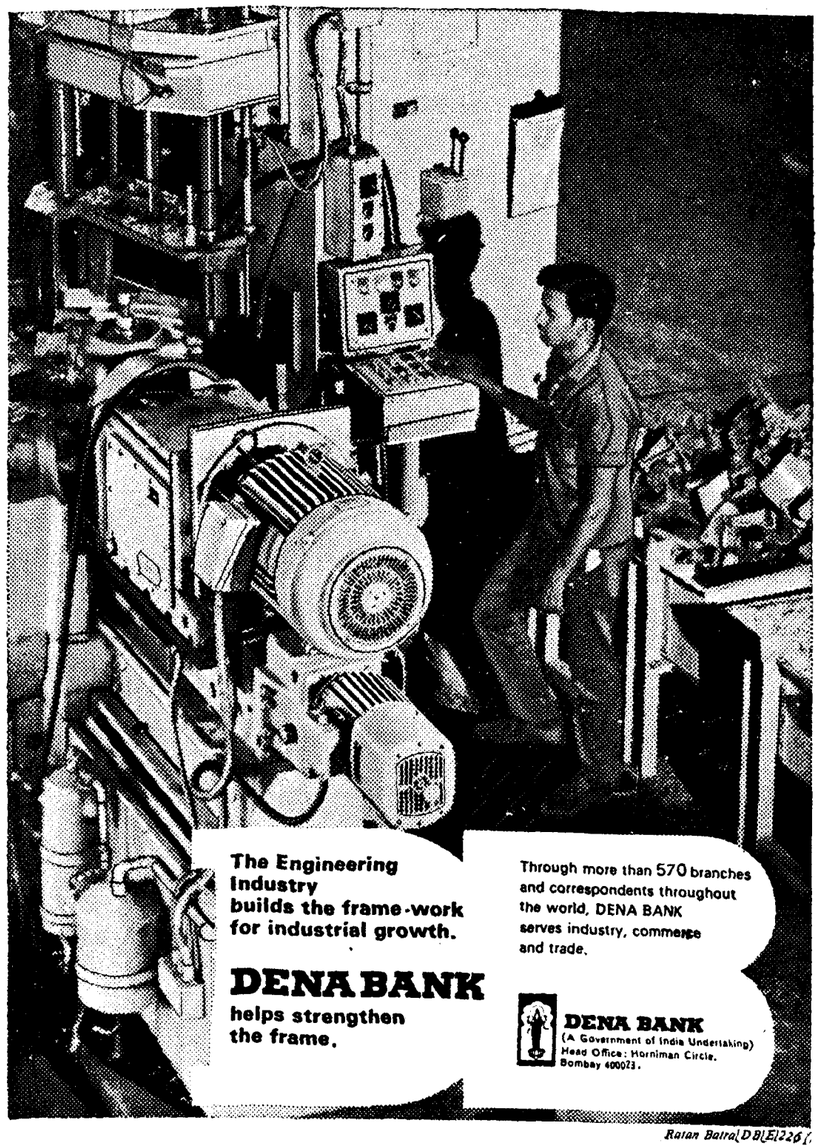
The tyre manufacturers have taken a lead to cut prices of truck tyres. They have agreed to slash the prices between Rs 35 and Rs 40 per piece with effect from November 9. This follows the intervention of the union minister for Industries, Mr T. A. Pai, who told them that there was no justification for maintaining the present price level in view of the fall in rubber prices. The manufacturers readily agreed and have promised to examine the feasibility of cutting prices of truck tyres and other products further.

Sole Agency in Paper Abolished

The union government has decided to abolish the sole agency system of paper distribution. Disclosing this at a seminar on Democracy, Socialism and Public Sector, the union minister for Heavy Industries, Mr T. A. Pai stated recently that the sole-agency system had led to large-scale corruption. He pointed out that while the country faced an acute shortage of paper, paper mills which had obtained permits for expansion, had not utilised them. He added that the government would maintain control over the paper industry by registering consumers and abolishing the present system. Mr Pai pointed out that he had already reviewed the paper production pattern and had instructed mills that at least 35 per cent of the production should be of writing paper.

Names in the News

Mr G. P. Goenka, Chairman, Indian Tea Association, announced recently that the members of the association have agreed to contribute a sum of Rs 35 lakhs for the relief of the distressed people in Assam and North Bengal.



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Dull Trading

THE TURNOVER of business was on a reduced scale in the stock market last week. Narrow fluctuations characterised trading as operators were reluctant to enter into fresh commitments. There was nothing much to cheer the stock exchange fraternity except the hint thrown by Mr T. A. Pai, minister of Industry and Civil Supplies, that the government might consider fixing a reasonable return on capital employed instead of resorting to price controls. There is however disappointment that despite swift sanctioning of industrial licences and letters of intent, the industrial growth in 1973-74 has been only of the order of 0.5 per cent. It is not surprising therefore if a feeling is gaining currency among business circles that recession is round the corner. This being the state of the economy one naturally cannot expect the stock market to be in good shape.

Interest was at a low ebb in Dalal Street last week with trade disinclined to enter into fresh commitments. Steels were easy. Chemicals were quite. Textiles generally hardened. Shippings were steady. The Calcutta Stock Exchange looked desolate and depressed with a recessionary trend persisting during the week under review. The support was so feeble that it failed to have any impact on the market. Fluctuations were narrow and the volume of business was extremely limited. Once again it was only select scrips that came in for attention during a week of moderate trading in Madras Stock Exchange.

Man-Made Fibre

While addressing the twentieth annual general meeting of the Association of Man-Made Fibre Industry, the President Dr C. Rossi commended the industry's role in expanding production in meeting cloth requirements in export promotion and in helping weavers. Describing the voluntary agreement between rayon spinners and weavers as one that "indeed blazes the trail of a new approach to inter-industry understanding" he said, "it has at least shown that without official interference it would be possible to sort out many of the problems of the different sectors of the industry to their mutual advantage."

What is causing grave concern to the industry at present is the irregular and inadequate supply of its basic raw materials. In fact a crisis has emerged because of the acute shortage of rayon grade wood pulp. The industry in fact had foreseen this acute short supply position of both textile as well as tyrecord grade wood pulp as far back October, 1973, and requested the authorities to take suitable action. As no effective steps have been taken so far, Dr Rossi has suggested that this matter might be discussed with the accredited representatives of the USA during their visit to this country sometime towards the close of the year so that adequate supplies of this critical raw material, both on short term as well as long term basis, is assured for the industry. Another major difficulty relates to the supply of caprolactum, the basic raw material for nylon. However, with the commencement of production of Gujarat State Fertilisers caprolactum plant, the current tight position has been eased to some extent. But the industry has to contend with the problem of high prices. With the imposition of 50 per cent by way of excise duty, the price is in the region of Rs 41,000 per tonne as compared to about Rs 22,000, for the imported material. This will naturally be reflected in higher costs of nylon fabrics making them too costly for Indian consumers and virtually impossible to be competitively priced for export.

Although the man-made fibre industry is a priority industry and an essential commodity, the government unfortunately has imposed a twenty per cent cut in the supply of furnace oil. But as the government is considering a proposal to allow import of furnace oil to export-oriented industries, it is very essential that this export-oriented industry also is included under the exemption category, and if this is not possible the government should at least allow this industry to import furnace oil to the required extent against the foreign exchange earned by the industry. Moreover as against Rs 21.00 crores exported during 1973-74 the target for export of rayon fabrics is fixed higher at Rs 30 crores. The requirement of foreign exchange of the rayon spinning sector for import of wood pulp, sulphur, and zinc at present is estimated to be at Rs 19 crores. Since export earnings have exceeded the amount of foreign exchange required it is suggested the government should grant import licence or letter of authority to the spinning units so that supply of wood pulp to the manufacturing units is assured, yarn is made available on a continuous basis to the exporting units and tempo of export trade is maintained.

Dr Rossi also referred to the phenomenal increase in excise duty and observed that "the excise duty element in the selling price constitutes a very big factor proving to be a burden for the entire man-made textile industry, spinners, weavers and the ultimate consumer". As man-made fibre industry in general and cellulosic fibre industry in particular can no longer be considered a luxury industry meant essentially for the affluent, the industry richly deserves some relief. Hence it is suggested that the heavy excise duty imposed on the industry be revised downwards taking into consideration especially its growth perspective and its capacity to stabilise the entire textile industry in particular.

Escorts

Escorts has received approval from the Controller of Capital Issues for the issue of bonus shares in the proportion of one share for every two held. The company expects to make allotment of shares by the end of the year 1974. The year 1974 for all industries in the states of Haryana and Punjab has been the year of unprecedented power shortage. The power cut has been varying from 60 per cent to 90 per per cent and, not unoften, power availability has been barely for 10 to 12 days in a month.

Despite the power crisis, shortage of materials, six weeks of illegal labour strike in the early part of the year, Escorts has succeeded in bettering its sales for the nine months ended September 1974 by Rs 4 crores and improving profits before taxation by Rs 50 lakhs in comparison with the same period of the previous year. The sale figures and profit figures (subject to audit) for the nine months of working of the current year are Rs 40 crores and Rs 2,30 crores respectively. But for the persistent, power shortage, inadequate supply of raw material and component parts, both indigenous and imported, the company would have achieved its plans for production and sales for the year 1974. The production and sales and the profitability for the full year 1974 will entirely depend on the

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availability of power supply in the remaining 8 to 10 weeks of the year. The results of the company are expected to be better than the previous year if power supply is maintained even at the present level, since the company had installed its own diesel generators to partially fill in the power gap.

The company has already more thon doubled its exports since last year. Achievement of higher sales and improvement in profits, in spite of adverse economic conditions, power shortages and lack of materials bears testimony to the determination of the management to overcome the difficulties by making greater efforts to utilise the resources available to the maximum and keeping control on costs which are ever rising. Expansion programme of the company has been delayed on account of non-allotment of foreign exchange by the government and credit scarcity but the company is sparing no efforts in exploring all avenues to find the resources for completion of its expansion plans.

Indian Aluminium

Sales revenue, including excise duty, of Indian Aluminium Company Ltd in the first six months of 1974 totalled Rs 275.3 million, slightly lower than the Rs 280.5 million achieved in the comparable period of 1973. Shipments of ingots at 15,890 tonnes and semi-fabricated products at 13,585 tonnes were lower than in the first six months of 1973 due to transport difficulties and delays in offtake by customers affected by the credit squeeze. Despite lower shipments and spiralling raw material costs, pre-tax profit of the company for the first half of 1974 at Rs 27.3 million was only marginally lower than in the corresponding period of 1973. This was due partly to increase in selling prices of foil and extrusions early in the year when raw material costs increased, and an increase of Rs 1,090 per tonne permitted by the government in the selling price of metal and other price-controlled products towards the end of May 1974.

The profit for the half-year also includes the write-back of leave pay provision reserve no longer required. The booking of tax holiday relief on the first stage of the Belgaum smelter significantly reduced the required provision for taxes. Net profit of Rs 15.2 million compares with Rs 13.3 million earned in the same period of 1973 and Rs 23.5 million earned in the same period of 1972. Power shortages restricted the company's metal production in the half-year to 36,087 tonnes, about 70 per cent of effective capacity. At the Hirakud smelter, power cuts and interruptions during the half-year resulted in loss of metal output of about 24 per cent of capacity. Erratic power supply adversely affected purity of metal at all smelters.

The Karnataka Electricity Board has not yet sanctioned additional power for the new 20,000 tonnes smelter at Belgaum and thus production of metal from the new smelter was negligible. Discussions in this behalf are continuing with the authorities and directors are making every effort to secure the requisite amount of power for the new smelter. With metal shortage and frequent load-shedding, output of rolled products was also adversely affected. The company's alumina plant at Muri had to be shut down for 45 days due to non-availability of rail transport for the movement of bauxite from the mines at Lohardaga. The first half of the new 20,000 tonnes smelter at Belgaum was completed at the end of 1973. Completion of the second half of this project has been delayed and is now expected about the end of 1974. Industrial licences from the government for the proposed expansion of fabricating facilities are still awaited.

The company's recent share issue was over-subscribed. Allotment to applicants for new shares was completed in March 1974. The first call on these shares was made in August 1974. In view of the provisions of the Companies (Temporary Restrictions on Dividends) Act 1974, the directors are unable to declare an interim dividend for 1974.

Premier Automobiles

Premier Automobiles working results for the year ended June 30, 1974 shows a further improvement over the previous year's performance. Sales and profits are higher than in the preceding year though margins are slightly under pressure. Sales during the year spurted by 30 per cent to Rs 52.10 crores from Rs 40.17 crores while gross profit went up by only seven per cent to Rs 2.13 crores from Rs 1.99 crores in 1972-73. The profit growth was inhibited by steep increase in the cost of raw materials, components and labour cost against which increase in the prices of vehicles were considerably delayed. After charging depreciation with Rs 135.40 lakhs as against Rs 133.96 lakhs in 1972-73, the net profit worked out to Rs 77.22 lakhs as compared to Rs 65.22 lakhs in the preceding year. After taking into credit the price difference arrears collected and after making other adjustments the surplus amounted to Rs 139.56 lakhs. Out of this, the directors have provided Rs 114.26 lakhs towards arrears of depreciation and Rs 25.10 lakhs towards development rebate reserve. The directors have skipped the dividend for 1973-74.

Gontermann-Peipers

Gontermann-Peipers (India) Limited is taking steps for expansion of the unit only to the extent justified by the trends of demand. The facilities available in the machine shop are inadeqnate for fuller utilisation of the plant's capacity. The company had installed, as per original project programme, 14 tonnes capacity electric are furnace and a eight tonnes capacity induction furnace. The facilities available in the melting shop are sufficient to yield production upto the licensed capacity of 5040 tonnes per annum while facilities available in the machine shop after completion of the first phase of the expansion scheme can yield production upto 3600 tonnes per annum. The company has, therefore, to install a few balancing equipments in the machine shop for the fuller utilisation of the licensed capacity of the plant. Hence the directors have to revise the second phase of the scheme commensurate with the changes in the pattern of demand of rolls.

The company had already applied for import of capital goods. Barring unforeseen contingencies, production with augmented facilities is expected to start by the end of 1976. The company is a pioneer in the export of rolls. The first export was made in 1970. During 1973-74 the company exported its products to Bangladesh. During the current year so far the company's products have been shipped to Philippines, Hong Kong and Thailand. Further negotiations for export of rolls are being made with some buyers in the Republic of Korea, Kenya, Thailand, Indonesia, Malaya and Bangladesh too. Hence the potentiality for export of rolls are indeed very bright.

The utilisation of the capacity of roll industry in the last two years have to be kept below their rated capacities due to shortage of orders of rolls from the steel plant perhaps due to their having a high level of inventory built up over past years. As the viability of roll industry depends on orders from steel plants, manufacturers made several representations to the government for inducing the steel plants to release orders for rolls. It is gratifying to note that the steel plants are now releasing order for rolls and that the order position of the company is now quite satisfactory.

Brooke Bond

At the board meeting held on October 4, 1974, the Directors of Brooke Bond India Ltd decided to recommend to the shareholders that for the period from July 1, 1973 to June 29, 1974 a final dividend at the rate of ten paise per share (subject to deduction of tax) be paid out of the general reserve of the company to all members whose names appear on the register of members as at the close of business on November 28, 1974. The register of members and the transfer books will be closed from November 15, 1974 to November 28, 1974 both days inclusive.

News and Notes

Chloride India Limited will introduce into market in the course of next month its new generation Exide Supreme Polypropylene battery for automobiles. It has claimed that the new battery offers 20 per cent more power volume and power weight ratio and about 10 per cent higher life expectancy.

Motor Industries Company has decided to apply to the authorities for paying an interim dividend of six per cent for 1974 with pro-rata dividend on the partly paid shares. The dividend will be declared and paid after permission for the same is received from the government under the Companies (Temporary Restrictions on Dividends) Act of 1974.

Consolidated net income of **American Express Company** and its subsidiaries for the nine months period increased to $ 121.2 million, or $1.68 per share, compared with $112.9 million, or $1.56 per share for the same peiod last year. For the third quarter of 1974, consolidated net income increased to $46.7 million, or $0.65 per share, compared with $46.2 million, or $0.64 per share, in the third quarter of 1973. The strong increases in earnings by American Express travel related and other financial businesses more than offset the cyclical decline in insurance earnings.

Earnings from the company's banking subsidiaries were excellent due in part to continuing growth in its basic international commercial banking activities. Increased deposits were largely responsible for this fine performance.

American Express International Banking Corporation and its subsidiaries are located in more than twenty countries around the world and results are therefore not dependent on business and economic conditions in any one area.

Mr I.H. Parekh, President of the **Gwalior Rayon Silk Mfg. (Wvg.) Co. Ltd.** (GRASIM), has been elected President for the year 1974-75 of the Association of Man-made Fibre Industry at the Association's annual meeting held in Bombay on October 29. A post-graduate in chemical engineering of the University of Michigan, USA, Mr Parekh, 51, has been at the head of the prestigious, 27-year-old Gwalior Rayon, a pioneer in the manufacture of rayon grade pulp from out of wood for the manufacture of staple fibre and rayon filament, for the past 23 years. He has currently on hand plans for export of the entire staple fibre plant and machinery, which also GRASIM specialise in fabricating indigenously, to some of the south-east Asian countries.

New Issues

Northern India Glass Industries will be entering the capital market shortly with a public issue of Rs 82 lakhs divided into Rs 72 lakhs in equity shares and Rs 10 lakhs in 11 per cent cumulative redeemable preference shares. Of this, equity shares of Rs 10 lakhs will be reserved for firm allotment to financial institutions. The company is setting up a sheet glass plant at Sankhol in Haryana state with a licensed capacity of five million square metres per annum. The company has entered into an agreement with Penne Kemp KG of West Germany for the supply of technical drawings of furnace, besides the company has entered into an agreement with Shree Vallabh Glass Works for providing technical assistance. The company is also planning to import from W. Germany the glass drawing machine and oil firing equipment through Penne Kemp.

As a major portion of the company's product is expected to be consumed in the northern region itself the company does not anticipate any difficulty in marketing its products. The capital cost of the project is estimated at Rs 3.40 crores. It will be financed by the share capital of Rs 1.30 crores, rupee-term loans of Rs 142.76 lakhs, foreign currency loan of Rs 52.24 lakhs and unsecured loans and deposits of Rs 15 lakhs.

Capital and Bonus Issues

Consent has been granted to nineteen companies to raise capital amounting to over Rs 7·50 crores. Following are the details:

Hindustan Gas and Industries Ltd, Calcutta have been granted consent, valid for a period of three months, for issue of bonus shares worth Rs 18,37,500 only.

Primco Pvt. Ltd, Bombay

GOVERNMENT OF INDIA

5½% PER CENT LOAN 1978 TO BE ISSUED AT RS. 100.00 PER CENT. AND REPAYABLE AT PAR ON 22ND OF NOVEMBER 1978

6% PER CENT LOAN 1988 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 22ND NOVEMBER 1988.

6½% PER CENT, 1997 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 22ND OF NOVEMBER 1997.

Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs. 175 crores (approximately). Subscriptions may be in the form of cash/cheque. Government reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

2. If the total subscriptions received for the loans exceed the notified plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the subscriptions received and the balance refunded in cash as soon as possible.

3. Interest on the loans will be paid half-yearly on 22nd May and 22nd November. Interest on all the loans now issued together with interest on other previous Government Securities and income from other approved investments will be exempt from income-tax subject to a limit of Rs. 3,000 per annum and subject to other provisions of Section 80L of the Income-tax Act. 1961. The value of the investments in the loans now issued together with the value of the other previous investments in Government securities and the other investments specified in Section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax upto Rs. 1,50,000.

4. Subscription lists will open on 22nd of November 1974 and close on 25th of November 1974 or earlier without notice.

Applications for the loans will be received at :

(a) Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla, Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delhi and Patna.

(b) Branches of the subsidiary banks of the State Bank of India conducting Government treasury work except at Hyderabad; and

(c) Branches of the State Bank of India at other places in India.

For full particulars please apply to any of these Offices or branches.

have been accorded consent, valid for three months, to capitaiise Rs 1,73,400 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of seven bonus shares for every 15 equity shares held.

Mayurdhwaj Magnesia Works Pvt. Ltd have been accorded consent, valid for three months, for the issue of bonus shares worth Rs 1,20,000.

Arbuda Mills Ltd. Ahmedabad have been granted consent, valid for a period of three months, for issue of bonus shares worth Rs 10,50,000 only.

Escorts Ltd. Delhi have been accorded consent, valid for three months, to capitalise Rs 174,18,240 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Wyeth Laboratories Ltd. Bombay have been accorded consent, valid for three months, to capatalise Rs 15,00,000 out of its general reserve and issue fully paid equity shares of Rs 100 each, as bonus shares, in the ratio of one bonus share for every one equity share held.

Sandoz (India) Ltd. Bombay, have been accorded consent, valid for three mouths, to capitalise Rs 37,50,000 out of general reserve and issue fully paid equity shares of Rs 10 each, as bonus shares in the ratio of one bonus share for every four fully paid quity shares held.

The Silver Cotton Mills Co. Ltd, Ahmedabad has been accorded consent, valid for three months, to capitalise Rs 40, 09,300 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every four equity shares held.

Remington Rand of India Ltd. Calcutta have been accorded consent for issue of further capital of Rs 25,59,000 in the form of equity shares of Rs 10 each for cash at par as to Rs 150,000 to the employees of the company and the balance of Rs 24,09,000 to general public through a prospectus. The consent is valid for a period of 12 months.

Vulcan-Laval Ltd, Bombay have been accorded consent, vaild for a period of 12 months, for issue of further capital of Rs 300.000 in 30,000 fully paid equity shares of Rs 10 each to be allotted to the I.C.I.C.I. at a premium of Rs 5 per share on conversion of a portion of their loan already sanctioned to the company.

The Mysore Kirloskar Ltd, have been granted consent valid for 12 months for the issue of equity shares worth Rs 40,00,000 to the existing shareholders on rights basis.

Anglo American Marine Company Ltd. Bombay have communicated to government their proposal to issue capital under Clause 5 of the Capital, issues (Exemption) Order, 1969 to the value of Rs 56.00,000 in 5.60.000 equity shares of Rs 10 each (inclusive of capital of Rs 10.00,000 already raised) and Rs 15.00.000 comprised in 15,000 cumulative redeemable preference shares of Rs 100 each.

McNally Bharat Engineering Co Ltd. Calcutta has been granted consent for issue of further equity shares amount-to Rs 47.86,500 to be issued in the denomination of Rs 10 each to the public through a prospectus. The object is to reduce the non-resident holding from 65 per cent to 38.3 per cent.

Shree Gopal Steels Ltd, New Delhi have communicated to government their proposal to issue capital under Clause 5 of the Captital Issues (Exemption) Order, 1969 for the value of Rs 44 lakhs (inclusive of the capital already raised) in the form of 3,55,000 equity shares of Rs 10 each and 8.500 cumulative redeemable preference shares of Rs 100 each.

Somani Ferro Alloys Ltd, Calcutta have communicated to government their proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 to the value of Rs 41.56 lakhs (including capital already raised), divided into 3,30,600 equity shares of Rs 10 each and 8,500—11 per cent cumulative redeemable preference shares of Rs 100 each, for cash at par, out of which equity of Rs 19.84 lakhs and the entire preference capital of Rs 8.50 lakhs will be offered to the public through a prospectus.

Kirloskar Tractors Ltd, have been accorded consent for the issue of registered convertible debentures worth Rs 25,00,000 carrying interest at the rate of 10-1/2 per cent per annum to be privately placed with the Unit Trust of India.

J. K. Industries Ltd, have been accorded consent for issue of capital of Rs 100,00,000 in 10,00,000 equity shares of Rs 10 each to be issued for cash at par, privately to the promoters, directors, etc., of the company. The consent is valid for 12 months only.

Panchkula Malt Ltd, have communicated to government their proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 to the value of Rs 42,00,000 (including capital already raised) in 4.20,000 equity shares Rs 10 each. fer cash at par, out of which shares worth Rs 28.00,000 will be offered for public subscription.

Bharat Processing Industries Ltd, Distt. Bankura, West Bengal have been given an acknowledgement to their statement of proposals, valid for a period of 12 months, for issue of equity shares worth Rs 40,00,000 and cumulative redeemable preference shares worth Rs 7,50,000 to be issued privately.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Periyar Chemicals	June 30, 1974	12.0*	Nil
Madhavnagar Cotton Mills	June 30, 1974	12.0	7.0
Same Dividend			
Ashoka Cement	March 31, 1974	Nil	Nil
IISCO Stanton Pipe	December 31, 1973	10.0	10.0
Khatau Dyes & Fibres	June 30, 1974	Nil	Nil
Southern Steel	May 31, 1974	10.0	10.0
Reduced Dividend			
Neelamalai Tea & Coffee Estates	June 31, 1974	Nil	5.0
Calcutta Steel	March 31, 1974	Nil	10.0
Indian Steel Rolling Mills	March 31, 1974	9.0	10.0
Methur Beardsell	March 31, 1974	12.0	25.0
Cowcoody Estates	June 30, 1974	12.0	20.0
Jeypore Sugar Co.	June 30, 1974	12.0	20.0
Coffee Lands	June 30, 1974	5.5	18.0

*Maiden dividend.

RECORDS & STATISTICS

Foreign collaborations

DURING THE quarter ending September, 1974, 60 cases of foreign collaboration were approved. Out of these, 55 cases were for technical cooperation and five included financial participation also.

The items of manufacture for which collaborations were approved included fibre glas road tankers, pulp and paper making machinery, flywheel ring gears, calcium carbide, laminated paper, steam turbines, drilling rigs, steel forgings, automobile tyres and tubes and glass reinforced thermoplastics.

The collaborating countries are Australia, Belgium, Czechoslovakia, Federal Republic of Germany, Finland, France, Italy, Japan, Norway, Romania, Sweden, Switzerland, the UK and the USA.

Sl. No	Name of the Indian company	Name of the foreign collaborator	Item of manufacture
	1	2	4
		India-Australia	
1.	M/s Indian Rare Earths Ltd., Pil Court, M.K. Road, Bombay-400020.	M/s W.G. Bennet & Associates Pty. Ltd. Suite 8, Milton Shopping Centre, Milton (Old), Australia.	Consultancy services for mining and pre-concentration of beach sand minerals.
2.	M/s Kerala Minerals & Metals Ltd. P.B. No. 30, Quilon (Kerala).	M/s Australian Mineral Development Laboratories Ltd., Frewville, South Australia.	Consultancy services for expansion of existing unit.
		India-Belgium	
3.	M/s FRP Moulding Company Pvt. Ltd., 3, Chittaranjan Avenue, Calcutta-13.	M/s N.V. Didak S.A., Bouwelsteenweg 1, B-2280, Grobbendenk, Belgium.	Fibre Glass Road Tankers.
		India-Czechoslovakia	
4.	M/s Hindustan Hydraulics, G.T. Road, Suranussi-144027 (Jullundur).	(i) M/s Vychodoslovenske Strojarne, Kosice, Czechoslovakia. (ii) M/s Polytechna, Vaclavasken, 8, Praha-1, Czechoslovakia.	Friction Screw Presses for the Refractory Industry.
		India-West Germany	
5.	M/s Bharat Heavy Electricals Ltd., Kasturba Gandhi Marg, New Delhi.	M/s Siemens Atkiengeselschaft, Erlangen, Federal Republic of Germany.	High-Speed Drive Steam Turbine.
6.	M/s Engineering Projects (India) Ltd., Himalaya House, Kasturba Gandhi Marg, New Delhi-110001.	M/s Demag Altiengesselschaft, Duisburg, F.R.G.	Electric Arc Furnaces and Electric Reduction Furnaces.
7.	M/s Hein Lehmann (India) Limited, 14/7, Mathura Road, Faridabad.	M/s Conradi Helmut, 2900 Oldenburg, Sandweg 38, F.R.G.	Pure Nickel Liners.
8.	M/s Vithal Vaman Muthye,1 1, Shamshet Street, Bombay-2.	M/s Tendeo Work, Adolf Ness, 5650, Solingen, F.R.G.	Razor Blades.
9.	M/s The Metro Wood and Engg. Works Pvt. Ltd., NK House, Ashram Road, Narangpura, Ahmedabad-9.	M/s Sedflex Schleifmittel, Walter Knott, 7312, Kirchhein Lindrefkirchheinev Strasse, Be 27, Federal Republic of Germany.	Plant and Machinery for Synthetic Bonded Grinding Wheels and Abrasives.
10. (F)	Lala Shridhar 20, Ballygunge Parkk Road, Calcutta.	M/s INA — Nadellager GmbH, Rheinstrasse BC 17, Lahr/Schwarzwald, F.R.G.	Needle Roller Bearings etc.

F—Cases involving financial participation.

1	2	3	4
11.	M/s Colour-Chem Ltd. Ravindra Annexe, Dinshaw Vachha Road, 194, Churchgate, Reclamation, Bombay.	M/s Bayer AG, 509 Leverkrusen–Bayerwerke, F.R.G.	Phosphor free intermediates for Pesticides.
12.	M/s Elcon Engineering Co. Limited, P.B. No. 6, Vallabh Vidyanagar, Gujarat State, Postal Code: '388120.	M/s Eisenwerk Weserhutte, F.R.G.	Bucket Wheel Stacker Reclaimer.
13.	Ministry of Railways, Railway Board, Rail Bhavan, New Delhi.	M/s Dyekarthoff and Widrann, F.R.G. Munich, F.R.G.	Prestressed Concrete Sleepers.
14. (F)	M/s Etscheid India Pvt. Ltd., 1/8 Prince Golam Md. Road, Calcutta-26. (Composite case).	M/s Sermann Etscheid, DHG, F.R.G.	Dairy Equipment.
15.	Managing Director, NGEF Limited, Off Old Madras Road, Post Bag 3876, Bangalore-560038.	M/s Klose Kommandit Gesellschaft Fabrik Fur Electro Technik and Maschinenbau, Nilchendach, F.R.G.	A.C. Roller Table Motors.
		India-Finland	
16.	M/s Giovanola-Binny Ltd., Penstock Factory Road, Palluruthy, Cochin-6, Kerala.	M/s Ahlstrom Oy Helsinki, Finland	Pulp and Paper Making Machinery.
17.	M/s Furhan Chemicals and Fibres, C/O Mr. B.T. Kulkarni, M.P., 173, South Avenue, New Delhi.	M/s Oy. W. Rosenlew Ab. Pori, Finland.	Furfural.
		India-France	
18.	Mr Suresh K. Shah, Ramon House, 169, Backbay Reclamation, Bombay-400020.	M/s SA Defontaine, 42, 44 Boulevard Jules-Verne, Nantes, France.	Flywheel Ring Gears.
19.	M/s Krebs & Cie (India) Pvt. Ltd.., 3A, Auckland Place, Calcutta-700017.	M/s Krebs & Cie S.A., Paris (France)	Electrroytic Mercury Cathode Cells.
		India-Italy	
20.	M/s South India Viscose Limited, P.B. No. 1396, Race Course, Coimbatore. (Tamil Nadu).	M/s Italy Viscosa Eastern Trading SPA. Milan, Italy.	Polynosic Fibre.
		India-Japan	
21.	M/s Bharat Electronics Limited, Jalahalli, P.O. Bangalore-560013.	M/s Nippon Electric Co. Ltd., 33-1, Shiba Gochome Minato-ku, Tokyo (Japan).	Specialised types of Ceramic Transmitting Tubes.
		India-Norway	
22. †	M/s Panyam Cement and Mineral Industries Ltd., Cement Nagar P.O. Pin Code 518206 Via Bugganipalli, R.S. Kurnool Dt. (AP).	M/s Elkem Spigerverket AS, Oslo, Norway.	Calcium Carbide.
		India-Romania	
23. (F)	M/s Kamsons, 267, N.S.C. Bose Road, Madras (Tamil Nadu).	M/s Leaher Central Spl., Unirti 96, Bucharest, Romania.	Glove Leather, Garments Leather, etc.
		India-Sweeden	
24. †	Mr M.M. Mohanka, Partner, Techno Enggr. 183, 'G' Block, New Alipore, Calcutta (composite case).	M/s Skega Aktieholag, Sweden.	Specialised Wear Resistant Rubber Components and specialised Moulded Wear Resistant Products.
25. (F)	M/s Indian Dairy Corporation, Yashkamal, Lokmanya Tilak Road, Baroda.	M/s Tetra Pak Development Limited, Sweden.	Laminated Paper.

(F)—Cases involving financial participation.
† This approval relates to January 74.

Century Rayon
AN EXAMPLE OF SOCIAL RESPONSIBILITY

Century Rayon sets an example to other large corporations by its policy of synthesising service to the community, fulfilment of its obligations to the employees, the customers and the shareholders. And yet, you will be surprised, it is making the highest contribution to the national exchequer by way of tax payments as well as foreign exchange savings and earnings.

In spite of runaway inflation in the cost of raw materials and other inputs such as labour, spares, fuel and water, Century Rayon sets another example by holding the priceline for its products.

PROFESSIONAL MANAGEMENT:
Besides the philosophy, the secret lies in its professional management. Maximum decentralisation and delegation of authority and responsibility, has built an outstanding team of managers and workers, with a completely autonomous decision making process in each of its segments.

ASSISTING AUXILIARY AND ANCILLARY INDUSTRIES:
Century Rayon believes in supporting a number of small entrepreneurs. Rightly so. And it has become a benign big brother to a number of auxiliary and ancillary industries. It is helping them in three segments, viz. a) the small scale suppliers; b) the small processors who use Century's bye-products and waste products; c) a large nation-wide community of small weavers dependent on Century's supply of yarn. Century Rayon is helping them in three ways—
a) by providing finance;
b) by giving technical assistance; c) by helping them in marketing.

THE NATIONAL EXCHEQUER:
How much do you think Century Rayon is paying by way of taxes? To the tune of Rs. 8 crores in excise duty and other levies, over and above the income tax paid by the parent company, Century Spinning & Manufacturing Co. Ltd., to the extent of Rs. 7 crores per year.

EXPORTS:
Why is it that the Century Rayon Tyrecord is equal to the world's best?
The testimony is constantly rising exports to sophisticated international markets.
The total foreign exchange earning including Rayon Fabrics & Chemicals so far exceeds Rs. 5 crores.

EMPLOYEE WELFARE:



Century's workers are happy because of one of the finest housing colonies provided to them, along with a club house, a cooperative bazar and a credit society. They enjoy the best educational facilities for their children, consisting of primary and secondary schools and a college for Arts, Science and Commerce. Its medical care is unique, with a full fledged 50 bed hospital, and free medicine.



Recreation, too, is dear to its heart. Vast playgrounds, beautiful swimming pools and gardens, a large library, its own network of roads and water works and, to top it all, one of the finest temples in a sublime atmosphere-all these amenities constantly growing in size and quality.



Century Rayon encourages sports both for the amateur and the seasoned sportsman. Century's sports teams have been winning many a laurel on the playgrounds.

CREATING EMPLOYMENT:
In today's context, Century Rayon's contribution is significant, by providing employment to over 6,000 workers directly, and supporting an entire township dependent on it.

INDUSTRIAL RELATIONS:
What would you say for a record of more than sixteen years of uninterrupted production, without losing a single manhour due to strike or strife? Relations with the employees are exemplary because of a direct, frank and honest rapport with them across the table, without external intervention.

COMMUNITY SERVICE.



In times of calamities like earthquakes, wars, droughts and floods, Century Rayon has sprung to the call of duty voluntarily extending not only financial help but also providing volunteers and other relief measures.

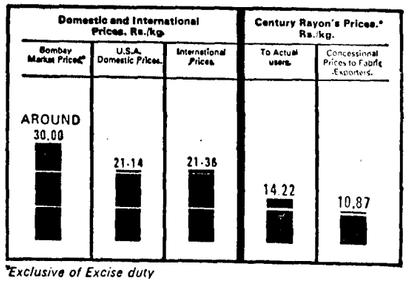
RESEARCH AND DEVELOPMENT.



Well equipped laboratories and a team of dedicated scientists and technicians ensure the position of leadership for Century Rayon—be it the finest rayon filament yarn or the toughest, improved rayon tyre cord.

HOLDING THE PRICE–LINE AND ENSURING FAIR DISTRIBUTION.

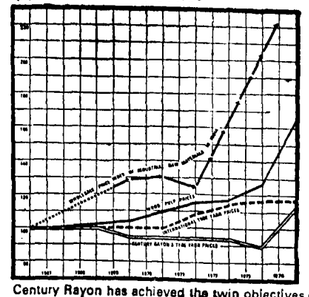
(1) RAYON FILAMENT YARN.



*Exclusive of Excise duty

Very rigidly adhering to the Voluntary agreement between Viscose Rayon Spinners and Weavers, Century Rayon is selling approximately 60% of its production directly to Actual Users at the low price of Rs. 14.22 per kg. and an additional 20% directly to exporters of Rayon Fabrics, at a substantially low price of Rs. 10.87 per kg.

(2) RAYON TYRE CORD.



Century Rayon has achieved the twin objectives of maintaining the price of Tyre Cord below the international level and supplying directly to Actual Users.

CAUSTIC SODA.
To meet the needs of genuine users in the present acute shortage conditions, Century Chemicals is following a policy of supplying the entire production to Actual Users on the basis of past offtake, at fair prices.



CENTURY RAYON
Industry House, 159, Churchgate Reclamation, Bombay 400 020.

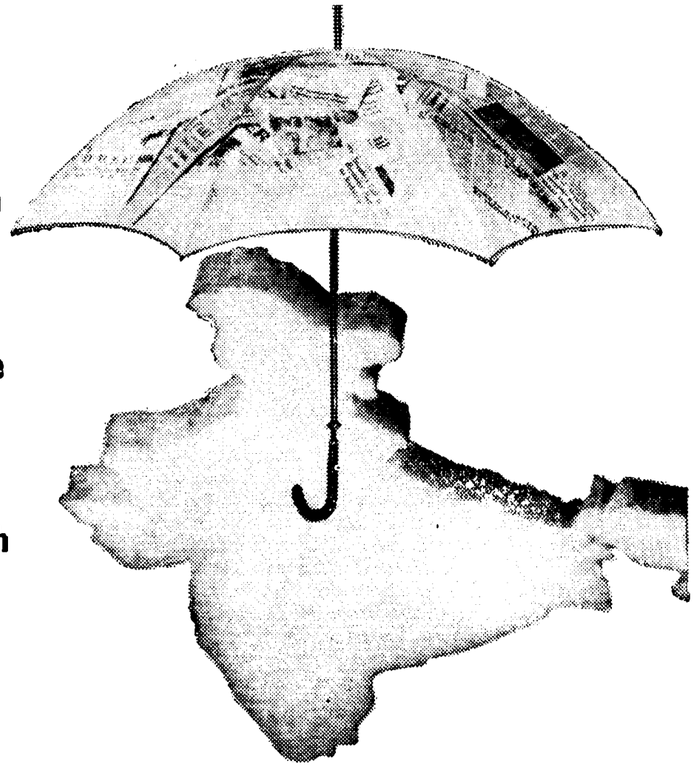


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FOCUS BC-41

1	2	3	4
		India-Switzerland	
26. *	M/s Hifame Pvt. Ltd. Gul-Mohur, Rajmahal Vilas Extension, Bangalore.	M/s Ploral Industries Und Handles, Switzerland.	Multi-Tubular Dynel Battery Oxide Retainer Bags etc.
27.	M/s Suhrid Geigy Ltd., 'Shahbag House' Shahibag, Ahmedabad-4.	M/s Ciba Geigy Ltd., Basle, Switzerland.	Lamprnene.
28.	Mr V.J. Jayaraman, BSc. BS (Text Engg). 9, ATT Colony, Coimbatore-18.	M/s Sam Vollenweider Limited, Textile Machinery Works, 8810 Horgen, Switzerland.	Cloth Sheering and Cropping Machines.
29.	M/s Widia (India) Ltd., 8/9th Mile, Tumkur Road, Post Bag 2280, Yeshwanthapur, Bangalore-560022 (Composite case).	M/s Meturit AG, Zurich, Switzerland.	Hard Metal and Hard Metal Products.
		India-UK	
30.	M/s Meco-tronics (P) Ltd., Meco House, 11A/1 Mount Road, Madras-600002.	M/s Autonic Ltd., UK.	Permeability Tuners for Car Radios.
31.	The Managing Director, Bokaro Steel Limited, Bokaro Steel City District, Dhanbad, Bihar.	M/s Headwrightson Limited, UK.	Gas Cleaning Plant for Steel Melting Shop.
32.	M/s Indian Furnace Co. Ltd., NSE Estate, Goregaon East, Bombay-23.	M/s Gibbons Brothers Ltd., England.	Oil Fired Aluminium Melting and Tilting type Holding Furnaces.
33.	M/s Simpson and Co. Ltd, 202/203 Mount Road Madras-600002.	M/s Massey-Ferguson Perkins Ltd., Peterborough, UK.	Diesel Engines.
34.	M/s The Western India Plywoods Limited, P.O. Baliapatam, Cannanore Distt,, Kerala State.	M/s Fothergill and Harvey Ltd., UK	Fibre Glass Cloth Format.
35.	M/s The Triveni Engg Works Ltd. National Insurance Building, 5, Parliament Street, New Delhi.	M/s Peterbrotherhood Limited, Petersborough, UK.	Steam Turbines.
36.	M/s Metal Lamp Caps (I) Pvt. Ltd., 2, Murphy Rd, P.B. No. 876, Ulsoor, Bangalore-360008.	M/s Lamp Press Caps Ltd., London.	Lamp Caps.
37.	Hind Equipment Corpn. Pvt. Ltd., 24-B, Hamam Street, Fort, Bombay-1.	M/s Automotive & Allied Group, BTR Ltd. Silver Town Hall, Vincent Square, London.	Silent Blocks and Rubber Bonded Metal Fittings.
38.	M/s Carburettors Ltd. 29, Mount Road, Madras-600002 (Tamil Nadu).	M/s Zenith Carburettor Co. Ltd., Honey Pot Lane, Stanmore, Middlesex HA-71EG, England.	Carburettor Type, 40PA, 105A.
39.	M/s Forbes Forbes Campbell and Co. Ltd., Auto Division, Forbes Building, Home Street, Bombay-400001.	M/s Smiths Industries Ltd. Spark Plug Division, Putney Vale, London. SW-15.	Spark Plugs.
40.	M/s Andrew Yule & Co. Ltd., 8 Clive Road, Calcutta-1.	M/s Davidson of UK.	Industrial Fans above 60" diameter.
41. (F)	M/s Pitman Wheeler Publishing Company (P) Limited, 15, Elgin Road, Allahabad.	M/s Sir Isac Pitman and Sons Ltd., London.	Publication of Books.
42.	M/s Alfred Herbet (I) Ltd., 13/3, Strand Road, Calcutta-2.	M/s Alfred Herbert Ltd., Edgwick, Coventry, England.	Atritor Pulverisers.
43.	Mr Deepak Chandrakant Desai, 14 Suleman Chambers, Apollo Bunder Road, Behind Regal Bldg. Bombay-1.	M/s Akron Standard (Engg) Ltd. UK. IVY House Foundry, Stoke-on-Trent, UK.	Rubber Machinery for Type Industry.
44.	Mr Prem Prakash Chandra C/O Seraikela Glass Works (P) Ltd. P.O. Bara Bahera, Hooghly, (West Bengal).	M/s Perelectro Ltd., England.	Import of Furnance Design and Drawings, Glass Tubes and Rods.

F—Cases involving financial participation.
*This approval relates to June, 1974.

1	2	3	4
45.	M/s English Electric Co. of India Limited, Pallavaram, Madras-600043.	M/s The General Electric Co. Ltd., 1, Stanhope Gate, London WIA TEH, UK.	Phase Comparison Protection Schemes, Intertripping Systems.
		India-USA	
46.	M/s Bharat Heavy Electricals Ltd., Hindustan Times House, 18-20, Kasturba Gandhi Marg, New Delhi.	M/s USS Engineers & Consultants Inc., 600 Grant Street Pittsburgh, Pennsylvania, 13230, USA.	Drilling Rigs.
47.	M/s Sudarshan Chemical Industries Pvt. Ltd., 162, Wellesley Road, Poona-1.	M/s Allied Chemical Corp., Morris Township, Mooristown, N.J. 07960 USA.	3:3 Di-chloro-benzidine Dihydro-Chloride.
48.	M/s Protecto Engineering (P) Ltd. Beaumont Chambers, 27/33 Meadows Street, Bombay.	(i) M/s Peabody Pernes Inc., 651 North Main Street, Mansfield USA and (ii) M/s Gould Century, Century Electric Division, Missouri, USA.	Electrically Operated Submersible Pumps.
49.	Mr Vivek N. Bhaskar, P.O. Ishwar Nagar, New Delhi-110020 (Composite case).	M/s Kaiser Refractories of USA.	Refractory Monolithics and Bonds.
50.	Mr N.S. Sethuraman, Post Box No. 2763, 175/1 Mount Road Madras. (USA/UK joint collaboration).	(i) Westinghouse Electric Corp., Pittsburgh, Pa. USA. (ii) EMP Electric Division, Bowthorpe Hellermann Ltd., UK.	HRC Fuses of 11 KV and above. Medium Voltage HRC Fuse Links
51.	M/s Alfred Herbert (India) Ltd., 13/3 Strand Road, Calcutta.	M/s Devlieg Machine Co., Fair Street, Royal Oak, Michigan, USA.	Horizontal Spindle Jig Boring and Milling Machines.
52.	M/s Bharat Forge Co. Ltd., Post Box 57, Mundhwa, Poona-1.	M/s Sifco Industries Inc., USA	Steel Forgings.
53.	M/s Animate Affiliates P. Ltd., S-304,/ Lal Bahadur Shastri Marg, Muluud, Bombay-80-NB.	M/s P.R. Mallory & Co. Inc., 3029 East Washington Street, Indianapolis, Indiana (USA).	Welding Tools.
54.	Mr Sitaram Kadia, "Sagar Jyoti", Plot No. 18, 6th Road, Juhu, Vile Parle, Development Scheme, Bombay-56.	M/s Faustel Inc., 12801 W. Silver Spring Road, Butler, Wisconsin, 53007, USA.	Paper Converting Machine.
55.	M/s Farooq Sultan, B.E. Unit 7, Technocraft's Industrial Estate, Hyderabad (A.P.).	M/s Hunt Process Co., P.B. 2111 California, 90670, USA.	Concrete Curing Compounds.
56.	Mr R.N. Seth, Chartered Engineer, Old Employment Exchange, New Railway Road, Gurgaon (Haryana).	M/s Gas Eqipment and Cryogenic Services Co., 7523 Claymont Court, Belleville, Illinois 62223 (USA).	Argon Attachments, Cryogenic Equipment etc.
57.	M/s Madras Rubber Factory Ltd., 175/1 Anna Road, Madras-2.	M/s Mansfield Tyre and Rubber Co., Mansfield, USA.	Automobile Tyres and Tubes.
58.	M/s Sanaeep Enterprises Pvt. Ltd., C/o Madhusudan Oil Mills, Bilkha (Gujarat).	M/s Liquid Nitrogen Processing Corpn., 412, King Street, Malvern, Pannsylvania, 19355, USA.	Glass Reinforced Thermoplastics.
59.	M/s Kirloskar Brothers Ltd., Udyog Bhavan, Tilak Road, Poona, 411002.	M/s Tecumseh Products Company, Michigen, USA.	Hermetically Sealed Compressors.
60. *	The Managing Director, Indian Oil Corporation Limited (Refineries & Pipelines Division), New Delhi.	M/s U.O.P., USA.	Know-how for Mathura Refinery and Gujarat Refinery Extension.

*This approval relates to January, 1974.

ABSTRACT

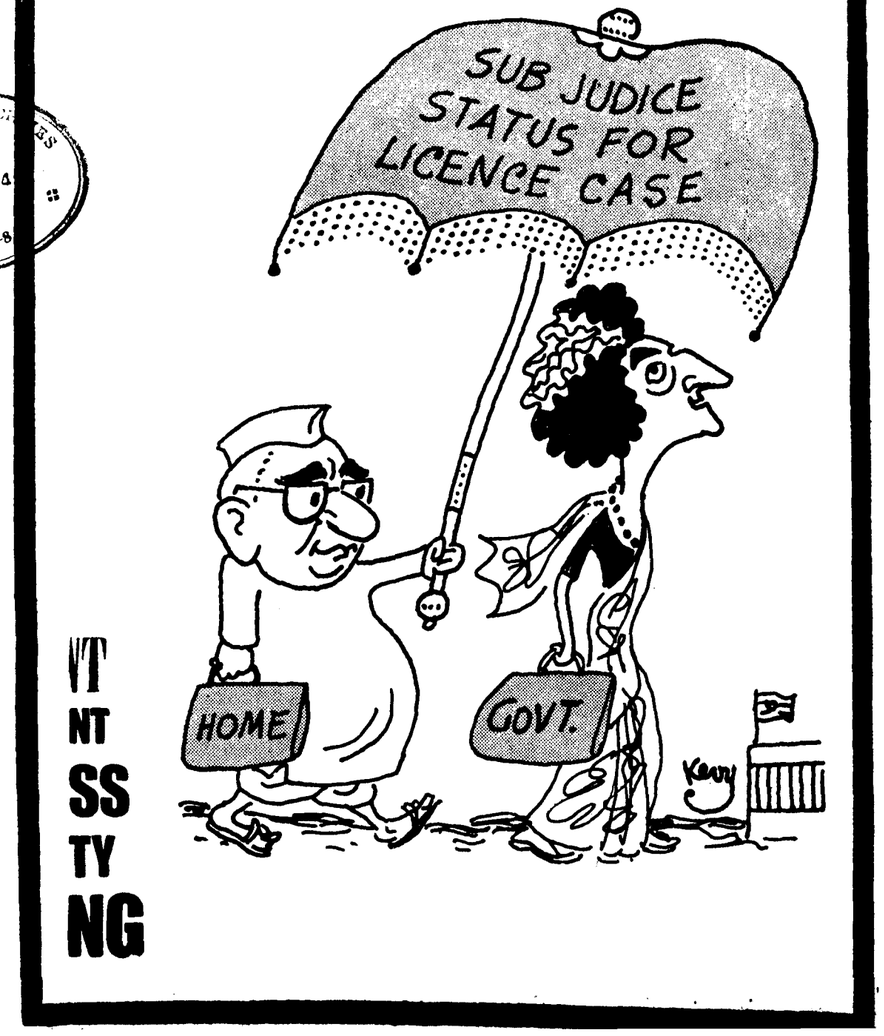
1. Approvals including financial participation also	5	
2. Technical collaboration	55	
Total	60	(Including 4 composite cases)

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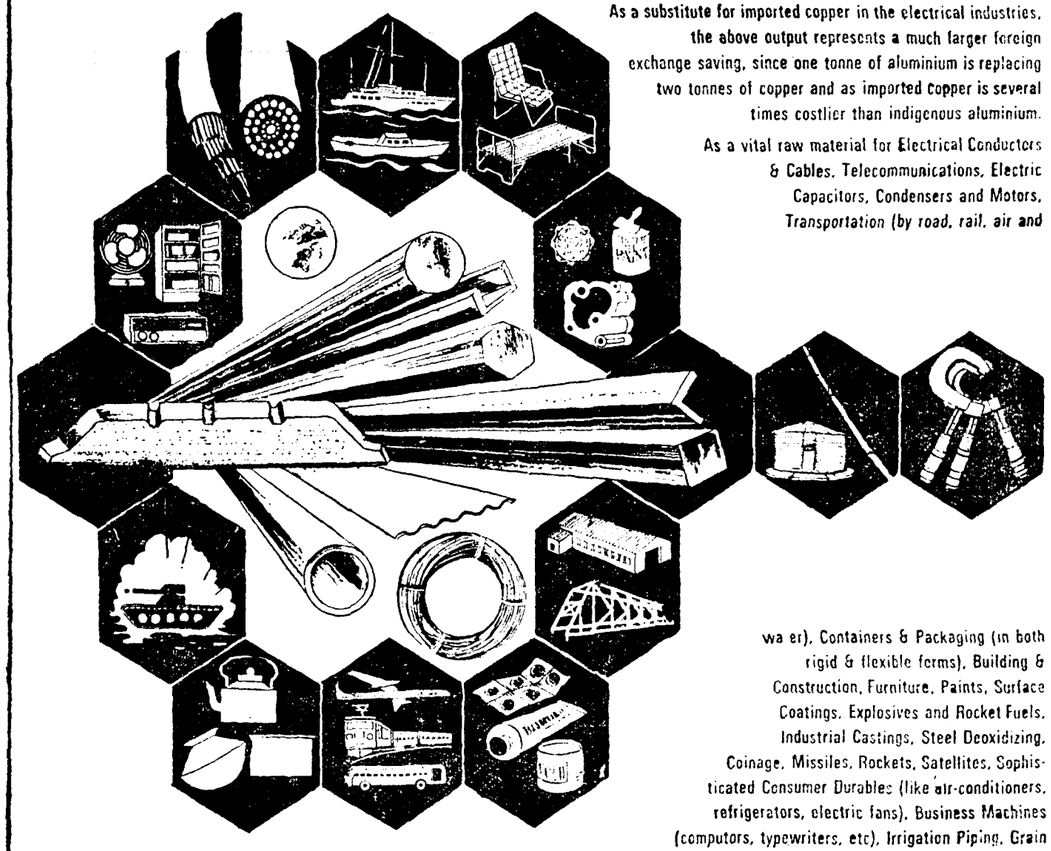


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INDEX TO VOLUME 62

NOS. 1 TO 13

JAN. TO MARCH 1974

ABBREVIATIONS

Leading Article	LA
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
Budget Number	BN
Special Survey	SS

(For Company Affairs see pages i & vi)

Registered Office :

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A

Administration

.nd now Bihar ... LA 611
'abinet Expanded ... TW 107
'entre-State Financial Relations ... LA 83
itizens' Call to Chief Minister ... RR 324
.D. Birla for Government Industry Dialogue ... TW 63
:o, Not Diego Garcia ... LA 299
ut of Gujarat's Agony ... LA 571
eople and the Politicians... LA 155
/ho is to Blame in Bihar? LA 643

Aid, Loans and Grants

id from France ... TW 280
ssistance from Japan ... TW 225
ritish Loan ... TW 224
hanged Outlook on Aid LA 613
risis in Development Aid, The ... WW 135
xternal Assistance to India PV 307
xternal Loans : Statement of Receipts ... BN 524
xternal Loans : Statement of Repayments ... BN 538
DA Loan for Fruit Production ... TW 187
DA Loan for Railways ... TW 226
MF Credit ... TW 371
panese Loan for Fertilizers ... TW 668
orwegian Assistance ... TW 279

Aviation

ir Fares Raised ... TW 372
ir-India Raises Fares ... TW 630
irlines' Woes ... TW 278
Fares Go Up ... TW 109
ido-Fiji Air Agreement ... TW 226
U 154 for IA ... TW 330
S Loan for Jets ... TW 187

cademicus ... BB 14, 180, 364
garwal, R.C. ... PV 6

Banking, Money and Finance

frican Currency Float ... TW 281
nk Advances, Outlook For LA 645
ntre-State Financial Relations ... LA 83
urbing Inflationary Finance LA 612
epreciation Allowance ... PV 161
evaluation in Non-Industrial Countries ... WW 663
evelopment Banks ... TW 329
inar Devalued ... TW 227
conomists' Proposals to Curb Inflation ... PV 616
xternal Loans : Statement of Receipts ... BN 524
xternal Loans : Statement of Repayments ... BN 538
anc Devalued ... TW 141
ome to Roost ... LA 53
MF Credit ... TW 371

Inflationary Impact of Public Debt Policy ... PV 261
Maharashtra's Finances ... LA 648
Merchant Banking ... PV 165
Merchant Banking ... RR 324
Money Supply with the Public ... RS 149, 341, 681
More Credit for Exports ... TW 107
More Deposits by Non-Nationalised Banks ... TW 668
Nationalised Banks, Role Of TW 63
New Role of Stock Exchanges ... LA 84
No Blanket Ban on Foreign Investment ... LA 51
PL 480 Rupee ... LA 4
Problem of Internal Public Debt Redemption ... PA 652
Property Abroad to be Declared ... TW 62
Public Debt of the Central Government ... BN 513
R.B.I. Curbs on Foreign Firms ... TW 62
Reserve Bank of India ... RS 149, 341, 681
Rise in Pensions ... TW 669
Role of Commercial Banks in Farm Finance ... PV 209
Scheduled Commercial Banks RS 149, 341, 681
Sixth Finance Commission Report ... RS 41
Urban Banks and Credit Planning ... PV 129
Yen Devalued ... TW 107

Books Briefly

A Guide to Research in Economics ... BB 14
Agricultural Policy in India BB 14
Agricultural Regionalisation of India ... BB 180
Bhoodan and the Landless BB 14
Books Received ... BB 19, 185, 370
Chit Finance ... BB 14
Commerce Annual 1973 ... BB 184
Elements of Agricultural Finance ... BB 364
Green Revolution ... BB 180
In the Wonderland of Indian Managers ... BB 364
India's Second Liberation... BB 364
Industrial Adjudication (With Special Reference to Reinstatement) ... BB 364
Industrial Democracy—Some Issues and Experiences ... BB 180
Law and Practice of Company Meetings in India BB 185
Organiser : Silver Jubilee Souvenir 1973 ... BB 370
Personal Management and Industurial Relations in the Public Sector ... BB 180
Population and Development BB 180
Regional Aspects of Indian Industrialisation ... BB 364

Some Thoughts on Industries and Transport ... BB 14
Swarajya Annual Number 1974 ... BB 370
25 Years of Independence—A Survey of Indian Economy ... BB 14
Towards Collective Security in Asia ... BB 180
Wage Incentives—Theory and Practice ... BB 364

Budget

Budget at a Glance ... BN 454
Charter for Inflation ... BN 393
Elections and the Budget ... LA 347
Finance Bill 1974 : Proposals Explained ... BN 462
Forecasting Budget Trends LA 302
Mishra's Unholy Trinity ... LA 348
Progress Below Expectations BN 439
Railway Budget : 1974-75 : BN 545
Railway Budget : Off the Rails ... BN 429
Railway Budget Proposals Explained ... BN 549
Restraint on Non-Plan Expenditure ... LA 573
Uncovered Budgetary Gap, The ... BN 446

Bajpai, R.G. ... RR 325
Balasubramanian, V ... SS i-xviii (March 1)
Balasubramanian V. ... PV 576
Balasubramanian, V ... BN 393
Bapat, L.G. ... PV 261
Brook, E.B. ... WW 61, 175, 220b, 273, 361, 587, 627

C

Collaborations

Export Performance of Indo-German Ventures WW 137
Foreign Collaborations ... RS 291
Indo-Bulgarian Cooperation TW 141
Indo-French Collaboration TW 280
Indo-French Cooperation TW 327
Indo-German Economic and Industrial Cooperation WW 320
Indo-Hungarian Cooperation TW 109, 328
Indo-Iran Economic Cooperation ... TW 139, 372
Indo-Polish Cooperation in Fisheries ... TW 668
Indo-Sri Lanka Tie-up ... TW 226
Power Generation Unit In Malaysia ... TW 187
Sugar Plant in Uganda ... TW 631

Communications

Rising Cost of Communication ... BN 422

Company Affairs

Accord on Oil India ... TW 590
Alucoin's Problems ... TW 225
Mishra, M.N. ... PV 312
Murad Ali Baig ... PV 89
Murli, Vasu K. ... RR 324

N

Names in the News

Agarwala, R.P. ... TW 372
Air Chief Marshal O.P. Mehra ... TW 590
Air Chief Marshal P.C. Lal ... TW 590
Air Marshal Y.V. Malse ... TW 590
Ajit Mazoomdar, Dr ... TW 590
Anil Basu ... TW 372
Appusamy, K.G. ... TW 590
Balakrishnan, N. ... TW 669
Bhattacharyya, P.C. ... TW 590
Birla, G.D. : Spanning Two Eras ... LA 644
Chawdhry, S.S. ... TW 669
Dastur, N.H. ... TW 590
Ganguli, A.K. ... TW 669
Hada, D.K. ... TW 669
Jain, S.K. ... TW 372
Kholi, Ron Dev ... TW 63
Khosla, N. ... TW 590
Kooka, S.K. ... TW 590
Lal, M.S. ... TW 63
Lisely, C.J. ... TW 590
Mahalingam, N. ... TW 669
Mehta, A.H. ... TW 590
Monga, J.S. ... TW 631
Mookerjee, K.N. ... TW 590
Naidu, G.D. ... TW 63
Manoram, M. ... TW 669
Parikh, Chimanlal B ... TW 109
Patra, B. ... TW 669
Rabindra Seth ... TW 372
Rajnikant Purshotamdas ... TW 590
Ramdas Kilachand ... TW 590
Rinchen, S.T. ... TW 669
Satyamurti, V. ... TW 590
Shah, D.A. ... TW 669
Somaiya, S.K. ... TW 187
Srivastava, C.P. ... TW 63
Sundara, S. ... TW 590
Tata, J.R.D. ... TW 590
TTK—He Lived Like a Legend ... PV 576
Unni, K.K. ... TW 590
Warrior, S.K. ... TW 669

Nigam, R.S. ... PV 354

O

Oil

Coal and Oil Scarcity : The Way Out ... PV 669
Developing Nations and the Coming Oil Conferences WW 590
Drilling at Bombay High ... TW 590
Impact of Increased Oil Prices ... WW 63
Made in Middle East ... LA 590
National Council on Oil Crisis ... TW 669
Nationalisation : Yes or No LA 631
Oil and Monetary Muddle LA 590
Oil Exploration in Tripura TW 63
Oil from Bombay High ... TW 669
Oil Impact on Japanese Economy ... WW 669
Oil Imports ... TW 372
Oil Options ... LA 590
Oil Prices Formula ... TW 590
Oil Strikes ... TW 590
Oil Threat to the World Economy, The ... WW 590
Petroleum Product Prices TW 590
Playing it Cool ... LA 590
Prices of Oil Products Raised ... TW 372
Robin Hoods of OPEC, The WW 590
Shel, Caltex Demand More TW 669
Washington Oil Meet ... TW 590

P

Parliament

From the Press Gallery ... PG 622, 657

Planning

Bangladesh Plan ... TW 62
Development Planning in North-East India ... PV 650
Fifth Five-Year Plan : 1974-75—1978-79 ... RS 33
Raw Jute in Fifth Plan ... LA 614
Restraint on Non-Plan Expenditure ... LA 573

Plantations

Indo-Sri Lanka Tie-up ... TW 226

Power

Alternative Sources of Energy ... TW 22
Downhill March, The ... LA 158
Impact of Power Cuts ... TW 330
Improved System of Project Construction ... TW 631
More Thermal Plants ... TW 108
Narora Nuclear Power Project ... TW 108
Power Shortage in Southern States ... LA 125

Prices

Bullion Prices ... TW 141
Car Prices ... TW 62
Consumer Price Index Numbers for Industrial Workers ... RS 150, 342, 682
Consumer Price Index Number for Urban Non-Manual Employees ... RS 150, 342, 682
Drug Prices Review ... TW 107
Economists' Proposals to Curb Inflation ... PV 616
Paper Prices ... TW 139
Petroleum Products' Prices TW 20
Price Policy for Wheat ... RS 602
Prices of Oil Products Raised ... TW 186

Security Prices, Index Numbers Of ... RS 340, 680
Vanaspati Prices ... TW 225
Wholesale Prices ... RS 147, 339 679

Prospectus

Indian Aluminium Co. Ltd 104
Tiger Locks Ltd ... 100

R

Raja, H.T. ... RR 324
Rao, D. ... PV 6
Rao, Dr B. Ramachandra PV 165
Raychadhuri, D.P. ... RR 325
Reddy, Dr G. Raghava ... PV 209

S

Special Survey

Australia Into the Seventies SS i-xviii (March 1)

Sugar

Maximising Sugar Production ... LA 259
Release of Sugar ... TW 107, 330

Seal, K.C. ... RR 325
Sebastian, M. ... PV 307
Sharma, N.K. ... PV 161
Singh, Hardev ... WW 137, 274, 362
Singh, Hardev ... BN 422
Singh, M. ... PV 6
Singh, Sudama ... PV 132
Sinha, R.K. ... PV 93
Suman, H.N.P.S. ... PV 580

T

Taxation

Assessment of Hindu Undivided Families ... PV 266
Communication, Rising Cost Of ... BN 422
Direct Taxes : A Case of the Curate's Egg .. BN 404
Duty on Hides and Skins TW 140
Excise Duty on Coal ... TW 62
Excise on Coffee ... TW 669
Exemption Limit of Income-tax ... PV 168
Income-tax Rules for Perquisities ... RS 676
Indexing Income-tax : Canadian Scheme ... PV 580
Indirect Taxes : Considerate Approach ... BN 415
Indo-Belgian Pact ... TW 328
Municipal Taxes on Central Properties ... TW 21
Tariff Preferences by Australia ... TW 279
Taxation in Japan ... PV 215
Taxation of Company Profits ... WW 1(
Taxes : A Comparison by OECD ... RS 63(
VAT Exemption for Exhibitors ... TW 33(

Tourism

More Gulf Tourists ... TW

Trade

Advisory Council on Trade TW
Increase in Indo-US Trade Possible ... WW
Idea In World Trade ... RR
India's Foreign Trade, Review Of ... RS
Indo-Bangladesh Trade ... TW
Indo-Nepal Trade ... TW
Indo-Romanian Panel ... TW
Indo-Soviet Trade ... TW
The Two Lal(l)s ... LA
Trade Pact with Bulgaria ... TW
Trade Pact with Kuwait ... TW
Trade Pact with North Korea ... TW
Trade with Yugoslavia ... TW

Transport

Bulk Carrier at HSL ... TW
Car Prices ... TW
Coal Gas Plant for Cars ... TW
Crisis in Shipping ... LA
Fuel for Coastal Ships ... TW
Mishra's Unholy Trinity ... LA
Resale of Vehicles ... TW
Shipping in Fifth Plan ... TW
Soviet-Built Tanker Received TW
Special Dredger for Ports TW
States Cooperation in Goods Traffic ... TW
Taimni, K.K. ... PV
Thimmaiah, Dr. G. ... PV

U

Ummat, R.C. ... BN 415, 429
Ummat, R.C. ... BB 184

V

Varma, C.R. Thiagaraja ... PV 215
Vepa, Ram K. ... PV 650

Company Affairs

A

Acme Manufacturing Co ... 25
Albright, Morarji & Pandit ... 189, 670
Allied Steels ... 74, 375, 672
Amco Batteries ... 74, 111
American Express ... 283
Apollo Tubes ... 112
Ashok Leyland ... 189, 591
Assam Carbon Products ... 144, 672
Atlas Copco India ... 374
Atul Products ... 228, 591
Automobile Products ... 373
Avery India ... 591

B

Bajaj Tempo ... 633
Bangalaxmi Investments ... 332
Bayer (India) ... 671
Bengal Arc Steel ... 25
Bharat Vijay Mills ... 634
Binny Ltd ... 670
Bombay Dyeing ... 373
Bright Wires ... 74
British Leyland ... 669, 374

C

CAFI ... 631
Camphor and Allied Products 633
Capital and Bonus Issues ... 146, 192, 231, 283, 333, 375, 635
Ceat Tyres ... 671
Ceekay Automotive Products 671
Central Bank ... 229
Central India ... 373
Chloride India ... 282
Covelong Beach Hotel (India) 375

D

Deepak Nitrite ... 230
Delhi Cloth ... 592
Dividends ... 26, 74, 113, 146, 192, 231, 284, 328, 333, 375, 594, 635, 672
Dunlop India ... 634

F

FACT ... 190
Falcon Tyres ... 591

G

Gabriel India ... 332
Gangavati Sugars ... 594
Golden Tobacco ... 591
Gujarat Machinery Manufacturers ... 189
Gujarat State Fertilizer ... 25
Gwalior Rayon ... 71

H

Haryana Polysteels ... 594

I

ICICI ... 331
India Pistons ... 670
India Tobacco ... 189
Indian Aluminium ... 24, 144, 332
Indian Explosives ... 111
Indian Oil ... 143
Indian Overseas Bank ... 229
Indian Oxygen ... 143, 189, 228, 331
Industrial Cables ... 111
Insov Auto ... 189
Ipco Packaging ... 283

K

Kamani Engineerings ... 592
Kamani Metals and Alloys ... 72
Kirloskar Brothers ... 633
Kirloskar Oil ... 374
Kothari (Madras) ... 24

L

Larsen & Toubro ... 24
Licences and Letters of Intent 231, 284, 333

M

Madhya Pradesh Industries ... 113
Madras Rubber ... 593
Mahindra and Mahindra ... 25, 633
Mercury Breweries Ltd ... 671
MICO ... 143
Mysore Cements ... 71

N

National Seeds Corporation ... 73
NCDC ... 592
New Registrations ... 191, 375
Nuchem Plastics ... 331

O

Oriental Hotels ... 113

P

Panyam Cements and Mineral Industries ... 283, 671
Parrys Confectionery ... 671
Philips India ... 670
Polysteels (India) ... 228
Punjab National Bank ... 71

R

Raipur Wire and Steel ... 113
Rajasthan Spinning ... 593
Rallis India ... 332
Ramacast ... 283, 634
Ramkishan Ispat ... 634
Reckitt and Colman ... 111
Rollatationers ... 144, 190

S

Sadhana Nitro Chem. Ltd ... 672
Sakthi Sugars ... 112
Scindia Steam ... 72
Scooters India ... 331
Shree Digvijaya ... 228
Shriram Refrigeration ... 331
SICOM ... 374
Siemens India ... 24
Southern Nitrochemicals ... 231
Southern Steel ... 112
Sree Vig Chemicals ... 332
S.R.P. Tools ... 283, 594
State Bank of Indore ... 374
Straw Products ... 190
Stretch Fibre (India) Ltd ... 672
Sudarsan Trading ... 282, 373

T

Tata Chemicals ... 189
Tata Exports ... 634
Tata-Merlin ... 374
Telco ... 143
Terpene Industries ... 230
Tiger Locks ... 145
Tribeni Tissues ... 332

U

Union Carbide ... 373
Unit Trust ... 143, 190
United Asian Bank ... 229
United Bank of India ... 25
United Phosphorous ... 143
Universal Glass ... 25

V

Vazir Sultan ... 282
Vikrant Tyres ... 672
Voltas ... 111, 373
Vulcan Laval ... 670

W

Warner Hindustan ... 143, 633
W. Bengal Electronics Corporation ... 331
Widia (India) ... 112

Y

Yamuna Gases ... 26, 190

Asian Chamber Meet ... TW
Bank of Maharashtra Branch TW
BHEL Unit at Jhansi ... TW
Bonus Shares, Guidelines for Issue Of ... TW
Burmah Shell ... TW
Canadian Bank in Delhi ... TW
Consultancy Services Abroad TW
Cooperative Bankers Meet TW
Depreciation Allowance ... PV
E. Merck Saves Foreign Exchange ... TW
Esso Taken Over ... TW
Export Award to ITC ... TW
Fertilizer Corporation of India ... TW
FICCI ... TW
Finances of Foreign Companies : 1970-71 ... RS
IDBI, New Role For ... TW
Loan for Ratnakar Shipping TW
Madhya Pradesh Stock Exchange ... TW
Majority Shares in ESSO TW
Microfilm Programme ... TW
More STC Offices Abroad TW
New Role of Stock Exchanges ... LA
No Blanket Ban on Foreign Investment ... LA
Pan African Paper Unit Ready ... TW
Phulpur Fertilizers ... TW
Power Supply Denied to Hindalco ... TW
R.B.I. Curbs on Foreign Firms ... TW
REC : A Healthy Baby ... LA
SASMIRA, Technology Award For ... TW
STC Operations ... TW
Unit for Radars ... TW
Value Management Audit in Public Sector ... PV

Company Meetings

Ashok Leyland Ltd ...
Indian Oil Corporation Ltd
Indian Oxygen Ltd ...
Industrial Credit and Investment Corporation of India ...
Kamani Metals and Alloys Ltd ...
National Cooperative Development Corporation
National Seeds Corporation Ltd ...
Parrys Confectionery Ltd
Sakthi Sugars Ltd ...
Sudarsan Trading Co Ltd...
The Delhi Cloth and General Mills Co Ltd ...
The Scindia Steam Navigation Co Ltd ...
The Vazir Sultan Tobacco Co Ltd ...
Voltas Ltd ...

Career Prospects for Business Economists ... PV 354
Chattopadhyay, Paresnath PV 87
Chopra, S.P. ... BN 404
Chopra, S.P. ... WW 177, 322
Chopra, S.P. ... BB 185

D

Delegations

Austrian Trade Team ... TW 372
Bangladesh Jute Delegation TW 21
Soviet Experts ... TW 280
US Textile Machinery Mission ... TW 278
Dayal, Shambhu ... PV 618
Dubay, Dr R.M. ... PV 132

E

Economy

Awards for Inventions & Import Substitutes ... TW 140, 226
Benefit-Cost Analysis in a Developing Economy ... PV 132
Business Asia ... LA 255
CACCI Meet ... TW 278
Cooperative Training in India ... PV 211
Downhill March, The ... LA 158
Economic Survey : 1973-74 RS 383
Guidelines for Regulation of Foreign Investment ... RS 43
Investments in Government Commercial and Industrial Undertakings ... BN 514
National Income : 1972-73 RS 195
No Blanket Ban on Foreign Investment ... LA 51
Per Capita Income, Fall in TW 109
Poverty in India ... PV 89
Progress Below Expectations BN 439
Property Abroad to be Declared ... TW 62
Republic Day Thoughts ... LA 123
Utilisation of Cooperatives TW 669

Exhibitions and Fairs

India in IKOFA 74 ... TW 631
Leipzig Fair ... TW 631
VAT Exemption for Exhibitors ... TW 330

Exports

Awards for Export Performance ... TW 21
Convention on Exports ... TW 372
Counter-exports to Afghanistan ... TW 141
Department of Export Production ... TW 224
Duty on Hides and Skins TW 140
Export Convention 1974 ... TW 329
Export to Soviet Union ... TW 280
Exporters in Session ... LA 349
Exports After the Budget ... LA 574
Experts to Gulf Countries TW 327, 668
Exports to Libya ... TW 10
Exports to West Germany TW 63
Film Exports ... TW 22
Import Export Bank ... TW 28
More Credit for Exports ... TW 10
More Exports from Eastern Region? ... LA 15
Role of Exportable Surplus for Nepal ... PV 5
Semi Finished Hides and Skins, Exports Of ... TW 66
Tea Export ... TW 32
Eugene Brake ... WW 22

F

Family Planning

Family Planning ... RR 32

Fertilizers

Fertilizers from Soviet Union ... TW 22
Need For more Fertilizers... TW 63
Use of Organic Manures TW 6

Food and Agriculture

Demand of Fish in Calcutta PV 61
Failure on the Foodgrains Front ... LA 25
Imported Inflation ... LA 20
Managing Wheat ... LA 57
Potential for Farm Incomes on Dry Lands ... PV
Price Policy for Wheat ... RS 60
Protein Unit in Maharashtra TW 14
Role of Commercial Banks in Farm Finance ... PV 20
Use of Organic Manures TW 6
Vanaspati Prices ... TW 22

G

Gold

Bullion Prices ... TW 14
Gold Price ... TW 10

H

Housing

Housing Corporation in Fifth Plan ... TW 18
LIC Houses in UP ... TW 66

Hennessy, Jossleyn ... WW 10, 59, 97, 135, 172, 219, 270, 317, 358, 584, 624, 660

Imports

Awards for Inventions and Import Substitute ... TW 140, 226
Import-Export Bank ... TW 28
Import of Raw Material ... TW 21
Imported Raw Materials for Small Industry ... TW 6
Oil Imports ... TW 13
Kerosene from Soviet Union TW 10

Industry

Application for Industrial Licences ... TW 20
Consumer Goods Production Lags ... TW 187
Critical Paper Situation ... LA 205
Deepening Cement Crisis, The ... LA 301
Drug Prices Review ... TW 107
Handicrafts Board Reconstituted ... TW 329
IDMF Plea ... TW 329
Industrial Production : 1970-73 ... RS 243
Industrial Production, Index Numbers Of ... RS 148
Imported Raw Materials for Small Industry ... TW 63
Industrial Prospects In West Bengal ... LA 575
Investment in Government Commercial and Industrial Undertakings ... BN 514
Licensing Simplified ... TW 186
Machinery Manufacturing, Diversification Of ... TW 631
Manufacture of Sugar Machinery ... TW 330
Panel on Drugs ... TW 329
Paper Prices ... TW 139
Protein Unit in Maharashtra TW 141
Recession in Chemical Industry? ... LA 207
Three Projects Cleared ... TW 590
Wanted : Dynamism in Electronics ... LA 647

Insurance

How Profitable is LIC Investment? ... PV 312
LIC Bonus ... TW 329
LIC Wage Agreement ... TW 186
Raw Deal to LIC ... RR 325

International Affairs

Acceptability of Developing Country Performance ... WW 172
Anatomy of World Sickness, The ... WW 660
Awaiting a Business Slump? WW 361
Britain's Future as a Developing Country ... WW 219
British Chancellor's Dilemma, The ... WW 624
Burma's Gradual Recovery WW 362
Crisis in Development Aid, The ... WW 135
Devaluation in Non-industrial Countries ... WW 663
Developing Nations and the Coming Oil Conferences ... WW 221
Energy Crisis Casts its Shadow ... WW 61
European Community and the Rest of the World ... WW 270

Export Performance of Indo-German Ventures WW
Impact of Increased Oil Prices ... WW
Increase in Indo-US Trade Possible ... WW
Indo-German Economic and Industrial Cooperation ... WW
Is USA Tough with EEC? WW
Oil Impact on Japanese Economy ... WW
Oil Threat to the World Economy, The ... WW
Progress Standing Still ... WW
Resurgent Dollar, The ... WW
Robin Hoods of OPEC, The WW
Role of Exportable Surplus for Nepal ... PV
Sri Lanka's Share of Sorrow WW
Taxation of Company Profits WW
Technological Assessment WW
Time to Think ... WW
Towards the "Information Civilisation"-I ... WW
Towards the "Information Civilisation"—II ... WW
US Textile Machinery Mission in Retrospect ... WW
Whither the USA in 1974? WW

J

Jute

Bangladesh Jute Delegation TW
Jute Politics ... LA
Raw Jute in Fifth Plan ... LA
Jain, Anil Kumar ... PV
Joshi, Navin Chandra ... PV

K

Kiran Barman ... PV
Krishnarao, B. ... PV

L

Labour and Employment

Employers Meet ... TW
Social Security System in India ... PV
The Two Lal(l)s ... LA
Towards Better Industrial Relations ... PV
Wage Boards in India ... PV

Leading Articles

Aid, Changed Outlook On LA
And Now Bihar ... LA
Bank Advances, Outlook for LA
Business Asia ... LA
Centre-State Financial Relations ... LA
Crisis in Shipping ... LA
Critical Paper Situation ... LA
Curbing Inflationary Finance LA
Deepening Cement Crisis, The ... LA

Downhill March, The ... LA 158
Elections and the Budget ... LA 137
Electronics, Wanted Dynamism In ... LA 220b
Exporters in Session ... LA 349
Exports After the Budget ... LA 177
Failure on the Foodgrains Front ... LA 257
Forecasting Budget Trends LA 320
G.D. Birla : Spanning Two Eras ... LA 587
Groping in the Dark ... LA 275
Home to Roost ... LA 53
Imported Inflation ... LA 584
Jute Politics ... LA 627
Made in Middle East ... LA 273
Maharashtra's Finances ... LA 176
Managing Wheat ... LA 572
Maximing Sugar Production LA 55
Mishra's Unholy Trinity ... LA 274
More Exports from Eastern Region? ... LA 10
Nationalisation : Yes or No LA 358
No Blanket Ban on Foreign Investment ... LA 175
No, Not Diego Garcia ... LA 59
Oil and Monetary Muddle LA 299
Oil Options ... LA 97
Out of Gujarat's Agony ... LA 350
People and the Politicians LA 322
PL-480 Rupee, The ... LA 303
Playing it Cool ... LA 317
Power Shortage in Southern States ... LA 571
Price Revision in Aluminium ... LA 155
Recession in Chemical industry? ... LA 4
Republic Day Thoughts ... LA 203
Restraint on Non-Plan Expenditure ... LA 125
Stock Exchanges, New Role Of ... LA 21
Two Eras ... LA 258
Two Lal(l)s, The ... LA 614
West Bengal, Industrial Prospects In ... LA 124
Who is to Blame in Bihar? LA 614
REC : A Healthy Baby ... LA 266
Raw Jute in Fifth Plan ... LA 300
Recession in Chemical industry? ... LA 55
Republic Day Thoughts ... LA 207
Restraint on Non-Plan Expenditure ... LA 123
Stock Exchanges, New Role Of ... LA 652
Two Eras ... LA 129
Two Lal(l)s, The ... LA 573
West Bengal, Industrial Prospects In ... LA 84
Who is to Blame in Bihar? LA 644
3

M

Minerals and Metals

Aluminium, Price Revision In ... LA 305
Coal Output to be Raised TW 56
Groping in the Dark ... LA 124
Nickel Plant in Orissa ... TW 107
Phosphorite : India's New Mineral Wealth ... PV 613
Moving Finger ... MF 204
611
224
645
93
255
12, 178, 223, 277, 323, 363, 629, 667.
83
52
Mahalingam, N. ... PV 352
205
Mathur, D.C. ... PV 56
612
Meher, M.R. ... PV 305, 616
Mishra, G.N. ... PV 127
301

A Roman legend

THE DECLINE of the Rome conference on world food had started even before the last rhetorical phrase had fallen from the lips of the US secretary of state who spoke on the day of its inauguration. Dr Kissinger's speech on which the description "keynote address" had been foisted by the publicity machine of the US state department, justified the adjective only by providing a key to the collision course which the conference was doomed to take in the days that followed as the hard commercial interests and purposes of critical participants clashed frequently with the mealy-mouthed protestations of idealism on the part of those who lacked either the willingness or the ability to influence decisions or were wanting in both.

Ideally the conference, if it was to justify its being held at all, could have done three things in the following order of priorities within the first three days of the discussions:

(a) Agreement on a programme for immediate relief to food-needy countries so that, starting immediately, there could be the mobilization of grain and money (from those countries which may be in a position to give either or both) for providing some ten million tonnes of food per year for the next three years to the countries that now seem to be either threatened with widespread starvation amongst its people or adjudged to be incapable of paying for commercial imports necessary for covering their domestic deficits during this period;

(b) Acceptance by the world community of an obligation to set up as early as possible a world fund for raising agricultural production, especially in heavily populated, food-needy countries and particularly through ploughing sufficient resources, financial and physical, into the optimum use of fertilizers, development of irrigation and propagation of improved seeds; and

(c) Adoption of a scheme for setting up a top level international policy-making body, endowed with sufficient political will and muscle, to work out and implement through appropriate UN or other agencies a system of world food security which could anticipate and avert mass starvation in any part of the world and which would, for this purpose, build up over a reasonable number of years, say, ten, a revolving reserve of grain of the order, say, of 16 million tonnes, to be drawn upon for relieving hunger or making up food deficits around the globe.

It may be argued that it is unrealistic to expect an international gathering of the type of the Rome conference to have reached consensus on such obviously complicated issues but, then, the Rome conference was held exactly for the purpose of generating the climate and the thrusting will needed to achieve this dramatic breakthrough on the global food front. It was after all the case of everybody and every government engaged in organizing the conference that it was precisely because no other way could be found of dealing effectively with the world food problem, whether in its immediate context or in terms of its long-term requirements, that the meeting was convened at all. Moreover, it was not as if it could have been demanded of the Rome conference that it should have gone into the detailed institutional and operational implications of these schemes and settled them then and there. What it could and should have done was to have come conclusively in favour of definite commitments to action which could subsequently have been formalized by the UN General Assembly and processed into their numerous particulars by appropriate UN agencies.

As it is the conference seems to have ended with a series of whimpers. On the immediate issue of adequate relief to the famine-stricken areas of the world it is doubtful that the palavers in Rome have succeeded in mobilizing more grain or money for buying grain than would even otherwise have become available, for instance through the efforts of various international agencies, or simply through bilateral

eastern ECONOMIST

NOVEMBER 22, 1974

A Roman Legend 915
Ordeal of Reconstruction 916
Balance of Payments Outlook 917
Retailers' Shrinking Share 919
From the Capital's Corridors 920

Points of View

Capital Investment in IADP Districts — R.K. Pandey 922
Central Loan Agency for Local Authorities — Kompella Siva Subrahmanyam 926

Window on the World

Here and There in Western Europe: I — V. Balasubramanian 929
The ABC of Precious Metals: II — Jossleyn Hennessy 932
Europe Suffers from Imported Nervousness — E.B. Brook .. 934

Trade Winds

Food Meet at Rome; Three Loans; Railways Withdraw Concessions; Khetri Smelter; Earnings from Iron Ore; Emergency Loan to Dacca; Cotton Textile Exports; Indo-Burma Cooperation; Indo-GDR Joint Commission; Oil Prices Reduced; French Move on Oil; Climate for the US Investment; Fertilisers from Poland; Cotton Corporation; Names in the News.. 937-938

Company Affairs

Dullness Persists; Indian Rayon; Enfield India; Kothari (Madras); Tata Chemicals; Deccan Sugar; HMT; News and Notes; New Issues; Capital and Bonus Issues; Dividends 939-941

Records and Statistics

Industrial Licensing 943

negotiations. What is however more certain is that such food aid as has already been proposed, or as may be offered in the future, will fall short of the assessed and urgent needs of the communities in southern Asia or Africa which have undergone, or are undergoing and will continue to undergo, acute deprivation of the means of life.

In the case of the agricultural fund for providing financial and physical resources for increased farm production in the developing countries, the principle seems to have been generally accepted towards the close of the conference, but we need to know who is going to give how much or how soon before we could determine whether enough would be available in time for the tasks to be attempted.

As for world food security in its relatively long-term meaning, the Rome conference, seizing on the phrase, reduced it merely to a string of words. It is true that the setting up of a new agency for the purpose has been agreed to, but the information available at the time of writing disturbingly suggests that it will not be anything like a decisive policy-making body with a will of its own or sanctions to enforce that will. As it is, there is every reason to fear that the new agency may merely turn out to be an affiliate of the FAO, which is itself a subordinate and largely advisory and administrative organ of the United Nations.

In sum, then, the Rome conference has certainly not accomplished anything like what it had to do or could have done. It would however be wrong to blame its failure on any single country or government, or even any group or groups of interests, political or commercial, which were present in Rome or might have influenced the proceedings. Some elucidation of why things happened the way they did, or did not happen the way they could and should have, will be attempted in a subsequent issue of this journal by its editor who had an opportunity of observing the goings-on in Rome for part of the time. Meanwhile it would be quite relevant to suggest that it continues to remain true that brave new worlds are easier imagined in fiction than spelt out in international politics.

Ordeal of reconstruction

IN HIS address at the third annual general meeting of the Industrial Reconstruction Corporation of India held in Calcutta on November 2, Mr A. Niyogi, the chairman, highlighed the difficulties in reviving the sick and the closed units and made some specific suggestions to facilitate this process. His speech and the corporation's annual report for the year ended June, 1974, reveal some progress in the undertaking's activities, but better results could have been obtained with more financial and technical resources at its disposal.

Mr Niyogi disclosed that during the year under review the corporation sanctioned fresh assistance to the extent of Rs 935.60 lakhs, compared to Rs 573.28 lakhs in the preceding year. The total assistance sanctioned by the close of the year was Rs 2218.06 lakhs, net of cancellations. The amount actually disbursed was Rs 593.59 lakhs during the year, against Rs 384.58 lakhs in the preceding year, the total disbursement being Rs 1244.40 lakhs. It is stated that 49 assisted units had an estimated production of the value of Rs 72.84 crores during the year ended June, 1974, against Rs 44.34 crores in respect of 45 units in the preceding year, and that 54 assisted units had maintained an employment of about 60,000 against 31,000 by 45 units in the preceding year.

These figures, however, should not give the impression that the assisted units have been placed on a sound footing. In fact, they continue to face many tough problems. As Mr Niyogi said, these units pass through various ordeals, some of which could not be foreseen. Their average rate of capacity utilisation was only about 59 per cent. Some of them had to be given further loans for a second or a third time and are yet to build up their capacity to repay the corporation's dues according to schedule. A review of the 54 units which obtained assistance shows that 14 of them had earned cash profit during the year and another nine units had "crossed the anxiety line". Mr Niyogi pointed out that the reconstruction involved certain arduous processes over a period of time and that there was no uniform single measure or remedy for the maladies from which the sick units were suffering. Even so, it should be possible for the corporation to conduct itself with greater speed and vigour.

This is all the more necessary in view of the recessionary conditions now confronting the country's economy. It may be recalled that the corporation came into existance over three years ago when the industrial climate had been seriously affected by recession and other adverse factors like severe shortage of raw materials and disturbed industrial relations. Its main objective has been not merely to lend money to the sick and the closed units but to provide them with advice and assistance in various ways so that they could quickly stand on their own feet. Its activities include restructuring the financial base, improving the labour-management relations, advising management on product-mix and related problems and maintaining close and continuous vigilance on their working. As the revival of the sick and closed units is a matter of considerable national importance from the point of view of production and employment, the corporation should be able to show more impressive results in the coming months.

As on June 30, 1974, the number of units for which the corporation had sanctioned assistance since its inception was only 79. Of these, 17 units were engaged in metal products, 13 in transport equipment, nine in chemicals and pharmaceuticals, six each in textiles and food manufacturing, and the rest in paper, rubber, machinery and other industries. Since its commencement up to June 30, 1974, out of the disbursements amounting to Rs 1244.40 lakhs, Rs 168.11 lakhs (13.51 per cent) were given for expansion, renovation, balancing equipment and diversification; Rs 177.14 lakhs (14.23 per cent) for meeting the resources gap; Rs 480.93 lakhs (38.65 per cent) for correcting the imbalance on current position (margin money/working capital); Rs 348.85 lakhs (28.03 per cent) for repayment of pressing liabilities; and Rs 69.37 lakhs (5.58 per cent) for other purposes including start-up expenses. It is significant to note that though the sanctioned amount was Rs 2218.06 lakhs as on June 30, 1974, the disbursements aggregated to only Rs 1244.40 lakhs. The corporation should simplify its procedures so that the sanctioned money is made available with minimum delay.

Of the many difficulties in the way of reconstruction, one of the most important relates to the burden of interest on the borrowings incurred previously by the units concerned. Their liabilities on the past borrowings from the banks are now treated as frozen accounts. Mr Niyogi explained that these outstandings of the units' past borrowings were not directly connected with the current productive operations of the assisted units and constituted "a dead weight". He disclosed that in a number of cases the incidence of fixed interest burden on these frozen accounts formed about one-third of the total interest now being borne by them and that this imposed a serious constraint on their slender capacity. Besides, other impediments have also slowed down the process of reconstruction, such as the increase in the prices of steel, non-ferrous metals, furnace oil, diesel oil and other materials. He suggested that the banks should give to the assisted units concessional treatment in regard to the interest charge on the current advances, in the application of margin and also in the interest on frozen accounts. He also wanted that the banks should give them financial accommodation to tide over temporary liquidity problems arising from the need to pay income tax and other statutory obligations. These suggestions should receive favourable consideration from the banks.

Mr Niyogi has made out a strong case for improving the financial position of the corporation. He has explained that the corporation is neither designed nor has the necessary resources to take care of the totality of the reconstruction programme, including the requirements of working capital, and has emphasised the fact that any delay in the availability of either kind of finance results in losses which ultimately have to be financed by banks and the corporation. The corporation's total fund is of the order of Rs 20 crores, made up of Rs 10 crores of paid-up capital and an interest-free loan of Rs 10 crores from the central government. Its undisbursed committed assistance was Rs 9.74 crores at the end of June this year and the fresh sanctions till the end of September amount to Rs 314.09 lakhs. Till now, the corporation has concentrated its activities mainly in West Bengal but it has now proposed to give greater attention to other states also. The corporation, therefore, has approached the central government for an additional interest-free loan of Rs 5 crores and it is also going to raise capital from the market through the issue of bonds. But it should also equip itself adequately with qualified personnel so that it will be able to render effective assistance in regard to managerial, technical, marketing and other problems.

Balance of payments outlook

THE TRENDS in foreign exchange reserves held by the central banking institution in its Issue and Banking departments have not disclosed so far that alarming decline generally visualised against the background of the hurry with which the facilities provided by the International Monetary Fund are being fully utilised. On February 16, 1974, a sum of SDRs 74.4 million was withdrawn from the IMF under standby credit arrangements. Again, on April 26 the withdrawal was SDRs 91.5 million from the same source, and SDRs 235 million under standby credit arrangements. The latest decision of the government of India is to use the oil facility for 200 million SDRs provided by the IMF. Thus, in all 600.9 million SDRs or roughly Rs 540 crores have been added to the foreign balances of the Reserve Bank in 8½ months.

These additions have naturally been responsible for an increase in foreign balances in both departments to Rs 756.81 crores on November 1, 1974, from Rs 355.23 crores on February 16, 1974. There has obviously been utilisation of these withdrawals to some extent as even without taking into account aid received from other sources, there has been a net decline of Rs 139 crores. In the same period last year, there was a drop of only about Rs 15 crores having regard to the revaluation of foreign balances in the first week of July, 1973, which resulted in an appreciation in the rupee value of foreign exchange reserves by over Rs 48 crores. As aid receipts should have been on a larger scale in recent months, the gap in trade in the first seven months of the current financial year should have been about Rs 200 crores. While it might be said that this itself is sizeable and for a whole year imports might be in excess of exports by even Rs 500 crores, the question has been asked in money market circles whether current foreign exchange earnings have been fully repatriated and whether heavy payments have not been effected against commercial purchases of foodgrains.

The position is rather confusing as it has been stated that some quantities of wheat have still to be received against the loan of two million tonnes obtained from the Soviet Union. On the other hand, the contracted quantities of high-priced wheat seem to be still arriving which would have meant the use of current foreign exchange earnings for financing commercial purchases. What precisely are the payments on this account have not been made clear. Some more quantities are to be received against commercial purchases in the coming months and imports calling for cash payments may not amount to more than two million tonnes having a value of probably Rs 200 crores. There may be a disposition on the part of the government to stagger these imports as the European Economic Community has agreed to provide one million tonnes of wheat, three lakh tonnes being an outright gift and seven lakh tonnes on the basis of long term credit. The USA too will be providing nearly one million tonnes before June next year and no payment out of current foreign exchange earnings will be involved as long-term aid on soft terms will be provided.

What then is the outlook for the next

months on the foreign exchange front? Clearly, the government has been acting in an unduly cautious manner and building up foreign exchange reserves in order to be in a position to meet any difficult situation. During the 12-month period ending November 1, 1974, foreign balances held by the Reserve Bank have risen by Rs 367 crores. This would mean that the government can draw down these reserves by this amount for meeting repayment commitments against foreign loans and payment of interest charges besides financing also excess imports.

In the last five months of 1973-74, there was no disturbing trend in foreign exchange reserves as current foreign exchange earnings and fresh aid were adequate to meet foreign obligations and effect payments against imports which were in excess of exports. For the whole year there was a deficit of Rs 225 crores in foreign trade. But this did not result in any net decline in foreign exchange reserves. Actually, there was a net rise of Rs 30 crores during the 12-month period ending March 31, 1974.

In view of the fact that export earnings out of shipments of sugar at attractive prices will be accruing on a large scale in the latter half of the current financial year and aggregate exports may be easily Rs 3,000 crores, the government has to find foreign exchange resources only in respect of a gap in excess of Rs 200 crores. There, of course, will be heavy payments in respect of oil imports, the additional bill being of the order of Rs 600 crores. Commercial purchase of three million tonnes of foodgrains may account for Rs 300 crores though the net amount may not be more than Rs 200 crores as there were imports against commercial purchases also in 1973-74. Other imports may cost additionally Rs 300 crores though the extra outlay can be reduced if available supplies of steel and non-ferrous metals are effectively utilised and imports against outstanding contracts can be staggered. The trouble, therefore, will arise only in respect of excess imports of Rs 1,000 crores. The gap will be really Rs 600 crores. However, as stated earlier, the government can always manage a deficit of Rs 200 crores on trade account with net aid and current foreign exchange earnings.

For meeting a possible gap of Rs 400 crores over and above the deficit of 1973-74, all that is required is additional assistance of this order. Iran and Iraq by themselves have promised to extend help of over Rs 200 crores, while, as stated above, the withdrawings from the IMF amount to Rs 540 crores. If, for any reason, the cost of imports in the coming months proves to be less, as a result of lower prices and reduced quantum, the aggregate value may not be more than Rs 3,500 crores, excluding of course imports of foodgrains received under long-term aid. There is also the possibility of the value of exports being even higher at Rs 3,100 crores, as sugar alone may fetch an extra Rs 300 crores. Exports of other commodities like gunnies, iron ore and various other products such as tea and coffee may secure another Rs 400 crores. Even if there were upsets in calculations due to recessionary trends, the contraction in foreign trade in value and quantum will be in respect of both imports and exports, and eventually it may be found that the total deficit may not be more than Rs 400 crores.

On the basis of this reasoning, there should not be any undue decline in foreign exchange reserves in the coming months. The decision of the government to utilise the oil facility of two hundred million SDRs provided by International Monetary Fund is perhaps due to the fact that this facility will lapse by the end of the year if the option for withdrawal was not exercised by the government. The earlier hesitation to use this form of aid was due to the feeling that the interest rate was quite high at seven per cent. It should be possible however for the government to invest its foreign balances on a remunerative basis and take full advantage of the high interest rates prevailing in foreign countries. There can even be actually a slower repatriation of payments against export bill if thereby additional income can be secured through higher interest charges. The Reserve Bank must be having in view fully these possibilities. In view however of frequent withdrawals from the International Monetary Fund and the alarmist views expressed in some quarters about the balance of payments position in 1974-75 the developments on this front in the next few months have great significance. There is no reason however for taking any panicky view of the immediate outlook, though it cannot be denied that there will be a considerable addition to the foreign debt burden.

Eastern Economist 30 Years Ago

NOV. 24, 1944

The International Business Conference concluded its nine days' session at Rye on Saturday last. Most of its work was done at the meetings of the eight sections into which the Conference has divided itself and the reports from these sections were presented merely for comments before the plenary sessions. No resolutions were moved nor did any voting take place on the reports. No single individual could give full account of all that happened at the Conference; for his knowledge would be confined at best only to the proceedings of two sections.

Private enterprise and commercial policy were easily the two most outstanding topics dealt with. The bulk of business opinion assembled at the Conference expressed its firm faith in the role of private enterprise for the building up of world prosperity after the ravages of war. But the American business man was much the more emphatic and vehemently expressed his convictions in the following words: "The American Delegation is wholeheartedly committed to private enterprise in preference to Government enterprise; to free enterprise in preference to controlled enterprise and to competitive enterprise in preference to monopolistic enterprise." Delegates of even those nations who were in general sympathy with the American attitude did not like to go so far. India's compromise between private enterprise and State enterprise reflected in the Bombay Plan was frankly perplexing and disturbing to many sections of American business men who would have been happier if the Indian Delegates had aligned themselves with them.

Retailers' shrinking share

CONTROLS ON the prices of essential commodities and consequent interference in the normal channels of distribution have tended to drastically diminish the retailers' trade margins without any corresponding advantage to consumers. This has aptly been brought out in a study by the Economic and Scientific Research Foundation regarding the trade margins in respect of vanaspati, cloth and coal.

The instance of vanaspati, indeed, is interesting in view of the fact that the government continued to be complacent while the mills found it unprofitable to buy vegetable oils from the open market at prices higher than the prevailing prices of vanaspati to operate their mills to capacity. The government tried to meet the situation of shortage by taking over distribution. In other words, apart from the price controls which were continuing since 1947, the distribution of vanaspati was also taken over by the official authorities towards the middle of 1973. Ultimately, it proved to be a case of classical bungling because people in Delhi did not get vegetable oil at any price for long intervals of time.

While the consumers suffered because of irregular supplies, the retailers were left with much reduced trade margins on the reduced supply. The retailers' trade margin has remained around Rs 100 per tonne of vanaspati, which used to cost around Rs 1850 in 1952 and now costs around Rs 6725. The share of retailers, thus, has been reduced to just 1.4 per cent of the sale price of vanaspati from nearly 5.4 per cent in 1952. Moreover, they have to maintain a separate sales register, a stock register, cash memos and employ a cashier to maintain all the details required by the Civil Supplies department. Consequently, many retailers have preferred to surrender their licences.

The case of coal provides a different kind of situation where the total control of distribution has resulted in considerably reduced supply to consumers. Prior to July, 1973, the Delhi Administration used to allow private traders and the public sector concern—Bharat Coking Coal—to bring in coal for sale in Delhi on 67 and 33 per cent allocation of railway wagons, respectively. After July, 1973 the entire import of coal became the monopoly of Bharat Coking Coal. In the absence of competition, the public sector unit became complacent and brought in less coal than was possible under the circumstances. Prior to the grant of monopoly to Bharat Coking Coal, the private importers were utilising nearly 85 per cent of the wagons allotted to them. After the Bharat Coking Coal became a monopoly, the level of utilisation of wagons declined to 72 per cent of the quota. This happened at a time when there was acute shortage of coal in the city. The monopoly of coal distribution in the city also led to the multiplication of sale points in the manner of fair price shops for foodgrains. This resulted in a further decline in the sales by each retail depot, thereby eroding trade margins.

The smooth functioning of the distribution mechanism was disturbed by controls in the case of cotton textiles in two ways. First, the Committee on Cloth Prices reduced with effect from November 1, 1972, the trade margin on controlled cloth from 20 to 12½ per cent. The mills were also required to sell controlled cloth only through their own retail shops. This eliminated the private traders from the deals in these varieties. Then the committee slashed towards the middle of 1973 the trade margin for all wearable and non-controlled varieties in the medium categories from the level of 30 per cent to a maximum of 20 per cent over ex-mill prices. The retailers, therefore, have a genuine grievance that they have been eliminated from the distribution of controlled cloth which could reduce their overheads and enlarge their circle of customers. Unfortunately, this has happened at a time when the expenses of running trade establishments are increasing. It is true that lower trade margins are essential from the consumers' point of view but this reduction should not be at the cost of the distributive trade.

What is true about these three commodities examined by the foundation is also by and large true about the other controlled items. Such interference in the normal operation of the distribution process may appear to yield some psychological gains, but the significant role of distributive agencies in bringing the products from manufacturers to consumers cannot be minimised. Any undue squeeze on this class is bound to recoil on consumers by way of increased prices of other commodities to make up for the loss of business in controlled items. The stress, therefore, should be on raising the level of production so that through competition prices are maintained at a reasonable level.

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FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Weeding Out Bogus Units • Imports of Spares and Components • Central Assistance to States • Crude Oil Import Bill

THE UNION government is expected to finalise soon a uniform procedure for the registration of small-scale industrial units all over the country and also for the deregistration of such firms on certain grounds. The necessity for this has arisen following the revelation made by the census of small-scale industrial units—which has been completed in several states recently and is expected to be completed in the other states and union territories by the end of next month—that just about 55 per cent of the estimated 318,000 registered units covered by the census are "working units" and the remaining 45 per cent are either "closed units" or "not traceable units". The census was ordered last year with a view to collectiong data on the small-scale industrial sector which could form a realistic basis not only for formulating the future development plans for this sector but also for policy decisions on the allocation of scarce raw materials, foreign exchange, etc, to it.

deregistration process

According to the proposal under consideration, an already registered small-scale industrial unit may be deregistered by the registering authority on any one or more of the following grounds:

(i) If the unit remained closed continuously for a period exceeding one year;

(ii) if the nnit failed/refused/avoided to give full and truthful information as called upon by the registering authority from time to time and in particular the half-yearly report;

(iii) if the unit has been proved to have misutilised the raw materials allocated to it; and

(iv) if the unit refused to execute any agreement prescribed by the registering authority or committed any breach of any of the conditions of such an agreement.

All orders of deregistration will have to be passed after serving a show-cause notice to the party, giving the party a time of 15 days for reply. Any unit aggrieved by the deregistration order, of course, would be allowed to appeal to the next higher prescribed authority within one month of the receipt of the intimation of the deregistration. The appellate authority may, after examining the record of the case and after making necessary inquiries, pass suitable orders either to set aside the order of deregisteration or maintaining it. At present, no provision exists in the small-scale industries legislation for the deregistration of a registered unit.

It is also being considered that the registeration of a small-scale industrial unit may henceforward be done in two stages—(i) preliminary registration, (ii) formal registration.

provisional registration

Provisional registration is proposed to be done to enable a party to undertake the necessary steps to bring the unit into existence. It will be valid for a period of six months which might be extended by another six months on submission of satisfactory proof that the party is taking active steps to establish the unit but has not been able to complete the process within the first six months due to some difficulties.

The provisional registration, to be normally done automatically at the district/RIP level, will entitle the party to:

(a) apply for a shed in an industrial estate or a developed site in an industrial area and also for materials for the construction of a shed as the case may be;

(b) apply to municipal corporation/panchayat/other local authorities for permission to construct the shed to establish a unit;

(c) apply for power connection;

(d) apply for financial assistance to state financial corporation/nationalised bank/other financial institutions on the basis of a project report as may be required by them;

(e) apply to the NSIC/SSIC/other institutions for procuring machinery on hire purchase; and

(f) take other steps that may be necessary to establish the industrial unit.

raw material entitlement

The provisional registration would not normally entitle the party to apply for import licences for scarce raw materials or for allocation of scarce indigenous raw materials. If, however, within the period of provisional registration, the party has taken effective steps to establish the unit and the unit needs imported or scarce indigenous raw materials, the district industries officer or such other officer authorised to act on behalf of the director of Industries would inspect the unit and give an essentiality certificate to enable the party to obtain such raw materials.

Registration will be formalised when the party has taken all steps to establish the unit and the directorate of Industries and the SISI have made an on-the-spot inspection and satisfied themselves that the unit is capable of production activity. On registration, the party will be entitled to:

(a) apply for raw materials, including imported raw materials, according to the capacity assessed at the time of inspection for registration;

(b) make firm arrangements for working capital resources with banks and other institutions;

(c) obtain sales tax, excise duties, etc., registrations; and

(d) apply for registration under government stores purchase programme/ancillary development programme/export promotion programme etc.

All registered units would be required to submit half-yearly reports of raw materials received/utilised, stocks on hand/production and sales to the directorate of Industries in triplicate. Failure to submit these returns within the prescribed period may constitute adequate ground for refusing to sponsor applications for import/allocation of raw materials.

A unit which wants to expand by increasing the production of the item for which it was already licensed, would not be required to obtain any fresh registration or any endorsement on its registration certificate unless it involves the addition of new plant and machinery (indigenous or imported) and consumption of additional scarce and imported raw materials. A unit which may like to diversify its production by adding one or more items for which it was not already registered will have to get its registration duly endorsed for such items after a technical inspection done preferably by a joint team of the representatives of directorate of Industries and the SISI.

A proforma indicating the new products proposed to be manufactured, the additional machinery installed or proposed to be installed and the requirements of additional imported and scarce raw materials will have to be submitted to the registering authority for the purpose.

The state government may prescribe suitable fee for such registration for diversification/expansion.

* *

With a view to improving the utilisation of the existing industrial capacities on which the union minister for Industry and Civil Supplies, Mr T. A. Pai, laid great emphasis while addressing the November 6 conference of state ministers of Industry, the union government is understood to have decided to liberalise the imports of spares and components. A recent study made by the ministry of Industry is said to have revealed that non-availability of spare parts from indigenous sources and the inadequate release of foreign exchange for importing spares and components had hampered capacity utilisation in a large number of plants, particularly the older ones.

In consultation with the ministry of Finance, it has been decided that some extra foreign exchange should be released to enable particularly the older plants in some key industries to import the sorely needed spares and components. In the case of such industries as steel, fertilizers and power generation, this policy has already been implemented.

The plants set up before 1970 would qualify for entitlement under the revised policy. To begin with, they would be allowed to import about five per cent of their annual requirements of spares and components. If the situation does not improve materially, some further releases of foreign exchange may be made in course of time.

* *

The union minister for Finance, Mr C. Subramaniam, reiterated in the Lok Sabha this week that the government was not in favour of going beyond the recommendations of the sixth Finance Commission in regard to the specific central assistance to states suffering from such natural calamities as floods and drought. After a general review of the demands of states recently affected seriously by floods and drought, Mr Subramaniam stated, it had been found that it was possible to make adjustments in central assistance even within the recommendations of the sixth Finance Commission. The centre has been making advance allocations to the states hit by natural calamities and these allocations are adjusted later on since the system of the specific allocations has been discontinued on the basis of the commission's report.

Apart from the recommendations of the sixth Finance Commission, as pointed out by Mr Subramaniam, another consideration which is understood to be at present weighing with the union government in not making available special grants is the imperative of containing deficit financing this year within the original estimate of about Rs 126 crores. With this end in view, not only the former minister for Finance, Mr Y. B. Chavan, brought before Parliament during the last session a supplementary budget but also the centre has gone in for a second installment of market borrowings to the tune of Rs 175 crores. Actually nearly Rs 192.5 crores may be raised for, at its discretion, the government can retain oversubscriptions to the extent of 10 per cent of the amount proposed to be borrowed. Knowledgeable circles do not rule out a further resort by the centre to market borrowings this year if bank deposits show an upward trend and there is a likelihood of deficit financing exceeding Rs 126 crores.

* *

The November 10 decision of Saudi Arabia, the United Arab Emirates and Qatar to reduce with effect from November 1, till July next year, the posted prices of their crude oil by 40 US cents a barrel is not likely to bring down our crude import bill. On the other hand, this bill should go up slightly as a result of the decision of the three countries to raise the royalty rate by 20 per cent and the tax on the "equity" crude of the international companies to as much as 85 per cent, provided, of course, the companies decide to maintain their profic and other charges at about 60 cents a barrel.

On a posted price of $11.251 a barrel, the Saudi Arabian crude is said to cost the companies, including royalty and tax payments, nearly $9.86. Adding 60 cents profit and other charges, the minimum price they would charge from consumers amounts to $10.46 a barrel. This approximates the price the companies have to pay for the purchase of Saudi Arabia's share in crude produced in that country. This crude oil is marketed by companies along with their own share at averaged out prices. Since there is little difference now in the prices of the two crudes, the average price is said to be now slightly more than it has been hitherto.

The government-to-government purchases of crude, which till recently were at a cost much higher than the course made available by companies, of course, should be at a somewhat lower price in so far as Saudi Arabia, the United Arab Emirates and Qatar are concerned. But no such purchases are being made at persent by us from these three countries.

The fact that in future the price which oil companies will have to pay to the west Asian countries for the latter's share will almost equal to the cost of their equity crude, taking into consideration their profit and other charges, will have a vital bearing on the union government's decision to take over Burmah Shell and Caltex. The governmen apparently will not now have negotiation with the two companies on the patter on which Esso was taken over early thi year.

Capital investment in IADP districts

R. K. Pandey

THE RECENT developments in agriculture have made farming a profitable business. The 'green revolution' and accompanied changes in methods of cultivation have led to heavy investments in the farming sector. This is because most of the inputs are now not home produced and are procured in the organised markets for them. Consequently, there are many changes in investment patterns in farming. This is specially true in the privileged districts covered under the intensive agricultural district programme IADP. This programme was initiated in the year 1961-62 as a part of the new agricultural strategy. Evidences suggest that agriculture in these districts, are better organised and more productive than those not included under the programme[a]. The contribution of various factors affecting investment decisions are not known precisely. Knowledge of the parameters affecting investments are of importance to the farmers, economists and policy makers. This article attempts to study the investment pattern of farmers in the selected IADP districts. More specifically the objectives of this study are:

(1) To study the investment pattern of farmers in the selected IADP districts; and

(2) To analyse the factors affecting investment at various size groups of holding as well as for all farmers.

These objectives will be discussed in the same order.

Table I shows the capital expenditure for the years 1964-65, 1968-69 and 1969-70 on various items used in farming. On per hectare basis, there is not much difference, holding-wise, in the quantum of capital expenditure. The proportion of expenditure on bullocks and other farm animals is highest in all groups. It is followed by purchase of agricultural land, land reclamation and irrigation sources. The laying of orchards and gardens account for the lowest expenditure in all groups.

Classical economists have suggested that capital is employed in an amount determined by its marginal productivity in comparison with the interest rate. In any given time, a farmer is presented with numerous alternative investment opportunities. Returns from these vary. Some investments such as replacement of broken implements and machinery, investment in newly released seeds, modern pesticides and fungicides, start of

TABLE I

Capital Investment and Percentage Allocation on Various Items (Rs Per Hectare of Cultivated Area)

Size group	Year	Total	Farm machinery and equipment	Bullocks and other farm animals	Wells and other irrigation sources	Farm house and cattle sheds	Land Reclamation and soil conservation	Purchase of agricultural land	Laying of orchards and gardens
Marginal	1964-65	97.8	5.01	70.14	1.84	5.01	9.62	8.18	0.20
	1968-69	81.9	5.01	68.50	1.22	6.47	8.30	10.50	0.00
	1969-70	145.8	2.54	68.45	4.18	4.25	5.69	9.82	5.07
Small	1964-65	85.3	6.45	72.22	2.70	4.34	8.32	5.74	0.23
	1968-69	96.5	4.77	77.72	3.11	4.45	7.15	2.80	0.00
	1969-70	79.7	6.77	67.13	4.77	7.03	8.41	5.77	0.12
Medium	1964-65	77.8	10.92	61.82	3.34	5.68	8.09	10.15	0.12
	1968-69	97.8	17.07	53.37	6.14	2.76	6.96	13.50	0.20
	1969-70	97.1	22.76	46.24	13.08	6.49	7.01	4.32	0.10
Large	1964-65	54.2	9.59	58.12	4.61	6.83	11.26	9.41	0.18
	1968-69	105.6	25.28	39.30	7.39	3.69	6.92	16.38	1.04
	1969-70	75.8	25.86	39.97	8.97	5.81	11.74	6.99	0.66
Total (pooled)	1964-65	65.4	9.46	57.82	4.07	6.67	10.70	11.16	0.16
	1968-69	99.5	22.21	45.54	7.24	4.42	7.13	12.76	0.70
	1969-70	87.6	21.23	43.84	8.79	6.85	9.59	9.36	0.34

Source: Based on data obtained from "Pattern of Current Expenditure and Capital Investment in Agricultural Holdings" IADP Monograph No. 1, Expert Committee on Assessment and Evaluation, Ministry of Agriculture, New Delhi (1973).

enterprises such as poultry farming etc., may promise high returns. On the other hand some other investments such as expansion of existing crop enterprise, duplication of some implements may yield very low or negative returns. These investment opportunities can be arrayed from highest return to lowest. Investments offering highest yield will be undertaken first. All investment opportunities promising yields exceeding that of interest rate will be exploited.* Some investment theories assume that investment depends on the level of income. According to the acceleration principle, investment is a function of change in income (or consumption). It presents a technological relationship between investment and income. It is also argued that entrepreneur's expectation is a determinent of investment[1](pp473-477).

present capital investment

Heady, Hildreth and Dean in an American study suggest that investment decisions of farmers are affected significantly by present capital investment, equity ratio, and risk discounts. They also add that farmers are unresponsive to small shifts in interest rates. Their responsiveness increases when there is an upward movement[2](p995). Kahlon and Bal concluded that average farm investment is the highest in the case of large farms and lowest for small farms in Ludhiana district. Similarly, farm investment is positively correlated with the holding size in Hissar district. They also suggest that per hectare differences in farm investment for different sizes of holdings are not well marked in Ludhiana and Hissar. Also their investigations show that the income elasticity of farm family investment in Hissar district is greater than one[3].

On the basis of experience of the farmers' decision regarding investment and its theory, the following relationship is formulated:

$I_{it} = f(H_{it}, ER_{it}, Y_{it}, I_{it-1})$

where,

I_{it} = average investment per hectare in ith district & t th years (Rs.)

H_{it} = average size of holding in ith district in year t (hectares).

ER_{it} = average ratio of investment financed by the farmers' own sources in ith district in year t.

Y_{it} = average gross income per hectare in ith district in year t (Rs.).

I_{it-t} = average investment per hectare lagged one year in district i, in year t (Rs).

The above relationship suggests that the average investment per hectare (total investment) in a particular year in IADP district is functionally related to the average size of holding, the ratio of investment financed by cultivators, average gross income per hectare and past year's investment. Farm investment is influenced by the size of farms. Therefore, it is hypothesised that bigger the farms bigger will be the investment and vice versa. Farmers financing investments

TABLE II

Estimated Investment Functions, Marginal Farms, IADP 1969

(Per Hectare)[a]

	Constant	X_3	X_4	X_5	R^2
1.	—133.950	—0.026 (0.01)[b]	1.043 (3.45)	0.137 (1.78)	0.83[xx]
2.	5.298	0.006 (0.001)	1.428 (6.28)		0.78[xx]
3.	—321.858	0.468 (0.24)		0.329 (4.32)[xx]	0.63[xx]
4.	—136.000		1.042 (3.64)[xx]	0.137 (1.86)	0.83[xx]
5.	21.891	1.528 (0.50)			0.02
6.	5.785		1.428[xx] (6.57)		0.78[xx]
7.	—286.869			0.332[xx] (4.57)	0.63[xx]

[a] Form of equation is linear. Dependent variable is investment per hectare in rupees.
[b] Figures in parentheses show t ratios.
X_3 represents proportion of investment funds financed by farmers from there own sources;
X_4 represents investment per hectare in rupees in the previous year, and
X_5 represents gross income per hectare in rupees.
[xx] Significant at the .01 level.
[x] Significant at the .05 level.

TABLE III

Estimated Investment Function, Small Farms, IADP 1969

(Per Hectare)[a][b]

	Constant	X_3	X_4	X_5	R^2
1.	57.316	—1.576 (2.63)[b]	2.226[x] (2.52)	0.096[xx] (3.67)	0.88[xx]
2.	66.663	—0.386 (0.52)	4.513 (4.95)		0.72[xx]
3.	85.224	—2.499[xx] (4.02)		0.143[x] (6.32)[xx]	0.80[xx]
4.	—31.421		3.535 (3.91)	0.058 (2.15)	0.80[xx]
5.	198.264	—1.497 (1.24)			0.11
6.	34.599		4.65[xx] (5.54)		0.71[xx]
7.	—78.219			0.121 (2.201)	0.52[xx]

[a] Form of equation is linear. Dependent variable is investment per hectare in rupees
[b] Figures in parentheses show t ratios.

* However, investment schedule has no relation with the marginal productivity of capital.

from their own funds are, probably, in a comfortable situation so far as the total amount of investment is concerned and they invest more in their farming business. It is, therefore, hypothesised that higher the proportion of investments financed by funds owned by the farmer, the larger will be his investment.

The opposite is also true. As indicated earlier, investment decisions are influenced by the expectation of future income. In the absence of expected income data, the average gross income has been used as an explanatory variable. It is hypothesised that gross income per hectare and investments are positively correlated. Current investment is influenced by capital stock already employed at the farms. Data on existing capital structure on these farms are not available. Therefore, the investment in the past year has been used as a proxy for capital at the farm. It is assumed that if a farm has employed large capital, its investment in the past year will be higher. It is hypothesised therefore that investment in the past year is negatively associated with the present investment.

cross-section data

This study pertains to the selected IADP districts for the year 1968 and 1969. The cross-section data relating to the average investment per hectare, average size of holding, the proportion of investment financed by farmers from their funds, and investment in the previous year, are obtained from a monograph entitled "Pattern of Current Expenditure and Capital Investment in Agricultural Holdings (1964-65 to 1969-70)" brought out by the Expert Committee on Assessment and Evaluation, ministry of Agriculture 1973[4]. The districts included in this study are Aligarh, Alleppey, Burdwan, Cachar, Delhi, Ludhiana, Mandya, Palghat, Raipur, Sambalpur, Shahabad, Surat-Bulsar, Thanjavur, and West Godavari.

Cultivators included in this study are grouped into marginal, small, medium and big on the basis of the size of holdings operated by them. Size of holdings for marginal, small, medium and large cultivators in the year 1969-70 are less than or equal to one hectare, one to two hectares, two to four hectares and above four hectares respectively. The overall average size of holding is 2.98 hectares. Data on average gross income per hectare are only an approximation and are calculated on the basis of per hectare yield of important crops in the district and their procurement prices. This procedure does not provide correct measurement of gross income on per hectare basis but gives a close approximation of it. Therefore, in the absence of income data, the average gross income per hectare as measured above has been used in the analysis. It is expected to account for the variations in the investment pattern due to income variations.

Multiple regression analysis was applied in this study. As mentioned earlier, separate equations were established for marginal, small, medium and large cultivators. This analysis was also extended to the data obtained for overall

TABLE IV

Estimated Investment Functions, Medium Farms, IADP, 1969

(Per Hectare)[a]

	Constant	X_2	X_5	X_6	R^2
1.	—93.998	—0.155	7.198^{xx}	0.102^{xx}	0.92^{xx}
		(0.28)[b]	(5.44)	(3.37)	
2.	13.316	—0.166	10.00^{xx}		0.83^{xx}
		(0.21)	(6.99)		
3.	—102.727	—0.824		0.207^{xx}	0.68^{xx}
		(0.81)		(4.61)	
4.	—108.135		7.283^{xx}	0.102^{xx}	0.92^{xx}
			(5.90)	(3.52)	
5.	244.760	—1.733			0.08
		(1.07)			
6.	—1.740		10.009^{xx}		0.83^{xx}
			(7.69)		
7.	—182.382			2.142^{xx}	0.67^{xx}
				(4.93)	

[a] Form of equation is linear. Dependent variable is investment per hectare in rupees.
[b] Figures in parentheses show t ratios.

TABLE V

Estimated Investment Functions, Large Farms, IADP 1969

(Per Hectare)[a]

	Constant	X_3	X_5	X_6	R^2
1.	1.522	—0.422	2.909^{xx}	0.060^{xx}	0.82^{xx}
		(0.64)	(3.41)[b]	(3.04)	
2.	54.243	—0.254	4.035^{xx}		0.65^{xx}
		(0.29)	(3.97)		
3.	75.021	—1.393		0.089^{xx}	0.61^{xx}
		(1.67)		(3.58)	
4.	—34.798		3.145^{xx}	0·059^{xx}	0.81^{xx}
			(4.20)	(3.08)	
5.	223.892	—1.775			0.16
		(1.52)			
6.	31.661		4.167^{xx}		0.65^{xx}
			(4.75)		
7.	—48.238			0.095^{xx}	0.51^{xx}
				(3.56)	

[a] Form of equation is linear. Dependent variable is investment per hectare in rupees.
[b] Figures in parentheses show t ratios.

estimates of these farmers. In the analysis, the per hectare investment data for the year 1969 was regressed on the ratio of funds financed by farmers from their own sources, investment per hectare in the previous year and gross income per hectare. All variables are kept in linear form. Tables I to IV show the equations pertaining to the investment of the marginal, small, medium and large farmers, respectively. These equations show that there is a uniformity in the results. Variable showing the proportion of investment financed by farmers from their own funds, (X_3) is not significant in any of the equations. It is concluded that it does not affect investment in any size group. The sign of the coefficient is negative in most of the cases. This is not expected on the basis of theoretical considerations. Variations in the dependent variable as explained by X_3 ranges from 2 to 16 per cent. R^2 is insignificant in every case. Investment per hectare in the previous year has positive coefficient. This shows that higher investments in the past year will lead to more investment in the present year.

hypothesis rejected

Thus, the hypothesis put forward earlier that the investment in previous year is negatively associated with the present investment is rejected. Probably, it is due to the fact that higher investment in the past year gives higher profit and gross income which in turn affects investment positively. Previous investment per hectare alone explains about 65 to 82 per cent of variations in the dependent variable. The hypothesis that gross income per hectare and investments are positively correlated is also upheld because gross income variable is significant in the equations of every holding sizes. The positive coefficient is also according to our theoretical expectations. This variable alone explains about 51 per cent to 67 per cent of the variations in investment per hectare. Previous investment per hectare and gross income per hectare, together, explain about 80 per cent to 92 per cent of the variations in all groups of farmers studied.

Results obtained from the data averaged overall holding sizes are presented in Table V. In this analysis, holding size is included as an additional variable.

Holding size is not a significant variable. It explains 15 per cent of variation in the overall investment per hectare. Ratio of funds invested by the cultivators from their own sources explains 19 per cent of variations. These two variables together with gross income per hectare explain about 68 per cent of the changes in the dependent variable, investment per hectare. Contribution of income is positive. The same is true for the holding size.

This study is designed to examine the investment pattern and to analyse the factors affecting it in the intensive agricultural district programme for the year 1969. This study is based on secondary data. In all 14 districts are included in the analysis. Least square technique has been applied to determine the relative impact of variables on investments. The dependent variables included in the analysis are average size of holdings, average ratio of investment financed by the farmers' own sources, average gross income per hectare and average investment per hectare lagged one year. The districts are the unit of observation. Separate equations are estimated for marginal, small, medium and large cultivators. A set of equations are also estimated for the overall pooled data.

On the basis of this study, it is concluded that equity ratio is not an important variable. Investment in the previous year is positively correlated with the investment. Probably, higher investment in the past years gives higher profits and gross income which in turn affects investment function positively.

It is observed that holding size is not an important variable while gross income per hectare is a very significant variable in the analysis.

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TABLE VI

Estimated Investment Functions, Pooled All Sizes IADP 1969

(Per Hectare)[a]

	Constant	X_2	X_3	X_5	X_6	R^2
1.	29.313	—0.680	—0.722	0.521^{xx}	0.051^{xx}	0.90^{xx}
		(0.11)	(0.93)	(4.72)	(2.03)	
2.	132.533	1.160	—2.542		0.122^{xx}	0.68^{xx}
		(0.11)	(2.12)		(3.40)	
3.	—85.361	2.883			0.125^{xx}	0.53^{xx}
		(0.24)			(3.02)	
4.	134.340		—2.552^{x}		0.124^{xx}	9.68^{xx}
			(2.24)		(4.11)	
5.	—83.101				0.130^{xx}	0.53^{xx}
					(3.73)	
6.	27.30	20.30				0.15^{x}
		(1.48)				
7.	328.939		—2.941			0.19^{x}
			(1.70)			

a Form of equation is linear. Dependent variable is investment per hectare in Rs.
b Figures in parentheses show t ratios.
X_2 denotes area of land holding in acres. Rest of the variables and other details are the same as that of the footnote at Table II.

Central loan agency for local authorities

Komepila Siva Subrahmanyam

IN DEVELOPING countries, local authorities, excepting the bigger urban authorities, cannot raise loans from the open market in view of their limited creditworthiness. Even if they try to borrow, loans from commercial banks and other private institutions are available, if at all, only at high rates of interest. In order to make available loan capital to local authorities on liberal terms, especially to those which cannot raise loans from the open market, it is necessary to establish a special agency for the grant of loans.

Reliance of local authorities on the government for loan capital would not ensure an adequate and regular flow of loanable funds to them because the government, in times of stringency may starve the local authorities of enough loan capital. This is quite probable in a federal system of government. It would not be desirable to allow local authorities to go without or with meagre loan capital on account of the vagaries and vicissitudes of the financial situation of the higher layers of government. Viewed in this light, the creation of a central loan agency which is itself in a position to command funds and which also has at its disposal technical advice on the competence of the borrower and the soundness of his plans is indisputable for a successful loan policy for the local authorities[1].

several merits

The establishment of a loan agency for providing credit to local authorities has several merits[2]: First, besides providing credit at reasonable rates of interest, it will be able to give technical advice on individual projects and spur long-term physical planning at the local level. Second, it can facilitate coordination of physical planning between neighbouring local authorities and also between the local authorities and the higher layers of government. Third, it can assemble information on the loan requirements and the borrowing capacity of different local units in order to formulate programmes of capital formation. Finally, borrowing exclusively from a central loan agency provides a simple but effective means of protection against over-borrowing or excessively long debt retirement periods. In view of these positive advantages, it is necessary to establish an adequately capitalised central loan agency in each state for speedy improvement of basic facilities and increased capital formation at the local level.

A loan agency may be either of the three principal types[3]: an agency established and controlled by the government; an agency established by government but functioning as an autonomous body; and a credit cooperative formed and controlled by the local authorities themselves, with or without government participation. We shall now discuss these in turn.

first example

Kenya provides an example of the first type. The central government in 1953 established the Local Government Loan Agency, somewhat on British lines, to provide credit to local authorities for purposes for which they are authorized to borrow funds[4]. The Kenyan agency administers a Local Government Loans Fund which is a revolving fund. The fund is made up of government grant, accumulated revenue surpluses, repayable development loans, deposits from local authorities and loan repayments available for re-lending.[5] Most loans are now given in bulk allocation. Once global sanction is agreed, the ministry of Local Government can authorize drawings within the scope of the period plan; if funds in excess of this are required, fresh sanction must be obtained.[6] Generally speaking, local authorities get their loan requirements with minimum fuss or delay. This agency also acts as an agent for the African Land Development Board in advancing loans to African District Councils for agricultural purposes.

The capital of the agency at the end of 1961 was £9 million of which about £4 million constituted repayable development loans. Against this capital, approved loans totalled £7.6 million for community facilities such as sewerage and drainage, water supply, roads, street lighting, markets and slaughter houses, municipal buildings and health centres. Approved loans are drawn upon by the local authorities according to a plan authorized by the ministry of Local Government.

Another loan agency of this type can be found in Norway, namely, the National Municipal Bank[7]. This bank cannot however loan more than ten times its capital plus half its reserves, but, with the approval of parliament, the central government can increase the basic capital of the bank. The bank may then issue medium and long-term debenture loans for marketing at home and abroad in order to increase the amount of loanable capital. These debentures are guaranteed by the central government. The Municipal Bank, besides providing credit to local authorities, can also guarantee loans secured by the latter from other sources.

interesting alternative

Guatemala offers an interesting example of the second type of loan agency. In 1957, the government established an autonomous body, the Institute of Development of Municipalities responsible for promoting the progress of local authorities by affording them technical as well as financial assistance[8]. The capital of the institute consists of funds assigned by the Guatamalan congress, borrowings and contributions for special purposes from the state. The institute also serves as a depository of the proceeds of a tax imposed on the local alcoholic beverage (*Aguardiente*). The tax proceeds are credited to the local authorities from which they are derived, but they cannot be withdrawn and form part of the capital available to the institute for loans. In 1962, the institute's capital amounted to $3.07 millions[9]. Local authorities are required to avail themselves of the banking facilities offered by the institute or other institutions specified by the Institute of Development of Municipalities.

The institute renders a variety of services and assistance to the local authorities. It provides loan assistance to local authorities for the construction of community facilities and purchase of machinery and equipment. It renders legal, engineering, purchasing, budgeting, revenue and other services to the local authorities. It collaborates with the Pan-American Health Organization and the Public Works department in financing the works relating to school and water facilities. Finally, it prepares plans and specifications for the construction of community facilities for the local authorities without any charge.

The third type of loan agency is the credit cooperative for local authorities. The Credit Communal de Belgique of Belgium established a century ago as a limited liability company belongs to this category[10]. The provinces and local authorities are its shareholders as well as customers. It also provides credit to other institutions on the strength of municipal guarantees. The agency, although started without any paid-up capital, has from time to time floated loans on the open market. It sells cash certificates repayable within one to ten years and also accepts savings deposits from individuals. Furthermore, it serves as depository of funds of most provinces and local authorities. In 1959, its fully paid-up capital stood at over B. fr. 560 million[11].

Similar credit institutions can be found in the Netherlands and Israel. In the Netherlands, the Bank for Netherlands Local Authorities was constituted on the lines of Belgian loan agency with a difference that here 50 per cent of its shares are held by the Netherlands' government. In Israel, a credit institution called Otzar Hashilton Hamekomi was established in 1954 as a joint stock company of the local authorities without participation of any other capital[12]. This institution in its early years was aided by the government which used it as a channel for development loans to the local authorities. In 1960, the founders' shares were distributed equally between the local authorities, the ministry of Finance and three of the largest financial institutions n Israel.

In India, no single central agency for providing loan capital to the local authorities has ever been set up in any state. Since the local authorities depend mostly on government for their loan requirements, the quantum of loan capital which a state government could make available is unstable and meagre on account of the fluctuating budgetary needs and resources position of that state government.

The Local Finance Enquiry Committee (1951) favoured the establishment of a single municipal bank for each state in which the local authorities may invest their surplus funds and provident funds and from which they can get short-term or long-term loans[13]. But the suggestion of the committee was not accepted by the state governments.

The Study Team on Panchayati Raj Finances (1963) made another interesting recommendation in this regard. It recommended the establishment of a Panchayati Raj fianance corporation in each state 'to function purely as a financial concern free from any kind of political influence'[14]. The study team proposed that the state government should fix the corporation's authorized capital, subject to the minimum and maximum limits of one crore and five crores of rupees, respectively. The authorized capital should be divided into fully paid-up shares of one hundred rupees each and issued equally at the rate of twenty per cent of the share capital to Panchayati Raj institutions, state government, central government, Reserve Bank of India, Life Insurance Corporation of India, and other financial institutions like coperative banks, scheduled banks, insurance companies, *etc.* The shares of the corporation, besides being guaranteed by the state government as to the repayment of principal and minimum dividend, should also be treated as approved securities.

The study team also recommended that the corporation should have power to issue and sell bonds and debentures for increasing its working capital and these bonds and debentures should also be guaranteed by the state government. The corporation will advance loans to Panchayati Raj bodies for the purposes of (i) public utility undertakings such as water-supply, drainage and electric lighting; (ii) construction of shops, markets, hotels and cinema houses; (iii) purchase of tractors, pumping sets, borewell units, threshers, agricultural implements and other equipment to be hired out to agriculturists and cooperative societies and for plantation and afforestation; (iv) scientific pisciculture; and (v) small-scale and medium scale industries such as rice and flour mills, brick-making, manufacture of agricultural machinery, bicycle parts and light engineering and processing industries. The term of the loans may vary between five and 25 years depending on the purpose for which each loan is sanctioned. Finally, the corporation

Debt Position of States (at the end of March) (Rs in crores)

Item	1952	1956	1961	1966	1969	1970	1971	1972	1973 (RE)	1974 (BE)
I. Total public debt	390	1,210	2,606	5,288	7,073	7,529	8,212	8,946	10,070	10,846
(i) Permanent debt	134	257	500	827	1,047	1,131	1,233	1,332	1.462	1,664
(of which: loans from the market)	(131)	(222)	(410)	(720)	(950)	(1,038)	(1,143)	(1,224)	(1,326)	(1,492)
(ii) Floating debt	16	10	42	189	241	182	375	600	296	304
(iii) Loans from the centre	240	943	2,014	4,110	5,584	3,987	6,365	6,756	8,010	8,536
(iv) Other debt	—	—	50	162	201	229	239	258	302	342
II. Unfunded debt	58	86	133	231	367	446	537	622	724	827
(of which: state provident fund)	(41)	(65)	(113)	(200)	(324)	(400)	(471)	(552)	(648)	(746)
III. Total debt (I+II)	449	1,297	2,739	5,519	7,440	7,945	8,749	9,568	10,794	11,673

Note: Figures are revised. Data for 1972 are provisional.
Source : Figures upto 1971 are taken from Combined Finance and Revenne Accounts of the Central and State Governments in India; for the subsequent years figures are based on state budgets, except loans from the market during 1973-74 which are taken from the Reserve Bank of India records.

should train and maintain a team of experts to advise the Panchayati Raj bodies on financial and other aspects of the projected undertakings.

It is thus evident that the activities of the corporation, as recommended by the study team, embrace almost the whole gamut of the capital programmes of local authorities. The state governments unfortunately did not show any disposition to act upon the recommendation. They seem to believe that the political advantages in retaining the existing system might far outweigh prudent economic considerations associated with the establishement of a separate independent body because the latter may disable the governments to utilize their-loan-granting privilege in accomplishing political ends.

Nevertheless, the establishment of a corporation on the lines suggested by the study team will have certain advantages: first, it will enable the local authorities to borrow more loan capital than they could get hitherto from the government. Second, borrowings can be effected without any taint of political considerations. Third, it removes the strain on state revenues. Fourth, since it contains a group of technical experts, local authorities can have the benefit of advice with regard to the projects proposed to be financed from loan capital. Finally, the shares, bonds and debentures issued by the corporation will be more appealing to the investors in that they carry the guarantee of the state government with the result that the lending capacity of the corporation would increase.

It is pertinent to point out that the corporation to be established should also cover the urban local authorities, namely, municipal institutions. Excepting the municipal corporations, the source of loan capital for the local authorities in each state may be centralized in the proposed Panchayati Raj finance corporation. As for municipal corporations, they may however be given the option to borrow from other sources also provided they can do so more cheaply than from the Panchayati Raj finance corporation. The need for the establishment of a loan agency on the lines discussed above must be recognized and given due consideration. When many developing countries are keen on establishing separate independent loan agencies for providing credit to their local authorities, there is no reason why our government with all the tall talk of democratic decentralization, should lag behind other countries in strenghening the financial base of our democratic local authorities.

References:

1. Hicks, Lady Ursula K.: *Development From Below:* Clarendon Press, Oxford; 1961; p. 402.
2. United Nations: *Decentralization for National and Local Development*; United Nations; 1962; p. 65.
3. *Ibid.*, p. 77.
4. This Agency was the forerunner of a similar loans agency in Uganda which has very much smaller resources. See, Hicks, Lady Ursula K.: *op. cit.*, p. 405. In Kenya, there is however another agency, the Central Housing Board, to lend money to local authorities for housing purposes. See United Nations.: *op. cit.*, p. 78.
5. *Ibid.*,
6. Hicks, Lady Ursula K.: *op. cit.*,
7. United Nations,: *op. cit.*, See Footnote. The Development Board of Jordan, which was established in 1952 as national agency for the purpose of assisting the local authorities through loan capital also seems to fall under our first category See, United Nations.: *Administrative Problems of Rapid Urban Growth in the Arab States*, p. 25
8. United Nations: *Decentralization for National and Local Development*, p. 78, In Honduras also, a similar institution was established in 1961 with the assistance of a UN expert in municipal administration.
9. *Ibid.*,
10. *Ibid.*,
11. *Ibid.*,
12. *Ibid.*, p. 80
13. *Report.*, p. 332
14. *Report.*, Part I, pp. 37-38

"criticomments"

DO PARENTS SEE THEIR CHILDREN GROW?

Often one hears a visitor, who hasn't seen a child for a long time, exclaim to the parents: "My, how big he has grown!"

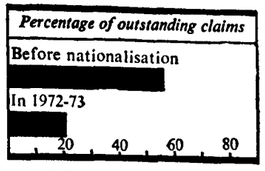
The parents are astonished at first, because the child has been with them all the time, and they never noticed him grow. They now take a second look, and it comes home to them that their son has indeed added a few centimetres to his height.

Improvements over a period of time are often missed by people, who are closely involved, unless someone draws their attention to these. Take for example what LIC has been trying to do in the matter of expediting the settlement of claims of life insurance policies.

In 1955, prior to nationalisation, the ratio of outstanding claims to claims intimated varied from 36 to 75 per cent. The average was 47 per cent for seven leading insurance companies, and 57 per cent for the entire life insurance business. This was at a time when the claims amounted to Rs. 25 crores.

By the end of 1972-73, the LIC had brought down the percentage of outstanding claims to 20.63 per cent of claims intimated. In that year the claims due for payment amounted to Rs. 103 crores.

Thus, in spite of a four-fold increase in the volume of claims due, the ratio of outstanding claims had improved from 57 per cent in 1956 to 20.63 per cent in 1972-73.



LIC's field officers are under constant pressure to go in search of policy-holders who have not put in their claims. A Claim Payments Service has already been formed and pressed into action—perhaps the only one of its kind in India. Procedures are being reviewed frequently to ensure that delays are reduced to the minimum.

Speedy settlement of claims depends to some extent on the claimants also. They are being educated by the LIC on the technical details that have to be attended to, so that delays may be eliminated.

Linc

CC-9

Here and there in western Europe—I

V. Balasubramanian

Weather most foul • How many are too many? • A day with Sandoz • UNCTAD tries to help • Market research in Geneva • The Swiss and suicide

WESTERN EUROPE, or at least a very large part of it, is not in the best of moods now. This is not entirely because of its energy problems or its difficulties with inflation or even with inflation compounded by any incipient recession. The villain of the piece presently is simply the weather. Winter has come earlier and, in some countries of the continent, it is extremely severe, Switzerland for example is experiencing historically low temperatures. The days and nights moreover were wet as well as cold wherever I happened to go in western Europe, whether it was Zurich, Geneva, Frankfurt, Berlin, Amsterdam, Rotterdam or London. Even in Rome it was raining when I landed and also on the following day, although it was my great good fortune that for the rest of my stay in Italy there was a dry spell accented frequently by sunny mornings or afternoons.

* *

Although foul weather is the chief problem presently for the Swiss, they are not without other anxieties. The number of the jobless is reported to be actually creeping towards a staggering total of 100—repeat in words, one hundred. For the Swiss economy this situation is supposed to indicate an unemployment problem of some magnitude. More seriously, the construction and textile industries are stated to be showing a downturn in demand, while quite a few Swiss seem to be really concerned that any widespread slump in the outside world was bound to hurt even their self-confident economy sooner or later, for instance through a setback in exports.

Economic anxieties, however, are not the main explanation for the strong undercurrent of sentiment among sections of the Swiss community against the presence of foreign workers in its midst. There is genuine apprehension that the quality of Swiss life could be undesirably affected if the size of transient labour, particularly from sources such as southern Italy, Spain or Turkey, as a proportion of the small total population of Switzerland were to keep growing continuously or even if it were to stabilize at what is considered to be its already high level, with immigrants forming 16 per cent of the country's 6.4 million inhabitants, while contributing 27 per cent to its work force; in the German-speaking northern cantons, moreover, almost every other worker is a foreigner.

For the second time in five years a fairly large number of the Swiss people, who seem to have convinced themselves that what is amounting to the "over-foreignization" of their country should be corrected here and now, attempted unsuccessfully this October a political solution of their problem. Undeterred by the fact that even a relatively mild proposal to control the size of the immigrant population had been defeated in 1970, they had sponsored this time a "people and homeland initiative" which demanded in definitely harsh terms the expulsion of a substantial number of foreign workers from Switzerland at a forced pace. The drastic nature of the prescription could be gauged from the fact that, if accepted, it would have obliged the government to move foreign workers out of Switzerland at the rate of roughly a train-load a day for the next three years so that their number in the country could be reduced by half to about 500,000 in all.

WINDOW ON THE WORLD

business consideration

Perhaps the very severity of the proposition repelled that part of the Swiss electorate which might have cared about their country's international image. More probably the business interests of such Swiss industries as were particularly dependent on immigrant labour for a high proportion of recruitment to their labour force which Switzerland, with its low birth rate, could neither provide nor replenish, managed to prevail in the end. In any case all the major political parties, employers' associations, trade unions and the churches and the press, by and large, were united in campaigning against the proposal and, on the eve of the vote, the government too underlined its opposition with President Ernst Brugger appearing on TV.

Although some 69.6 per cent of the electorate of 3.6 million voted in the referendum and rejected the proposal by a majority of votes in each of the 22 cantons on this occasion, the issue seems to be far from dead. After all, nearly 900,000 Swiss, or about one in four of all the Swiss eligible to vote, had voted for this admittedly drastic proposal. Even as the official results were being announced, Mr James Schwarzenbach, the country's most influential and active personality in the movement for the control of immigrant labour, was stated to be starting on a strategy for another trial of strength. Mr Schwarzenbach, who was the organizer of the 1970 initiative, had retired to his tent this time since he shared the view that the particular formula proposed was too drastic a remedy. The next attempt to reopen the issue, on which he is reported to be working even now, could

mean a revival of the milder 1970 proposition in some form or the other. He could take comfort in the fact that the basic lesson of the results of the latest referendum probably was that a sufficiently large number of his countrymen was more or less persuaded of the desirability of limiting or even reducing gradually the size of the immigrant labour force provided this is not done in a way which damages Switzerland's cultural claims as a member of the European community or inflicts undue hardship on the affected immigrant workers.

Meanwhile I could personally vouch for the relief felt by certain categories of Swiss employers that, for the time being at any rate, the fall of the axe on immigrant labour has been averted. The couple who ran the hotel where I stayed was no less than jubilant that they were not to be deprived of the services of their Italian staff. There could be no doubt that many service industries and particularly the hotel industry, which must mean a great deal for an economy thriving so considerably on tourism, will have to suffer a shake-up if and when the Swiss in their wisdom decide that they could do with fewer foreign workers. Incidentally it is worth adding that I found quite a few Asians, many of them from Sri Lanka, working in hotels. Finally, there was the young woman, obviously from the boot of peninsular Italy where so much of that country's southern poverty is bred, cleaning the streets of a Swiss town on a Monday morning of week-end garbage and Sunday's litter. Try as I might, I just could not imagine the affluent Swiss community readily releasing any of its native-born members for such menial chores so long as there are needier European neighbours available for the purpose.

* *

I was happy indeed that, during my short sojourn in Switzerland, I could spend one complete working day on the hospitable premises of Sandoz Limited at Basle. Officials concerned with Group Marketing in the international division of the company demonstrated an interesting degree of familiarity with the politics of the pharmaceutical industry in our country during the discussions I had with them. Sandoz (Basle), I learnt was definitely interested in the expansion and diversification of the operations of Sandoz (India) Limited and I heard the hope expressed that the conditions would be right for this process. In this connection, it was pointed out to me that Pakistan's experience with the enforcement of the marketing of drugs by generic descriptions instead of brand names had not been very encouraging and it was felt that the pharmaceutical industry in India would be able to persuade the powers-that-be that there would be more disadvantages than any possible advantages in New Delhi opting for a similar approach. The argument quite simply was that the economics of pharmaceutical research is such that it is not just worth the while of any multinational pharmaceutical company to invest in developing or introducing new drugs or formulations in markets where the legitimate commercial advantages of marketing under brand names were not available to it.

Sandoz, it seemed to me, gave as much care to the training as to the personality aspects of the guides they employ for taking visitors on a tour of the works. The woman who did this service for me—she was formerly an air hostess with Swissair—could not only make pleasant conversation but was also fully up to being sufficiently informative about some of the broad features of the company's operations. One of the things she was trying to impress on me was the amount of money that went into research out of the company's earnings. I naturally did not want to confuse her pretty head with sophisticated arguments about the differences that seemed to exist among those who claimed to be experts on the subject over what constituted expenditure on basic research strictly defined, and research as generally described or understood.

big business

In any case this refinement would not have been very relevant to the occasion as this visit to Sandoz, even as my visits last year to Hoechst and Bayer in the Federal Republic of Germany, have convinced me that drug research is undoubtedly big business of a kind which only large pharmaceutical companies operating on the scale and with the flexibility of enterprises cutting across narrow national frontiers could contemplate or organize with adequate investment of capital or scientific manpower. It is worth adding that, as is the case with Sandoz and many others manufacturing pharmaceuticals, operations tend to spread out into an ever-expanding area of development and diversification in which pharmaceuticals become only one line of activity along with other lines such as the manufacture of agricultural chemicals including pesticides. One legitimate inference could be that a government policy for pharmaceuticals, which positively promotes this business, could also have the effect of encouraging the emergence or progress of many other related industries of national importance.

* *

Geneva, one rather cynical non-Swiss observer of Swiss morals and manners told me, is the place tired business men and bankers from Zurich and Basle go to for their more or less discreet weekends. Geneva is also the place which has helped the prudent Swiss to make money out of international organizations instead of spending money on them.

bureaucratic growth

While all bureaucracies grow fast, UN agencies tend to grow even faster. Between UNCTAD I and UNCTAD III, whatever else might have happened or not, UNCTAD itself has moved to bigger and better quarters. This has given it more room and more people to do less work in or with. The blame however does not rest on it. By its very nature UNCTAD could act only on the initiatives of other organizations or from other sources. So far as the Trade aspect of UNCTAD's rather vague responsibilities is concerned, the tune is expected to be called at present primarily by the Americans mostly at the GATT negotiations, where the negotiations are expected to be centred in tariff and non-tariff barriers relating to primary commodities and particularly agricultural products. The United States is believed to be determined on liberating as much as possible of the international trade in agricultural products. Its success in this direction would naturally depend on the extent to which it could trade concessions with other countries or regions, particularly the EEC. This could reasonably mean that, although the spotlight might be on commodities, especially agricultural products, the negotiations must necessarily influence or cover trade situations in manufactures or semi-manufactures as well.

To the extent that primary commodities or agricultural raw materials or products form major subjects for GATT negotiations, the developing countries obviously stand to gain by doing their home work in advance and as thoroughly as possible. Some national governments in the third world, notably the government in New Delhi, might believe with greater or less justification that it knows what it needs to know about these matters. There are however quite a few developing countries where the bureaucracy is less knowledgeable or self-confident. They should improve their negotiating positions at the GATT talks if they could receive some help in determining what they could successfully look for or profitably argue about. There is located somewhere in the labyrinths of international bureaucracy in Geneva a small but, as is to be naturally expected, a growing cell designed to provide this service. This is the Interregional Technical Assistance Project for Multilateral Trade Negotiations, an agency fathered by UNDP out of UNCTAD (or *vice versa*). The Project is financed by UNDP, while UNCTAD is the "executing agency." Developing countries which are participating in the multilateral trade negotiations being organized under the aegis of GATT or which are considering participation, are entitled to approach this Project for technical assistance.

This facility aims at providing data and assistance of a purely factual or technical nature. Statistical data on trade flows, trends and growth, factual data on tariff or non-tariff barriers, objective analysis of trade problems and proposals emerging in the course of the negotiations may be provided by the Project in response to requests from developing countries either individually or as a group. The Work Plan adopted for the Project includes the following features:

(i) Collection and tabulation of basic data on trade and trade barriers to meet the initial need of interested developing countries in preparing for the negotiations;

(ii) Tabulation in computer printout form, covering in the first instance MFN tariff rates, GSP and other preferential rates. imports in principal markets, exports from developing countries and competing suppliers, market growth—to be followed at an appropriate later stage by additional data on production, prices, etc;

(iii) Analyses and studies on particular aspects of the negotiations; and

(iv) Orientation workshops for government officials; seminars for members of negotiating delegations and advisory services on negotiating techniques and analysis and evaluation of the final tariff proposals, solutions concerning non-tariff barriers, legal and institutional dispositions relating to safeguards, organization, etc. which would help developing countries in defining their final positions in the light of their joint or respective individual interests.

Work on implementation of this Project was started in Geneva in mid-1973 and by July this year the Project had been in operational shape for some time during which computer data sheets had been made available to some 27 developing countries while further analysis of the data with a view to pinpointing the trade interest involved had been undertaken for some 10 countries. It is believed that this Project will have considerable utility for developing countries particularly in Africa and Latin America. It is also hoped that national governments in Asia including southeast Asia could draw on its resources for supplementing their own information and capabilities in differing degrees.

* *

Without venturing any opinion on whether what I am going to say presently has any relation to the problem, if there is one, of the "over-foreignization" of Switzerland, I would like to mention the story of my lost *chappals*. On the night before I was to leave Geneva by an early morning flight, they were not to be found in my hotel room. They were the genuine Sholapur article, fairly new and rather attractive specimens of the kind. I must say that I was not too happy to lose them, especially on the first leg of my travels, but there was nothing that I could do about it except remonstrate with the night porter, who very reasonably replied that he was helpless since at that time of the day or night he could not check with the room cleaning service or anybody else who might be in a position to help.

Looking back, I am not disposed to regret the experience. After all it gave clear proof of Indian footwear of the right kind being in keen demand in Geneva. This, even if it is I who say it, must be the most impressive and also the least expensive exercise in market research ever carried out on our export promotion front. This being the case, the Leather Export Promotion Council, I feel, owes it to me to replace my Sholapuri *chappals*—I wear No. 7 in shoes.

* *

On the plane from Geneva to Frankfurt I found myself in a centre seat between a German, who seemingly desired to read, on my right and an Englishman, who was obviously determined to talk, on my left. The odds naturally were in favour of the Englishman which meant that I was soon engaged in a dialogue most of which was one-sided. The Englishman in his middle forties had spent a year or two with the British army in India, also in the middle forties.

He was rather sentimental about that passage in his life confessing somewhat dolefully that while he would not have the girls he could have had, he could not have the ones he would rather have had but who would not have him because they came from what he called conservative middle-class Hindu families. He spoke too of what he described, predictably without originality, as the spirituality of the Indian people. After saying that he was a business executive now working in Switzerland and settled there for some years although still retaining his British citizenship, he began to compare with "Indian spirituality" what he deplored as the crass materialism of the prosperous Swiss.

Emphasizing the fact that the suicide rate in Switzerland was the highest in Europe, not excluding Sweden, he argued that the explanation could only be that the Swiss had neglected to possess themselves of their proper share of the world fund of spirituality. I suggested that the matter might be a little more complex than that and that in any case both he and I should know a lot more about the anatomy, so to speak, of suicide in Switzerland than bare statistics about so many suicides per thousand of population before we could go into the profound mystery of why there were so many suicides in the country. He seemed to ponder this point and then agreed gravely that he might have been guilty of over-simplification. After which he proceeded to suggest that sexual repression which, he alleged, was present to a high degree in the Swiss community could also be contributing to the suicide syndrome.

His next observation or observation seemed to me at least to have no connection with or bearing on what he had said before. It was a Swiss, he said, who had taken him to his first brothel. This, he said, was in some South American country, where the two had gone on business as the travelling salesmen of the Swiss firm for which they were working. Mischievously, a 727-jet does the distance from Geneva to Frankfurt quite swiftly and as the plane was being put through the last movements of the landing procedure, my very temporary companion confessed that he was always scared of flying although he had perforce to do lots and lots of it. I said briefly that what he had said did not come to me as a surprise since I had been noticing that he was swigging whisky continually from a hip-flask during the flight. Drink loosens some tongues and does not always ensure that they stick to truth. I somehow don't believe that the Englishman had to go to South America before he could get into his first brothel nor am I persuaded that he needed the services of a Swiss or indeed anybody else whether as a guide, an escort or any sort of a technical assistant.

(to be continued)

The A.B.C. of precious metals – II

London

Jossleyn Hennessy

I

Monetary Gold and the Gold Trade

IT HAS been plain for some time now that, in the long run, the huge discrepancy between the artificial low monetary price of gold and the market price cannot be tolerated because it has immobilised gold as a means of payment settlements between western central banks.

Despite this, it took the energy crisis to discredit dogma and get things moving again. The termination in November last year of the 1968 agreement, under which the Gold Pool countries undertook not to sell gold on the market, had in fact no material consequences since central banks resorted to the previous fixed price for balance of payments settlements. However, the free market is too narrow to absorb large-scale gold sales and would soon react with a price collapse, especially as long as central banks are prevented from buying the metal.

payments deficits

The outbreak of the energy crisis confronted the oil-importing countries overnight with massive payments deficits. Rough OECD estimates suggest that the oil-importing industrial countries in the west will have to meet an additional foreign exchange bill of over $50,000 million in 1974 and those developing countries which do not themselves produce oil one of about $10,000 million.

Small wonder then that there has been increasing pressure to reactivate gold reserves, particularly on the part of those west European countries which have run up the biggest oil deficits and at the same time hold substantial stocks of gold. In April of this year, the EEC countries agreed on a joint proposal that central banks would be free to transfer gold among themselves at a market-related price as well as to buy and sell gold on the market.

The Americans felt unable to support this but, in view of Italy's increasingly critical predicament, offered to compromise at the Group of Ten meeting in June, 1974. In future, central banks may pledge their gold at a market-related price as security for foreign loans. In the event of insolvency on the part of the borrower, the gold will pass to the creditor at the price agreed upon when the loan was negotiated. A central bank receiving gold can also enter it in its balance sheet at the so-called market-related price. Owing to the sharply fluctuating value of gold on the market, the price at which it can be pledged as collateral is, at a guess, likely to be anything up to a quarter or a third lower than the market price, because no creditor will be willing to risk having to accept gold at a price in excess of that prevailing on the market at the time when the metal would pass to him.

American agreement to the Group of Ten proposal was more readily forthcoming as the scheme underlines the commercial character of gold and does not involve a guarantee or the fixing of a new official gold price. The price for gold as collateral is simply subject to bilateral agreement.

At present only West Germany and the Arab states themselves are potential lenders against gold collateral. Whilst it is true that the USA has accepted the resolution, it is unlikely for the time being to accept gold as security. As is obvious from the exceptionally brief and cautious statement issued by the US Treasury following the agreement, the Americans are certainly not thinking of departing materially from their hitherto dogmatic position in the near future, if at all.

II

But Gold Won't Solve Payments Deficits

The practical significance of the gold accord for the solution of balance of payments difficulties caused by the oil crisis should not be overestimated. Approximately half the aggregate monetary gold reserves are held by west European countries, a quarter by the USA and nearly 13 per cent by the IMF: central banks in Japan and the developing countries have hardly any gold stocks.

Hence, only a handful of countries stand to benefit from a remobilisation of gold reserves, and even for them it will only be a temporary way out of the dilemma. If her present monthly current account deficits of about $1,000 million persists, Italy, for example, which holds gold reserves of $3,500 million valued at the official price of $42.22 an ounce, could create for herself a breathing space of one year at the most by pledging her gold as collateral.

It is therefore clear that top priority must continue to be given to domestic measures in order to restore balance of payments equilibrium. In view of the high mark-down compared with the free market price, which is to be expected if the metal is pledged as collateral, monetary gold will probably only be used as a last resort.

top priority

The agreement reached by the Group of Ten dispelled fears on the free market that large-scale compulsory selling of central bank gold on the free market might be imminent. Amounting to more than 30,000 tons, monetary gold reserves represent an enormous supply potential when one considers that the annual turnover on the free market is currently only about 1,200 tons.

The Group of Ten resolution is merely a stop-gap arrangement designed to tide a few countries over their immediate difficulties. Gold's long-term role in the projected new world monetary order is, however, still very much an open question.

At its meeting on June 12, the Committee of Twenty only touched upon this issue. There is a consensus that Special Drawing Rights (SDRs) should ultimately become the primary reserve asset because gold production is not adequate to allow any sizable quantity to be diverted for monetary purposes and limits are also to be set to the accumulation of further reserve currency assets. There is also unanimous agreement that simply refixing the gold price at a correspondingly higher level is not a viable solution because, sooner or later, it would bound to encourage renewed speculation.

On the other hand, the majority of European countries do not subscribe to the official American view that gold should be completely eliminated from the monetary system as a standard of value as well as an international liquidity reserve.

As a monetary reserve, gold has a number of merits esteemed in times of uncertainty. Unlike foreign exchange assets, whose intrinsic worth is at the mercy of the economic situation or the policy of the authorities in the reserve currency country, no such risks are attached to gold. It is the only reserve embodying a real value and is therefore marketable and utilizable at any time. Moreover, insofar as it is kept within the country, gold has further advantages over other reserve assets in that it is on hand in times of war or emergency, is exempt from transfer restrictions and runs no risk of being blocked.

However heated the debate may at times become, the gold problem seems to be of secondary importance. It will resolve itself the moment that another reserve asset enjoys a similar degree of confidence.

Everything will therefore hinge on the role of SDRs in a future monetary system.

Past experience with this asset is, however, not such as to inspire confidence. Quite apart from this, if SDRs are to perform their intended function in a reformed monetary system, they need to be extensively remodelled. The proposals put forward so far lack credibility. One of them in particular, the link between SDRs and development aid, would not only produce an inflationary spin-off but give SDRs political overtones as well. All in all, it is hard to visualise that SDRs whose proper functioning ultimately depends on the extent to which the spirit of the agreements and the written and unwritten rules of the game are observed, will ever enjoy the same confidence as gold or be able to assume its function as a last-ditch reserve.

III

The Future Price of Gold

When we stop to consider that, up to the two-tier division of the gold market in 1968, an ounce of fine gold cost $35 and as recently as the beginning of 1973 could be had got $65, the temporary peak of over $180 reached earlier this year seems astronomical.

However, it is important to bear in mind that from 1934 to the spring of 1968, the price was stabilised by artificial means and was thus shielded from the inflationary increases to which other raw materials or basic products were subjected during this period. Nevertheless, in the years immediately following the two-tier division, the pattern of gold price development on the free market was relatively stable.

It was not until the climate progressively deteriorated as a result of permanent monetary crises, the threat of world currency erosion and finally the energy crisis, that gold began to make up its long overdue price leeway at a headlong rate. If we compare the price trend of other important metals such as copper, silver and lead from 1934 up to the beginning of 1974 with that of gold, it is evident that gold still has considerable ground to make up.

The gold market has, however, a number of unique features, so that no hasty conclusion should be drawn to the effect that the gold price will continue to rise at a faster rate than prices for other commodities.

The factors determining supply on the gold market are primarily new production from South Africa and a handful of other countries and sporadic selling by the Soviet Union.

progressive decline

World gold production (not including the eastern bloc), of which South Africa accounts for 78 per cent, has progressively declined from 1,275 tons in 1970 to 1,094 tons in 1973. South African production fell because the rising price enabled the mining industry to work deposits with a lower ore-content, thus conserving its high-grade reserves and to some extent postponing the more rapid decrease in production which looks like being inevitable after 1980. Moreover, not all of South African gold output reaches the market. When the balance of payments situation allows it, part is sometimes channelled into the country's monetary reserves.

The Soviet Union, the second biggest gold producer in the world with an annual output currently estimated at between 220 and 240 tons, has for some time been pursuing a market-orientated policy, dosing her sales according to the absorbtive capacity of the market in order to obtain the best price.

In times of stagnating demand, the Russians stay off the market for shorter or longer intervals; occasionally they have even been reported as buyers. On the other hand, they habitually take advantage of strong demand and rising prices to engage in large-scale selling. Apart from new production, other ancillary factors affecting supply are sales arising from dishoarding or speculation.

On the demand side, the needs of industry and the jewellery trade predominate. Between 1935 and 1971, these components grew steadily because gold was cheap in comparison with other metals. Prompted by the recent price increases, however, the search for substitutes has begun. Already in 1972 industrial and commercial consumption fell from a record 1,412 tons in 1971 to 1,254 tons. Last year it shrank further.

demand factors

Of total industrial gold consumption in 1972, 64 per cent went on jewellery, nine per cent on coins and medallions, 8.5 on electrical engineering and electronics and six per cent on dentistry. The rest was used for various other mainly decorative purposes.

Jewellery accounts for virtually the entire hoarding demand from the east, primarily from India, Pakistan and South-East Asia, where it is not customary to keep gold in bullion form.

Since its peak year in 1970, eastern demand for hoarding purposes has fallen steeply because of the rising price of gold. The days when it constituted the major constant in demand for the metal now seem over, because the purchasing power of the masses in India and Pakistan cannot hope to keep pace with the soaring prices. Indeed, the present trend could, on the contrary, lead to a temporary tendency to liquidate hoarded stocks. There is already some evidence that this is, in fact, taking place.

In 1973, however, there were also signs that the gold consumption of Europeon jewellers, which had hitherto been increasing at a rapid rate, was also starting to flag. In the electronics industry, on the other hand, demand is still buoyant. Nor is the price uptrend likely to have any adverse impact on demand in dentistry. It seems a safe long-term bet that, once the hectic price movements have ceased, demand for jewellery purposes in western industrial countries will pick up to some extent, even with prices at a high level, as this would tend to enhance the metal's prestige.

Adding up newly-mined gold, plus those quantities resulting from Russian sales, and from industrial and commercial demand, shows that supply had to be augmented in 1972 from speculative sales

and the liquidation of hoarded stocks in order to meet industrial requirements; in 1973, the converse was true. Thus, the unexpectedly steep increase in the gold price since the beginning of 1973 can no longer be explained in terms of an upsurge in traditional demand.

A complex of factors including the dollar devaluation, the resulting uncertainty on the foreign exchangs markets, the panoply of capital controls erected in most of the hard-currency countries, particularly in West Germany and Switzerland, mounting inflation and booming commodity prices, has considerably enhanced the attraction of gold as an investment or speculative medium. Just how strong an element the monetary influence was is illustrated by the fact that between January and November, 1973, the gold price ran virtually parallel to the dollar rate of the Deutschmark.

Investment for gold could receive a considerable new boost if, before the year is out, Washington, as expected, does in fact lift the ban on private gold ownership which has been in force since 1934. If this is so, American institutional and private investors, disillusioned by the prolonged bear market, might invest part of their assets in gold.

Apart from the price falls which might be provoked by central bank sales, virtually all the other factors affecting the market suggest an increase in the price of gold. The instability on the exchange markets looks like continuing, inflation is almost certain to persist, western gold production will tend to decline even if higher prices enable less profitable mines to be worked, and industrial demand will probably pick up again slowly once the current phase of restriction has run its course.

To sum up, experience with gold in recent years has tended to confirm that the gloomier the times, the more brightly gold glitters as a monetary reserve of private investment. Until the industrial countries manage to restore a measure of economic and political stability, gold will lose none of its lustre. At the moment this prospect is regrettably remote.

Source and acknowledgements: The foregoing summarises a special report in the latest issue of "*Prospects*: *Business News Survey*", published by the Swiss Bank Corporation, Basle, Switzerland, but the bank is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sources.

(This is the second of two articles on gold. The first appeared last week.)

Europe suffers from imported nervousness

Vienna

E. B. Brook

SINCE THE British and west European press are publishing daily most woeful news about continually rising prices, falling share values, rising unemployment and predicting much more trouble to come it may help to begin with a few more hopeful items. If today is bad, yesterday, according to the IMF, was really quite good.

Up to the middle of the year world trade continued to grow rapidly, both exports and imports increased by between 12 and 15 per cent and both were about 50 per cent higher than at the same time in 1973. Not bad for a world depicted as staggering to doom under the burden of four-fold increased energy prices. That was, of course, before the disappointing harvests, increasing unemployment in France, West Germany and Italy and the daily dose of newspaper gloom persuaded everybody to feel depressed and the Economic Commission for Europe in Geneva to forecast that industrialised countries will have a gross annual growth rate for 1974 of less than one per cent overall. There is a slump in house building in the USA and the UK but in West Germany thousands of houses are standing empty because middle class people are unable to pay the steeply increased rents demanded. It is not long before bad news and anxiety produce depression and greed in exaggerated forms, both significant components of today's dreary picture.

The depressed British, less heavily taxed than any of the Scandinavians, the Dutch, the French or the Austrians are selling more cars abroad than a year ago giving them a £73 million trade surplus and a record trade surplus in this sector of about £1 billion is expected for all 1974. Among their best sellers are private cars, tractors, dumpers and trailers, the last three items being up on last year by 43 per cent. The Common Market is also, as a whole, paying its way and at least one member, West Germany, remains as Chancellor Schmidt remarked, "almost disgustingly prosperous." Outside the Market, Austria studiously avoids unemployment and gives work to tens of thousands of Yugoslavs, Turks and Spaniards while Switzerland, believe it or not, has just 92 people out of work. Afall in house building may send the little total up soon but this figure must be a world record minimum.

Spain has become a major industrial producer and shipbuilder and the majority of people finding the money for holidays in sunny Spain are beginning to be Spaniards rather than foreigners. The Norwegians are fairly rolling in money and prospects of money with their burgeoning oil industry and one would need to look hard to find really bad luck in any of the three small Benelux countries. So spare tears for Italy and a sigh for France, but both the Italians and the French are really doing very well.

Just as France lived with a series of swiftly changing governments in the twenties and the later forties so Italy manages very well on the whole with a procession of governments of very much the same personnel composition with sizeable intervals with no government in office at all. Its popular Fiat cars continue to be easily Europe's best seller and the oil aud gas industries are increasingly making Italy a point of profitable exchange. Middle East and Russian oil and gas converge on Trieste and nearly 12,000 million cubic metres of natural gas are being transported across the Sicilian Channel and the Messina Strait from Algeria's Sonatrach to power new industries in Italy's poorer southern area.

France is having a series of strikes which make it resemble Britain and Italy more closely; partly due to the heavy centralization of French administration in extremely expensive Paris and partly because, as elsewhere, it suits certain political parties to draw attention to themselves by posing as the righters of wrongs and as the poorer man's champion. But the French unemployed have it better than any others in west Europe and much of the trouble is due to the rigour with which the government in Paris is implementing its anti-inflation programme. While it declines to improve wages it equally operates a credit squeeze that spoils the business climate and slows economic activity to the brink of recession.

french fears

The French government's technique is, in fact, not altogether unlike the economies imposed in the USA by President Ford and neither are budging in their penny-pinching attitudes for the time being. The money-conscious French fear a deficit more than most and by the end of this year will have borrowed seven billion dollars on the international capital market to offset such an event. France can finance the cost of these loans this year but they will be a burden for another decade and, refusing to join the energy group of 12 mutually-aiding states over oil supplies, France is negotiating independently for oil with Iraq, Venezuela and Algeria for 10-year supply agreements similar to that it signed with Iran earlier this year. In this way, France hopes to be able to maintain a GNP of about four per cent.

France is almost alone in taking a long-term view of present problems. It will have nothing to do with short-term loans or deposits, in mutual aid schemes by oil-users or in the schemes for re-cycling "petrodollars" from oil-producing countries. With cold Gallic logic it seeks long-term agreements with oil producers involving advance deposits to ensure employment in France.

Much of the concern felt in west Europe stems from developments in the USA where recession seems to be setting in, where the dollar is still weakening and where there is increased division between Congress and the Administration. A threatened coal strike in the US adds to trans-Atlantic nervousness and make it a more sensitive and unforthcoming negotiator with the Common Market and, prospectively, in the coming GATT discussions. Congress has yet to give the go-ahead to the US Trade Bill which will enable Washington to join the probably years-long bargaining in Geneva over terms of international trade but everyone, including the Market, is getting ready for these discussions.

The general expection is that the GATT discussions will begin early next year—nearly two years after the idea was approved in Tokyo—and the Market has now gone as far as approving a new draft proposal updating and expanding the general guidelines for the talks approved more than a year ago. There is now much more emphasis by the Market on the problem of export restrictions in a world economy characterized by insecurity of supplies. The Market, unfotunately, is still rather vague but at least the Market Commission is anxious to correct the feebleness of GATT rules on export restrictions. These rules were agreed when trading circumstances were very different from those today and GATT is not equipped to deal with countries that deliberately sell much less than they could because they either want to push up prices or keep minerals or fuel in the ground. The lists of exceptions in GATT's articles 20 and 21 to the general rule against export restrictions in article 11 are so long and so broad that this general rule is easily evaded.

The best news from Brussels, in fact, is that a group from the US Department of Commerce is there talking about the effects of industrial policies on the GATT multilateral trade talks. The discrimination of the Market against the USA on public procurement and the USA's huge margins of preference for their domestic tenders are major preliminary obstacles to the Geneva talks. But there is a greater willingness to hear and consider each other's viewpoints than two years ago and not a little is to be hoped from the day-to-day US-Market talks in Brussels and occasional checks with GATT in Geneva that both "brutal" price movements and deliberate stalling on sales may give way to compromise.

In Rome the Europeans, among others, have been realizing how others just manage to live—without thought of prosperity—and some have made helpful promises of assistance; but there is suspicion of the Kissinger plan as involving other states in a fixed obligation which at some time they might find it inconvenient to fulfil. The hungry are likely to find that their best friend is good weather rather than well-intentioned politicians with an eye on their voters and, not least, on their farmers.

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TRADE WINDS

Food Meet at Rome

THE WORLD Food Conference, which ended in Rome recently, approved the Indian proposal for the establishment of a World Food Council under UN auspices to supervise its anti-hunger strategy. Agreement on the council—a ministerial-level body to be elected by the UN General Assembly—was reached after long deliberations between industrialised and developing countries. The World Food Council will be responsible for coordinating and strengthening exsiting international agencies working in the field of agricultural development. It will also be charged with reviewing the world food situation and making recommendations to the UN General Assembly and international organisations as appropriate.

The main achievements of the conference included an agreement that the level of international food aid, covering both grain and money to buy grain, should be roughly doubled to 10 million tonnes in each of the next three years. Another agreement reached at the meet was that an international fund should be set up to promote agricultural development in the world's poor countries. The conference adopted a resolution invitjng industrialised conntries to make greater efforts to share their agricultural technology with the developing world.

It was also agreed to work out a long-term plan to provide an "insurance policy" to make sure that there was always enough in store if emergencies arose. A linked resolution called for the setting up of an exchange of harvest information to provide an early warning system on impending famines.

Three Loans

The issue of three loans aggregating Rs 175 crores was announced by the union government on November 14. This will be the second instalment of market borrowings to be undertaken by the government in the current financial year which takes credit of Rs 498 crores from this source. The gross borrowing will be of the order of Rs 700 crores and with discharge of the order of of Rs 202 crores, the net borrowings will be Rs 498 crores. The subscriptions to the three loans at 5.25, 6 and 6.25 per cent will be received from November 22 to 25, but the list may be closed earlier without notice as soon as the total amount has been subscribed. The government also reserves the right to retain subscriptions up to 10 per cent in excess of the notified amount.

The first instalment for Rs 400 crores was issued in June last. The net realisation from this loan after discharging maturities is of the order of Rs 237 crores. The balance of the borrowing to be done during the current financial year is Rs 261 crores, there being no further maturities during the year. The second instalment of Rs 175 crores is issued at par and the interest rates are in alignment with the current pattern of yields. Interest on all the loans now issued together with interest on other previous government securities and income from other approved investments will be exempt from section 80-L of the Income Tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments in government securities and the other investments specified in Section 5 of the Wealth Tax Act will also be exempt from the wealth tax up to Rs 1,50,000.

Railways Withdraw Concessions

The railways have decided to withdraw the frieght concessions on 153 export items, thereby effecting a saving of about Rs 54 lakhs, union minister for Railways Mr L.N. Mishra, stated in the Lok Sabha recently. The minister added that the Commerce ministry had forwarded the views of the exporters against the move, but it could be very difficult for the Railways ministry to revise the decision. Mr Mirhsa added that the railways had decided not to withdraw the freight concessions in respect of iron and manganese ore exports of the total value of Rs 3.5 crores.

Cotton Output

Though the net area sown in cotton had dropped a little during the 1973-74 crop season, production went up according to the all-India final estimate of cotton crop by th Directorate of Economics an Statistics. The cotton area sow had been 7,601,400 hectares, a compared to the previous year 7,678,600 hectares. But produc tion was up by about 400,00 bales from the previous year 5,416,800 bales to 5,819,20 bales this season. Productio of cottonseed as well as kapa also registered a slight increas A fall in area sown, repor ed from Maharashtra, Madhy Pradesh, Punjab, Rajastha and Uttar Pradesh was genera ly attributed to the unfavour ble weather conditions at th sowing time and crop rot tions. But in Andhra Prades Karnataka, and Gujarat th cotton area went up. Produ tion increases were mainly du to the increase in the yie achieved by the large-scale i troduction of high-yieldi cotton varieties in Andhra Pr desh, Gujarat, Karnataka, Ha yana and Tamil Nadu. Th increase in the sown area i some of these states had als contributed to the higher pr duction figures.

Khetri Smelter

The smelter plant at Khetr project has started workin



which was officially announced recently. Copper concentrates were led into the blast smelting furnace. This is the first step towards the production of copper. Copper concentrates are already being produced at Khetri and Dariba concentrator. Until now they were being sent to the Indian copper complex at Ghatshila for smelting.

Earnings from Iron Ore

An increase of about 34 to 40 per cent over the prices of 1973 has been obtained from the Japanese buyers for export of basic and high-grade iron ore, Mr D.P. Chattopadhyaya, union minister for Commerce, informed the Rajya Sabha recently. The minister also stated that about 100 million tonnes of iron ore and 10 million tonnes of manganese ore were likely to be submerged with the coming up of the Supa dam across the Kali river in Karnataka.

Emergency Loan to Dacca

This country has extended an emergency credit of Rs 10 crores to Bangladesh for purchase of essential commodities and industrial raw materials. An agreement to this effect was signed recently between Mr Kafiluddin Mahmood, Finance Secretary of Bangladesh, and Mr M. G. Kaul, Secretary, Department of Economic Affairs, government of India, on behalf of their respective countries. Mr Mahmood discussed the details of the credit with Indian officials during his eight-day visit. The agreement followed Bangladesh's request for help to meet the emergency situation arising out of the recent devastating floods in the country.

Cotton Textile Exports

Cotton textile exports for the first 10 months of 1974 have already touched about Rs 254 crores, against exports of Rs 226.3 crores for 1973 and Rs 150 crores for 1972. Among the top items in exports, ready-made garments have performed exceedingly well with exports doubling themselves from about Rs 32 crores during January-October 1973 to Rs 68 crores for the corresponding period of this year. Piece-goods were at Rs 133 crores against Rs 107 crores last year. Exports also earned higher unit value at Rs 3.70 per sq. metre during October against Rs 3.28 earned during January-September, 1973. The sale has been marked by Europe importing goods worth Rs 57 crores against Rs 49 crores last year; the US imported goods worth Rs 32 crores this year against Rs 19 crores last year.

Indo-Burma Cooperation

The union minister for Commerce, Prof D. P. Chattopadhyaya, has offerered India's technical know-how to exploit the vast forest resources of Burma, especially teak. The leader of the Burmese purchase-cum-goodwill delegation, U H Thein Nyunt had a meeting with the Commerce minister to discuss the scope for collaboration between India and Burma regarding the development of Burma's forest-based industry. The four-member delegation is in India as a follow-up of the special trade agreeement signed between the two countries in September this year which provides a trade of Rs 7.5 crores each way during the six-month period after signing the agreement. Under the agreement, Burma is to buy from India Rs 6.2 crores worth of cotton textile and yarn, Rs 30 lakhs worth of pharmaceuticals, Rs 50 lakhs worth of chemicals and Rs 50 lakhs worth of engineering goods. India is to buy from Burma Rs 4 crores worth of rice, rice products, pulses and beans, Rs 1 crore worth of minerals and ores, Rs 50 lakh worth of hides and skins and Rs 10 lakhs worth of animal feed.

Indo-GDR Joint Commission

The union cabinet approved recently the setting up of a joint commission with the German Democratic Republic with a view to strengthening cooperation between the two countries in economic, industrial, scientific and technological fields. India has already entered into similar arrangement with other countries both from the east and the west. The latest one such agreement was with the US.

Oil Prices Reduced

Three of the Persian Gulf's six main oil-producing states agreed recently to a reduction in oil prices. As a goodwill gesture toward the United States and the industrialised world, Saudi Arabia, Abu Dhabi and Qatar voted to lower oil prices by about 3.5 per cent. At the same time they increased taxes and royalties paid to them by foreign oil companies operating in the Persian Gulf. This means no change in the cost of oil by the time it reaches an average consumer. Iran, Iraq and Kuwait voted against the Saudi proposal saying the price issue should be deferred to a meeting of the 13 nation Organisation of Petroleum Exporting Countries (OPEC) on December 12, 1974.

French Move on Oil

France has offered to consider any suggestion that India may make for the proposed oil conference to stop escalation of oil prices. This was conveyed to the Prime Minister, Mrs Indira Gandhi, by the French president's special emissary, Mr Maurice Schumann, who called on her recently. Mr Schumann also met the union minister for Petroleum and Chemicals Mr K. D. Malaviya. Under the French proposal only about 12 countries, including India, are to be invited for the conference of oil-producers and consumers to find a way to prevent the possibility of any confrontation on the issue of oil. These invitees include only four of the 13-member Organisation of Petroleum Exporting Countries (OPEC) namely, Saudi Arabia, Venezuela, Algeria and Iran. Mr Schumann stated that the selection of the countries had not been made by France. The list was set up last year by the Saudi Arabian minister for Oil, Mr Yamani.

Climate for the US Investment

Mr David Rockefeller, President of Chase Manhattan Bank, on a fact finding visit to India, had meetings here with the Prime Minister, Mrs Indira Gandhi and the Finance minister, Mr C. Subramaniam. Mr Rockefeller told newsmen before his departure that his discussions covered the question of his bank having a direct presence in India as well as the possibilities of fresh American investments in this country. Mr Rockefeller added that he noticed positive signs of a better atmosphere for Indo-American economic cooperation and hoped that opportunities for investment in fields where foreign capital was needed would be improving. There was perhaps some increased recognition that additional foreign capital, if it came on terms that were acceptable to India, would be desirable from India's point of view, he stated.

Fertilisers from Poland

This country will be importing diammonium phosphate on rupee-payment basis from Poland. Hitherto, all the requirements for this fertiliser were being met from hard currency areas, including the United States. According to a contract signed recently by the Minerals and Metals Trading Corporation with a Polish agency, 30,000 tonnes diammonia phosphate would be imported between November and January.

Cotton Corporation

Cotton Corporation of India has decided to purchase 8,000 bales of cotton from the open markets of Punjab and Haryana, it was officially revealed recently.

Names in the News

Mr Bimal Ghosh who has been apponted Director of the International Labour Organisation's area office in New Delhi, replacing Mr A D Granger of the United Kingdom, took up his assignment early this month. The ILO's area office in New Delhi is responsible for the organisation's activities in Bhutan, India, Nepal, Sri Lanka and the Maldive Islands.

COMPANY AFFAIRS

Dullness Persists

DULL CONDITIONS continued to prevail in the stock market last week. Even the moorat trading session lacked lustre. In fact the mood seemed to be one of despondency as, despite reports of creeping industrial recession, there were no indications yet of the government relenting from its stand on dividend curbs. Equities having thus lost lustre owing to the unremunerative return on risk capital, investors, both individual and institutional, were inclined to divert their investible funds more to profitable channels. The grim economic conditions and lack of any relaxation in the credit squeeze too disheartened operators. As a result business was at a low ebb during the week.

Equities continued to sag all-round in Dalal Street last week due to lack of fresh incentives. Even the special moorat session was just a ritual and was the smallest for any moorat session since long. The closing levels showed substantial losses, both in the forward and cash sections. The undertone at the end was weak.

There was further decline in equities in Lyons Range last week as operators were in no mood to enter into fresh commitments. The turnover, therefore, was thin, transactions being confined to select scrips. Rallies were temporary as there was no follow-up support. Caution continued to be the keynote of trading. Consequently activity declined and prices moved in a narrow range. The undertone at the close was hesitant. It was again select scrips that attracted operators' attention during a week of moderate trading on the Madras Stock Exchange. The trend, in general, was of a irregular nature.

Indian Rayon

Indian Rayon Corporation has reported all-round improvement in its working results during the year ended June 30, 1974 with production, sales, profitability and margins registering handsome gains over the previous year's performance. As against a rise of about 11 per cent in production of rayon yarn from 3669 tonnes to 4092 tonnes and a 60 per cent increase in turnover from Rs. 7.28 crores to Rs 11.62 crores, gross profit recorded a spectacular rise to Rs 4.92 crores from Rs 1.55 crores in 1972-73. Out of the gross profit, a sum of Rs 48.01 lakhs was provided for depreciation reserve for the current year and Rs 25 lakhs towards development rebate reserve. The balance of profit of Rs 418.71 lakhs along with the development rebate reserve written back amounting to Rs 60.78 lakhs has been appropriated for writing off depreciation relating to earlier years of Rs 206.12 lakhs and transfer of Rs 273.35 lakhs to general reserve. The tax liability estimated at Rs 163 lakhs will be paid out of the general reserve when assessed.

The improved working results are attributed to an increase in production of rayon yarn, sulphuric acid and carbon dioxide efficient utilisation of raw materials and of the plant capacity and better selling prices. The installed capacity of the plant has been increased 3650 tonnes to 4140 tonnes during the year. The company has also received a letter of intent for manufacturing 17,800 tonnes of rayon grade caustic soda. The encouraging working results have enabled the directors to clear arrears of preference dividends up to the end of June 1967 amounting to Rs 43.39 lakhs. The directors would have recommended a still larger payment of arrears of dividends but for the legislation restricting dividends.

Enfield India

Enfield India Limited has been successful in achieving a further increase in production and sales in the first six months of 1974 inspite of serious power shortage and difficulties relating to supplies of raw materials and components. The company has also started deriving benefit from the newly constructed factory at Anaikaraipatti in a notified industrially backward area in Tamil Nadu. There has also been no difficulty in marketing a higher level of output inspite of the sharp rise in prices for petroleum products. Only in respect of agro-industrial engines, there was a slightly reduced offtake in the internal market due to the acute shortage of kerosene. Even here, export sales have been stepped up significantly. It is expected that the demand for agro-industrial engines will improve with easier availability of kerosene for agricultural operations while knapsack sprayers will be needed in large numbers during the rabi season when bigger crops are likely to be harvested.

The output of motorcycles in the half year under reference was higher at 7312 units against 5500 units in the corresponding period in 1973 and 13,320 units for twelve months ended December 31, 1973. The production of agro-industrial engines too was maintained at the satisfactory level of 20,069 units against 21,553 units, the drop being mainly on account of knapsack sprayers which were in less keen demand due to severe drought conditions in many parts of the country. Even so, the value of sales of engines was higher at Rs 146 lakhs against Rs 134 lakhs as a result of better realisation on bigger capacity engines. The turnover in vechicles was substantially better at Rs 379 lakhs against Rs 269 lakhs because of sizable deliveries to the government departments in earlier months. In 1973, the turnover was Rs 302 lakhs and Rs 648 lakhs relating to agro-engines and vehicles respectively.

With a higher level of output at the Anaikaraipatti factory in recent months, brisk marketing of available vehicles and agro-engines and the advantage accruing out of the revision in selling prices for different products in May this year, it can be safely anticipated that the turnover for the whole of 1974 will exceed Rs 11.50 crores as compared to Rs 9.66 crores in 1973. The contribution of the new factory will easily be of the order of one crore of rupees.

Kothari (Madras)

Kothari (Madras) Limited has reported extremely gratifying results for the year ended June 30, 1974 with a jump in sales to Rs 18.62 crores from Rs 11.65 crores in the previous ten months. The net profit before depreciation and taxation has more than quadrupled to Rs 331,39 lakhs from Rs 76.84 lakhs in the previous year. After taking credit for provisions no longer required and making other adjustments, the amount set aside for depreciation is Rs 41.84 lakhs (Rs 37.75 lakhs) and development rebate Rs. 10.73 lakhs (Rs 4.49 lakhs). The provision for taxation is quite sizable at Rs 150 lakhs (Rs 15 lakhs) while there is an additional allocation of Rs 45 lakhs (nil) to taxation reserve.

The company is making a claim in respect of accrued liability towards gratuity and it is expected that the net tax liability will be much lower

than what would have been normally. The transfer to general reserve is Rs 79.90 lakhs (Rs 14.43 lakhs). Due to the curbs imposed by the Government the dividend on equity capital could be maintained only at 12 per cent taxable. The amount of Rs 28.39 lakhs required for the payment of equity and preference div dends will be met out of general reserve. There was a larger output of tea while the textile units increased their production. There were also export sales for of Rs 76.40 lakhs against Rs 43.93 lakhs. The Caustic Soda project is to be implemented at a cost of Rs 15 crores and the financial institutions have been approached for necessary assistance.

Tata Chemicals

Tata Chemicals Ltd. has reported excellent working results during the year ended June 1974, with sales, production and profits outstripping the previous year's performance by considerable margins. Despite a larger disposable surplus the directors have been able to recommend only 12 per cent dividend for 1973-74, the maximum permissible under the dividend ordinance as against 19 per cent declared for 1972-73. The new equity shares will be entitled to a pro-rata dividend of 60 paise per share of Rs 5 paid up. Moreover the shareholders have been rewarded with a one for two bonus issue which will be made by capitalising a sum of Rs 51.88 lakhs from the share premium account and Rs 2.59 crores from the general reserve. The new shares will rank pari passu for dividend with the existing ordinary shares from the commencement of the current financial year.

During the year sales spurted from Rs 18.37 crores to Rs 23.33 crores while gross profit shot up to Rs 5.82 crores from Rs 4.37 crores in 1972-73. Out of the gross profit, the directors have appropriated Rs 159.65 lakhs to depreciation reserve, Rs 68 lakhs to development rebate reserve and Rs 127.60 lakhs to taxation reserve as against Rs. 127.98 lakhs, Rs 77 lakhs and Rs 73.50 lakhs provided respectively in 1972-73. This leaves a substantially higher net profit of Rs226.46 lakhs as compared to Rs 158.11 lakhs in the preceding year. The equity dividends will absorb Rs 68.49 lakhs as against Rs 98.58 lakhs in the preceding year while preference dividends will claim Rs 4.28 lakhs, the same as in 1972-73.

Deccan Sugar

The working results of Deccan Sugar and Abkhari Co. Ltd for the year ended May 31, 1974 show a profit—the highest so far on record—of Rs 170.38 lakhs as against Rs. 53.29 lakhs in the previous year. The higher realisation on sale of sugar, larger quantity of cane crushed and higher sugar recovery at both Pugalur and Samalkot factories contributed to the achievement of these results. The turnover increased from Rs 920.14 lakhs in the previous year to Rs 1,094.21 lakhs. After providing for all expenses and charges, the net trading profit amounted to Rs 170.38 lakhs including excise duty rebate of Rs 33.08 lakhs earned during the year, as compared with Rs 53.29 lakhs in the previous year including an excise duty rebate of Rs 25.44 lakhs. The net profit, subject to taxation, is Rs 153.91 lakhs as compared to Rs 37.38 lakhs in the previous year. The total provision for taxation is of the order of Rs 123.88 lakhs and the profit after taxation is Rs 30.03 lakhs as against Rs 14.28 lakhs in the earlier year.

A provision of Rs 18.30 lakhs has been made on account of company's liability to retirement gratuity in accordance with the provisions of the Payment of Gratuity Act, 1972. Against an overall liability of Rs 32.35 lakhs towards gratuity evaluated as on May 31, 1974, a total provision for Rs 26.66 lakhs has so far been made, leaving a balance of Rs 5.69 lakhs to be provided in the following year or years. Of the available profit of Rs 30.13 lakhs including the surplus of Rs 9,644 brought forward from last year, the statutory transfer to development rebate reserve and the dividend on the preference shares capital absorb Rs 5.65 lakhs and Rs 0.64 lakh respectively leaving a balance of Rs 23.84 lakhs for further appropriation towards dividend on equity and plough back to reserves.

Based on the results under review and in compliance with the restrictions imposed by the dividend ordinance the directors have proposed a first and final dividend of 12 per cent on the ordinary share capital absorbing Rs 8.37 lakhs. Of the balance of Rs 15.47 lakhs, a sum of Rs 12.90 lakhs was transferred to general reserve, leaving a surplus of Rs 2.57 lakhs to be carried forward to the next year.

HMT

The bold expansion in investment, employment and output has been the hallmark of Hindustan Machine Tools since its inception. Starting with a meagre production of Rs 42 lakhs in 1956-57, within just 18 years HMT is producing machine tools and other sophisticated engineering products at the rate of Rs 65 crores per annum. It has plans on hand which will ensure continuance of the same dynamic growth in the coming years. Suffice to say that when all these plans of expansion and diversification are completed the sales of the company would rise sharply from Rs 43 crores in 1973-74 to around Rs 100 each per annum within the next three years, the share of machine tools to total sales would be about 45 per cent while tractors would be contributing 32 per cent, watches 13 per cent, printing machinery five per cent and other new items such as horological machinery, lamp making machinery as also the engineering and technical consultancy services for the remaining five per cent. The diversification would help the company not only in providing a cushion against the impact of any recurrence of recession but putting into effective use the excellent skills of its technical personnel.

True to its dynamism, HMT is also making a basic shift in its market strategy. So far it has relied on domestic market and now on its reliance will be on sales overseas. From a modest figure running into few lakhs of rupees up to 1969-70, HMT exports crossed the Rs one-crore mark in 1970-71 and was more than doubled last year. Within the next few years the exports are expected to leap to 10 to 12 crores of rupees.

As HMT has grown from a single-product and single-factory organisation into a multi-product and multi-factory organisation, the simple organisational form which was found suitable in earlier years is no longer adequate. Hence a radical reorganisation plan of the internal structure was drawn up and was put into operation from August 1, this year, the principal objectives of decentralisation being to enable each production unit to function autonomously within an approved policy framework and in accordance with the approved budgets.

It is a tribute to the sound financial management of the company that despite critical shortages of raw materials, frequent and severe power cuts and other adverse factors the company was able to close the year with a fairly satisfactory performance. Sales spurted to Rs 43 crores in 1973-74, registering a rise of as much as Rs 8 crores or 22 per cent over 1972-73. The two significant features about the handsome increase in sales in 1973-74 are that the improvement in the company's sales at 22 per cent was distinctly higher than that of the engineering industry in the private sector at 14 per cent and that the modest increase in the prices of the company's products contributed only about eight per cent increase in the value of its sales, while the remaining 14 per cent rise being due to increase in the physical volume of sales. After providing for all expenses including depreciation and interest charges, net profit of the company rose two-and-a-half times to Rs 1.96 crores from Rs 0.78 crore in 1972-73. Thus for the fourth year in succession the company has reported record profits. It is noteworthy that barring the three years 1967-68 to 1969-70 of general recession in the engineering industry, the company has to its credit an unbroken record of net profit right since 1956-57.

News and Notes

Shree Vallabh Glass Works has received a letter of intent for setting up a most modern sheet glass plant, near Boisar, (Maharashtra). The company will be able to manufacture sheet glass of 0.8mm to 35mm thickness with foreign technical collaboration and the thinner sheet glass will be used for micro-slides. The total capital outlay will be around Rs 8 crores and it is expected that turnover and profitability of the company will increase substantially. The new plant will be export-oriented.

The Tata Oil Mills Company Limited have launched, in Bombay, the much-awaited janta soap under the brand name JANTATA. The company plans to market this new bath soap all over the country in the near future. TOMCO has priced its 100-gram bath soap at 95 paise plus local taxes. In introducing JANTATA, the company has broken new ground. The soap is made entirely from non-edible vegetable oils. The foreign exchange outgo is virtually zero. It may be recalled that, following price decontrol, TOMCO held the prices of all their products—except Hamam and 501 Bar Soap—unchanged. Even while revising the prices of Hamam and 501 Bar, the Company has, as a matter of deliberate corporate policy not to add to the inflationary pressures in the country, held the prices of these popular products at levels significantly lower than competitors' prices for comparable products.

New Issues

The public issue of Rs 40 lakhs equity shares of **Indian Resort Hotels Company Limited** has been oversubscribed and the subscription list was closed on November 7, 1974.

Fort William Company Limited is offering to the public for subscription 150,000 equity shares of Rs 10 each for cash at par. The subscription list for this fully underwritten issue opened on November 20. It will close on November 30, or earlier but not before November 23, 1974. An amount of Rs 10 per share is payable in full on application. Applications for shares must be for a minimum of 50 shares or multiples thereof. The entire ordinary shares of the present issue will rank pari passu in all respect with the existing ordinary shares of the company except regarding any dividend payable on the ordinary shares for the year ending March 31, 1975. In respect of that financial year the new ordinary shares will rank for dividend at the same rate per annum as payable on the existing ordinary shares but apportioned for the period January, 1 1975 to March 31, 1975.

The company has a proposal for effecting substantial expansion for manufacture of certain special and sophisticated types of wires. The proposed expansion is expected to be completed by the end of the current financial year. The capital outlay required for implementing this expansion is estimated at Rs 1.40 crores. The proceeds of the present issue will be utilised for providing a part of the finance required for the implementation of this scheme.

Capital and Bonus issues

Consent has been granted to nine companies to raise capital of over Rs. 13 crores. Following are the details:

Union Carbide India Ltd., Calcutta have been accorded consent, valid for three months to capitalise Rs. 614,25,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus shares for every two equity shares held.

Tyresoles Concessionaries PVT Ltd., Bombay have been accorded consent, valid for three months, for the issue of bonus shares worth Rs 4,00,000.

Trichy Distilleries & Chemicals Ltd., Madras have been accorded consent, valid for three months, to capitalise Rs 15,00,000 out of its general reserve and issue fully paid equity shares of Rs 100 each, as bonus shares in the ratio of one bonus share for every one equity share held.

Hindustan Lever Ltd., Bombay have been accorded consent, valid for three months for the issue of bonus shares worth Rs 240,75,650 to be issued to the existing equity shareholders in the ratio of one bonus share for every six fully paid equity shares held.

Gujarat Steel Tubes Ltd., Ahmedabad have been granted consent, valid for three months for the issue of bonus shares worth Rs 60,00,000 to be issued to the existing equity shareholders in the ratio of one bonus share for every two existing equity shares held.

Vardhman SPG. & General Mills Ltd., have been accorded consent, valid for three months to capitalise Rs 69,88,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every one equity share held.

Attic Industries Ltd, Disst Bulsar, Gujarat have been granted consent, valid for three months, for the issue of bonus shares worth Rs 116,00,000.

Renusagar Power Co., Ltd, have been accorded consent, valid for 12 months, for the issue of preference capital of Rs 125,00,000 in 11 per cent comulative redeemable preference Shares of Rs 100 each, to be issued for cash at par to the public through a prospectus.

Rohtas Industries Ltd, Calcutta have been accorded consent, valid for 12 months for the issue of 10.5 per cent debentures of the value of Rs 90,00,000 to be issued at par to the holders of the existing debentures of Rs 90,00,000 due for redemption on October 31, 1974. The debentures will be payable to registered shareholders only.

Dividends

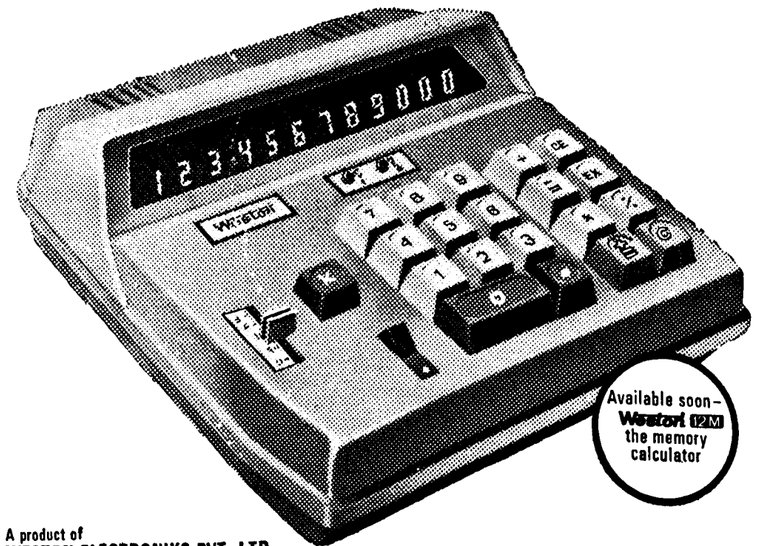
Name of the Company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Marsden Spg.	Dec. 31, 1973	15.0	10.0
Pullangode Rubber	March 31, 1974	12.0	10.0
Same Dividend			
Alembic Glass Industries	Dec. 31, 1973	12.0	12.0
Elphinstone Spg.	Dec. 31, 1973	Nil	Nil
IDL Chemicals	June 30, 1974	10.0	10.0
Orissa Textile Mills	March 31, 1974	Nil	Nil
R. J. Shah & Co	June 30, 1974	Nil	Nil
Reduced Dividend			
Dawn Mills	March 31, 1974	12.0	14.0
Fort Gloster Industries	March 31, 1974	Nil	Nil
Kusum Products	March 31, 1974	12.0	30.0
Jeypore Sugar	June 30, 1974	12.0	20.0
Indian Hume Pipe	June 30, 1974	8.0	12.0
Khodiyar Pottery Works	July 31, 1974	9.0	10.0
John Fowler	Dec. 31, 1973	12.0	15.0
Ballarpur Paper and Strowboard Mills	June 30, 1974	12.0	15.0

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MSPL-2

RECORDS & STATISTICS

Industrial licensing

A RECORD number of 4647 applications have been received during 1974 (January — August) as against 3280 applications during the whole of 1973, and 2995 application have been disposed of by August 31, 1974. The following statements give statewise and industrywise analysis of the letters of intent and industrial licences issued during the half-year January—June, 1974. Comparative figures for the earlier years from 1970 have also been given.

Number of Industrial Licences Issued: 1970 to 1974 (Statewise)

State	1970	1971	1972	1973	1974 (Jan-June)
Andhra Pradesh	14	39	28	29	27
Assam	1	5	12	4	8
Bihar	22	24	18	9	13
Chandigarh	—	—	—	—	1
Delhi	3	12	13	13	6
Dadra & Nagar Haveli	—	—	—	—	1
Goa, Daman & Diu	—	—	2	4	3
Gujarat	37	67	61	75	47
Haryana	—	1	—	2	—
Himachal Pradesh	27	33	38	27	26
Jammu & Kashmir	—	2	—	1	1
Karnataka	17	22	42	46	25
Kerala	10	7	12	10	6
Madhya Pradesh	2	20	12	11	21
Maharahstra	106	168	138	171	131
Manipur	—	—	—	1	—
Meghalaya	—	—	1	—	2
Nagaland	—	—	1	—	—
Pondicherry	—	1	—	1	2
Punjab	11	15	16	15	17
Orissa	4	8	3	1	5
Rajasthan	7	16	18	8	21
Tamil Nadu	35	52	35	63	47
Tripura	—	—	2	—	—
Uttar Pradesh	26	48	53	60	66
West Bengal	41	84	54	41	50
State not Indicated	—	3	4	4	—
Total	363	625	563	596	526

Number of Letters of Intent Issued: 1970 to 1974 (Statewise)

State	1970	1971	1972	1973	1974 (Jan-June)
Andhra Pradesh	30	52	43	32	40
Andaman & Nicobar	—	—	—	1	—
Assam	3	9	8	5	8
Bihar	11	15	13	22	21
Chandigarh	—	2	4	—	2
Dadra & Nagar Haveli	—	—	—	—	1
Delhi	8	30	21	28	7
Goa, Daman & Diu	1	4	7	5	5
Gujarat	45	104	95	98	74
Haryana	48	121	73	60	46
Himachal Pradesh	1	4	2	3	9
Jammu & Kashmir	1	7	2	3	4
Karnataka	34	48	53	56	44
Kerala	15	25	19	21	19
Madhya Pradesh	9	31	28	26	22
Maharashtra	114	244	197	240	166
Manipur	—	1	—	—	—
Meghalaya	—	1	1	1	3
Nagaland	—	—	1	1	—
Orissa	6	12	3	8	11
Pondicherry	3	—	1	2	2
Punjab	9	19	11	17	19
Rajasthan	8	31	23	21	27
Tamil Nadu	25	65	51	75	47
Tripura	—	—	—	1	1
Uttar Pradesh	29	100	119	83	64
West Bengal	17	58	47	62	49
State not indicated	21	32	54	28	6
Total	438	1015	877	899	697

Number of Letters of Intent Issued : 1970-74 (Industrywise)

Scheduled industry	1970	1971	1972	1973	1974 (Jan-June)
Metallurgical industries	18	87	95	79	72
Fuels	1	2	—	2	1
Boilers & steam generating plants	—	4	—	1	—
Prime movers (other than electrical generators)	1	2	1	3	1
Electrical equipment	141	96	101	98	109
Telecommunications	4	14	37	45	5
Transportation	41	219	87	63	49
Industrial machinery	28	67	74	84	38
Machine tools	12	22	21	34	8
Agricultural machinery	12	19	5	3	2
Earthmoving machinery	—	3	3	5	—
Miscellaneous, mechanical & engineering industry	9	37	43	16	28
Commercial, office & household equipment	11	13	21	14	4
Medical & surgical appliances	1	5	1	1	1
Industrial instruments	1	7	6	6	2
Scientific instruments	1	4	3	1	2
Mathematical, surveying & drawing instruments	4	—	2	—	—
Fertilizers	2	1	—	2	5
Chemicals (other than fertilizers)	60	178	185	182	105
Photographic raw film & paper	—	—	—	—	—
Dyestuffs	1	5	2	3	7
Drugs & pharmaceuticals	22	25	26	43	47
Textiles (including those dyed, printed or otherwise processed)	5	11	14	57	36
Paper & pulp including paper products	6	46	30	23	41
Sugar	5	18	7	13	—
Fermentation industries	2	2	1	4	2
Food processing industries	20	38	37	20	33
Vegetable oils & vanaspati	2	1	—	2	36
Soaps, cosmetics & toilet preparations	—	2	—	3	—
Rubber goods	14	9	21	24	13
Leather, leather goods & pickers	—	7	6	18	19
Glue & gelatin	1	—	3	—	2
Galass	7	17	13	13	7
Ceramics	—	20	13	6	13
Cement & gypsum products	1	19	11	21	6
Timber products	—	4	5	9	3
Defence industries	—	—	1	—	—
Miscellaneous industries	5	11	2	1	—
Total	438	1015	877	899	697

Number of Industrial Licences Issued : 1970-74 (Industrywise)

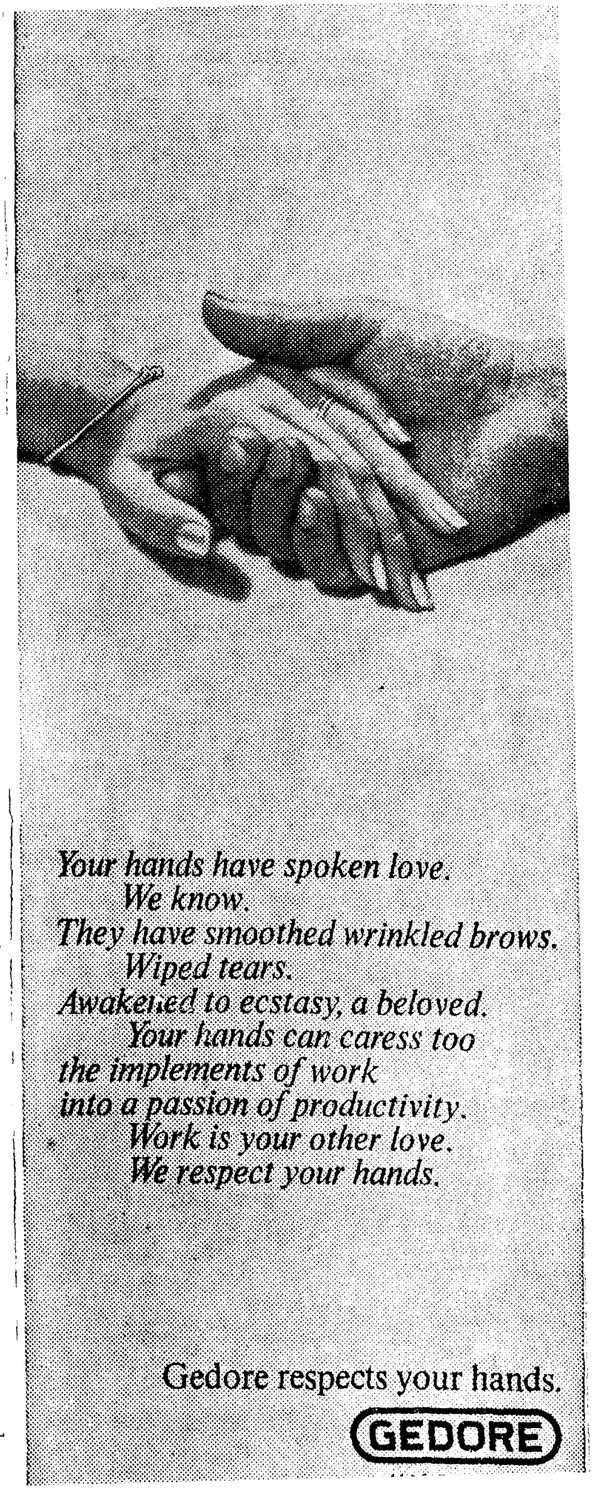
Scheduled industry	1970	1971	1972	1973	1974 (Jan-June)
Metallurgical industries	24	61	62	68	105
Fuels	25	12	11	7	2
Boilers and steam generating plants	1	1	—	1	2
Prime movers (other than electrical generators)	2	3	3	1	1
Electrical equipment	28	50	65	60	48
Telecommunications	5	17	15	18	5
Transportation	9	40	43	34	16
Industrial machinery	22	62	41	40	24
Machine tools	6	11	12	16	5
Agricultural machinery	4	4	12	1	—
Earthmoving machinery	2	3	2	5	5
Miscellaneous mechanical & engineering industry	5	12	17	21	8
Commercial office & household equipment	2	11	6	9	—
Medical and surgical appliances	—	2	1	4	3
Industrial instruments	—	5	1	2	2
Scientific instruments	—	6	1	1	—
Mathematical, surveying & drawing instruments	—	—	—	—	—
Fertilizers	1	10	6	2	—
Chemicals (other than fertilizers)	28	75	64	59	58
Photographic raw films & paper	1	—	—	1	—
Dyestuffs	5	4	5	1	3
Drugs & pharmaceuticals	23	31	29	35	19
Textile (including those dyed, printed or otherwise processed)	22	23	21	97	92
Paper & pulp including paper products	22	40	31	9	15
Sugar	35	5	16	27	47
Fermentation industries	2	3	3	3	6
Food processing industries	20	12	63	24	14
Vegetable oils & vanaspati	38	58	5	7	2
Soaps, cosmetics & toilet preparations	—	1	1	—	3
Rubber goods	4	3	9	5	7
Leather, leather goods & pickers	20	13	4	21	23
Glue & gelatin	—	—	—	—	—
Glass	3	6	4	5	2
Ceramics	—	11	1	5	—
Cement & gypsum products	2	28	2	6	6
Timber products	—	1	5	1	2
Defence industries	—	1	—	—	—
Misc. industries	2	—	2	—	—
Total	363	625	563	596	526

Number of Letters of Intent Issued to Backward Areas: 1970-74 (Statewise)

State	1970	1971	1972	1973	1974 (Jan-June)
Andhra Pradesh	3	9	5	7	11
Andaman & Nicobar	—	—	1	1	—
Assam	2	3	5	1	1
Bihar	2	5	1	—	5
Dadra & Nagar Haveli	—	—	—	—	1
Goa, Daman & Diu	1	4	7	5	5
Gujarat	4	8	6	5	10
Haryana	—	5	7	1	9
Himachal Pradesh	—	—	1	—	2
Jammu & Kashmir	—	5	2	3	4
Karnataka	6	13	6	6	11
Kerala	7	9	8	5	5
Madhya Pradesh	2	4	9	14	10
Maharashtra	2	8	10	21	10
Manipur	—	1	—	—	—
Meghalaya	—	—	—	1	3
Nagaland	—	—	1	1	—
Orissa	—	2	1	2	5
Pondicherry	3	—	1	2	2
Punjab	1	—	—	3	7
Rajasthan	3	6	3	8	13
Tamil Nadu	2	4	2	9	15
Tripura	—	—	—	1	1
Uttar Pradesh	2	7	23	20	20
West Bengal	2	5	8	10	11
State not indicated	—	—	1	1	—
Total	42	98	108	127	161

Number of Industrial Licences Issued to Backward Areas: 1970-74 (Statewise)

State	1970	1971	1972	1973	1974 (Jan-June)
Andhra Pradesh	1	5	2	2	13
Assam	1	4	6	3	3
Bihar	6	4	3	2	—
Dadra & Nagar Haveli	—	—	—	—	1
Goa, Daman & Diu	—	—	2	4	3
Gujarat	3	4	9	10	15
Haryana	2	1	3	2	4
Jammu & Kashmir	—	1	—	1	1
Karnataka	4	6	7	11	9
Kerala	—	—	2	4	1
Madhya Pradesh	—	9	2	2	15
Maharashtra	15	6	13	6	16
Manipur	—	—	—	1	—
Maghalaya	—	—	—	1	2
Orissa	1	1	1	—	3
Pondicherry	—	—	—	1	2
Punjab	2	—	—	5	4
Rajasthan	2	7	2	1	10
Tamil Nadu	13	12	6	18	17
Tripura	—	—	2	—	—
Uttar Pradesh	1	4	8	20	23
West Bengal	8	12	15	9	20
Total	59	76	83	103	162



Letters of Intent Issued to State Industrial Development Corporations: 1970-74

State	1970	1971	1972	1973	1974 (Jan-June)
Andhra Pradesh	7	2	2	3	8
Assam	1	4	—	2	4
Bihar	—	1	—	6	8
Gujarat	2	7	3	1	1
Haryana	—	5	4	3	2
Himachal Pradesh	—	—	1	2	2
Jammu & Kashmir	—	3	—	—	—
Karnataka	—	6	1	3	5
Kerala	4	5	7	1	5
Maharashtra	—	—	3	1	4
Maharashtra	—	—	3	1	4
Madhya Pradesh	2	4	2	3	2
Orissa	3	6	1	2	2
Punjab	7	6	2	4	3
Rajasthan	1	5	4	1	—
Tamil Nadu	2	8	7	3	4
Uttar Pradesh	—	5	5	2	9
West Bengal	—	1	2	2	3
Meghalaya	—	—	—	—	3
Total	29	68	44	39	65

Industrial Licences Issued to State Industrial Development Corporations : 1970-1974

State	1970	1971	1972	1973	1974 (Jan-(June)
Andhra Pradesh	—	1	—	1	1
Assam	—	1	2	—	5
Bihar	—	—	—	—	3
Gujarat	—	—	1	—	—
Haryana	—	1	—	—	3
Jammu & Kashmir	—	—	—	—	1
Karnataka	—	—	1	—	1
Kerala	—	—	2	—	1
Maharashtra	—	—	—	1	—
Orissa	—	1	—	—	1
Punjab	1	2	2	2	—
Rajasthan	—	—	—	—	3
Tamil Nadu	—	2	—	—	1
West Bengal	—	—	—	—	5
Total	1	8	8	4	25

Statewise and Typewise Break-up of Number of Industrial Licences Issued to Cooperative Sector in 1973 and 1974

(A:1973; B: 1974 (Jan.-June)

State	NU		SE		NA		COB		Total	
	A	B	A	B	A	B	A	B	A	B
Andhra Pradesh	1	11	—	—	—	—	—	—	1	11
Assam	1	—	—	—	—	—	—	—	1	—
Gujarat	5	9	3	1	1	—	—	—	9	10
Karnataka	—	2	2	1		—	—	—	2	3
Haryana	—	1	1	—	—	—	—	—	1	1
Kerala	—	—	—	—	—	1	—	—	—	1
Maharashtra	5	10	7	1	—	—	1	—	13	11
Pondicherry	—	1	—	—	—	—	—	—	—	1
Punjab	2	—	—	—	—	—	—	—	2	—
Orissa	—	1	—	—	—	—	—	—	—	1
Tamil Nadu	1	—	—	1	—	—	—	—	1	1
Uttar Prs;ssh	1	13	—	—	—	—	—	—	1	13
Total	16	48	13	4	1	1	1	—	31	53

NU: New Undertaking; SE: Substantial Expansion; NA: New Article: COB: Carry on Business.

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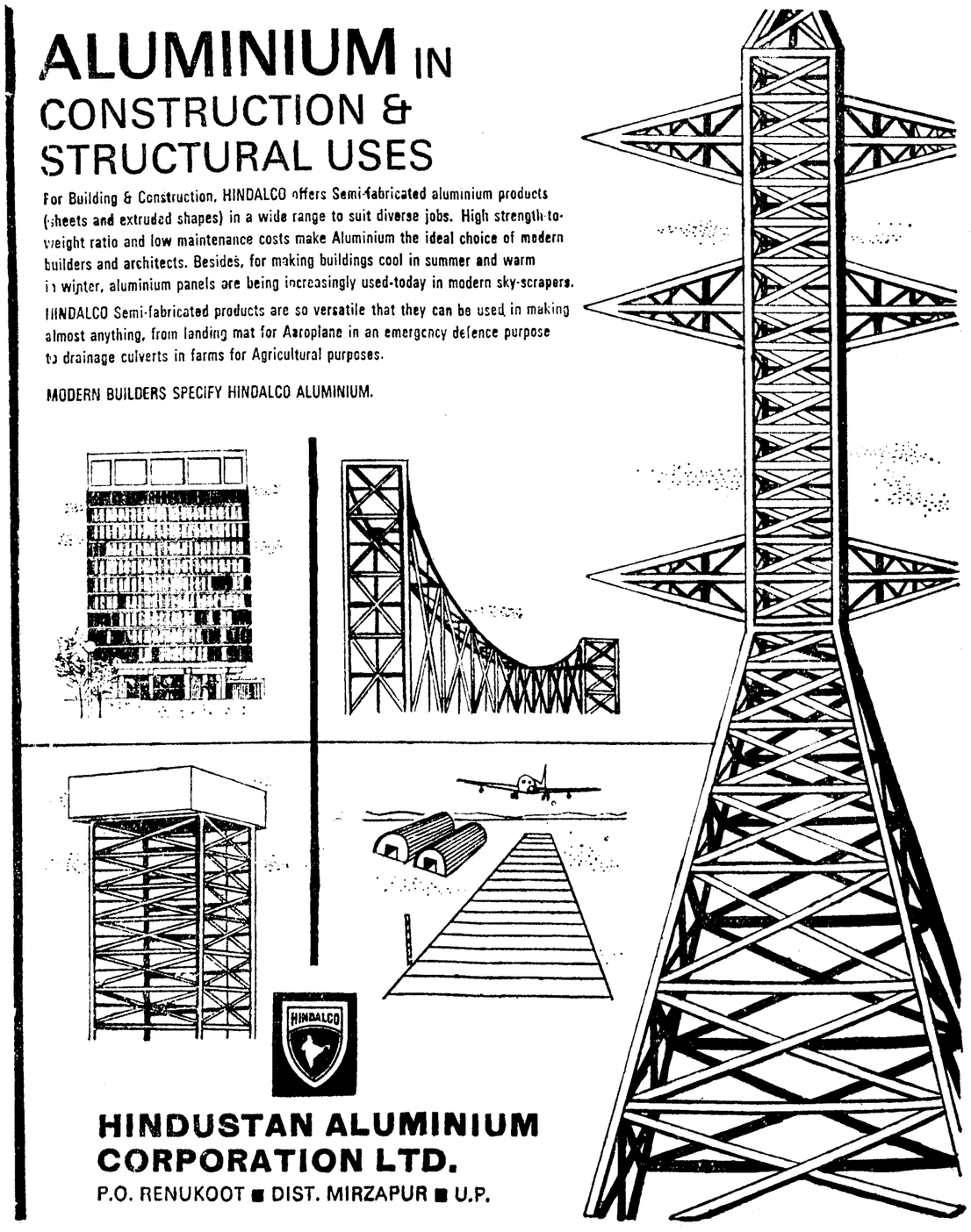
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Narora and Narayan

NARORA, FOR ALL ITS secrecy, is really simple to read. For the first time since she split the Congress organization and became supreme in the ruling party, Mrs Indira Gandhi has been hit where it hurts. In hard political terms her authority rests on the grip she has and can continue to exercise over her party machine and her partymen in the Lok Sabha who, through their acceptance of or subservience to her political will and wishes, make it possible for her to exercise iron control over the government. It is no doubt true that her total domination of her party is a function of her mass appeal and her overwhelming influence with the electorate. It is true again that, once her public status diminishes, her control over her party machine and her partymen may also be loosened. But it could also be true at the same time that, if for any reason it so happens that it is the allegiance of her party that cracks first, she may have to fear for her domination of the government even before her mass base has begun to shrink to any substantial extent. There is no evidence yet that Mr Jayaprakash Narayan's movement—for it is no less now—has already begun to erode her wider support in the country, but there is every reason for her to suspect that it is beginning to tamper with the allegiance of her direct and immediate followers who constitute her party or its majority in parliament. Narora is primarily an attempt on her part to gauge how far the rot has gone and how serious it could further become.

Mr D. K. Barooah is an unhappy Congress president at an unhappy hour for the party. What peace of mind he may have can come only from his putting a bold face on things. But even he cannot deny that his party has lost much more than its savour on the palates of the people of Bihar. There is however still no evidence that Mrs Gandhi's preeminent national position as the country's most compelling mass politician has suffered seriously even in that state. There is even less evidence that it has undergone any substantial or permanent deterioration anywhere in the rest of the country. Nevertheless, her own partymen seem to have begun to wriggle and writhe. More and more of them have started wondering whether she is the best prime minister their party can have. Less and less of them are easy in their minds about letting all their political eggs lie in the basket at No. 1, Safdarjung Road. Despite Mr Chandra Shekhar's boast of his political courage there is enough evidence in his career of his being a careful and calculating strategist. Such baiting as he had done in the past had always been of prey about to be hunted down by more powerful hounds. He is yet to run with the hare. When therefore Mr Chandra Shekhar comes out openly with the proposition that his party would refuse to do business with Mr Jayaprakash Narayan only at its peril and succeeds in selling this view to a respectable number of his fellows in the Congress party, it is a sure enough sign that the time has come for Mrs Gandhi to attend to her political fences on her own backyard. Narora clearly has to be seen in this context.

It may be that many more Naroras will be needed before Mrs Gandhi could figure out a complete strategy for herself and her party. However, the moves that may be open to her are already more than faintly discernible. First, she could make up her mind firmly and finally to employ all the police powers of the state to crush Mr Jayaprakash Narayan's campaign in Bihar on the ground that the call for a parallel assembly or government is a challenge to lawfully constituted authority which no government can tolerate. Or, she could dissolve the Bihar assembly and also the Lok Sabha after the present session of parliament. A general election could then be held early next year simultaneously for the Lok Sabha and the assemblies in Bihar, Gujarat and Pondicherry in a bid by the prime minister to demonstrate that her party and she herself continue to command the support of the electorate. Or, again, she may bring herself to conceding that her absolute authority over her party or in the government is no adequate answer to the political situation in the country and that she should therefore sit down with Mr Jayaprakash Narayan and other political personalities or forces which

eastern ECONOMIST

NOVEMBER 29, 1974

Narora and Narayan 951

Raw Materials for Export 953

Pre-empting Resources 954

From the Capital's Corridors 956

Points of View

Green Revolution: Progress and Prospects — Dr B.R.K. Rau .. 958

Window on the World

Here and There in Western Europe: II—V. Balasubramanian .. 962

Bracing Breeze from Balatona —S.P. Chopra 971

Trade Winds

Life Insurance; Central Loans Subscribed; Indo-Japanese Joint Committee Meet; Indo-Hungarian Cooperation; Trade with GDR; Leather Exports; Synthetic Threads for Leatherware; Tax Collection; Accounting Machines; International Dairy Congress; Loans by Non-Banking Companies; SDR Drawings .. 976-978

Company Affairs

In Doldrums; Century Enka; Richardson Hindustan; Kothari Sugars; Sakthi Sugars; Usha Spg and Wvg Mills; Premier Autombiles; Larsen and Toubro; News and Notes; New Issues; Capital and Bonus Issues; Dividends; Licences and Letters of Intent 979-990

Records and Statistics

Wholesale Prices; Index Numbers of Industrial Production; Index Numbers of Security Prices; Reserve Bank of India; Scheduled Commercial Banks; Money Supply with the Public; Consumer Price Index Numbers for Industrial Workers and for Urban Non-Manual Employees .. 993-996

may be significant in or relevant to the current political context and explore ways and means of bringing about a national consensus for administering the country and dealing with its political, economic and social problems. We have put down these options in this order not in terms of ranking them according to their respective degrees of desirability but only on the basis of what we believe may be the prime minister's own order of preferences.

To take the "law and order" solution, while it is true that the Bihar government has been taking repressive measures against Mr Jayaprakash Narayan's campaign, it is plain enough that the prime minister has so far not decreed an all out effort at suppression through the use of the full police power of the state. The very fact that Mr Jayaprakash Narayan has not been taken into custody but, along with his colleagues, has been allowed to move about freely in Bihar and the rest of the country to spread and intensify his movement is evidence of this. In fact, even after his activities have become a grave political challenge to the prime minister and her party, she has not reached the point of dealing with him as a law-breaker *per se*. This implies in theory at least that the government still has the choice to draw upon the leonine authority and power of the state to put down any attempt to question or reject its legality. It is of course no secret that there are indeed hawks around the prime minister who have been giving her precisely this advice, viz, that she should not depend indefinitely on half-hearted police methods for dealing with the agitation in Bihar. Given Mrs Gandhi's personal conviction in the self-righteousness of her authority and rule there can be no guarantee that she will always resist this counsel. Whether strong-arm methods, even of Himalayan proportions, would succeed, is however a different question. There was perhaps a time for them, but it may well have passed. Hereafter it could only be a gamble and Mrs Gandhi will only have her gambler's instincts to save her.

As for the second option of a general election on the lines we have indicated earlier, Mrs Gandhi's party has more than an even chance of being returned to power at the centre with a substantial majority in the Lok Sabha, although it may be numerically inferior to the one she commands now. There is an even chance of her party capturing enough seats to form a government in Gujarat and somewhat less than an even chance of its performing likewise in Bihar. It would however be no decisive political tragedy for her or her party even if the opposition is to capture power in Gujarat or Bihar or both. On the contrary it could be a relief, for it will then be the responsibility of her political opponents and critics to provide clean and good administration in those states. If they too were to fail to deliver, she gains. If, however, they succeed the country does, and this could be an inspiration for her party at the centre and in the other states to try and do as well.

We are aware of the fact that there are many in the prime minister's party itself who believe that, because of the deranged political condition and the dismal economic circumstances of the country, the ruling party would be giving hostages to fortune by trying to court the electorate in the immediate future. We are however inclined to think that the risk that would be run by Mrs Gandhi is not so forbidding. What may be in jeopardy may be her so-called mass mandate of the last general election but not the political wherewithal for once again being in effective power at the centre. The loss of the dominant majority she enjoys in the present Lok Sabha would surely be a small price to pay for the prime minister if, through an early election, she could demonstrate to her political critics and opponents that the people's effective support is still very much with her and her party at the national level.

Ideally, of course, the third of the options we have mentioned could be best for the country. Jayaprakash Narayan or no Jayaprakash Narayan, it is clear enough that the prime minister and her party have miserably failed to provide clean and good government. This point need not be elaborated here if only because this journal has been saying nothing else during all the period Mrs Gandhi has been in supreme power. However, the establishment of a national consensus as the ruling force behind the government does not seem to be practical politics at the present time. For this, only part of the blame could be placed on Mrs Gandhi's personal greed for total political authority in the government and the country. The regular opposition parties and politicians through their own chronic incompetence and ineffectualness, have shown that the people can justifiably doubt their capacity to contribute constructively to the resolution of the problems facing the country.

Unfortunately, the Jayaprakash Narayan movement also is clearly not in a position to reassure us in this respect. It has certainly already recorded some impressive entries on the assets side of its balance-sheet. It has shown, for instance, that ordinary men and women can rise against misrule and make it impossible for the rulers to carry on business as usual or indeed function even in a nominal manner. An Indian tradition nurtured in the philosophy of Mahatma Gandhi has every reason to feel proud and happy that it has thus been revived and given a new lease of life in a meaningful manner. On the debit side, however, is the fact that Mr Jayaprakash Narayan himself is so consistently rejecting the implications of his leadership of the movement. His saying again and again that he is not after political power and that he will be no party to his movement being the basis or means of a new political party as an alternative to Mrs Gandhi's has robbed his demand that the prime minister should negotiate with him on a plan for the good government of the country not only of credibility but also of the right to be taken seriously. Surely any settlement that there could be between him and Mrs Gandhi will have to be in a sense a political settlement involving a re-structuring of political authority and power at the centre. His insistence on electoral reform, while valuable in itself, is no substitute for his refusing to apply his mind or heart to the immediate, practical problem of bringing about a moral and material improvement in the government as it is functioning today. If it is his argument, as perhaps it is, that the present scheme of things is beyond mending and is indeed beyond redemption, the country is certainly not obliged to accept this counsel of despair.

In any case Mr Jayaprakash Narayan himself has yet to come forward with a coherent political, economic and social programme. It is possible that once he does so, his ideas may be found to be not invulnerable to just criticism. While action without thought may prove abortive, thinking, which does not evolve into action, must surely be sterile. Mr Jayaprakash Narayan evidently has been doing a lot of thinking, but so far this has only led to the administration being paralyzed in a state where it has always been notoriously weak and wandering. Clearly this is not action enough and he must be reminded of the fact that this much and more has been achieved even earlier in Gujarat where, incidentally, the administration has a history of effective functioning. It is true that Mahatma Gandhi was credited with demanding of the British that they leave even if India were thereby to be left to god and chaos. Given his faith in god, he obviously thought that chaos would be unlikely. Not all of us may share that faith. Mr Jayaprakash Narayan, therefore, has to think again if he is to convince us of the total relevance of himself or his activities to the situation in the land. Mrs Gandhi's rule may be bad enough in all conscience, but chaos could still be worse.

Eastern Economist 30 Years Ago

Dec. 1, 1944

While envisaging India's industrial future it is commonly assumed that she is extraordinarily rich in raw materials. Compared to the resources of Britain or Japan in relation to the dimensions of their industrial progress, no doubt our resources are ampler. But if we take a different standard of sufficiency and look for possibilities of building up foreign assets through a surplus of raw material exports the position is not so satisfactory. There are not many raw materials which a rapidly extending Indian economy can spare for exports, with industrialization her deficiencies in many respects will become more pronounced, and the prospect of India paying for her imported capital through her raw materials is not bright. Our deficiencies are most pronounced in respect of minerals.

We have, no doubt, ample supplies of coal and iron, and also of manganese and chromium which are the basic needs of an iron and steel industry. But, for the present, Indian industry is faced with a scarcity of domestic supplies of special steels; and if immediately after the war our machine tool or other engineering industries develop fast, we shall have to import considerable quantities of this basic material as well.

Raw materials for export

THE IMPRESSIVE increase in India's exports, which was of the order of 48 per cent in the first five months of the current financial year as compared to the similar period of 1973-74, may create the impression that our export strategy has been soundly conceived and that our industries are actually vying with one another in maximising the earnings of foreign exchange. But the discussion at the annual meeting of the Calcutta Import and Export Trade Association, held on November 5, revealed that export industries continued to suffer from many severe constraints. It was pointed out that the inducements offered by the government not only made "every export operation extremely complicated and cumbersome" but failed to provide industries with the raw materials at competitive prices. The association emphasised that unless the official policies succeeded in creating the desire as well as the ability to export, the growth would be temporary.

Some of the inducements now available to exporters are cash subsidies, import licences to replenish the imported materials used in the exported products, drawback of import duties and excise duties on the raw materials used in the exported products, imports from preferred sources of supply of balancing equipment and spares against REP licences, and facilities to meet export commitments through supplies to indigenous manufacturers at international prices.

The aim of these incentives is to make exports profitable but Mr M.L. Capoor said in his presidential address at the meeting of the association that they do not help to achieve this objective. He cited a specific instance from the automotive tyre industry to support his statement. Nylon tyre cord accounts for about 1/3 of the material cost of a tyre. The quantity of nylon cord used in a popular size truck tyre is 5½ kg. The CIF price of nylon tyre yarn from the USA is at present Rs 24 per kg. compared to the indigenous price of Rs 76.50 per kg. which is inclusive of an excise duty of Rs 6.50 per kg. As a result, the exporter of nylon truck tyres is at a competitive disadvantage of about Rs 290 per tyre on one raw material alone vis-a-vis his American counterpart. Mr Capoor pointed out that despite the availability of incentives of various types the exports of nylon tyres was unprofitable.

Mr Capoor suggested that when government imposed an export commitment on any industry it must simultaneously ensure the supply of raw materials at competitive prices. The government has often ensured exporters of the supply of certain raw materials at international prices but Mr Capoor did well to point out the absurdity of such a concept. He said that "there is no such thing as an international price of a raw material" and explained that "prices vary from country to country and from time to time and I feel that the concept of an imaginary price, called the 'international price'—to which many references are made—has only clouded thinking on this subject". He made five proposals: REP licences to be issued as a percentage of the total material cost of the exported products instead of as a precentage of the FOB value; the material cost of the exported products which is to be certified by a chartered accountant should include the cost of local and imported

materials but to exclude import and countervailing excise duties in the case of the latter; items allowed for imports against REP licences to be specified as now but their imports should be restricted only in exceptional cases; no import/countervailing excise duties to be charged on imports against REP licences, thereby making the imported materials available to exporters at CIF prices; and, all other export incentives such as cash subsidies and duty drawback should be withdrawn.

The financial, administrative, and other implications of these suggestions have to be carefully examined. Their main merit seems to be that they will help to eliminate a great deal of red-tapism and strengthen our export industries by ensuring the supply of raw materials at competitive prices. If the government is unwilling to accept these proposals, it should at least examine in what other ways industries which are subjected to complusory export commitment are enabled to solve their raw materials problem.

Dealing with import trade control, Mr Capoor made some specific suggestions for adjusting policies and procedures to meet the situation arising from global inflation. For instance, at present, importers have to attach, with their application for capital goods, quotations or proforma invoices from suppliers in support of the CIF values applied for. But this practice creates difficulties since the prices usually increase by the time the licences are issued, which necessitate the demand for fresh quotations and enchancement of the licence values. "This vicious circle in the current inflationary situation", said Mr Capoor, "can be resolved only if there is provision in the policy for automatic revaluation up to a specified limit to take care of such price increases".

Two other suggestions made by Mr Capoor related to the procedures for imports against tied credits. At present remittances should be completed within one month in respect of AU tied credits, and within 45 days for IDA credit licences, of expiry of the import licences. But this procedure creates practical difficulties in completing the documentation in cases where shipments are made under bills of lading which are issued around the last date of the validity of the licences. Therefore, the suggestions for extending the last date of remittance to at least 60 days from the date of expiry of the licences seems to be reasonable. The stipulation that orders for the full value of the licences should be placed within four months of the date of issue also creates problems since it is rarely possible to anticipate correctly the requirements of spares and raw materials for 12 months and place orders for the full value within the four months of the date of issue of the licences. The suggestion is made that importers should be asked to place orders for only 50 per cent of value of the licences within the first four months and the balance within the next four months.

The government of India has in recent years effected many improvements in the export policies and procedures. It is claimed that the trade policy is export-oriented with particular emphasis on maximising production for exports and encouraging import substitution. But a great deal has yet to be done in order to facilitate a more vigorous growth in exports and the regulation of imports on a realistic basis. India's import bill in 1973-74 amounted to Rs 29,164 million compared to Rs 18,674 million in the preceding year. In the current and in the coming year also, we shall continue to depend heavily on imported materials and machinery though their composition may change owing to the progress in implementing the programmes of import substitution. Apart from mineral fuel, lubricants and related materials, many other imports required for industrial development involve substantial amounts of foreign exchange, such as chemicals and allied products, vegetable oils, iron and steel items, as well as machinery, spare parts and transport equipment. It is important therefore that New Delhi should be receptive to all ideas and suggestions emanating from responsible organisations of industry and trade so that the country can not only achieve a faster rate of growth in exports but will also be able to arrange our imports at the most favourable prices.

Pre-empting resources

THE CENTRAL government's borrowing programme for the current financial year is being suitably staggered with a view to preventing unnecessary strain on the money market and helping also the successful issues of loans and bonds by the state governments and public bodies. This is the reason why the second tranche of borrowing of the centre has been delayed and it was only recently announced that new loans for a notified amount of Rs 175 crores would be offered for public subscription on November 22, 1974. The lists were to be closed on November 25, 1974 or earlier if the loans were fully subscribed and the government had, as usual, reserved to it the right to accept subscriptions up to 10 per cent in excess of the notified amount. Actually, the loans were fully subscribed within hours of their opening and the Reserve Bank announced that all subscribers would receive full allotment. It is not surprising that the terms of new loans are more favourable to the lenders as the current and redemption yields have to be fixed in conformity with those available on the basis of the selling and buying rates of the Reserve Bank for the existing central government securities.

The open market operations of the central banking institution are being carried out on the revised basis after the Bank Rate was raised to nine per cent from seveu per cent on July 22, 1974. All the three loans carry a higher rate of interest and have shorter maturing periods. The issue price has been fixed in all cases at par. The current and redemption yields are higher by roughly 1½ per cent in respect of the new loans as compared to those issued on July 16, 1974. The short-dated loan bears an interest rate of 5¼ per cent and matures after four years against the earlier five-year loan having an interest rate of five per cent. The issue price of the latest loan, however, has been fixed at par against a discount of ½ per cent on the former occasion. The latest medium-dated loan has a duration of 14 years and carries an interest rate of six per cent with the issue price at par against a 11 year loan carrying 5½ per cent interest with issue price at a discount of ¼ per cent. The new long dated loan matures after 23 years and has an interest rate of 6¼ per cent with the issue price also at par. Previously, the long-dated loan had a redemption date in 1998, after 24 years, with the interest rate at six per cent and the issue price at a discount of ½ per cent.

It will therefore be seen that the borrowing programme of the centre has been becoming more costly over a period, the short-dated loan having a duration of seven years and an interest rate of 4¾ per cent with the issue price at par. The long-dated loan matured after 30 years in 2003 and had an interest rate of 5¾ per cent and an issue price of Rs 100. The basis of borrowing has therefore risen by ½ per cent even with a shorter duration of 23 years in respect of the long dated loan.

However, while the government may have the feeling that it is being obliged to bear heavier interest charges, it has been complained legitimately in money market circles that it is still borrowing on a privileged basis, when other classes of borrowers are paying 15-17 per cent even for secured loans. The scheduled commercial banks too are none too happy as the cost of deposits has risen following the recent upward revision in interest rates. They have also been obliged to maintain a higher liquidity ratio of 33 per cent apart from a cash reserve ratio of four per cent even after it is reduced by one per cent in December.

It cannot possibly be expected that there will be further dearer borrowing as it is unlikely that the Bank Rate will be raised again. On the contrary, the Reserve Bank may have to beat a slow retreat from its dearer money policy as higher interest rates have not had any discouraging effect on borrowing by industry and trade; indeed they could not, and have on the other hand been responsible for an increase in production costs.

It can therefore be said that the latest announcement is in accordance with market expectations. It is felt in money market circles, however, that the timing of the announcement is not quite appropriate though it is difficult to see how fresh borrowing at this stage can be avoided if the target for 1974-75 has to be completed. The Reserve Bank however, could have fixed a notified amount of Rs 125 crores and attempted to raise the balance through tap sales with re-issues of the latest loans. The monetary authorities probably have to take up large parcels on their own account in order to avoid undue pressure on the banking system and effect subsequent sales of these loans to banks and others when additional resources become available. The Reserve Bank, however, has thought it desirable to raise a large chunk now and effect tap sales for comparatively small amounts in the coming months. The logic in this kind of reasoning, however, is not clear.

In July this year subscriptions for three loans aggregated to over Rs 438.35 crores against a notified amount of Rs 400 crores and all subscribers got full allotment because the government exercised its right to accept subscriptions up to 10 per cent in excess of the notified amount. Allowing for the redemption of 3¾ per cent loan 1974 outstanding to the extent of Rs 201.64 crores, the net amount borrowed was Rs 236.71 crores. The budget estimates for 1974-75 assume gross borrowing at Rs 700 crores and net borrowing at Rs 498.36 crores. As the amount mobilised in July was Rs 236.71 crores, the balance of Rs 261.65 crores has to be raised. Assuming that the lists for the latest loans will be over-subscribed and the government succeeds in securing Rs 192 crores, as it is likely, there will be a residual amount of Rs 69.65 crores still to be secured even for reaching the target, not to speak of exceeding it.

The government is obviously keen on exceeding the target even under difficult circumstances as otherwise it would not have attempted to fix a notified amount of Rs 175 crores on the present occasion. The scope for borrowing is being sought to be enlarged by prescribing new norms for the Life Insurance Corporation and provident funds in regard to the disposition of their resources. The scheduled commercial banks also will be investing 33 per cent of fresh additions to deposits in the next four months which may be of the order of Rs 300 crores. It is, therefore, likely that the net borrowing for the whole year will be around Rs 525 crores, mainly due to privileged borrowing regardless of the difficulties of other borrowers even after enabling the state governments and public bodies to mobilise record amounts.

The effect of the latest developments will be to pre-empt the resources that will be released by the reduction in the cash reserve ratio to four per cent from five per cent in two stages during the next month. It may, of course, be argued that there will be no increase in the liquidity ratio as such, as happened earlier this year, when the cash reserve ratio was reduced by two per cent to five per cent and that there will only be an impounding of resourees on a more remunerative basis for a short period. Any bulge in the liquidity ratio temporarily can of course be corrected by fresh deposits accruing with the banks.

The diversion of Rs 192 crores from the organised money market will, however, create greater stringency and the lending institutions will have to be helped with liberal discretionary accommodation. The bankers may of course feel sore that they will be obliged to bear heavier interest charges because the discounting of bills will have to be done at interest rates ranging above 10 per cent where the allotted quotas have been fully utilised by individual banks. Since there will also be an increase in procurement credit with the use of funds owned by banks some method will have to be found by which banks will not be unnecessarily penalised if there is an increase in procurement credit and a slow growth in deposits.

The distortions arising out of large-scale borrowing by the government and fast expansion of procurement credit up to Rs 450 crores when only 50 per cent refinance will be available above Rs 300 crores, will have to be smoothed out and undue increases in short-term rates prevented.

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Textile Exports • Wheat Procurement Prices • Industrial Policy

ALTHOUGH VALUE-WISE exports of cotton textiles and other piecegoods, including yarn, during the first six months of the current financial year at Rs 134.67 crores were higher by nearly Rs 36 crores than these exports during the corresponding period last year, the exports during the whole of the current year, both value-wise and quantity-wise, are not likely to match last year's performance. Quantity-wise, exports during the nine months to September aggregated to only 349.68 million sq. metres of piecegoods and 7.64 million kgs of yarn, as against 630.98 million sq. metres of piecegood and 11.93 million kgs of yarn in the 12 months of 1973. The total value of piecegoods exports during 1973-74 was Rs 237.82 million. The most disconcerting fact about these exports, however, is that in the recent months, there has been an extensive cancellation of pending contracts and also a considerable recession in further contracting.

radical change

The official sources attribute this phenomenon to the radical change that has taken place in the international prices of cotton goods. It is pointed out that last year's spurt in exports was caused by the extensive damage to the US cotton crop in late 1972, which resulted in the international prices shooting up in 1973. This tilted the situation in our favour and was the primary reason for our being able to export in 1973 630.98 million sq. metres of piecegoods and 11.93 million kgs. of yarn, as against 430.56 million sq. metres of piecegoods and 22.23 million kgs of yarn in 1972. In 1971, we exported cotton piecegoods to the extent of 389.24 million square metres and yarn to the order of 12.40 million kgs. Value-wise, calendar year export figures are not immediately available. But the 1973-74 exports of piecegoods and yarn registered a sharp increase to Rs 237.82 crores from Rs 158.34 crores in 1972-73. In 1971-72, these exports aggregated to Rs 115.14 crores. This year the United States has had a record cotton crop which has caused a significant reduction in the international prices. Currently, the prices of Indian textiles are estimated to be 30 to 40 per cent more than the international prices. The cancellation of the pending orders as well the recession in further contracting has its genesis in this fact.

consumer resistance

Simultaneously, consumer resistance within the country has led to a fall in demand for cotton textiles and the manufacturers have been obliged to reduce their ex-mill rates by anything upto 25 per cent in the recent past. While the government has welcomed decline in the domestic prices, it, indeed, is deeply concerned about the fall in exports. It is understood to have worked out a scheme to step up exports. The scheme has two components. First, it has been decided that a set-off of one square metre in the controlled cloth obligation should be allowed against export of Rs 5 worth of cotton textiles or Rs 7.50 worth of garments. The controlled cloth obligation has been fixed, with effect from October 1, at 30 per cent of the total turnover of mills. The set-off in the controlled cloth obligation for exports is expected to provide an indirect incentive to exporting mills as well as merchant exporters.

The second component of the government's programme to step up cotton goods exports is the import of 100,000 bales of medium staple cotton. The distribution of this cotton is expected to take place shortly through the Cotton Corporation of India. To enable the Indian mills to compete with foreign suppliers in the international market, the union ministry of Commerce is understood to have approached the union ministry of Finance for reduction in the import duty on this type of cotton. The proposal to reduce the import duty has also been made due to the fact that as a result of the decline in cotton imports, the Indian Cotton Mills Federation has had to withdraw, with effect from October 1, its cash assistance for exports of textiles.

exports to Soviet Union

Since the combined scheme of controlled cloth production and exports does not cover handloom, powerloom cotton textiles and cotton hosiery, ways and means are being found out to revive the ICMF's cash assistance scheme for promoting exports of these items. Efforts, are also being made to step up exports to the Soviet Union.

Along with the decline in exports of cotton goods, exports of art silk textiles and woollen goods have shown recessionary trends in the recent past, particularly since July. The fall in exports of art silk textiles since July has nearly eroded the gains which had been registered during the earlier three months. During the seven months to October, exports of art silk textiles aggregated to Rs 14.8 crores. Exports to the extent of Rs 6.9 crores had been effected in the three months to June. The figures for the corresponding periods last year were Rs 13.9 crores and Rs 3.5 crores, respectively. In July and August, these exports aggregated to only Rs 1.6 crores per month, as against Rs 1.9 crores in July last year and Rs 2.6 crores in August last year. In September this year, we exported art silk textiles to the extent of only Rs 2.9 crores, as against Rs 3.1 crores in this month last year. In October, the decline was even more pronounced and we could send out art silk fabrics to earn only Rs 1.8 crores, as against Rs 2.8 crores in October 1973.

The decline in exports of art silk textiles is attributed to three reasons: (1) stoppage of cash assistance on exports of these fabrics with effect from April 1; (ii) high prices of staple fibre spun yarn/nylon yarn till September; and (iii) the absence of a voluntary agreement between spinnners and weavers of viscose filament yarn after December 31 last year.

There has been a sharp fall in the prices of all types of art silk yarn since October. The Silk and Rayon Textile Export Promotion Council has formulated a scheme for the creation of a fund on the lines of the ICMF's export promotion fund for giving assistance for exports of art silk fabrics on a selective basis. The scheme is understood to be awaiting clearance by the union ministry of Finance on the issue of exemption of this fund from income-tax.

As regards exports of woollen textiles, although there has been a slight fall, yet the Wool and Woollen Export Promotion Council feels that the current financial year's target would be achieved.

Meanwhile, the union minister for Commerce, Prof. D.P. Chattopadhyaya, has virtually ruled out large-scale purchases of cotton by the Cotton Corporation of India with a view to stabilising prices which have shown a marked decline in the last two weeks. Prof. Chattopadhyaya maintained in the Rajya Sabha this week that the situation was not so alarming as made out by some members of the House. He pointed out that the ruling prices of cotton were still higher compared to the prices a few months ago and much above the fair prices suggested by the Agricultural Prices Commission. The Cotton Corporation of India, he added, could not go in for large-scale purchases owing to the current credit squeeze. He, however, agreed that the role of speculators, who gained by price fluctuations, needed to be curbed. Prof. Chattopadhyaya indicated that the government was trying to evolve a formula to narrow the gap between the prices at the levels of growers and manufacturers.

* *

In spite of the fact that the minister of state for Agriculture, Mr A.P. Shinde, indicated in the Rajya Sabha this week that the increase in input costs, particularly on fertiliser count, would be taken into consideration while fixing the procurement prices of wheat during the next rabi season and efforts would be made to compensate the farmers to the extent possible for higher costs, inquiries reveal that the issue is still wide open in view of the imperative of containing the price spiral. In an interview over All India Radio, the minister for Agriculture and Irrigation, Mr Jagjivan Ram, preferred not to throw light on his thinking on the subject and remained content with saying that procurement prices had to be fixed taking into consideration both the interests of producers and consumers.

There is no denying the fact that the costs of agricultural inputs have gone up significantly in the recent past, following the stepping up of the prices of naphtha as well as diesel oil, although the price for fertilizer manufacture has been brought down somewhat from the level to which it had been raised following the upswing in the prices of crude oil last year. The irrigation water rates too have been put up in some states. Further, the general inflationery tendencies in the economy have provided a handle to the farm lobby to clamour for higher support as well as procurement prices of foodgrains. Perhaps, a via media can be struck in the form of scaling down excise duty on fertilisers, notwithstanding the fact that there is need to mobilise more resources from the agricultural sector for development programmes. Even though the scaling down of excise duty would entail some loss of revenue to the central exchequer, the relief provided to the agricultural sector in this indirect way should have a salutary effect on farm production as well as on the prices front.

fertiliser demand

Mr Shinde disputed the contention of some members in the Rajya Sabha that there had been a decline in the consumption of fertilisers because of high prices. He admitted that there had been some fall in demand between June and August this year, but he attributed this to such factors as natural calamities, non-availability of adequate credit, changes in the internal distribution system in some states, etc. The increases in the prices of fertilizers, he thought, was not the only factor contributing to the decline in the consumption of fertilisers during the above three months period. The latest reports, he hastened to add, suggested that the demand had revived in most states and the offtake had gone up. The minister of state also revealed that the Reserve Bank of India had agreed to revise its credit policy with a view to helping farmers to buy fertilisers.

Mr Shinde also disputed that there had been large-scale accumulation of stocks with fertilisers factories. He asserted that stocks had gone up only with the three factories at Baroda, Cochin and Rourkela—at Baroda due to drought conditions in Gujarat; at Cochin owing to labour strike and at Rourkela as a result of production exceeding estimate. There was also the problem of moving stocks by railways. To ease the situation at Baroda, the minister disclosed that steps had already been taken to divert allocation from Gujarat to other states. The labour dispute at Cochin had been resolved. Additional allocations had been made from Rourkela to such states as Andhra Pradesh.

A study is understood to be being conducted by the Fertiliser Association of India to realistically assess demand so that the expansion programmes of the industry can be revised, if necessary. It is expected to be completed shortly.

* *

The announcement by the union minister for Industry and Civil Supplies, Mr T. A. Pai, at a seminar here last week-end on engineering design and development of cement plants—which was organised by the Cement Research Institute of India—that the industrial policy would be revised soon to widen the concept of core industry to include several other industries would be widely endorsed for it should have a salutary effect on the future price trends. A new category of "essential industries" like textiles, sugar and drugs is being added to the core sector list of industries. It is proposed to meet the credit, raw materials and other inputs of these industries on a priority basis. It is, however, yet to be seen whether the large industrial houses would be allowed to expand their operations in the "essential industries sector", as is the case with the other core industries. Heightened significance is also being attached to the development of agro-industries and the units producing industrial raw materials and intermediates.

Mr Pai as well announced two significant concessions for the cement industry with a view to expeditiously augmenting both production and capacity. Balancing equipment will be allowed to be installed by cement manufacturing units to raise production beyond their licensed capacity upto "110 per cent or even more". The price of cement would be adjusted from time to time to provide for a fair return on investment.

A special cell, Mr Pai disclosed, had been created in his ministry to sort out the problems of coal and wagons for the benefit of priority industries, including the cement industry. He, however, reiterated the decision of the government that the existing foreign collaborations in the cement industry would not be permitted beyond 1976.

Green revolution: progress and prospects

Dr B. R. K. Rau

IN 1964-65 the government of India formulated a "new agricultural strategy" to secure a leap forward in agricultural production. This strategy is meant to bring about a revolutionary change in agriculture by raising farm output through the use of high yielding varieties (HYV) of seeds, chemical fertilizers, pesticides, implements, machinery, multiple cropping technique, irrigation facilities (water), agricultural credit and remunerative prices for agricultural output. According to the International Rice Research Institute the initial thrust of the new technology has been far more rapid than any historical experience could suggest. Many belts of land have exhibited a higher level of adoption of the new strategy than the most optimatic predictions.

intensive farming

This strategy was first mooted as the Intensive Agricultural District Programme or Package Programme in three districts in 1960-61 and was extended to 13 districts subsequently. In 1964-65 its modified farm, the Intensive Agricultural Area Programme was extended to several parts of the country. These programmes concentrated upon intensifying agriculture but the existing crop varieties used at that time gave low response to fertilizer inputs. Then came a major change with the introduction of high yielding varieties. As early as in 1960 hybrid varieties of maize and millets were introduced. Hybridisation became a general practice by 1963 and the Mexican dwarf variety of wheat was selectively used in 1963-64. The year 1965 saw the application of TN-1 variety of paddy seeds. From 1966 kharif onwards large areas made full use of high yielding varieties.

The high yielding variety programme is "one of the greatest feats of biological engineering" according to A. S. Kahlon. At present, wheat, Bajra, maize, jowar and rice are included in it. Table I show the progress of HYV programme in hectares.

By the end of the fourth Plan (1973-74) the programme fixed a target of 25 million hectares for the application of HYV seeds. Wheat production had shown spectacular results in Punjab, Haryana and parts of Utttar Pradesh rising from 12.3 million tons in 1964-65 to 26 million in 1970-71. As one of the most important factors for the success of this technique is water, and as water management created a serious problem the kharif rice did not show any spectacular result. This is an important point to be noted in connection with the possibility of success of the green revolution at present in India. But the rice programme in 1969-70 covered 4.34 million hectares as against a target of 3.24 million hectares and in 1970-71 it was expected to have covered 5.50 million hectares as against a target of 4.45 million hectares. For 1973-74 the HYV rice programme was fixed at 10 million hectares. Even then it does not constitute more than 15 per cent of the entire rice crop area of south and south-east Asia. This shows the limitations of the success of HYV rice programme due to lack of irrigation facilities. Table II shows signs of encouragement from the production of HYV programmes.

It should not be forgotten that the period 1971-73 has witnessed a troublesome food situation. The drought and floods occurring in the period 1971-74 were by no means favourable for the fulfilment of such expectations. Water is the only factor that is capable of converting the potential energies of different inputs into kinetic energy. When water availability is favourable the role of other inputs needs to be studied.

Fertiliser consumption has been increasing from 1965-66 to make the HYV seeds give the desired results. The report of the Rockefeller Foundation stated that the jump in fertiliser usage in India in recent years has been one of the biggest and fastest known anywhere in the world. Table III gives a picture of the increases.

Rural Compost; green manuring and urban compost; and sullage utilisation schemes are brought into operation for utilising the local resources of organic manure. But there has not been much success in this direction as the practice of burning dung cakes could not be stopped and farmers could not be persuaded to use green leaves and sullage to the possible extent.

The combination of high yielding variety of seeds and chemical fertilisers has made it imperative to use improved varieties of implements, tools and machinery. The number of tractors increased from 51,000 in 1966 to 91,000 in 1968-69. It was planned to have an annual production of 20,000 tractors by 1970-71 and 50,000 tractors by 1973-74. Even then the intensive and extensive cultivation operations demanded by the growing food needs of increasing population cannot be satisfied. Also the problem of the small farmers cannot be satisfactorily solved in this regard because they have no finance to purchase highly priced tractors.

TABLE I

Progress of HYV Programme in Hectares

Year	Million hectares	Total increase in million hectares	Increase in million hectares		
			Wheat	Rice	Bajra
1967-68	6.04				
1968-69	9.20				
1969-70	11.41				
1970-71	14.61	3.20	1.85	0.89	0.03

Farm productivity increased significantly with the use of HYV seeds and fertilisers wherever water was available for irrigating the lands. Water availability showed the possibilities of the green revolution. While 412,922 wells and pumps were energised in 1965, the number went up to 16,29,000 in 1971 and was expected to have gone up to 23,37,000 in 1973-74. But there are millions of hectares in the country which have not got the facility of irrigation from either rivers or canals or tanks or wells, or sufficient rainfall even for dry farming. This imposes a severe limitation on the expansion of the green revolution to all parts of the country. It should be remembered that the monsoons waver frequently and there is no guarantee that there will be rain every year in every part of the country. In the absence of a river grid and a power grid there is no assured irrigation facility available for most parts of the land and this is a severe limitation on the progress of the green revolution.

multiple cropping

The new multiple cropping scheme was introduced in 1967-68. It meant the rotation of short duration crop seeds so that as many varieties of crops may be raised as possible during the period of one year. HYV seeds of paddy, maize, jowar, bajra, barley, ragi, oilseeds, potato and vegetable seeds were brought into action. The multiple cropping area increased from three million hectares in 1967-68 to six million hectares in 1968-69 and was expected to reach nine million hectares by 1973-74. But the non-availability of quality seeds in sufficient quantities and the negligence and malpractices of the concerned government officials has not allowed the programme to obtain optimum success.

Plant protection practice is a very important part of the new agricultural strategy. The HYV plants are more susceptible to diseases and pests. The application of insecticides and pesticides is therefore an integral part of the new agricultural technology. The National Council of Applied Economic Research has estimated that 25 per cent of the total crop is ruined at the growth and post-harvest stages by plant diseases, insects or rodent pests. It is possible to prevent this loss up to 15 per cent at the growth stage and up to 10 per cent at the post-harvest stage by the application of insecticides and pesticides. This method can save the agricultural output from a loss of Rs 1500 crores per annum. In this process of saving agricultural output from damage, 14600 tonnes of technical materials were used in 1960-61. While this had increased to 25800 in 1965-66, it was expected to have gone up to 66000 tonnes in 1973-74. While this programme had covered an area of 6.4 million hectares in 1965-66, it increased to 43.20 million hectares in 1970-71 and was expected to have gone up to 80 million hectares by the end of the fourth five-year Plan.

The government of India adopted the policy of giving support prices to foodgrains. In pursuance of this policy the Agricultural Prices Commission and the Food Corporation of India were set up. They were entrusted with the duty of fixing prices for foodgrains and buying foodgrains from the market to maintain buffer stocks and give a guarantee to provide remunerative prices to the farmers. This policy came into operation from 1967-68. Unless support prices are given, farmers do not come forward to incur bigger investments for increased inputs that lead to increased output.

It is the farmer that has to implement this new agricultural strategy. He can do it only when he has the know-how. He should be theoretically equipped for and trained in its practice. In 1966-67 a pilot scheme of farmer's education and training was started in five districts. By 1968-69 the education and training programme spread to 27 centres. To train the farmers during the fourth Plan period 100 districts were selected for demonstrating the implementation of HYV programme at the rate of 15 centres for each district. A sum of Rs 2.45 crores was allocated to implement this programme. It was contemplated to disseminate agricultural information through audio-visual devices and farmers' discussion groups and rural forums of the cultivators.

There are differences of opinion on the achievements of the green revolution. According to Dr M. S. Swaminathan "the Green Revolution in our country at long last ended the divorce between the intellectual and labour in the cultivation of food crops and has generated a climate of confidence in our agricultural capabilities." Prof. M. L. Dantwala has expressed the feeling that the green revolution has solved the food problem, removed our dependence on food imports considerably, brought higher incomes to many farmers and has given fillip to general economic development through its forward and backward linkages. Nevertheless, quite a few competent observers have been critical of the

TABLE II

Increase in Production Due to HVV Programme

Year	Foodgrains production (in million tonnes)	Index of production	Remarks
1965-66	72.0	121.3	
1970-71	107.82	182.7	
1973-74 (End of fourth Plan)	122 to 125 (Expectation only)		61.4 (Good) Spectacular if happens but not sure

TABLE III

Increase in Fertilizer Use in 1970-71

Fertiliser	Pre 1970-71 position	1970-71 ending position
Nitrogenous (N)	0.49 million tonnes	1.49 million tonnes
Phosphatic (P_2O_5)	0.14 million tonnes	0.46 million tonnes
Potassic (K_2O)	71 thousand tonnes	2300 thousand tonnes

results of as well as the claims made for the green revolution.

For instance, progress has been slow in the identification, and evolution of improved varieties of paddy and their introduction on a commercial scale. Again, although varieties such as TN-1, T-65, T-3, ADT-27 and IR-8 have been extensively demonstrated, scarcity of irrigation facilities has come in the way of expansion of area under these HYV seeds. As the intensity of irrigation has declined, the per acre yield also has declined. In Uttar Pradesh, Rajasthan, Orissa, Maharastra, Madhya Pradesh and Gujarat rice is cultivated in less than 25 per cent of the irrigated area. In such areas even the average yields are low.

The New Agricultural Strategy (HYV) has not spread to all the states in a uniform way. States having irrigation facilities only could successfully adopt the HYV programme. Punjab, parts of Haryana, Andhra Pradesh, Gujarat, Tamil Nadu, Uttar Pradesh and Bihar could adopt the New Agricultural Technology but that too only in limited pockets. But Punjab showed tremendous success in agriculture. Some islands of prosperity in a sea of rural poverty are created leading to accentuated regional imbalances even within individual states. But this should not stand in the way of further efforts for making the green revolution a success in India.

rich farmers benefited

The green revolution, to the extent that it has taken place, has presently benefited the rich farmers thus accentuating economic inequalities in rural areas. But it is no fault of the green revolution but that of the existing economic set up. Rich farmers having fertile lands, irrigation facilities and capital could afford to buy new seeds, pesticides, chemical fertilizers, etc., and take advantage of the New Agricultural Strategy. But poor peasants having no such facilities have failed in benefiting from the HYV programme. If all the necessary inputs are supplied to the poor peasants it is likely that the performance of their lands will be better than those of rich farmers because a poor farmer gives undivided attention to his farming.

The green revolution has created an imbalance between food crops and commercialcrops by largely ignoring millets, pulses, sugarcane, cotton, groundnut and jute. It has only touched their fringes. The increase in the production of these crops is only due to an increase in their area of cultivation. The index of production for each crop showed an increase of 0.5 per cent in 1970-71 over that of 1964-65. This is evidently due to the cash crops losing some area, both absolutely and relatively, to foodgrains cultivation. After 1964-65 the area under cotton cultivation began to decline and reached 750,000 hectares by 1970-71. On account of a diversion of 4.5 million hectares from pulses to cereals an imbalance was created between the production of cereals and pulses.

demand for labour

The programme consisting of the use of improved seeds (short duration seeds, HYV seeds), fertilizers, new production techniques and multiple cropping has intensified agricultural operations. This has increased the demand for labour. Thus agricultural wages rose by 150 per cent during the peak agricultural season in Punjab and Haryana that have made a name in green revolution. Some places experienced acute shortage of labour creating an atmosphere for higher wage demand leading to class conflict between farmers and agricultural labourers. This does not augur well for the country. The problem must immediately be solved by the government.

The fourth Plan mid-term appraisal has pointed out the defective organization of HYV programme in the following words: "The creation and utilisation of irrigation potential (major and medium schemes) and the growth of fertiliser consumption are behind schedule . . . .There is evidence of a trend towards growing under-utilisation of pumpsets. Flood control measures have been shown to be inadequate. The programme of creating storage capacity has been behind schedule. Progress in the regulation of markets and development of marketing yards and ancillary facilities has been slow. Prices of many of the cash crops such as cotton, oilseeds, jute and plantations remain subject to wide seasonal and other fluctuations. The progress of agricultural research and extension has been inadequate. Often serious organizational, staffing and operational difficulties have been encountered. Normal extension activities, particularly field demonstrations, have seldom been vigorous enough. The development programmes for the benefit of the small and marginal farmers and the agricultural workers have hardly got off the ground." The officials of the agricultural department are not as much helpful to the peasants as is required. Doses of expertise coupled with patriotism should be injected into this department.

Till now the new agricultural strategy is used in wet farming only. It is necessary to immediately apply it to dry farming also so that food production may increase. There are techniques for better moisture consumption, root growth and utilisation of nutrient and these must be utilised immediately. According to A.S. Kahlon "dry farming research has shown that it is possible to obtain four to six quintals of moong per hectare and 30 quintals of jowar per hectare from the same land by following multiple cropping under dry land farming .....that the dry land crop cafeteria, comprising cereals, grain legumes, oilseeds and forage grasses has a great promise in the dry farming areas.....The dry land cafeteria at the Indian Agricultural Research Institute (IARI) showed that in the Kharif season, castor gave the highest return of Rs 2,250 per hectare. Arhar came a second with a net profit of Rs 2,245. In the rabi season, the highest net income of Rs 2,406 per hectare was earned by sarson. Research should be intensified to develop suitable technology for innoculation of groundnut with Rhizobium under dryland farming conditions and particularly refinement of water harvesting technique should receive high priority".

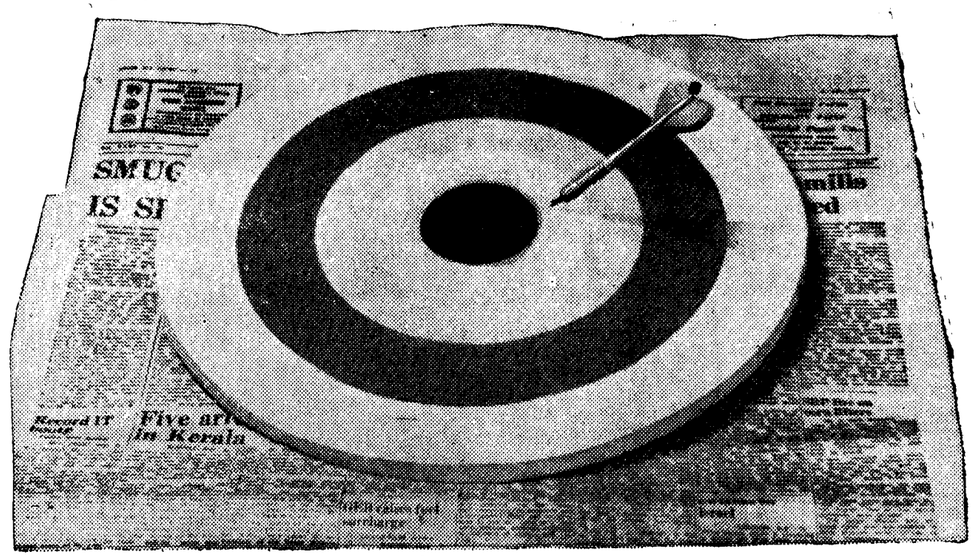
imperative incentives

Incentives are necessary to enthuse the farmers to take more interest in the adoption of HYV programmes. Cultivators should feel confident that their hold on land is stable. Security of ternure and conversion of tenants into owners can induce the farmers to intensify their efforts for adopting the new agricultural strategy.

According to A.S. Kahlon: "In a stagnant agriculture, by itself, agrarian reform.....cannot solve either the problem of poverty or over-population (unemployment). However, once some such innovation as a 'miracle seed' shatters the technological barrier to rewarding human endeavour, economic and institutional policies aquire a grave responsibility of ensuring that the gains of technology are not monopolised by the privileged and the powerful".

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Here and there in western Europe--II

V. Balasubramanian

Food meet in Rome • Kissinger's kites • Butz lays down the law • From Russia with love • Chinese red herring • The Mexican connection • Oiling the talks • Jagjivan Ram proposes • Boerma disposes • Salvaging a Roman ruin

ALL ROADS might have led to Rome on or on the eve of November 5 when the World Food Conference began its session, which was to end twelve days later, but it was clear enough from the start that the delegations, which had gone there at the invitation of the United Nations, did not mean to travel in the same direction. This was because, whatever the good, bad or indifferent intentions of the various participants might have been, the world's food problem had never been one which could have been settled in straight and simple humanitarian terms. Food, whether nationally or internationally, has always been and will always be part politics, part business, and only part sentiment.

The conference was held in the richly marbled Congress Palace, which the Italian government had placed at the disposal of the FAO for the occasion. This venue was chosen partly for its commodiousness but essentially because of security considerations. It was easier for the Italian government to provide police *bandobust* on this location than on the premises of the FAO assuming that Dr Addeke Boerma had at all been keen on playing host to this numerous gathering within the relatively confined and crowded precincts of his organization.

The security aspect was rather important. Although the fact that the Palestine Liberation Organization had been officially recognized and duly represented at the conference at the instance of the United Nations might have been held to have reduced the hazards, there were other risks which were not to be ignored. For instance, Dr Kissinger, the US secretary of state, who was in Rome to address the conference on the inaugural day, is certainly not the most popular international political personality among Italian people of a certain political complexion. I am not suggesting that his life was necessarily in danger during his visit to Rome on this occasion but, given the political tensions of the present-day world, neither the FAO nor the Italian government could have taken risks. I must however add that, after the first day of the conference with Dr Kissinger having safely gone away, everybody, and everything including security, seemed to relax and start enjoying the fun. It was not easy to remain serious, let alone tense, once 1,200 delegates from more than 130 countries had settled down to a near-fortnight of endless oratory at the plenary or laborious argumentation in committees.

* *

This conference, in a sense, was a Kissinger initiative since it was he who, about a year ago, first made the noises which led to the United Nations taking up the project. The US secretary of state probably hoped to be the hero as well of the Rome conference. It is no secret, for instance, that, while he was in New Delhi, which he visited a few days before he went to Rome, he was indicating in private talks that he was not going to the conference empty-handed. When the historic moment arrived, however, what came out of his brief-case was only a few paper kites. Dr Kissinger no doubt manoeuvred them into the skies with his usual adroitness but, when he sat down, the assembled plenary could not but note that the US secretary of state had let go the strings along with the kites. These dummy birds, fluttering and forlorn, remained an irritating incident for the rest of the session.

a grand design

All this was in spite of the fact that the Kissinger presentation, purely as a thesis, did possess substance as well as style. He, in fact, spoke of a grand design for an international grain reserve which would protect the vulnerable areas of the world against famine by providing for the distribution of food according to need. Discussing the main implications of this concept he emphasized that it would be necessary for developed countries as well as developing countries to increase food production, pool information on harvest prospects and stocks and share responsibility for storing and distributing stockpiled grain. He also indicated that aid in the form of money for the poor and food-needy countries would have to be an integral part of the plan since money would be needed both for financing food distribution on non-commercial terms and for supplementing the resources which the developing countries might be able to devote to programmes for increasing the production of food.

The problem with his speech however was that, while it was replete with respectability, it was sadly lacking in credibility. Dr Kissinger simply forgot to say what his own government might be willing to contribute in kind or cash towards the launching of his world food plan. Worse still, at more than one point of his speech he came near to suggesting that the US contribution could, in the main, be only in the form of ideas. Indeed one British journalist was promptly provoked to brand Dr Kissinger's address as a matter of the United States telling the rest of the world, "we play, you pay." Perhaps this summary denunciation was uncharitable, but it was clear enough from Dr Kissinger's speech that he expected the wherewithal for the world food plan to be contributed very considerably by other countries, notably those of the OPEC. It is true that the notion, or perhaps the demand, that the countries which have suddenly acquired enormous wealth through sharp increases in the price of crude, should contribute liberally to the cost of development assistance, particularly in terms of food aid or finance for agricultural expansion, is one which is widely prevalent and not confined to Dr Kissinger or the United States. Nevertheless, what seemed to rob his so-called keynote address of any right to that title or indeed relevance to the occasion was that he was so conspicuously unable to undertake on behalf of his government or his country any worthwhile commitment to action which could have lent reality to his own concept of what the Rome conference was meant to accomplish.

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It was not long before almost everybody became aware of the fact that the US secretary of state had been sent shopping without a credit card. Even during the first short week of the conference it became painfully obvious that the US delegation had no brief or authority to make itself responsible for any meaningful initiative whether with regard to the relatively long-term issue of world food security or to the short-term aspect of the problem which was the mobilization of grain supplies internationally for the relief of the large number of people currently suffering starvation or threatened by mass famine deaths in various parts of the world, notably Bangladesh.

Worse still, the US secretary for Agriculture, Mr Earl Butz, who was the official leader of the US delegation, revealed on the second day of the conference that he was there essentially to emphasize the importance of the American farmer being assured of attractive prices, profitability and markets both at home and abroad so that he could maintain a high and growing level of food production and thus make a real and permanent contribution to the relief of the world food shortage. Even though only a day earlier the US secretary of state had been speaking in terms of a coordinating group negotiating a detailed agreement on an international system of nationally held grain reserves and had gone so far as to mention a figure of 60 million tonnes above the present carryover stocks as the target for the building up of this reserve over a period of ten years, Mr Butz himself stated very firmly that, in his view, the United States could best serve the purpose of a fair global distribution of grain by strengthening the incentives for its farmers and regulating its exports of grain in accordance with the prevailing circumstances.

dispelling an illusion

Again, on the question of an on-the-spot large-scale food aid programme for scarcity areas, Mr Butz dispelled the notion that the United States might be making a dramatic offer to the conference to provide any large quantities of grain over and above what it had already committed itself to do. He moreover created a strong impression that, so far as the immediate future was concerned, his primary aim as the US secretary of Agriculture would be to maximize commercial sales of US grain abroad and thus secure as much revenue as possible from this source for his country and its farmers. Probably because last year the Soviet Union had managed to buy large quantities of grain in the United States at a very early stage of a rising market, the primary concern of Mr Butz currently is to make sure that his country and his government are not caught napping again. Consequently, in his calculations, what should have been the main purposes of the conference, viz, emergency food relief and long-term food security, were firmly put down as being incidental to the improvement of the world food situation, in the short term as well as the long, through raising food production levels, particularly in grain exporting countries such as the United States, through incentives to farmers in terms of prices and exports.

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The net effect of the quality of American participation in the discussions in Rome, consequently, was to deny to this conference leadership from a source which could legitimately have been expected to provide it. This made it only too easy for the Soviet Union and China, which seemed to have gone to Rome without any particular enthusiasm for the conference or its purpose, to contribute more than their fair share in ensuring that the whole affair drifted and decayed. The leader of the Russian delegation, Mr M. Rodionov, vice-minister for Foreign Affairs, seemed indeed in no hurry to intervene. He in fact addressed the plenary only on the third day of the conference and the only merit of his speech was that it was short, lasting for about twelve minutes. Even so, he devoted more time to describing the progress of Soviet agricultural development and detailing the food or farming assistance which that country had already extended to various developing nations than to taking a positive stand on behalf of his government on any of the substantive issues before the conference. Moreover, declaring melodramatically that the world could support ten times its present population by increasing farm productivity, he seemed to go out of his way to dilute the sense of urgency so essential to any progress the conference could have hoped to make.

China may have its differences with the Soviet Union but its vice-minister for Agriculture and Forestry, Mr Hao, who had spoken earlier at the plenary, had revealed already that, where the world's food problem was concerned, it too was very much in favour of not merely playing it cool but playing it down. Warning developing countries of the dangers of neo-colonialism in western proposals for dealing with the requirements of food-needy nations, Mr Hao exhorted them to draw inspiration from the example of China which, he claimed, had become self-sufficient in food. It was contended later on at a press briefing by the deputy leader of the US delegation that the Chinese claim to food self-sufficiency was not justified and that China had in fact been importing grain in recent years on a scale higher than that on which India's imports had been running.

Apart from polemics the Russian and Chinese delegations seemed to have coordinated their efforts wonderfully to ensure that the vacuum created by the American failure to measure up to the occasion remained unfilled. To change the imagery, if the US delegation broke the back of the Rome conference, the Soviet and Chinese delegations brought about the subsequent splintering of its limbs.

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It was of course not to be expected that the developing countries would or could play a decisive part in engineering the course or forcing the pace of the conference. Those among them which were urgently in need of food or farming aid were obviously not in a very strong negotiating position, while the rest probably felt that there was no call on them to stick their necks out. Consequently, while there was a tremendous amount of attitudinizing and lecturing on the part of the delegations of many of the countries o

WINDOW ON THE WORLD

the so-called third world, there was at no time a sufficiently motivated or organized effort from this group as a whole to essay the practical and thus secure concrete benefits from this conference. The president of Mexico, who authored one of the major speeches delivered at the plenary, for instance, demanded of the developed countries that they should reduce their expenditure on armaments and divert the savings to the feeding of hungry mouths around the world. This was no doubt an ennobling prescription but it could certainly not be claimed for President Echeverriya that he was letting himself be guided by the wise old dictum that statesmanship was the art of the possible. He also declared rather airily that if the developed world were to fail to do its duty by the hungry of the earth, the petroleum exporting countries were waiting in the wings to give of their new-found affluence and thus rush to the rescue of the food-needy parts of the developing world.

Not surprisingly, however, neither before the speech of the Mexican president nor after it was there any move on the part of the OPEC group to make any such zealous response to the need of the food-deficit countries. As a matter of fact, the OPEC group seemed to have elected to adopt, if not a policy of masterly inactivity, at least an attitude of semi-detachment. This is not to suggest that they were callous. This they were not. On the contrary, it was firmly stated on behalf of the Nigerian delegation, for example, that the oil-rich countries certainly had to accept certain responsibilities in the context of the world food shortage. Nevertheless, for the OPEC group as a whole, what seemed most important in Rome was that it should defend itself against being blamed for the increase in world fertilizer prices and the acute balance of payments difficulties of several food-needy countries which had come in the wake of the boost in the price of crude. One OPEC spokesman after another chose to utilize conference time to argue that it was not the price of crude but the inflationary policies of the industrialized countries which were the real and root cause of the economic difficulties of the developing world.

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As for the Indian delegation to the Rome conference, the handicaps were as serious as the opportunities were tempting. During the brief period he was Food and Agriculture minister *ad hoc* Mr C. Subramaniam was known to have laboured earnestly to work out an Indian strategy for the Rome conference. As it happened, he did not go to Rome, having become Finance minister meanwhile and it fell to Mr Jagjivan Ram, to carry out the assignment. This ensured a continuity of competence in the matter of the Indian participation. All the same Mr Jagjivan Ram had to function under certain constraints imposed on the Indian delegation by the general policy of the government of India in the matter of food.

First, there is the political commitment of Mrs Gandhi's administration to the concept of early food self-sufficiency for India. Once it is decided that it is necessary to go on proclaiming from time to time that India would soon be in a position to feed itself without much help from the outside world, it becomes rather difficult to play the part of a concerned advocate of a system of world food security. Again, it has been the Indian government's policy to play it cool so far as the country's food shortage is concerned, even if this means playing down the difficulties of the hungry people in the scarcity areas of West Bengal, Assam or Orissa.

Indian inhibitions

This being the case the Indian delegation and its leader were considerably inhibited in dramatizing the importance or immediacy of a massive international food aid operation for saving threatened lives in the next twelve months or beyond. In other words, because the government of India has not been honest enough to admit to itself or to the rest of the world that the Indian food economy is currently passing through a critical phase or that it is likely to remain in chronic deficit for the foreseeable future, Mr Jagjivan Ram and his delegation were not in a particularly strong position to joust powerfully either for an immediate large-scale food aid programme or a long-term plan for world food security. If nevertheless he did advance the most significant proposal made at Rome which was for a high level political policy-making international agency for setting up and operating a world food security scheme, he probably did so basically as an act of faith in the essential goodness of human nature.

In the speeeh he made at the plenary session on the second day of the conference Mr Jagjivan Ram proposed that the conference should vote in favour of the establishment of a world food security council on the lines of UN security council to formulate at the highest political level policy decisions for organizing and operating through appropriate UN agencies a world food reserve which would make food available on concessional terms to needy countries for the purpose of anticipating and avoiding famines or starvation deaths. This concept, it may perhaps be mentioned, was not altogether original. On the eve of the conference "a group of eminent persons from 16 different countries" had been convened in Rome by Lady Barbara Ward Jackson, at the invitation of the secretary-general of the conference, to discuss various aspects of the world food problem and to obtain, if possible, an independent and expert view of some of the main issues involved. This group, calling itself "the Rome forum on world food problems", adopted a unanimous declaration which was circulated among the participants of the conference. This declaration had suggested that "possibly a food security council could provide this leadership, comparable in composition and responsibility to the United Nations Security Council and, like it, countering the risk of violent death engulfing the human family." A member of the Forum was Dr M.S. Swaminathan, Director-General of the Indian Council of Agricultural Research, who also attended the conference as a UN special invitee and it is possible that there was considerable Indian inspiration behind the idea of a food security council as initiated by the forum. In any case Mr Jagjivan Ram took the initiative in formally recommending this proposal to the conference.

The idea predictably secured the support of the developing countries by and large, with delegates from this category expressing their open acceptance and approval. Additionally there were encouraging indications that the OPEC countries might be expected to sympathize and support the scheme since a council of the kind proposed could be the means of providing for the oil-rich countries, which might be expected to contribute resources for the project, being effectively represented at the highest political policy-making level in framing and operating the scheme. A conspicuously enthusiatic advocate of the scheme was the secretary-general of the conference, Mr Sayed A. Marei, who gave the move the full backing of the secretariat of the conference.

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Ironically enough, the chief opponent of the proposal was none other than the director-general of the FAO himself. Dr Boerma campaigned relentlessly behind the scenes to organise opposition to the idea and he was able to rally in his support almost all the west European delegations. Their spokesmen, one after another, declared themselves to be against creating any new agency. They argued that the setting up of a new body would involve avoidable administrative elaboration and expense. It was contended that the Economic and Social Council could conceivably provide the necessary political will and that, if need be, the existing UN agencies relevant for the purpose

function more effectively for the implementation of a world food security programme. Dr Boerma's own feelings or reasons were not difficult to fathom. Perhaps naturally he did not relish the idea of the importance of the FAO being downgraded or diminished in any manner. He might well have told himself that he was not playing host to the conference so that it could liquidate the FAO as the premier Food and Agriculture agency of the United Nations.

Moreover, the fact that the world food security council scheme contemplated the functioning of the council through a number of executive agencies of which the FAO might be merely one did not help in enlisting Dr Boerma's enthusiasm for the plan. So unhelpful was he in this respect that at one stage his attitude seemed to have provoked the reaction that if the FAO was all that effective, as its secretary-general seemed to believe, there would not have been any need for the Rome conference being convened at all. In the result, however, Dr Boerma did manage to triumph, providing a classic example of how institutions tended to become vested interests. In fairness to him, however, it must be conceded that the scuttling of the concept of a world food security council was not entirely due to his lobbying, although it was intensive and effective, particularly among the west European countries. While this made him the nigger in the woodpile, it did not elevate him to the status of the villain of the piece. What clinched the issue was that neither the United States nor the Soviet Union was keen on the Indian proposal.

a commercial matter

As had been indicated earlier, for the United States, grain exports are essentially a matter of commercial policy. Washington is clearly not prepared to think in terms of handing over any part of its authority for regulating American grain exports to an international political body. Again the US secretary of Agriculture, Mr Earl Butz, was throughout emphatic on his government's opposition to and his government's rejection of the idea that it should participate in the building, financing and deployment of a grain reserve either at the national level or as a participant in an international arrangement. He repeatedly affirmed his and his government's view that American grain exports should remain a normal part of regular and normal operations and that American contribution to world food security could only be in the form of maintaining US grain production at a high level and regulating US food ments of food-needy countries.

The Soviet Union for its part made it plain too that it did not intend to participate in any world food reserve arrangement in view of its own settled policies and priorities relating to its national food policy. This policy aims at supplementing domestic food grain production by imports for the purpose of maintaning a national buffer stock against fluctuations in domestic output as well as for securing supplies of grain for use in building up Soviet herds of beef cattle. Some of its grain supplies could also be needed for meeting the deficits of its communist allies in central and eastern Europe or for catering for the needs of other friendly countries. Incidentally it must be borne in mind that the Soviet Union is not even a member of the FAO which makes it obvious that the Soviet food policy will have to cover much international ground before it reaches a state of possible integration with any revolutionary concept of international responsibility for the world food problem.

Finally there was little enthusiasm among leading grain exporting countries generally for the plan for a world food security council. For countries, such as Australia and Canada, wheat represents a major export and their primary concern is to protect and promote their principal export markets. This calls for their giving highest priority to market possibilities in the major grain importing countries. Australia, for instance, would always take particular care to ensure that its trade connections with Japan are fully nursed. Given this framework of reference, while Canada and Australia may certainly continue to render food assistance to needy countries as necessity arises, they must naturally be in essential agreement with the American view of the overriding importonce of the commercial aspect of grain exports.

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The issue of world food security was further complicated by the fact that a plan of this kind necessitated the proper functioning of a world food information service. There has to be an adequate monitoring of food stocks and farm prospects in chronically deficit countries so that shortages or possibilities of famine could be anticipated and remedial action organized in time. As a complement to the "early warning system," there has also to be full and prompt reporting of production, carryovers and exportable surpluses in the grain producing and marketing countries so that availabilities world food reserve or for running programmes of food aid could be speedily and correctly located or identified.

US farm statistics being as good as they are, this requirement probably does not present much of a problem so far as that country is concerned. But it is interesting that Australia, while offering no objection in principle to a world food information service, nevertheless expressed grave reservations on the ground that countries with large stakes in the commercial exports of grain could not pool their data regarding production or stocks internationally unless there could be guarantees about the "confidentiality" of the information being maintained by the international agency or agencies concerned. Curiously enough, even Sri Lanka, a food deficit country, concurred on this point about "confidentiality", although it viewed it from a different angle. Its delegation pointed out that information regarding a prospective food shortage in a country could lead to grain prices being rigged up within that country as well as in exporting countries. The fear was also expressed that, if a government were to make public data about a possible food crisis the opposition parties in the country concerned could exploit it for their political purposes. Sri Lanka presumably is not alone in harbouring such an apprehension

communist opposition

The Soviet Union and China, of course had reasons of their own for turning down the idea of a world food information service. In both countries, particularly in China, farm statistics have a way of being treated as though they were state secrets. In any case, on the main question of a world food security system, the Soviet Union had taken the definite stand that it will not participate in in any significant way, while China has been expressing from the very beginning its lack of faith both in the motives and the means of a world food programme claiming to be operated with the assistance of the affluent countries of the west for the benefit of the poorer nations of the globe.

Finally it was pointed out at more than one stage of the discussion that agricultural statistics in many developing countries were neither reliable nor complete. Apart from this statistical lacuna or gap, it was also true that the governments of many food-needy countries was tragically demonstrated in the case of Ethiopia, were reluctant for political or prestige reasons to let the rest of the world know the facts about famines and risks of famines in their territories e

hen this publicity might be essential or international food aid being mobilized or the prevention of mass starvation eaths.

With the conference half way through had become public knowledge that the dea of a world food security council or ven any kind of an effective world food uthority had been shot down. At the ame time, both the participants in the onference and observers were cynical nough to expect that, before the curtain vas rung down, some kind of a face-aving formula would be rigged out. ventually this was what happened eally. On the last day of the Rome neet, the plenary went through motions f adopting a resolution proposing a nake-believe "world food council", tudiously omitting the critical word security" from the designation. It men-ioned that this body would function nder the aegis of the United Nations ut it did not specify what exactly its tatus would be in the hierarchy of that neandering organization. However, so hat at least Dr Boerma could be made appy, the resolution recommended that he proposed world food council should e located in Rome and served by the AO secretariat. It also provided for a ommittee of world food security to be stablished as a standing committee of ie FAO Council. The net result thus as that, although two more UN institu-ions were recommended to be created, ie question of generating and embodying operational form a world political will o create and to enforce internationally food security programme for the locust ears ahead was left in the air.

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Bangladesh was very much of a spec-re at the feast in Rome. It was widely ccepted that, while the worst of the amine and drought in the Sahel region f Africa was probably over for the time eing, Bangladesh, and to a less extent ri Lanka and parts of India, had been rought face to face with what was pic-ured in Rome as the threat of "mega eaths" from mass starvation. So far as ndia was concerned, its delegation was oing some fancy tightrope walking. In is speech at the plenary Mr Jagjivan am went through an elaborate exercise ntended to persuade his audience that ndia's current food difficulties essen-ally were not of its making and that in ny case they were of a passing nature. t a press conference which he held on lovember 12, just before his journey back ome, he refuted the suggestion that ere had been starvation deaths of any gnificance in India but conceded that e country was going through a difficult time on the food front and would need considerable food aid from abroad. He avoided putting a figure to what India needed as essential external assistance in the form of food but maintained that the foreign governments concerned in the matter and their missions in New Delhi were being kept informed fully and correctly of the government of India's estimate of the imports the country needed. He stated that the government needed a million tonnes of grain a month during the next seven months to run its rationing system, the fair price shops and the relief centres, but he did not specify what the government's calculations were about the respective contributions which domestic procurement, commercial imports of grain and foreign food aid were intended or expected to make to this total. I cannot say honestly that he succeeded in persuading the representatives of the international press that he had laid India's food cards on the table, but his performance was certainly widely admired for the agility with which he had concealed more than he had revealed.

Bangladesh's plight

In the case of Bangladesh, however, nobody seemed to believe that there was anything to be gained by not presenting the situation in all its tragic depth and spread. Indeed Bangladesh was the big drum on which was beaten out the call for a vast international food aid programme on an emergency basis. About a fortnight before the conference met, the secretary-general of the FAO had gone on record with an estimate of the needed emergency food aid, which was placed at between eight million and ten million tonnes a year for the next two years. At the conference the US and the British delegations took the position that this estimate had not been reinforced by firm enough data. Nevertheless, there soon emerged a consensus that the adequacy of any food aid programme that might emerge would be judged by the extent to which the committed quantities of grain would approach a figure of 10 million tonnes per annum for the next two years. It was realized at the outset that the chances of this figure being reached were heavily dependent on two factors. The first of them was judged to be the willingness of the US government to increase substantially its commitments of food aid in the form of grain and the second the readiness of the affluent countries—including in this group both the "old rich" industrialized countries and the "new rich" oil exporting countries—to provide financial aid or assistance to developing countries for buying at commercial or concessional prices grain over and above what might be made available to them as aid.

Hopes rose high when Canada and Australia came forward with handsome pledges and it was indicated on behalf of the Canadian government early enough that it might give an additional quantity of up to 180,000 tonnes by April 1975 in addition to the 450,000 tonnes of wheat pledged for the fiscal year 1974. There was also an impressive promise of one million tonnes of food aid every year for the next three years. As for Australia, it had provided for 225,000 tonnes of food grains in its regular budget for this year. This provision was subsequently raised to a probable level of 340,000 tonnes to take care of the deterioration in the food situation on the Indian sub-continent. It was suggested that a further quantity of 350,000 to 500,000 tonnes could become available as food aid if Australia's special contribution of $20 million to the UN emergency operation were to be used to buy foodgrains. Sweden, which had started shipping a total of 170,000 tonnes of wheat bilaterally to Bangladesh and the Sahel, undertook to make an extra 40,000 tonnes per year available for the world food programme.

The process of mobilizing emergency food aid, however, suffered a setback when there came indications that the European Economic Community did not intend increasing the quantity of food aid which had amounted to 1,278,000 tonnes of wheat in 1973-74, although it would be prepared to raise the financial provision by 25 per cent to compensate for the higher price of grain due to inflation. The United Kingdom, which is making its contributions in the form of cash to the food aid programmes, both bilaterally and multilaterally, chose at least at the earlier stages of the conference, to wait and watch, while the Japanese position regarding finance for food aid was expressed in the diplomatic phrase that the matter was "under consideration."

heavy jolt

What administered a heavy jolt to the expectations was the failure of the attempts made to persuade the US government to come forward with a pronouncement sharply increasing its aid commitment. It may be recalled that in May this year the administration had requested $900 million for food aid, and at the press conference in Rome Mr Butz disclosed that an additional $ 100 million would be made available for cancelling the effects of inflation and meeting the increase in the prices of food grains. There was a strong feeling at the conference that unless the United States could be argued into doubling its food aid by offering an additional quantity of one million tonnes, no adequate emergency food aid plan would be able to get off the ground. As had happened, even a request from certain members of the US delegation to this effect did not elicit a favourable response from the US President.

All this meant that, despite the solemn declaration of the Bangladesh delegation that, while 100,000 men, women and children had already perished of hunger in that country during its present food crisis, perhaps more deaths totalling nine times that number would be taking place before this ordeal was over, the aggregate emergency food aid offered or indicated at the Rome conference fell far short of the minimum eight million tonnes of grain widely considered to be necessary for saving mass famine deaths in the next twelve months in the stricken lands in Asia and Africa. The Rome conference, consequently, was obliged to take refuge in a resolution which hopefully called for the establishment of an intergovernmental committee on food aid to coordinate national and international programmes with a view to reaching a target of food assistance over the next few years at the rate of ten million tonnes per annum.

three tasks

Assuming that the UN General Assembly, acting on this recommendation, sets up this committee with a directive to engage itself immediately in purposeful consultation, its main tasks would obviously be three. First, it will have to persuade the US government to resile from its stand that it will not add to the one million tonnes of grain aid for the current year to which it is already pledged. Secondly, it should discuss with the Soviet Union, the European Economic Community and possibly Sweden and certain other countries the possibilities of their contributing further to the augmenting of grain supplies flowing into the aid channels. In the case of the Soviet Union this could mean the drawing down of its domestic reserves and perhaps some diversion of food grains from their use as cattle feed to their utilization as food aid material. As for EEC aid. the countries of this group are reported to have an aggregate surplus of about four million tonnes of wheat. Some of it has already been flowing into or has been committed to the emergency food aid programmes, but more of it might perhaps be spared for the purpose provided west European countries could obtain some assurance from the United States or other regular sources of deliveries of feed grains for their livestock. Finally, the committee will have to negotiate with the oil exporting countries for aid funds to be utilized for the purchase of commercially available food grains for famine-stricken or famine-threatened parts of the world.

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Embarrassed perhaps by the fact that they were demonstrably dragging their feet on emergency food aid, delegations from some of the industrialized countries and the US delegation in particular took to urging the developing countries repeatedly to address themselves to the issue of long-term food and agricultural expansion in their territories which, it was claimed, was after all the basic purpose of the Rome conference. Even this stance, however, did not deprive the developing countries of certain tactical advantages which they had. Thus they were able to demand that the affluent countries spell out in specific detail the nature and extent of the assistance which the latter were prepared to give for long term farm expansion particularly in food-deficit developing countries. Here it was clear from the outset that an area where help would be required both in the short period and the long was that of fertilizers. The Rome forum had suggested that aid in the form of at least one million tonnes of fertilizers was immediately required to maintain grain production in the food-needy countries. India's minister for Food and Irrigation, Mr Jagjivan Ram, added a new dimension to the subject by dwelling on the fact that the need for more water was as important and urgent as the need for fertilizers and that in fact fertilizer could not be employed efficiently unless sufficient water was available. He therefore proposed that a definite provision should be made for financial and technical assistance for an urgent programme of irrigation expansion in the food-needy countries and in his speech to the plenary he recommended in fact a separate irrigation fund along with a fertilizer fund.

earnest attempt

It must be admitted in fairness to the Rome conference that the most important and active of its three committees which was committee No. I, did address itself in an earnest and informed manner to the need and scope for and the problems and possiblities of international agreement and cooperation in raising farm production the world over in general and in particular in the food-needy developing countries with large or high density populations. The labours of the committee resulted finally in the adoption of a series of resolutions calling for international action to step up financial and technical assistance to the countries in need of such aid for increasing the availability of irrigation, fertilizers, pesticides and improved varieties of seed. The assumption was that the proposed world food council would help initiate and coordinate international efforts in these and allied areas.

It would be relevant to mention in this connection that the secretariat of the world food conference had suggested that special investment effort in agriculture of the order of $18 billion to 20 billion a year be undertaken in the developing countries with a $5 billion input of external resources, a figure four times higher than the current level of aggregate aid to the farm sector. The Rome forum, however, thought that even this estimate of needed resources was too conservative, and said that much larger assistance would be required if the 20 per cent of all the world's people, who are living in its poorest parts, were to be saved serious deterioration in their already precarious standards of nutrition. Meanwhile the conference prepartory committee had calculated that new irrigation programmes covering 23 million hectares—the amount of land that could feasibly be put under irrigation over the eleven years between now and 1985—would cost an estimated $3,500 million per year. Another paper has referred to World Bank studies indicating that investment of more than $6500 million would be needed to increase fertilizer production by 11 million tonnes in developing countries to meet the projected demand for 1980-81.

agricultural research

Finally the financial implications and the long way developing countries have to go before their expenditure on agricultural research would get anywhere near to what was being spent for the purpose by developed countries was indicated in yet another document prepared by the conference secretariat. On the basis of an American study this paper estimated that, whereas the developed countries had spent $1324 million on agricultural research in 1970, the public expenditure in less developed countries on agricultural research totalled only $236 million in that year. Then followed the recommendation that, since the developing countries stood to make the greatest proportional gains from agricultural research and new technologies that came out of it, those countries should set themselves the target of increasing expenditure from the level of 0.25 per cent of Gross National Product in 1970 to 0.5 per cent in 1975, which would mean that their research expenditures should reach a level of $900 million per annum at the end of the period.

Large as these various figures might seem, it is not as if the world should despair of finding development finance

for all these purposes. Right now the level of development assistance flowing internationally amounts to about $ 9 billion per year. This figure could perhaps be improved once the industrialized countries succeeded in gaining a grip over their domestic inflation rates, stablizing international monetary relations and liberalizing world trade. Meanwhile the new rich among the oil exporting countries could greatly augment aid funds since, even if only 50 per cent of their oil revenue surpluses were to be used for this purpose, it would mean the availability of an additional $ 10 billion per year for international food, farm and other development assistance. The OPEC countries have accepted in principle a general commitment to participate financially in international development aid programmes and many of them have been giving generously for this purpose both through bilateral agreements and through multilateral channels and institutions. If therefore proper and adequate follow-up action is taken on the Rome conference resolutions, there are reasonable prospects of the level of international farm assistance to food-needy countries being raised substantially and soon. This could perhaps be considered to be potentially the most significant and specific result of the Rome meet even though suggestions for setting up distinct funds for irrigation or fertilizer or even for farm aid generally did not go through immediately.

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In the course of the discussions on world food security the Rome conference toyed with the theme of stabilization of grain prices. Additionally, one whole committee had for its subject-matter the restructuring of world trade with a view to securing a fair deal for the food and primary exports of developing countries. The Group of 77 (devloping countries) was naturally keenly interested in the work of this committee but it became obvious very early that much of the agenda of this committee would be a non-starter. This was because the European Economic Community was quite determined to prevent the Rome conference being used as a forum for a debate on its farm policies. In an attempt at self-justification, the note circulated to the conference on the EEC's commercial policy in the agricultural sector maintained that the largest imports were in the agricultural sector, thereby making the Community the leading importer of agricultural products among the developed countries. It was explained that this proved that the Community's imports of agricultural products continued to run high regardless of all the complex machinery that had been set up to govern them. Given the interest the United States had in breaching the Community's agricultural protectionism, its delegation was not without sympathy for the efforts of the developing countries to pursue the question of freer trade in farm products. However, those national delegations with their interest in blocking any meaningful discussion of this subject at this conference were able to employ the argument that the multilateral trade negotiations under GATT would anyhow be placing primary emphasis on the removal or relaxation of restrictions on farm products. In the circumstances, the efforts of some of the developing countries, which considered themselves to be most seriously affected by the deterioration in their balance of trade due to the relatively low price obtained for their agricultural exports to secure some link between the prices of these exports and the prices of manufactured goods exported by developed countries were doomed to be a quixotic venture.

useful discussions

All the same, the Rome discussions on this subject were not entirely wasted. They certainly assisted in demonstrating the importance which developing countries dependent on agricultural or other primary exports attached to fair market opportunities in world trade. This has paved the way for this theme being more effectively pursued at the GATT negotiations. At that stage, the United States, with its declared objective of securing freer access for its own agricultural exports to the Community's markets, should be a powerful supporter of the cause of liberalization of international trade in the farm sector. Moreover, the OPEC countries, notably Iran, are firmly in favour of some link being established between the price of crude and the prices of manufactured goods which they have to import. They too should be useful allies of the developing countries in securing fair terms of trade and market opportunities at the GATT negotiations.

* *

Although the Rome conference on food had come soon after the Bucharest conference on population, it was interesting to find that the link between the population problem and the food problem was not dwelt upon in Rome. The industrialized countries themselves were chary of raising a controversy on what was undoubtedly, a sensitive issue, although the British delegation did risk some unpopularity, thanks to its leader, Mrs Judith Hart, the UK minister for Overseas Development, suggesting that perhaps the food difficulties of the developing countries might at least be in part of their own making. However, the Soviet Union and China, along with a few African and Latin American countries, did choose to pronounce on the food versus population issue and dismiss it as neocolonialist myth-making by the industrialized countries of the west. The Papal delegate to the conference, addressing the plenary, naturally voiced the uncompromising opposition of the Vatican to birth control. The Pope himself held a special audience at the Vatican for the benefit of the delegates and reminded them that "as far back as 1964, on the occasion of our journey to India, we launched an appeal to the nations asking that, by a truly substantial commitment, mainly in reducing expenditure on arms, there be set up a fund with the aim of giving a decisive impetus to the advancement of the less well endowed sectors of mankind." He added that "today the time has come for an energetic and binding decision along the same lines."

The Pope's voice was not the only one raised in exhortation to the conference to do its duty by its conscience. A more secular agency, viz, the International Council of Voluntary Agencies, Oxfam, Christian Aid and Friends of the Earth, also took upon itself the role of priest, preacher and propagandist. It brought out a conference newspaper titled PAN, which was as enterprising and impressive a piece of instant journalism as one might wish to see. This news-sheet kept up a running fire of abrasive comment on the laggards at the conference reminding them day after day why and what for they were there. With admirable impartiality PAN lashed out at the various governmental delegations for not being serious enough or not doing enough to save the hundreds of thousands of human lives which were being lost to hunger even as the conference committees were splitting hairs over draft resolutions. The full force of PAN's scorn, however, seemed reserved for the US delegation and particularly its leader Mr Earl Butz. Sample: "Despite American contention that grain for emergency relief is in short supply, Earl Butz, the head of the American delegation to the food conference, has flown to the Middle East to sell up to 100,000 tonnes of wheat to Egypt. *The Washington Post* reported Friday that Butz, the American secretary of agriculture, will also visit Syria on his grain-selling trip."

PAN, however, seemed to have departed from its scepticism, bordering at times on cynicism, when it used the phrase "Attack on Platitudes" in its caption to a report on the speech of the leader of the Chinese delegation. This provoked me to write the following note, which was duly published:

PAN in issue number 4, hailed the speech of Mr Hao of China at the plenary on Thursday as an attack on platitudes. But surely China's vice-minister for Agriculture and Forestry also perpetrated some platitudes of his own.

The sad truth is that politicians **must** mouth platitudes. They may know better, but they also know better than to act as if they know.

Mr Hao, of course, did not make the first political speech of the conference. Mr Henry Kissinger, that vastly political animal, had earlier made one too.

So did Mr Jagjivan Ram, India's minister for Food and Irrigation. He, in fact, anticipated Mr Hao, when he held colonialism responsible for the food crisis in India and elsewhere.

Mr Jagjivan Ram did not of course mention the words "food crisis in India." The reasons are obvious; at any rate, I need not enter into them here.

But he has remained true, nevertheless, to his reputation as a realistic politician and a practical minister and administrator.

By coming out clearly in favour of a world food security council, he has conceded by implication that India needs the security of such a system, This is in refreshing contrast to the more familar Indian, or rather, Indian government attitude that India can manage its food affairs on its own except on those occasions when the gods choose to play false.

With a third of its people eating at or below subsistence at all times and with its increase in population eating sharply into its increase in grain production, India certainly needs all the food security that any international system may provide.

The Indian interest in a world food security council is therefore both large and real. Whether it will get this council through this conference remains to be seen.

There has been plenty of support in this conference for the idea that there should be a large, strong and firm political will behind any international scheme for world food security.

Otherwise the scheme will remain a paper tiger. As at the time of writing, however, this conference does not seem to be ripe or ready yet for this or any other dramatic break-through towards commitments to action.

(To be continued)

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Bracing breeze from Balatona

S. P. Chopra

BUDAPEST—THE Paris of eastern Europe—looked like a resplendent bride on that Sunday evening when I had a chance to visit its historical places immediately after disembarking from the Malev aircraft. The view from Buda—the old city situated on a hill—was indeed gorgeously bright and enchanting with the placid waters of the Danube separating Buda from Pest (the new city). No wonder that more than seven million tourists visited this city in 1973 and during the current year their numbers may swell to 10 million i.e. equal to the total population of Hungary.

Before going round the industrial enterprises, I had the opportunity to visit the Balatona Lake which brought health and happiness to poet Rabindranath Tagore nearly four decades ago. In memory of his stay there, a beautiful bust of the poet has been installed on the bank of the Balatona Lake and it has now assumed the status of a shrine for all Indian visitors. A walk on the Tagore Street with the bracing breeze from the lake hitting me in the face brought to mind the joy and happiness which the poet must have felt in the serene atmosphere prevailing there.

hectic time

The euphoria lasted hardly 24 hours when a series of meetings commenced in which an attempt was made by me to understand Hungary of today. The statistical Pocket Book of Hungary gave a plethora of data but it was the face to face discussions in a number of state-run enterprises which gave a real feel of the country which had adopted socialism as the national philosophy more than 25 years ago. A new generation in Hungary is currently coming up which has been educated and trained under the new system. As a journalist from a country which had a mixed economy, I had a number of questions to ask. Since I saw in Budapest and around a number of indicators of Hungary's affluence, I was keen to know the basic driving force which had placed it among the moderately rich countries of the world.

The very first meeting was arranged with Dr. Laszlo Szabo, managing director of the Hungarian Institute for Market Research. This institute had hosted the 26th ESOMARWAPOR Congress in September last year and researchers from both the socialist and the non-socialist countries had participated in it. Dr. Szabo explained that his institute's services had been requisitioned not only by the Hungarian business enterprises but some of the foreign companies also which wished to market their products in that country.

Mr S. P. Chopra, Senior Assistant Editor, *Eastern Economist*, was in Budapest for a week from November 10 to 16.

institution's activities

Established in 1967, the institute had completed about 200 studies. Among the topics analysed were: (i) quality of shoes marketed in Hungary, (ii) timing of shops, (iii) pricing policy (iv) games for children (parents' choices), (v) tourists and their influence. It was apparent that the Hungarian enterprises had realised the importance of the whims of the consumer. As incomes of families increased, they went in for quality products. The enterprises which failed to gauge the responses of the consumer were bound to face disaster through accumulated inventories. No longer the enterprises could dare dump whatever goods they liked on the market. They had to bear in mind what the people wanted to buy.

The consumer in Budapest—I spent most of my time in that city—got the best of both the worlds. The shops were fully stocked with consumer goods both from the socialist and the non-socialist countries. Cosmetics from France, scotch whisky from Britain, leatherware from Italy and a host of other products from different countries were available in the super markets. Of course, the goods from the non-socialist countries were a little more costly but those who wanted to have them were not denied the opportunity. In general, the people in Budapest looked well-fed as well as well-dressed. The only complaint to be heard frequently was in regard to housing. Young couples who were keen to live independently had either to rest content with limited accommodation or to share living space with parents (which obviously they did not like).

advertising returns

A visit to HUNGEXPO, the advertising agency of the Hungarian Foreign Trade Office dealing with publicity and fairs, was equally rewarding. Traditionally, the socialist economies in eastern Europe had scoffed at the idea of advertising and publicity which they described as innovations of the capitalist business enterprises to cheat the consumer. It seems that with rising incomes in Hungary, the state enterprises have been keen to mop up the purchasing power of the people with consumer products displayed in an attractive manner in shop windows. Many a couple in the streets of Budapest may be seen window-shopping after closing time in the same way as young people in Frankfurt, Paris and London make up their minds for future purchases after examining the wares in the windows of the shops. Moreover, the use of neon-signs in Budapest to publicise consumer products is widespread. Even though Hungary has some of its own delicious drinks, the people have increasingly taken to Coca Cola and Pepsi Cola.

In Hungary, HUNGEXPO makes use of the press, the radio and the TV for "Public relations" on behalf of the domestic as well as foreign enterprises. There are about 30 dailies which have a total circulation of 2.5 million copies. There are a number of magazines as well. Their combined circulation runs into millions. Seven of these dailies are published in Budapest. There is hardly a Hungarian family without a radio while the television subscribers number 2.1 million.

Regarding the ethics of advertising and publicity, Dr. Gusztar Hollo, managing director of HUNGEXPO explained that the element of exaggeration was ruled out. The advertising campaigns were designed to give out the "true facts" about a product without any attempt to cheat the consumer. Talking in the

same vein, Mr Istvan Kaszas, head of the Fairs and Exhibitions unit, described the use of publicity for public relations with prospective buyers. He said that publicity in Hungary had certain special characteristics. For example, it was forbidden to publicise goods which were not available in the market. There was strict control on the quality of products. An advertiser could be prosecuted for publicising wrong information about a product. Publicity in foreign countries was undertaken by HUNGEXPO on a wide scale in order to acquaint the people there with the possibilities of trade. Incidentally, he is planning to organise an exhibition early next year in New Delhi to acquaint Indian clients about the goods which the Hungarian enterprises are keen to market in our country.

Under the leadership of the USSR, all the socialist countries are currently engaged in the fabrication of computers of various sizes. In Hungary, it is Videoton—an electronics enterprise manufacturing electronic components, radio sets, television sets and mini computers—which has taken on the challenging task of manufacturing R-5 R-10 and R-15 series in computers. A visit to the Videoton factory in Szekesfehervar was extremely educative as the engineers there had developed expertise for assembling third generation computers. In association with other socialist countries, Videoton has developed extensive knowledge about software as well. It is keen to enter the Indian market and is planning to exhibit its wares in our country next year.

computer technology

Dr. Zoltan Martan, director of Videoton, expressed the hope that soon cooperation between our two countries will commence and that Hungarian computers and peripherals will be found to be comparable to the best in the world and competitive as well. He said that 16,000 workers were employed in Videoton and the range of products manfactured was being extended every year. Bulk of its output was being exported.

Mr Laszlo Teke, managing director of Tungsram (United Incandescent Lamp and Electrical Co. Ltd.), listed the companies in this country with which collaborative units had already been established. Electric Construction and Equipment (ECE) at Sonepat and Hindustan Machine Tools (HMT) at Bangalore (for vacuum technical machinery) are two outstanding enterprises with which cooperation has been highly successful. Mr Teke expressed great satisfaction with the technical capabilities of HMT and said that Tungsram and HMT would in the first round make bulb making machinery for those Indian units which were at present using outmoded machinery, and in the second round there was a possibility of exporting this machinery to third countries as well. For this purpose, Indian technicians were receiving training at the Budapest unit of Tungsram. The Tungsram plant in Budapest dated back to the last decade of the last century when it started the manufacture of incandescent lamps on the same principles on which the Edison lamp was made. He explained that the name Tungsram was derived from Tungsten and Wolfram—the elements from which the filament was made. Tungsram has started the production of electronic components and television tubes and currently 17 per cent of its total production consists of radios, television tubes and semi-conductor devices. TV picture tubes are exported to this country by Tungsram. Also, today Tungsram is the biggest manufacturer of the vacuum technical machinery. In lamp manufacturing its rank is 6th in the world.

bulb-making machinery prices

Mr Teke also said that the prices of bulb making machinery had risen in the past two years because the raw materials prices were on the increase. He gave the example of tungsten ore whose prices had multiplied five time during the past one and a half years.

At the Hungarian Chamber of Commerce, a reference was made by Mr Janos Kende to the first meeting of the Indo-Hungarian Joint Commission for economic, scientific and technical cooperation held in New Delhi from October 28 to November 2, this year. Mr Kende was optimistic about the successful execution of the collaborative efforts agreed upon by both the countries. He made a partinent reference to the cooperation in the fields of microwave equipment, aluminium, hydro-power plants and the incandesent bulb making machinery. The areas of future collaboration, he said, had also been identified in the chemical and pharmaceutical industries. There was also a distinct possibility of increasing imports of non-traditional goods from this country.

medical instruments

A meeting with Mr Imre Kiss of MEDICOR WORKS proved fruitful because it gave me an opportunity to see the wide range of medical instruments and machinery currently being manufactured by this enterprise. Mr Kiss said that Medicor Works assumed an important position among state enterprises in 1963 by the merger of eight medical instrument factories. Besides the manufacture and development of medical instruments, this enterprise also undertakes the planning and equipping of hospitals and health institutions with all their requirements. In its manufacturing efforts, it has sought collaborations with firms in the USA, Canada, the Netherlands and West Germany. The research and development wing of this enterprise consisting of about 500 persons has close contacts with prominent personalities of Hungarian medicine. Included in the list of Medicor equipments are X-ray machinery, automatic lung ventilators, hypodermic needles, gas sterilizers and various kinds of steel instruments.

It was interesting to listen to Mr Karoly Herczeg, secretary, Central Council of Hungarian Trade Unions, expound his thesis that the trade union movement was a necessity even in a country where the rulers came from the ranks of the workers and the peasants. In order to ensure increased benefits to workers, the trade unions in Hungary played a dynamic role. It was through their efforts that workers were able to obtain an extensive range of fringe benefits.

Town planning was the theme of

The chairman of the council of ministers of Hungary, Mr Jeno Fock, visited this country for six days from November 21 to 26. He was accompanied by his wife, Dr Gyula Horgos (minister of Metallurgy and Machine Industry), Dr Istvan Hetenyi, (under-secretary of state to the national planning office) and Mr Pal Racz (deputy minister of Foreign Trade). He had discussions with the Prime Minister, Mrs Indira Gandhi, the External Affairs minister, Mr Y.B. Chavan, the minister of Industry and Civil Supplies, Mr T.A. Pai, and the Planning minister, Mr D.P. Dhar.

Speaking at a civic reception in the capital, Mr Fock said that Hungary and India had similar views on all major world problems. Both had fought for peace, security, human progress and the international detente.

An interesting outcome of the discussions between Mr Fock and Mr T.A. Pai was the brightening prospect of the two countries setting up joint ventures in third countries besides extending further the scope of trade between the two countries.

EASTERN ECONOMIST

INDEX TO VOLUME 62

NOS. 14 TO 26

APRIL TO JUNE 1974

ABBREVIATIONS

Leading Article	LA
Points of View	PV
From the Capital's Corridors	FCC
Window on the World	WW
Moving Finger	MF
Trade Winds	TW
Books Briefly	BB
Readers' Roundtable	RR
Records and Statistics	RS
Feature	FE

(For Company Affairs see pages ii & vi)

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A

Administration

Karan Singh and the Kanpur Tragedy ... LA 936
Let's Salute Mrs Gandhi ... LA 971
No Aladdin's Lamp ... LA 1015
Public is a Party, The ... LA 883
Time to Fight Back ... LA 739

Aid, Loans and Grants

Aid from Consortium ... FCC 1114, 1249
Aid from Netherlands ... TW 1081
Aid-India Consortium ... TW 1130
Assistance from Britain ... TW 716
Assistance from Sweden ... TW 1174
Britain Raises Loans ... TW 718
Canada Suspends Nuclear Aid ... TW 1080
Farm Aid from Soviet Union ... TW 762
IDA Assistance for Dairy Project ... TW 1220
IDA Credit ... TW 996
IDA Loan ... TW 1130
IMF Loan ... TW 952
Indo-Swiss Agreements Ratified ... TW 911
Japanese Loan ... TW 911
Japanese Loan for World Bank ... TW 762
Kaul and the Consortium... LA 1243
Loans Sanctioned Under IDA Credit ... TW 808
World Bank Assistance ... TW 1130, 1264
World Bank Credit ... TW 952

Aviation

Indo-Indonesia Air Agreement ... TW 912
Indo-Malaysian Air Accord TW 1081
Academicus ... BB 708, 904, 1124

B

Banking, Money and Finance

ADB Raises Loan ... TW 996
Bank Deposits, Red Signal On ... RR 1082
Banking in Rural Areas ... TW 953
Busy Season 1973-74 ... TW 997
Central Assistance to Assam LA 975
Centre's Deficit ... FCC 976
Changing Equity Ownership LA 1016
Committee of 20 Finalising Proposals ... WW 1171
Committee of 20, The ... TW 1220
Deposit Rates ... TW 716
Earnings From Tourism ... TW 762
Exchange Cover for Exporters ... TW 1131
Flexible Credit ... LA 885
Foreign Exchange Puzzles LA 688
French Bank Rate ... TW 1265
Groping in the Dark ... LA 790
Have the Nationalised Banks Succeeded? ... PV 796
IMF ... TW 1080
International Monetary Reform ... TW 996
Kerala has more to Spend LA 1063
Madhya Pradesh : Uphill Task ... LA 1204
Money Supply with the Public ... RS 927, 1103
Overhaul in Financial Administration ... TW 1034
Protecting the Unwary Company Depositor ... LA 973
RBI and Parliamentary Accountability ... PV 746
RBI's Accountability ... RR 1035
Real Value of Money, The WW 757
Reserve Bank Discount Rate TW 1265
Reserve Bank of India ... RS 927, 1103
Resource Mobilisation by States ... TW 1080
Rising Foreign Exchange Reserves ... TW 808
Rouble Value of Rupee ... TW 952
Scheduled Commercial Banks RS 927, 1103
Security Prices, Index Numbers of ... RS 926, 1102
Sterling Guarantee ... TW 718
World-wide Inflation : Causes and Costs ... WW 849

Books Briefly

A Review of Current Banking Theory and Practice BB 1124
Books Received ... BB 715, 910
Concept of Consumer Price Index and Dearness Allowance ... BB 1124
Crisis in Indian Judiciary BB 708
Economic Development of Backward Regions—Problems and Prospects BB 904
Fiscal Economics ... BB 708
Foreign Technology in India ... BB 904
India Today ... BB 904
Indian Consumers—Studies and Cases for Marketing Decisions ... BB 708
Industrial Development of India—Policy and Problems ... BB 1124
Investment Pattern of Life Insurance Corporation of India ... BB 1124
Management of Scientific Research ... BB 708
Managerial Economics ... BB 708
Manorama Year Book 1974 BB 1129
Private Foreign Investment in Development ... BB 1124
Professional Goodwill — Its Tax Implications and Valuation ... BB 904
Regional Cooperation for Trade in Asia ... BB 1124
Rural Change in Maharashtra ... BB 904
Taxes and People in Israel BB 708
The Calcutta Stock Exchange Official Year Book 1973 ... BB 715
The Industrial Worker—Issues in Perspective ... BB 904

Budget

Andhra Budget ... TW 1265
Centre's Deficit ... FCC 976
Disenchantment in Punjab LA 690
Marginal Relief in Taxation RS 957
Tax Reliefs Announced ... TW 952
Bombay's Ordeal ... PV 1161
Balasubramanian, V. PV 8 9, 1023, 1067
Bhargava, Dr P.K. ... PV 1209
Bhasin, P.C. ... PV 1069
Bhat U.I. ... PV 978
Bhatia, Manohar L. ... PV 1166
Brooke, E.B. ... WW 757, 848, 949, 1030, 1119

C

Collaborations

Foreign Collaborations RS 1233
Good Prospects for Indo-Thai Ventures ... WW 944
Indo-Bangladesh Economic Understanding ... TW 1034
Indo-Finnish Cooperation TW 1081
Indo-German Ventures TW 912
Indo-Iraqi Cooperation TW 911
Indo-Iran Cooperation ... TW 952
Indo-Sri Lanka Cooperation TW 1176
Indo-UAE Cooperation ... TW 1035
Joint Ventures in S.E. Asia TW 1176
New Form for Foreign Collaborations ... TW 1034
Nuclear Pact with Argentina TW 1130
Triumphant in Tehran? LA 935

Company Affairs

Cadbury-Fry ... TW 863
BHEL Performance ... TW 793
Burmah-Shell's Safety Record ... TW 1265
Changing Equity Ownership LA 1016
Deadlock at DCM LA 972
FICCI Awards, 1973 FE 855
"Gautama Buddha" at Hiroshima ... TW 1130
Grindlays in Tokyo ... TW 718
Heavy Electricals ... FCC 692
Hindustan Shipyard to Treble Capacity ... TW 863
HMT Expansion ... TW 762
IDBI TW 1035
IFC ... TW 1080
IMF ... TW 1080
Jha Report on Multinationals ... TW 1222
Joint Cigarette Unit ... TW 760
No Alladdin's Lamp ... LA 1015
Our Drug Problem ... LA 1201
Power Crisis in the South LA 791
Power Crisis in West Bengal LA 1203
Prices on the Rampage ... LA 1244
Protecting the Unwary Company Depositor ... LA 973
Public is a Party, The ... LA 883
Public Sector Turns the Corner ... LA 884
Restructuring Power ... LA 1245
Some Wisdom About Wheat LA 687
Striking at the Strike ... LA 933
Time to Fight Back ... LA 739
Triumphant in Tehran? ... LA 935
Wailing for Vanaspati ... LA 1112
Welcome, Coal Dumps ... LA 1111
West Asian Oil Squeeze ... LA 741
What Prospects for Jute? ... LA 831

M

Minerals and Metals

Coal Mines in Doldrums ... TW 808
Coal Price Hike ... TW 1131
Coal Prices and Production FCC 1159
Corruption in Coal ... LA 1154
Crisis in the Coal Industry, The ... PV 979
High Cost of Coal ... LA 1246
Iron Ore Exporters Meet ... TW 1265
Iron Ore Exports ... FCC 976
Khetri and Other Plants ... TW 762
Mica Trading Corporation TW 1174
MMTC Strides ... FCC 793
Price Hike for Aluminium TW 1035, 1080
Prices of Heavy Vehicles ... TW 1035
Welcome, Coal Dumps ... LA 1111
Medical Education Commission ... TW 760
Moving Finger ... MF 707, 759, 807, 902, 951, 987, 1033, 1079, 1123, 1173, 1219, 1263
Mannur, Dr H.G. ... WW 849
Manoharan, S. ... PV 941
Meher, M.R. ... PV 124

N

Names in the News

Anwar Divencha ... TW 1035
Bafna, S.C. ... TW 1265
Bernard Bell ... TW 912
Budhiraja, S.B. ... TW 1177
Cargill I.P.M. ... TW 912
Chopra, D.D. ... TW 1265
Clark, William D. ... TW 912
Das Gupta, C.R. ... TW 1177
Dastur, Air Marshal S.J. TW 1132
Desai, V.R. ... TW 912
Divatia, K.J. ... TW 718
Doshi, Vinod L. ... TW 810
Firoz S. Baldiwala ... TW 1035
G.L. Mehta, Man of Parts, Wist and Wisdom ... PV 889
Gupta, P.F. ... TW 912
Husain, S.S. ... TW 912
Israni, N.H. ... TW 1265
Jain, Hem Chand ... TW 1222
Kapur, Bishamber Dass ... TW 1035
Krishnamoorthy, K. ... TW 1265
Krishnamurti, E.R. ... TW 1265
Krishnaswami, S. ... TW 762
Ladislaus von Hoffmann ... TW 912
Lusink, J. ... TW 1035
Mandelia, S.P. ... TW 1035
Mathur, Prof. Mukut Vehari TW 864
Medley, G.J. ... TW 718
Mehra D.S. ... TW 912
Mervyn L. Weiner ... TW 912
Modi, S.K. ... TW 1035
Mody, Russi ... TW 864
Mohta, M.K. ... TW 1035
Muthiah, M.M. ... TW 718
Negi, B.C. ... TW 864
Padmanabhan, V.K. ... TW 1265
Parikh, Manubhai ... TW 1035
Parsad, N.B. ... TW 864
Pattabhi Raman, C.R. ... TW 1265
Phalnikar, Dr C.A. ... TW 810
Pillai, S.V. ... TW 718
Podar, I.P. ... TW 1035
Rajgarhia, K.L. ... TW 762
Ramaswami, S. ... TW 1265
Rao, N.S. ... TW 1035
Rober, S. McNamara ... TW 912
Sankaran, M. ... TW 1265
Saxena, J.N. ... TW 912
Singh, Kamaljit ... TW 1177
Sivappa, G. ... TW 1035
Sivasubramanian, M.S. ... TW 1265
Somaiya, Shantilal K. ... TW 1035
Somayajulu ... TW 1265
Thakkar, B.P. ... TW 1035
Thakkar, V.D. ... TW 912
Van Tilburg, J.J.G.C. ... TW 1035
Nigam, Dr R.S. ... WW 802

O

Oil

A New "Oildorado" ... WW 704
Conservation of Diesel ... TW 1221
Crude From Iraq ... TW 716
Crude Oil Imports ... FCC 887
Energy : Impact on Foreign Trade ... PV 1162
Indigenous Crude Production ... TW 997
Offshore Oil Exploration ... FCC 1065
Oil as a Catalyst in World Commerce ... WW 1119
Oil Development Fund ... FCC 832
Oil Prices Committee ... TW 717
Oil Products from Soviet Union ... TW 762
Petrol Pumps are Peanuts —Iran Plans Big ... WW 1120
Petroleum and Chemicals RS 1046
Petroleum Consumption ... TW 1080
Stepping up Oil Output ... FCC
West Asian Oil Squeeze ... LA

P

Parliament

RBI and Parliamentary Accountability ... PV

Planning

Agriculture in the Fifth Plan PV
Annual Plan 1974-75 ... TW
Colombo Plan ... TW
Plan for 1974-75, The ... RS
Pruning of Plan ... FCC
Science and Technology Plan TW
Science and Technology Plan, The ... RS

Plantations

Common Approach to Tea LA
Good for Coffee and Rubber Too ... LA
New Developments in Tea LA
Tea Consumption in India PV
Tea Consumption of USA TW
Tea : Sympathy Alone Cannot Cure Sickness ... PV

Power

Be Practical about Power LA
Britain's Changing Energy Situation ... WW
Dragging its Feet ... LA
Energy : Impact on Foreign Trade ... PV
Power Crisis in the South LA
Power Crisis in West Bengal LA
Power Prospects ... FCC
Reorganisation of Power Projects ... TW
Restructuring Power ... LA

Prices

Attack on Prices ... FCC
Cement Prices ... TW
Coal Price Hike ... TW
Consumer Price Index Numbers for Industrial Workers ... RS
Consumer Price Index Numbers for Urban Non-Manual Employees ... RS
Drug Price Fixation ... TW
Fertilizer Prices ... TW
Open Price of Wheat ... TW
Price Hike for Aluminium TW
Price of Bulk Drugs Increased ... TW
Prices of Heavy Vehicles ... TW
Prices on the Rampage ... LA
Rayon Yarn Prices ... TW
Security Prices, Index Numbers Of ... RS
Tyre Prices Decontrolled TW
Vanaspati Prices ... TW
Wheat Prices ... TW

Wholesale Prices ... RS 925, 1101
World-wide Inflation : Causes and Costs ... WW 849

Prospectus

Assam Carbon Products Ltd 858
Stretch Fibres (India) Ltd... 1271

Rai, M.R. ... RR 1132

R

Ramaiya, A. ... PV 746
Ramanujam, K.S. ... PV 944
Raina, L.N. ... PV 837
Rao, A.R. ... PV 1251
Rao, B.S. Venkata ... PV 894
Rao, D. Vasudeva ... PV 748
Ray, Dr S.K. ... PV 835
Reddy, M. Venkata ... PV 748

S

Sugar

Incentives for Sugar ... TW 912
Maximising Output of Sugar LA 828
Sugar Exports ... TW 1177, 1265
Sugarcane Production ... TW 864
Sarma, B. Ganapathy ... BB 1129
Satyamurthy, Dr G.V. ... PV 978
Sharma, R.K. ... PV 890
Singh, I.J. ... PV 1251
Singh, Parmatma ... PV 1025
Singh, R.R. ... PV 839
Sir John Crawford ... PV 695
Sivayya, K.V. ... PV 1162
Srivastava, Dr Girish K. ... PV 1116
Srivastava, G.S. ... PV 1209
Srivastava, Dr R.M. ... PV 796

T

Taxation

Incidence of Commercial Taxes in Rajasthan ... PV 1116
Marginal Relief in Taxation RS 957
Tax Reliefs Announced ... TW 952
Taxing Farm Incomes : Neglected Possibilities ... PV 1209

Trade

Communist Common Market, The ... WW 844
Energy : Impact on Foreign Trade ... PV 1162
Exchange Gap ... LA 974
Indo-Burma Trade ... TW 911
Indo-EEC Joint Commission ... TW 1130
Indo-Polish Trade ... TW 1174
Indo-Senegal Trade Pact ... TW 1081
Portugal's Trade Ties with the Community ... WW 984
Rise in State Trading ... TW 716
Trade with North Korea ... TW 952
Trends in India's Foreign Trade ... RS 819
World Trade Centre ... TW 1174

Transport

A Matter of Merits ... LA 937
Bharat Ram on the Strike LA 934
"Gautama, Buddha" at Hiroshima ... TW 1130
Hindustan Shipyard to Treble Capacity ... TW 863
How to Relieve Traffic Congestion ... WW 897
Issues Involved in the Railway Strike ... PV 1073
Lessons of Railway Strike TW 1130
Lessons of the Strike ... LA 1109
Oil Crisis and Development of Our Roads ... PV 1069
Prices of Heavy Vehicles ... TW 1035
Role of Road Transport ... RR 1132
Shipping Dilemma ... FCC 887
Shipping Tonnage ... FCC 1159
Striking at the Strike ... LA 933
Vehicles Against Foreign Exchange ... TW 1221
Wagon Deal with Yugoslavia TW 953
Tata, Naval H. ... PV 1073
Tewari, S.C. ... PV 890

U

Ummat, R.C. ... FCC 692, 744, 793, 832, 887, 976, 1021, 1065, 1114, 1159, 1207, 1249

Company Affairs

AB Svenska ... 1135
Ahmedabad Advance ... 954
Allied Steel ... 1001
Amar Dye Chem ... 1038
American Express ... 1000
Amex International ... 1085
Andhra Valley Power Supply ... 767
Andhra Steel ... 999
Aruna Sugars ... 812
Ashok Leyland ... 1133
Ashok Paper ... 1267
Asian Cables ... 720
Assam Carbon Products ... 867
Automobile Products of India ... 815
Bank of Rajasthan Ltd ... 1037
Bank of Tokyo ... 1085
Bank of Tokyo (Holland) ... 1085
Baroda Rayon ... 913
Bata India ... 1036
Bharat Commerce ... 720
Bharat Steel Tubes ... 999
Binny Ltd ... 763
Blow Plast ... 1083
Bombay Suburban Electric Supply 1181
Bonus Issues in 1973 ... 1136
CAFI ... 721
Calama Industries ... 1001
Capital and Bonus Issues ... 722, 815, 915, 1086, 1269
Ceat Tyres ... 1083
Ceekay Automotive Products ... 1038
Central Distillery and Chemical Works ... 815
Centron Industrial Alliance ... 1038
Century ... 720
Colour-Chem ... 1267
Consolidated Coffee ... 764
Deccan Farms and Distilleries ... 722
Dena Bank Ltd ... 1134
Directors' Conference ... 1181
Dividends ... 722, 767, 815, 867, 915, 956, 1001, 1038, 1086, 1136, 1181, 1269.
Dunlop ... 763, 954, 1084
Dynamatic Hydraulics ... 956
EID-Parry ... 763, 865
Empire Dyeing & Mfg. Co. ... 914
Enamelled Wires ... 814
Enfield India ... 1133
Escorts ... 954
Fibreglass Pilkington ... 1267
Firth (India) Steel Company ... 721, 956
Gian Agro Industries ... 767
Globe Auto (Gujarat) ... 1001
Golden Tobacco ... 721
Goodyear India ... 954, 1266
Gujarat Ministeel ... 815
Haryana Polysteel ... 767
HES Ltd ... 1001
Hindustan Aluminium ... 720, 1224
Hindustan Ferodo ... 1001
Hindustan Lever ... 763
Imkemex India ... 764
India Gelatine and Chemicals ... 767
Indian Bank ... 1134
Indian Hotels ... 1181
Indian Turpentine ... 1000
Industrial Cables ... 812
Jay Shree Tea ... 1266
JK Industries ... 1133
Kamani Engineering ... 1178
Khandelwal Hermann Electronics 1225
Kirloskar Cummins ... 764
Kothari (Madras) Ltd ... 1224
Kothari Sugars ... 914
Larsen & Toubro ... 1133, 1180
Letters of Intent ... 1087
Licences and Letters of Intent ... 915, 1182, 1227, 1269
Licences Issued ... 1039
Lufthansa ... 1135
Madras Rubber ... 913
Mahalakshmi Fibres and Industries 814
Mahindra and Mahindra ... 1136
Meghalaya Plywood ... 815
Milkfood Ltd ... 956
Molins of India ... 720
Nalanda Ceramics and Industries 1086, 1226
National Breweries ... 767
National Organic Chemical Industries ... 1136
National Radio ... 955
National Rayon ... 1179
NCDC ... 955
New Bank of India ... 1178
New India Industries ... 812
Nilhat Shipping Company ... 1181
Orissa Industries ... 915
Parrys Confectionery ... 721
Perfumes and Flavours Association 721
Pfizer ... 913
Philips India ... 866
Prakash Tubes ... 1181
Punjab National Bank ... 1224
Rajasthan Spg. & Wvg. Mills ... 721
Ramon Engineering ... 767
Raymond ... 1036
Raza Textiles ... 1225
Reed Relays and Electronics India 1268
Sandvik Asia ... 1178
Sandur Manganese and Iron Ores 1268
Saraswati Ispat ... 999
Saurashtra Cement ... 1038
Scarle (India) ... 1085
Secals ... 1083
Shareholders' Forum Complains 1268
Shimoga Steels ... 722
Shri Ambica Mills ... 1085
Shri Ram Mills ... 1266
Simon Carves ... 1037
Somani Ferro Alloys ... 1136
South India Viscose ... 1036
Southern Baraax ... 1225
SPIC ... 865, 1083
SPICOT ... 866
Sree Vig Cohemicals ... 1038
Sri Bharathi Mills ... 1225
Star Textile Engineering ... 1268
State Bank of Hyderabad ... 812
Straw Products ... 1180
Stretch Fibres ... 1268
Sundatta Food and Fibres ... 867
Swan Mills ... 914
Syndicate Bank ... 1134
Synthetics and Chemicals ... 1000, 1181
Tamil Nadu Small Industries Dev. Corpn. ... 813
Tata Hydro Electric Power Supply Co. ... 767
Tata Mills ... 954
Tata Power Company ... 767
Tata Steel ... 1224
Traco Carbide ... 1225
Trade Wings ... 914
Triveni Engineering ... 764
Union Carbide ... 865
Unit Trust ... 721, 1001
Universal Cans and Containers ... 1268
Universal Plast ... 815
U.P. Asbestos ... 1226
Usha Martin Black ... 914, 999
Vidarbha Organic Chemicals Industries ... 722
Vijaya Bank ... 1036
Walchandnagar Industries ... 721
Warner Hindustan ... 812, 1179
Wellman Incandescent ... 1266

Large Order for Elecon TW 810
MMTC Strides ... FCC 793
MRTP Act Revision ... FCC 744
National Buildings Construction Corpn ... TW 1082
National Radar Council TW 953
New Engineerng Association ... TW 810
Office Bearers of FICCI ... FE 857
Performance Index ... PV 978
TIIC Comes of Age ... PV 837
Tourism Development Corporation ... TW 953

Company Meetings

Aruna Sugars Ltd ... 772
Binny Ltd 723
Dunop India Ltd ... 1095
EID-Parry Ltd ... 816
Hindustan Aluminium Corporation Ltd ... 1231
Hindustan Lever Ltd ... 1002
Indian Bank ... 1099
Kamani Engineering Corporation Ltd ... 1137
Madras Rubber Factory Ltd 868
Mahindra Ugine Steel Co. Ltd 1275
State Bank of India ... 768
Tamil Nadu Small Industries Development Corporation Ltd ... 771
The Madras Aluminium Co Ltd 1274a
Trade Development Authority 1272
Vijaya Bank Ltd ... 1004
Co-operative Training ... RR 811

D

Delegations

Delegation to West Germany TW 865
Industrial Delegation to West Germany ... TW 718
Tea Delegation ... TW 762
Textile Team for USA ... TW 1176

E

Economy

Accent on Production ... LA 827
Bombay's Ordeal ... PV 1161
Capacity Going Waste ... LA 1059
Changing Equity Ownership LA 1016
Charat Ram on Panchsheel LA 787
Co-operative Training ... RR 811
Digging for Water ... LA 1155
Economic Crisis : G D Birla on Causes and Cures PV 940
FICCI on the State of the Economy ... FE 852
Foreign Private Investment Falling ... TW 809
Indo EEC Joint Commission TW 1130
Invitation to Technicians Abroad ... TW 997
Jha Report on Multinationals ... TW 1222

Management of Resources TW 863
New Paper Technology ... TW 762
No Aladdin's Lamp ... LA 1015
Nuclear Explosion ... FCC 1065
Ordinance to Curb Hoarding ... TW 1264
Performance Index PV 978
Performance of the Public Sector Undertakings : 1972-73 ... RS 958
PM Advocates Efficiency in the Use of Materials ... FE 851
Public is a Party, The ... LA 883
Public Sector Turns the Corner ... LA 884
Scheme to Attract Technicians ... TW 1131
Working Force in Andhra Pradesh ... PV 839
World-wide Inflation : Causes and Costs ... WW 849

Exhibitions and Fairs

Brussels Fair ... TW 953
Cologne Hardware Fair ... TW 912
Hanover Fair ... TW 762

Exports

Boilers for Malaysia ... TW 717
Consultancy Exports ... FCC 744
Cotton Yarn Export, Ceiling On ... TW 760
Electronics Exports FCC 793
Exchange Cover for Exporters ... TW 1131
Export of Alumina ... TW 1132
Export of Naphtha ... TW 1081
Export of Spices ... TW 997
Exports of Fruits and Vegetables ... TW 912
Exports to Gulf Countries LA 829
Frog Legs Exports ... TW 762
Greasing the Wheels of Export Effort ... LA 788
Iron Ore Exports ... FCC 976
Jute Exports ... TW 1175
RBI Raises Export Credit Rate ... TW 861
Steel for Exporting Units TW 1082
Sugar Exports TW 1177, 1265
Tea Exports to be Stepped Up ... TW 1264
Textiles for US ... TW 762
Transformers for Malaysia TW 1176
Wagon Exports ... FCC 1114

F

Feature

FICCI Session ... FE 851-857

Fertilizers

Coal-Based Fertilizer Plants TW 967
Fertilizer Fund ... TW 718
Fertilizer Imports ... FCC 1021
Fertilizer Outlook and Plans FCC 744
Fertilizer Prices TW 1131

Fertilizers from Coal LA 1015
New Fertiliser Plants ... TW 954

Food and Agriculture

Agriculture in the Fifth Plan PV 695
Cabinet Committee on Food TW 1264
Coping With Costs ... LA 1015
Digging for Water ... LA 1154
Farm aid from Soviet Union ... TW 764
Food Policy Needs Teeth LA 1154
Foodgrains Distribution ... FCC 1114
Foodgrains : Production and Prices RS 1144
Foods of Animal Origin : Economics and Substitutes PV 1254
Haryana's Accent on Agriculture ... LA 744
Impact of Green Revolution on Farm Labour PV 1024
Increased Agricultural Production ... TW 1264
Modern Technology in Kangra Farms PV 894
Procurement of Foodgrains FCC 834
Rising Food Bill for Developing Countries ... WW 1264
Some Wisdom About Wheat LA 684
Taxing Farm Incomes : Neglected Possibilities PV 1204
Wailing for Vanaspati LA 1114
Wheat Procurement ... FCC 884
Wheat Procurement Drive TW 864
Wheat Strategy FCC 694

G

GD Birla in Thailand ... TW 914
Gangwar, AC PV 1024

H

Housing

Expert Panel for Evaluation TW 954
Housing Lessons from Hong Kong, Panama PV 834
Hudco Schemes ... TW 954
Hennessy, Jossleyn WW 704, 751, 799, 844, 897, 946, 982, 1028, 1074

I

Imports

Crude From Iraq ... TW 714
Import Policy for April 1974—March 1975 Rs 774
Oil Products from Soviet Union ... TW 764
Scrap Imports TW 764
Simplified Import Procedure TW 994

Industry

Caprolactum Supplies FCC 1204
Cement Prices ... TW 1084
Cloth : Prices and Policy ... LA 744
Controlled Cloth FCC 694

Diversification of Electric Furnaces TW 1082
Drug Price Fixation TW 1132
Drugs Control FCC 1207
Eight-Point Plan for UN Assembly TW 861
Engineering Industries, Problems Of TW 810
Excise on Waste Paper TW 997
Fees for Industrial Licences TW 996
Government's Industrial Policy ... TW 861
Guidelines for Industrial Expansion ... TW 1221
Heavy Industry : 1973-74 Rs 1193
Industrial Production and Policies : 1973-74 Rs 727
Industrialization, in the Developing World ... WW 1213
Karan Singh and the Kanpur Tragedy ... LA 936
Licensing, Cobwebs of ... LA 1060
Mini Newsprint Plants ... FCC 1021
Nepa Output ... FCC 887
New Electronics Units ... FCC 1021
New Heavy Industry Units TW 998
New Industries in West Bengal ... LA 1019
New Vistas for Engineering FCC 744
Newsprint Quota, Cut In TW 1177
Our Drug Problem ... LA 1201
Paper Output ... FCC 1021
Paper Prospects ... TW 864
Performance of Public Sector Undertakings : 1972-73 RS 958
Petroleum and Chemicals RS 1046
Pharmaceuticals and the Public Interest ... PV 1023
Price of Bulk Drugs Increased ... TW 863
Public Sector in Heavy Industry ... FCC 832
Rayon Yarn Prices ... TW 718
Sick Textile Mills ... FCC 1065
Sick Textile Mills ... TW 1132
Small Scale Industries, The Progress Of ... PV 748
Small-Scale Industry : Retrospect and Prospect ... PV 894
Spurious Drugs, Control Over ... TW 998
Tariff Value for Cine Projectors ... TW 1265
TIIC Comes of Age ... PV 837
Tyre Prices Decontrolled TW 911

Insurance

Craze for Quantity ... LA 1202
LIC : New Business ... TW 1132

International Affairs

A New "Oildorado" ... WW 704
Are You Thinking of Emigrating to Europe? ... WW 1028
Britain's Changing Energy Situation ... WW 1170
Committee of 20 Finalising Proposals ... WW 1171
Communist Common Market, The ... WW 844
EEC and the Rest of the World, The ... WW 982
Eight-point Plan for UN Assembly ... TW 861
Europe's Unpleasant Experience ... WW 848
GATT Chooses to be Cheerful ... WW 949
GATT in Changing World Economy ... TW 808
Gloom and Boom ... WW 946
Good Prospects for Indo-Thai Ventures ... WW 944
How the World's Workers Fared in 1973 ... WW 899
How to Relieve Traffic Congestion ... WW 897
Indian Ocean, Western Security and Sino-Soviet Relations ... WW 1075
Industrialisation in the Developing World ... WW 1213
Oil as Catalyst in World Commerce ... WW 1119
Outlook for the Japanese Economy ... WW 1216
Petrol Pumps are Peanuts—Iran Plans Big ... WW 1120
Portugal's Trade Ties with the Community ... WW 984
Real Value of Money, The WW 757
Renegotiating the EEC ... WW 802
Rising Food Bill for Developing Countries ... WW 1260
Socialist Planners on the Job ... WW 751
"There Ain't No Justice !" WW 799
UN Session on Development TW 808
Western Europe—A Bad Case of Nerves ... WW 1030
World wide Inflation : Causes and Costs ... WW 849

Iron and Steel

Restructuring of HSL ... FCC 1249
Steel : Production, Prices and Distribution ... RS 869
Steel for Exporting Units TW 1082
Steel Prices ... FCC 1249
Torsteel for Economy ... TW 1081

J

Jute

Image of Jute ... LA 742
Jute Exports ... TW 1175
What Prospects for Jute? ... LA 831

K

Kazuo Miyazaki ... WW 1216
Kumar, B ... PV 979

L

Labour and Employment

Employment for the Educated ... FCC 976
Evolving a National Wage Policy ... PV 1024
Fringe Benefits in the United States ... PV 1166
How the World's Workers Fared in 1973 ... WW 899
Labour-Management Relations ... TW 810
Labour Scene in West Bengal LA 1062
Lessons of Railway Strike TW 1130
Lessons of the Strike ... LA 1109
Scheme to Attract Technicians ... TW 1131
Wage Policy, Committee On TW 1175
Working Force in Andhra Pradesh ... PV 839

Leading Articles

A Matter of Merits ... LA 937
Accent on Production ... LA 827
Be Practical About Power LA 1156
Bharat Ram on the Strike LA 934
Capacity Going Waste ... LA 1059
Central Assistance to Assam LA 975
Changing Equity Ownership LA 1016
Charat Ram on Panchsheel LA 787
Cloth : Prices and Policy LA 740
Cobwebs of Licensing ... LA 1060
Common Approach to Tea LA 1110
Coping with Costs ... LA 1017
Corruption in Coal ... LA 1154
Craze for Quantity ... LA 1202
Deadlock at DCM ... LA 972
Digging for Water ... LA 1155
Disenchantment in Punjab LA 690
Dragging Its Feet ... LA 938
Exchange Gap ... LA 974
Exports to Gulf Countries LA 829
Fertilizers from Coal ... LA 1018
Flexible Credit ... LA 885
Food Policy Needs Teeth LA 1153
Foreign Exchange Puzzles LA 688
Good for Coffee and Rubber Too ... LA 1061
Greasing the Wheels of Export Effort ... LA 788
Groping in the Dark ... LA 790
Haryana's Accent on Agriculture ... LA 743
High Cost of Coal ... LA 1246
Image of Jute ... LA 742
Karan Singh and the Kanpur Tragedy ... LA 936
Kaul and the Consortium... LA 1243
Kerala Has More to Spend LA 1063
Labour Scene in West Bengal LA 1062
Lessons of the Strike ... LA 1109
Let's Salute Mrs Gandhi ... LA 971
Madhya Pradesh : Uphill Task ... LA 1204
Maximising Output of Sugar LA 828
New Developments in Tea LA 689
New Industries in West Bengal ... LA 1019

discussions with Dr. Pal Pongracz, chief architect for city planning and architecture of Budapest city council. He conceded that Budapest suffered from housing shortage though he hastened to add a few statistical details about the pace at which new apartments were coming up. He made two significant points. First that the rents of these apartments were low meaning that amortisation took up to 50 years. Second that no new industries were being permitted in Budapest to save the city from pollution. On the other hand, incentives were being provided to enterprises for moving away from the capital.

Freedom of the press in Hungary was the central topic of discussion with Mr Istvan Darvasi, chief editor of Magyar Hirlap and a member of the National Assembly. The upshot of his exposition was that the Hungarian press enjoyed considerable freedom and that it had been instrumental in rooting out a number of evils from society. The press, he said, was not afraid to spotlight evil—wherever it existed.

A visit to our own embassy in Buda was a pleasing experience as it afforded an opportunity to compare notes with the Ambassador and her staff. The only thing which irked me was that the External Affairs ministry had not so far despatched a photograph of the new President. The embassy, however, put up a big flower vase to cover, though not completely, the picture of Mr V. V. Giri which still adorned the central hall.

useful contacts

The State Trading Corporation (STC) has a small office in Budapest which is headed by a commercial secretary. This office has in the past few years established useful contacts with government and public authorities, chamber of commerce and foreign trade enterprises. It has earned a good name for itself by providing pre-sale and after-sale services to Huagarian buyers. However, during the last four years, the volume of trade underwritten by this office has been on the decline as shown in the table alongside.

The STC office has done some praiseworthy work in identifying the demand for non-traditional exports from our country. The negotiations for the sale of such items as air compressors, peanut candy, salted peanut and cashewnut and dry batteries are at an advanced stage.

Besides the impressions gathered through personal discussions, an analysis of the economy of Hungary has been made on the basis of published data. The following comments are based on the material made available to me at Budapest. It gives a comprehensive picture of the Hungarian economy today.

The most appropriate tool for measuring the standard of living of the people of a country is its per capita income which in Hungary currently exceeds $1000. The fact that per capita income in 1960 was only a little more than $400 points to the rapid strides which its economy has taken during the last 14 years. According to latest statistics, the average annual growth rate of national income in Hungary between 1966 and 1973 was more than six per cent as against the rate of rise of only two per cent in the period between the two world wars. These figures clearly demonstrate the significant improvement which has taken place in the level of living of the average citizen.

national income structure

The structure of national income in Hungary indicates reliance on industrial activity up to 56 per cent as against the contribution of agriculture up to only 19 per cent. The remaining 25 per cent of the national income is contributed by tertiary activities such as commerce, transportation etc. The transformation in the economy of Hungary which has taken place since 1950 is evident from the shift in favour of industry. For example, in 1950, 52 per cent of all the wage earners were employed in agriculture while only 19 per cent of them were engaged in industry; in 1972, however, 37 per cent of the workers were employed in industrial activity while only 25 per cent were engaged in agriculture. Again, the utilisation of national income indicates a heavy emphasis on savings and investments. Currently, only three-quarters of the national income are consumed while the fourth quarter is saved and invested for further development. The socialist structure of the economy is demonstrated by the contributions made by different sectors. No less than 76 per cent of the national income is generated by the public sector and 22 per cent by the cooperatives. The private artisans, traders and land-owners contribute no more than two per cent of the national income.

The widening of the industrial base during the last 25 years has not only resulted in increased supply of essential products to the domestic economy but has also resulted in sizeable increase in foreign trade. Being a relatively small country in the centre of Europe both in area and population it has understandably laid great stress on the development of a few selected industries wherein it has developed technical know-how and expertise. Among its major industries are chemicals, telecommunications, vacuum engineering, precision engineering and road vehicles production. In 1972 Hungary produced 26 million tonnes of coal, two million tonnes of crude oil 4.1 million cubic metres of natural gas 3.3 million tonnes of steel and 15 million kwh of electrical energy. Bearing in mind the small size of the population the production data point to a creditable performance on per head basis and give Hungary a no mean position in the international scale.

The new economic mechanism introduced in 1968 brought about a substantial change in the productivity of labour which in 1972 improved by more than six per cent as against four per cent only in the earlier years. The credit for this achievement belongs to the measures taken by the enterprises to generate increased interest among workers through incentives for improved performance.

change in outlook

The reforms in economic management initiated in 1968 brought about a change in outlook of state industrial enterprises which resulted in increased decentralisation and freedom in the sphere of decisions relating to both consumption and investment. The enterprises were encouraged to inculcate self-reliance and were urged to expand their activities both through their own resources and through bank credit. Whereas before the introduction of the new economic mechanism only three to four per cent of the investments were made by companies on their own

STC : Trade with Hungary

(Rs. lakhs)

	1970-71	1971-72	1972-73	1973-74
Exports to Hungary	153.25	110.75	86.77	99.71
Imports from Hungary	78.58	69.91	135.83	27.83
Total	231.83	180.66	222.60	127.84

initiatives, at present this figure has risen to as much as 65 per cent.

The impact of speedy industrialisation has been witnessed in growing urbanisation of population. Many villagers have moved to the towns to take advantage of improved wages. In 1949, only 36 per cent of the population of Hungary lived in towns but in 1973 this proportion had risen to 45 per cent. What is more, the number of women workers has steadily increased. In 1973, 42 per cent of all wage earners were women. The shift to urban areas and the employment of increasing numbers of women in enterprises has led to an improvement in family earnings which in turn has influenced the structure of consumer consumption.

One of the secrets of the success of the Hungarian economy is the intensive use of labour force. The number of active wage earners equal about five millions which is nearly half of the total population of the country. The number of dependents is only a little more than 10 per cent of the total population which is certainly a remarkably low proportion even in the international scale.

stable economy

The society has been able to enjoy the fruits of its hard labour because the economy has been made stable through ever growing production and also through strict control on the behaviour of retail prices. Not that prices in Hungary have not risen but the rate of rise has been modest. In recent years, the average annual increase in retail prices has been no more than two per cent.

Apart from the cold statistics regarding national income, saving, investment, wages, prices etc. there is another way of looking at the relative affluence of the families in Hungary. This relates to the acquisition of modern status symbols such as refrigerators, television sets etc. In Hungary at present there are 2.1 million television subscribers which means that every second family in that country is covered by this new mode of education and entertainment. The acquisition of other consumer durables is on the increase as shown in the table alongside.

The major crops in Hungary are wheat, maize, fruits (particularly grapes), poultry, pigs and cattle. In the case of wheat yield per hectare rose from 12.4 quintals in 1952 to 30.7 quintals in1971. In 1972, the yield was slightly higher at 31 quintals per hectare. The Hungarian experts in agriculture are of the view that yield in wheat is likely to be stabilised around 30 quintals per hectare. Equally important is the maize crop in Hungary because 70 per cent of the conventional seed fodder grain used in animal husbandry consists of this crop. As in the case of wheat, productivity of land under maize has also improved during the past decade. In 1962, for example, average yield in quintals per hectare was 25.1 which rose to 35.4 in 1971. Despite this sizeable increase in production of both these crops no export is made because both these crops are used internally.

Hungarian wine export has seen phenomenal increase in recent years, thanks to a steady increase in the output of both fruits and grapes. In 1950, total production of fruits was around half a million tonnes which rose 1.2 million tonnes in 1971. Similarly in the case of grapes production rose from a little more than 600,000 tonnes in 1950 to more than 700,000 tonnes in 1971. Grapes are mostly turned into wine which results in the earning of substantial volume of foreign exchange through exports.

Cattle breeding along with pig and poultry breading constitutes a major part of agricultural activity in Hungary. In this field, the most modern technology is utilised. A genetical breeding technology, animal hygiene and fooder system combined to yield faster output of broiler chicken and eggs. The total output of eggs in 1960 was 1850 million which nearly doubled itself in 1971 to 3475 million. Similar progress was recorded in the case of cattle and pig breeding, Consequently, more than 90 per cent of Hungrian food requirements including meat are met by domestic agricultural and food industry. The list of agricultural products imported from abroad include cocoa, coffee, tea and citrus fruits.

Mechanisation has been introduced in Hungrian agriculture in a big way. Horses and oxen have been replaced by tractors. The cultivation of land is completely through tractors as most of the land has been converted into big farms either through state take-over or cooperatives. In addition to increased mechanisation, chemical fertilisers are increasingly used so as to increase productivity of land. The amount of fertilisers used on one hectare of land under the plough, garden, orchard or vineyard was more than 170 kg.

The foreign trade of Hungary is currently about 22 per cent of its national income. This shows heavy dependence of this country on commerce with other nations. Whereas its 10.4 million people make up only 0.3 per cent of the population of the world, its foreign trade is equivalent to a little less than one per cent of the world trade. Understandably Hungary has concentrated its attention on a few products and on a few industries so as to remain competitive in the international markets. This has been possible because of the stress on investment in research.

Between 1950 and 1970, Hungarian foreign trade increased its volume by more than seven times indicating a rate of growth of more than 10 per cent per annum. In 1972, the value of imports was $3154 million while exports were placed at slightly higher at $3292 million. Out of the total turnover of $6500 million in 1972, the trade with non-socialist countries was more than $2,000 million.

About 850 major Hungrian enterprises contributed towards its export earnings. However, the bulk of export production was limited to 340 industrial entreprises which manufacturered 96 per cent of all the commodities marked for export. The change in the economic system in 1968 gave considerable independence to companies dealing in foreign trade. They have acquired the right to decide for themselves as to how to structure their production and allocate shares to the domestic and the foreign markets. They have enjoyed the freedom to decide regarding collaborative agreements with foreign companies. No less than 100 enterprises have acquired this right of independent foreign trade.

Stock of Consumer Durables
(At the end of the year) (Per 1000 population)

	1960	1965	1970	1971	1972	1973
Household electric refrigerators	4	25	103	126	149	173
Household electric washing machines	45	114	179	191	201	211
Household electric vacuum cleaners	11	45	99	111	122	133
Passenger cars	3	10	23	29	33	39
Motorcycles, mopeds, scooters	24	39	59	65	67	70
Wireless sets (a)	222	245	245	245	245	243
Television sets (a)	10	82	171	188	201	211

(a) number of subscribers.

CESC

the perspective today

EXTRACTS FROM THE REVIEW BY THE CHAIRMAN, MR. SACHINDRA CHAUDHURI AT THE 77TH ANNUAL GENERAL MEETING HELD ON 18TH NOVEMBER, 1974, AT VICTORIA HOUSE, CALCUTTA.

POWER SUPPLY IN THE CALCUTTA AREA

It may be observed from what has been stated earlier that my forecast in my Review last year has to a certain extent, come to be a reality so far as the decline of output of our stations is concerned. This apprehension had been with the Company ever since the extra strain had started to be imposed on the Company's plants. If the Government Agencies could shoulder the responsibility of filling in the gap in the supply of power in the immediate future, the prospects of supply would have presented a different picture altogether. From our experience and from the trend of things, it appears that some medium and long term programmes designed to bring about at least a partial solution to the power problems in the Calcutta area cannot be delayed. As already indicated Government is seized of the problem and remedial measures are under Government's active consideration. In this regard your Company will render such assistance and co-operation as it is capable of. While considering power supply and shortage I would like to thank all our Consumers for their understanding of our problems and their patience and forebearance.

THE TARIFF QUESTION

The Clear Profit as computed under the Electricity (Supply) Act, 1948, was some Rs. 115 lakhs short of the Reasonable Return of Rs. 222 lakhs. As stockholders will be aware, this serious shortfall, relieved to the extent of Rs. 105 lakhs by the withdrawal, with Government's approval, of that sum from the Contingencies Reserve Fund, was due to the continued postponement, at Government's request, of the implementation of a comprehensive review of the Company's rates designed to bring the Clear Profit more into line with the Reasonable Return. Government's concurrence received only in December 1973 effectively extended to the increase of our industrial rates alone. Such concurrence also allowed effective increase of rates other than for lights and fans from January, 1974. The result was that our revenues benefited during the year from our rate revision to the extent of barely Rs. 115 lakhs. A somewhat modified version of the proposed increase in our rates for lights and fans has been implemented with effect from April of this year—several months after these proposals were first put to Government. In the meantime, our costs have continued to rise so that, despite these recent increases in our rates, there will, I fear, again be a shortfall in the current year. I foresee, yet a further increase in our rates to take effect in the year 1975/76 is practically inescapable.

OPERATIONAL RESULTS

	1972/73	1973/74
Sale of Electricity in millions of Units	2785.0	2709.6
Maximum Demand met in M.W.	538.0	514.0

FINANCIAL RESULTS.

	1972/73 Rs. lakhs	1973/74 Rs. lakhs
Gross Revenue	3716.7	3922.1
Profit after taxation (inclusive of Contingencies Reserve withdrawal)	110.2	58.2
Additions to Fixed Assets	328.7	313.9

(N.B.—This statement does not purport to be a report of proceedings of the Annual General Meeting referred to above)

The Calcutta Electric Supply Corporation Limited
(Incorporated in England)

TRADE WINDS

Life Insurance

WHILE GIVING the highlights of the performance of the LIC for the year ending March 31, 1974 at a press conference, Mr K.R. Puri, chairman of the the Life Insurance Corporation of India, observed that in spite of the difficult conditions prevailing, the LIC has shown creditable performance during the year. Not only the protection of life insurance was further spread much wider in the shape of higher new business but it has also achieved the highest ever percentage increase in mobilising the savings and channelising them to the various nation-building activities.

The new business of the Corporation reached a high figure of Rs 2586 crores during the year as against Rs 2075 crores recorded in 1972-73, showing an increase of 25 per cent. The healthy feature of the new business growth, Mr Puri said, was the continuingly increased contribution made by the Group Insurance schemes covering 668,957 lives for Rs 662.14 crores under 638 schemes. Among the highlights were a Savings-cum-Insurance Scheme for 101,000 teachers and employees of secondary schools in Uttar Pradesh, a similar scheme for 103,000 members of the police force, provincial armed constabulary and fire serviees in UP.

As on March 31, 1974, the total business in force amounted to Rs 10849 crores covering over 18 million policies as against 16.8 million policies covering Rs 9325 crores as at March 31, 1973. Under the group & superannuation schemes also 1.6 million lives have been covered. The Corporation continued its efforts to penetrate into the rural areas vigorously during last year achieving the rural business amounting to Rs 498 crores as against Rs 441 crores in the previous year.

The total income of the Corporation showed an increase of Rs 90 crores. This includes Rs 454.88 crores of premium, Rs 166.35 crores of interest, dividend, rent and Rs 13.11 crores of miscellaneous income. The increase in premium income was 16.72 per cent which is the highest percentage ever recorded by the Corporation and it compares favourably with 15.12 per cent increase shown during 1972-73.

The amounts invested in socially oriented investments stood around Rs 1041 crores as against Rs 895 crores during the previous year. This brings the socially oriented investments to about 38 per cent of the total investments which stood at Rs 2728 crores.

The lapse ratio continued to be the same as that of last year i.e., 5.3 per cent. This position appears to be satisfactory taking into account the impact of inflation and increasing cost of living. The renewal expense ratio of the Corporation for the year 1973-74 was 14.99 per cent as against 13.73 per cent for 1972-73 and 14.36 per cent for 1971-72.

As many as 374,000 claims amounting to Rs 107.36 crores were settled during the year under review. This compares favourably with 3.62 lakh claims for Rs 99.58 crores settled during the year 1972-73.

Central Loans Subscribed

Subscription lists for the three central government loans for a total notified amount of Rs 175 crores—namely 5.25 per cent 1978, 6 per cent 1988 and 6.25 per cent, 1997—were closed on November 22, within hours of their opening on being fully subscribed. The Reserve Bank announced that all subscribers will receive full allotment.

Indo-Japanese Joint Committee Meet

The joint communique issued at the end of two-day Indo-Japancese business co-operation joint meeting held at Jaipur recently, stressed the need for reshaping their economic and commercial relations according to the needs and capabilities of both the countries. The two-day meeting, attended by top industrialists from both the countries, discussed at length, the ways of strengthening the busines and industrial relations between India and Japan and overcoming the impediments. Leaders of India and Japanese delegations stated at a joint press conference later that as a result of this meeting understanding in both the countries had increased and they had come closer.

It was agreed that the work of the joint committee had gained new importance and its activities must be so designed as to effectively meet the new challenges. The consensus at the meeting was that the new direction of policies pursued by the two countries were such as to help tide over the immediate difficulties, while supporting the long-term objective. In this connection the efforts of this country to improve agricultural production generally, and food production in particular, as also the role of Japan as a partner in international cooperation, were duly noted and appreciated by the respective sides. It was suggested that the possibilities of collaboration in the fields of agriculture and marine products should be kept in view and specialists should be associated with the joint committee.

Mr D. P. Chattopadhaya, union minister for Commerce stated that development taking place in and outside Japan had opened new avenues for greater ties between India and Japan. In his address to the committee read out in his absence, he pointed out that sooner or later it would be necessary for Japan to concentrate more on labour-saving, non-polluting, low-energy and low-resource consuming industries. There was scope for cooperation between Japan and India to the mutual advantage of both.

Indo-Hungarian Cooperation

A Memorandum of Understanding was signed on November 18, between India and Hungary for the supply of a complete coke oven plant by India. Mr Mantosh Sondhi, secretary, department of Heavy Industry, ministry of Industry and Civil Supplies, signed on behalf of India and Dr. Jozsef Kocsis, Hungarian deputy minister for Metallurgy and Machine Building Industry, signed on behalf of the People's Republic of Hungary. This was in pursuance of the decision taken at the meeting of the Indo-Hungarian Joint Commission held in New Delhi between October 28 and November 1, 1974. There were detailed discussions between India and Hungary on India supplying the coke oven plant on a turn-key basis. The Hungarian delegation had earlier visited the various Indian steel plants and the Heavy Engineering Corporation at Ranchi. They were highly impressed by the technical competence achieved by India in the setting up and operation of steel plants.

Subject to mutual agreement being reached on technical and economic details, the project would be executed by the Engineering Projects (India) Limited, a public sector undertaking under the department of Heavy Industry. The possiblilities of executing ventures in third countries jointly by the Engineering Projects (India) Limited and the corresponding Hungarian organisation were also discussed. It was felt that India could supply are furnaces and continuous casting machines for mini steel plants, besides machine tools and other equipment for general engineering workshops and foundries.

The Prime Minister of Hungary, Mr Jeno Fock, who was in India recently, indicated that India and Hungary would soon conclude an agreement to float joint ventures for establishing alumina plants in West Asian countries like Kuwait and Iran. Mr Fock pointed out that the two countries had considerable potential to exploit their resources in this field and negotiation to promote profitable collaboration were now at an advanced stage. India and Hungary also decided to diversify the trade and commerce between the two countries on a "massive scale" and further expand technical cooperation in several fields. Both sides have agreed to exchange trade delegations shortly and place their relations on a more mature basis. These decisions were taken at a two-hour meeting of the delegations of the two countries. The Hungarian Prime Minister Mr Jeno Fock, was assisted by his minister for Metallurgy and Industry and the deputy ministers for Foreign Affairs and Foreign Trade.

Trade with GDR

India and German Democratic Republic recently signed a protocal providing for a trade turnover of Rs 100 crores between the two countries this year. The protocol was signed at the conclusion of annual trade talks in New Delhi. The protocal covers a wide range of non-traditional exports from India such engineering goods, consumer goods including readymade garments and leather products, machine tools, hand tools, knitting machines and sanitary fittings, besides traditional commodities such as deoiled cakes, cashew kernels, tea, coffee, cotton textiles, jute manufactures and tanned and semi-tanned hides and skins. Imports into India include fertilisers, rolled steel and steel products, capital goods, machine tools, printing machinery, photo goods, organic and inorganic chemicals and optical and scientific instruments.

Leather Exports

Mr G. Blotteau, President-General of ERAM—the largest footwear manufacturing concern of France—and Mr Hellemaa, Managing Director of Friitala—one of the largest manufacturers of leather and leather garments in Finland—who were here last week on business-cum-study tours, have expressed the view that India could step up her exports of leather and leather goods significantly as the Indian producers were not only quality conscious but also had access to large raw material resources.

Mr Blotteau, who thinks that Indian shoecraft is nothing but excellent, has offered to an Agra manufacturer participation in equity in a new enterprise with a capital of Rs 50 lakhs, to the extent of 40 per cent. He has also placed a trial order on this manufacturer worth Rs 750,000 to be executed in six to eight weeks. The equity participation, which will bring in technical expertise as well, will help in improving management skills,designing talent, testing and research feacilities and procurement of materials of consistent quality.

After the trial order is executed, the Agra unit would expand its production of shoe uppers for export to France to the extent of 6,000 pairs per week by February next year, 12,000 pairs per week between September and October next year and 25,000 pairs per week from February/March, 1976, onwards. The ultimately expanded production will bring in nearly Rs 4 crores worth of foreign exchange annually. Subsequently, it is proposed to produce for export to France semi-finished shoes without soles. When the leather soling material improves, the French concern will start buying even finished shoes from the Agra manufacturer.

In a lecture delivered to leather technologists and the staff of the State Trading Corporation, Mr Hellemaa observed that the Indian leather goods were coming up in quality, but still there was much scope for improvement. To achieve first rate quality worthy of competing in the world market, Mr Hellemaa strongly recommended import by India of modern testing equipment and also quality chemicals. This, he stressed, should be treated as a long-term investment.

Mr Hellemaa also emphasised the necessity for long-term planning for the growth of India's leather industry. The long-term planning, he said, could be divided into four broad periods: Production planning to cover the immediate future upto two years; short-term planning that would cover five years; middle-term planning that could be projected over an eight-year span and futurological planning that would take us to 25 years and beyond. He said that perfect coordination between the three equally important factors in the leather industry, i.e. designing, marketing and production, were absolutely essential to increase India's exports of leather garments, leather goods and shoes.

Synthetic Threads for Leatherware

India is one of the largest manufacturers of leather goods in the world, but till recently the country was exporting mostly raw hide. In order to maximise foreign exchange earnings, the government has decided to encourage the export of finished leather goods as opposed to raw hide. With the availability of cheap labour we are able to offer the goods at a competitive rates. However, leather goods exported by this country have the drawback of not using synthetic threads which afford greater durability for leather goods than any other stitching material. These threads are rot-proof, being resistant to mildew and bacteria.

At a recent survey conducted by Modi Thread Mills Limited at Agra to study the demand for synthetic threads for leather stitching, local shoe manufacturers stressed the necessity for developing such a thread in the country. They complained that they were often unable to meet their export orders due to the non-availability of synthetic thread for stitching which was insisted upon by western importers. The survey was conducted by Modis along with their collaborators, Herberlene of West Germany.

Herberlene have shown interest in the import of synthetic thread from the plant proposed to be set up at Modinagar. The plant will have an initial yearly production of 300 tonnes of synthetic thread.

Tax Collection

Collection of direct taxes for the first six months of the current financial year has shown an increase of nearly Rs 57 crores over the collection made during the corresponding period last year. Of this the increase in income-tax and corporation tax yielded Rs 55.98 crores and in the wealth tax Rs 1.11 crores. The details are given in table below:

Accounting Machines

Blue Star with its principals, M/s Buromaschinen-Export GmbH, Berlin, German

Collection of Direct Taxes

(In crores of rupees)

	Income-tax and Corporation tax	Wealth tax	Gift tax	Estate Duty
April-Sept 1974	477.88	18.42	1.86	3.51*
April-Sept 1973	421.90	17.31	1.99	3.48

*This does not include collection of Estate Duty during September 1974 in Andhra Pradesh.

Democratic Republic, arranged a series of exhibitions of Daro system in Bombay, Madras, Calcutta and New Delhi. Daro systems is already in use in over 70 countries around the world, covering a diverse range of applications for industry, banking, commerce, insurance and research. These range from simple adding/listing units to programmable accounting, invoicing and data processing systems.

Daro systems are not designed as substitutes for manual work, but are designed to assist and streamline human effort, thus leading to greater efficiency and profit. Manufactured in and exported from GDR, these systems are backed in India by Blue Star's total systems service which includes the study of individual problems, designing suitable systems as solutions for the problem, installation and programming of the systems training of operators, commissioning and initial supervision, free quarterly service for the first 12 months and fixed-price annual preventive maintenance contracts thereafter. The Systems are available on rupee payment, at PEC controlled prices. The exhibition was held at Akbar Hotel, Chanakyapuri, in New Delhi from November 26 to 29, 1974.

International Dairy Congress

India is the first developing country to host the International Dairy Congress being held in New Delhi from December 2 to 6. Disclosing this at a press conference recently, Dr V. Kurien, chairman of the National Dairy Development Board, stated that over 1,500 dairy experts from all over the world were expected to attend this session of the Congress. Besides, 11 UN agencies would also participate in the conference. The Congress would be inauguated by President Fakhruddin Ali Ahmed. FAO chief A.H. Boerma will be one of the distinguished speakers at the opening of the Congress technical session. Congress will discuss the challenges and future of modern dairying and is of speeial significance since the theme of the conference would be "Dairying as an Instrument of Social and Economic Change". It would thus focus attention on the deep and far-reaching implications of the dairying in the not-so-developed countries.

Loans by Non-Banking Compamies

The government has appointed a study group under the chairmanship of Dr K. N. Raj to go into the working of non-banking financial companies. This was disclosed by the deputy minister for Finance Mrs Sushila Rohtagi in the Lok Sabha recently. She was replying to the debate on the Reserve Bank of India (Amenment) Bill. She stated that the government would take suitable action regarding these can panies in the light of the report. She also informed the House that the Reserve Bank was drawing up a uniform legislation with regard to chit funds and it was expected to be ready soon. In the meantime, the centre had advised states to enact legialstions for controlling the activities of chit funds on the model of those existing in some states. She added that it was the policy of the government to see that private credit agencies such as hundies and multanies were eased out of business within the next two years. The present policy was to limit their activity to the existing level. The proposed bill would also enable the Reserve Bank to look into the affairs of non-banking financial companies.

SDR Drawjngs

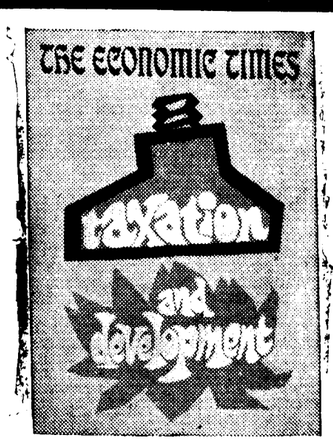
The government of India has drawn in October, 1974 the equivalent of SDR 200 million (Rs 193.86 crores) under the oil facility of the International Monetary Fund. The drawing is repayable over a period of 4 to 7 years and carries an average rate of interest of about seven per cent, Mr C. Subramaniam, union minister for Finance told the Lok Sabha recently.

TAXATION, INFLATION AND DEVELOPMENT

The Economic Times Annual this year turns the spotlight on problems of taxation, inflation and development. Experts examine various aspects of direct taxation and assess the impact of tax policies on investment, development and income distribution.

There are special studies bringing out the differences in personal taxation as between countries, the shifting of corporate taxation, the marginal utility of income and progression in taxation, problems of agricultural taxation, tax exemptions and concessions, inflation, tax evasion and black money.

An entire section is devoted to the concept of the value added tax and its relevance to developing countries like India.



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COMPANY AFFAIRS

In Doldrums

THE STOCK market continued to be in doldrums during the past week in the absence of fresh incentives and lack of support induced by political and economic uncertainties. Operators were reluctant to enter the market in a big way as they felt that the dividend curb had come to stay. Apart from continued lack of institutional support, the Reserve Bank's directive to commercial banks to charge an additional interest of two per cent on borrowings on excessive inventories in industries such as cotton, synthetics and jute textiles, pharmaceuticals, rubber products, fertilizers, paper, vanaspati and light and medium engineering, also affected the market sentiment. Further notwithstanding official assertions, there is a growing concern in market circles over the recessionary trends already in evidence in several segments of the economy.

Trading on Dalal Street was listless during the last week. The market opened on a subdued note and prices thereafter tended to improve on short covering operations. Barring stray transactions there was nothing worthwhile during the whole of the week. The turnover was also poor. As the settlement bristled with some difficulties owing to the failure of a party to honour his commitments in Scindia, the market remained closed on the last two days of the week. Lyons Range wound up the week on a distinctly subdued note. There was virtually no enthusiasm for operators to open up new commitments. The volume of business consequently was very thin. Equities moved in a narrow range and even feeble attempts at rally petered out due to lack of follow-up support. Activity in the Madras Stock Exchange during last week was subdued with operators evincing interest only in select scrips.

Century Enka

Century Enka has reported impressive improvements in its working results during the year ended September 30, 1974 sales, profits, and margins all being substantially higher than in the previous year. An equity dividend of 12 per cent has been declared on the enlarged capital resulting from the one for two bonus issue as against 20 per cent paid in the preceding year. An application is bring made to the tax authorities to determine the quantum of dividend exempt from tax under section 80K of the Income Tax act. With sharp rise in gross sales from Rs 8.40 crores to Rs 10.11 crores, gross profit moved up spectacularly by about 66 per cent to Rs 4.97 crores, from Rs 2.99 crores in 1972-73. The improved working is attributed to the introduction of new varieties of special yarns, increase in selling prices as well as rigid cost control. Out of the profit, the directors have appropriated Rs 62 04 lakhs to depreciation reserve as compared to Rs 71.14 lakhs in 1972-73 while the allotment to development rebate reserve was enhanced from Rs 0.36 lakh to Rs 3.17 lakhs. The tax liability for the year is estimated at Rs 2.66 crores. In 1972-73 the provision of taxation amounted to Rs 1.30 crores.

Due to inadequate and irregular supplies of Caprolactam, the company's production has been affected adversely, the output being lower at 877 tonnes as compared to 911 tonnes in the preceding year. Production in 1974-75 is expected to be even lower unless caprolactam situation improves unexpectedly. The directors consider the current years prospects as dim in view of the shortage of caprolactam and the recent fall in market prices of nylon yarn. Despite compliance with all the conditions of the letter of intent for expension of the nylon plant to a capacity of 6.5 tonnes per day the company has yet to receive the imports licence for capital goods. The delay will mean substantial increase in the capital cost of the project.

Richardson Hindustan

Richardson Hindustan has fared well during the the year ended June 30,1974, both sales and profits being higher than 1972-73. But its margins have been under considerable pressure. While sales spurted by 35.2 per cent from Rs 5.46 crores to Rs 7.38 crores, gross profit moved up by only 2.3 per cent to Rs 76.25 lakhs from Rs 74.50 lakhs in 1972-73. Out of the gross profit the directors have provided Rs 18.84 lakhs to depreciation reserve as against Rs 24.65 lakhs in the previous year, while the allocation to development rebate reserve was reduced from Rs 1.25 lakhs to Rs 0.55 lakh. Taxation absorbed Rs 34.49 lakhs as against Rs 29.50 lakhs in the preceding year. The net profit after these allocations worked out to Rs 22.37 lakhs as compared to Rs 19.10 lakhs in 1972-73. After adjustments, the balance of Rs 20.61 lakhs has been transfered to general reserve. The company declared an interim divided of Rs 1.50 per share (15 per) cent for 1973-74. In view of restrictions on dividends no final dividend has been recommended for the year. For 1972-73 the company paid an equity dividend of 20 per cent.

Kothari Sugars

Kothari Sugars and Chemicals Ltd. has earned a gross profit of Rs 87.37 lakhs during the year ended June 30. 1974 as against Rs 45.58 lakhs for the ten months period of previous year. After providing for depreciation Rs 43.16 lakhs (Rs 17.59 lakhs), development rebate reserve Rs 34.47 lakhs (Rs 10.81 lakhs) and other adjustments out of the balance amount of Rs 21.18 lakhs a dividend of nine per cent on the equity shares aggregating to Rs 14.40 lakhs has been recommended by the directors. The directors could have recommended a higher dividend but for the restrictions imposed by the government on the distribution of dividends. The Kattur factory commenced its crushing on November 15, 1973 and ended on September 10, 1974. The company's new factory at Siruguppa was erected and commissioned in a record of time of 18 months and the factory commenced its production on December 24, 1973 and ended on May

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London

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6, 1974, crushing 1,07,700 tonnes of cane and producing 97,800 quintals of sugar.

The total crushing at these two factories was of the order of 4,75,766 tonnes as against 2,24,531 tonnes in the previous session, manufacturing a total quantity of 4,04,401 quintals of sugar as against 1,97,126 quintals in the previous season. The average recovery at Kattur was 8.33 per cent and at Siruguppa 9.13 per cent. The company has received industrial licence for increasing its crushing capacity at Kattur to 4,000 tonnes per day from the existing capacity of 1,500 tonnes per day. An application has been made to the central government for increasing the crushing capacity at Siruguppa to 4,000 tonnes per day from the existing capacity of 1,500 tonnes per day. It is estimated that during the current year namely 1974-75 the crushing will be of the order of 5.88 lakh tonnes of cane producing about 5.28 lakh quintals of sugar.

Sakthi Sugars

Sakthi Sugars Limited established another landmark during the year ended June 30, 1974 with the completion of the programme for expanding crushing capacity to 4,000 tonnes from 2,500 tonnes daily along with other constructions for amenities and facilities at a cost of Rs 3.75 crores. The distillery also is diversifying its production with the installation of the absolute and neutral alcohol plants. These are expected to be commissioned shortly. With a capability for handling more than one million tonnes of cane in a crushing season, Sakthi Sugars is the first unit in Tamil Nadu to raise its capacity to 4000 tonnes daily. The quantity of cane crushed in the 1973-74 season was the third largest and sugar produced the second biggest for any sugar unit in the country. The layout of the new facilities has been so planned that the capacity can be raised further to 5,000 tonnes easily.

The working results for the year under reference have been highly satisfactory as even with a payment of higher cane prices and a drop in the average recovery of sugar, the net profit before depreciation and taxation has jumped to Rs 104.72 lakhs from Rs 74.99 lakhs in 1972-73. The amount set aside for depreciation has been raised to Rs 46.99 lakhs from Rs 34.76 lakhs and development rebate to Rs 32.67 lakhs from Rs 7.15 lakhs. There will be no liability in respect of taxation against Rs 9 lakhs previously on account of the larger claims towards depreciation and development rebate. The transfer to dividend reserve is Rs 18.45 lakhs as compared to Rs 22.50 lakhs and general reserve Rs 14 lakhs as against no provision in the earlier year. The distillery's contribution to total earnings would have been larger but for the fact that the revision in selling prices for alcohol was effected only towards the close of the accounting period. Even so, there is adequancy of disposable profits for maintaining the dividend on equity capital at 15 per cent taxable. The directors have been obliged to restrict the payment to 12 per cent taxable because of the dividend ordinance.

The quantity of cane crushed constituted a record in the history of the company at 8.13 lakh tonnes in the twelve months ended June 30, 1974 with sugar output also at 67.776 tonnes against 59,972 tonnes. The outlook for 197.475 is considered promising as it is hoped to handle more than eight lakh tonnes of cane in spite of a smaller area under the crop. It will also be possible to achieve a higher level recovery as the expanded capacity will be helpful in maximising crushing operations during the peak of the season. The distillery too will be realising higher average selling prices and will not be affected in any way due to the reintroduction of prohibition except, for the interruption to production, for a short period following confusion about the impact of new levies by the state government on the use of alcohol. There is a good demand for this product for industrial uses.

Usha spg. and Wvg. mills

The performance of Usha Spg. and Wvg. Mills Limited during the year ended June 30, 1974 has been quite impressive despite the acute shortage of power, labour trouble and high prices of cotton. Gross sales of the company during the year under review registered a marginal increase from Rs 3.17 crores to Rs 3.23 crores. However the operating profits of the company shut up from Rs 25.54 lakhs to Rs 61.62 lakhs. This is due to sound and scientific management policy, constant vigilance on fluctuating prices and inventory control. The company has been advised to create development rebate reserve by debiting to the profit and loss account of the previous years in which the deduction by way of development rebate is to be allowed. So an account of Rs 20.77 lakhs has been provided towards development rebate reserve for the year 1973-74 while by amending the annual accounts of the previous years, Rs 1.24 lakhs, Rs 0.81 lakh and Rs 0.23 lakh have been provided for 1970-71, 1971-72 and 1972-73 respectively. As recession has set in a big way in the textile industry the future prospects of the company would be clear only after the prices of both cotton and yarn become stablised. The management is making all efforts by taking various measures of economy, aggressive sales policy and a series of other measures to maintain the breakthrough in the performance achieved during the year under review.

Premier automobiles

Various steps are being taken by Premier Automobiles to enhance the production of its cars. It has finally received the letter of intent for expansion of production to 18,000 cars per annum. However in view of the delay of about two and a-half years in the issue of the letter of intent, the cost of the project has gone up substantially. The company is presently revising the financing scheme in consultation with the financial institutions which will be submitted to the government to enable it to issue the industrial licence. Barring unforeseen circumstances the company hopes to complete the expansion project and achieve the target of production by June 1976. During the year 1973-74 its exports were significantly higher than in the previous year. Currently it is working on a big export order for its cars to Indonesia and if its efforts prove successful Indonesia will provide a stable and continuing market for its cars.

Larsen & Toubro

Industries that need good packaging to ensure visual appeal and reliable protection, can now have a wide range of packaging machinery from Larsen & Toubro Limited (L & T). Backed by extensive market research, L & T has developed a range of need-based packaging machines that have application in a wide spectrum of industries. Some of these have just been introduced in the market, while others await phased release.

The first of its kind in the Indian market, the blister packaging machines forms blisters of required shape to suit the product which are vacuum-filled using thermo forming materials. The blisters are filled with products and then sealed with heat-sealable aluminium foil. The shrink wrapping machine is designed for shrinking a polythelene/PVC film round an article to give it a contour-hugging package. Such wrapping ensures a pilfer-proof seal, neat see-through pack and product immobility.

Another machine, designated Anypak, basically has two units—one makes cups out of thermo forming materials and the other seals lids on to the cups after they are filled. Yet another machine—for auto capping—consists of a vibratory feeder for caps, a continuous conveyor which carries the bottles directly below a "no bottle no cap" device, which screws on a pre-threaded cap.

L & T packaging machines incorporate high degree of automation. Collectively, they have application in pharmaceutical, cosmetics, engineering, food and beverages, textile and other industries. Among the many advantages of these machines include high speed simplicity of construction and operation, economic capital and running cost, hygienic packaging and pleasing visual presentation.

News and Notes

Standard Alkali, the chemical division of Standard Mills Company has reported commendable progress on the export front. In 1973-74 as against its total turnover of Rs 10 crores the company has exported non-traditional items such as caustic soda, caustic potash, potassium carbonate and hydrochloric acid worth about one crore of rupees. In the first seven months of the current year—April to October—the company has already exported goods worth over Rs one crore and has on hand export orders worth Rs 1.50 crores. Already, chloroform, a new product, is in the process of being included in the export list. With the-commissioning of its chloromethane plant, carbonatetrachloride and methylene chloride are expected to be included in its export list shortly.

New Issues

Amines ond Plasticizers Limited, promoted by India Carbon Ltd, will soon be entering the capital market to raise Rs 78.80 lakhs, comprising Rs 58.80 lakhs in equity shares and Rs 20 lakhs in redeemable cumulative preference shares to meet a part of the cost of its Rs 2.25 crores project. The cost of the project is being met by the share capital of Rs 1.40 crores, term loan from State Bank of India of Rs 48 lakhs, foreign currency loan from ICICI of Rs 18.24 lakhs and loans from promoters of Rs 18.22 lakhs.

The company has been in commercial production since December 1973 and its products being of the highest of international standards have been enjoying good reputation in India and abroad. During the first year of its production ended September 30, 1974, the company's sales aggregated Rs 1.37 crores on which it earned a gross profit of Rs 33.37 lakhs. The company has also earned foreign exchange to the tune of Rs 7.57 lakhs by exporting a consignment of 40 M. T. to a middle-eastern country. In view of improved raw material supply position the company expects a turnover of about Rs 4 crores for 1974-75. Barring unforeseen circumstances, the management is confident of paying a reasonable maiden dividend out of the profits during 1974-75.

Amines and Plasticizers Limited is the first company in the country to manufacture ethanolamines by a sophisticated continuous process with the technology and know-how of world renowned Societe Napthachimie of France. Ethanolamines is consumed in substantial quantities by major industries such as fertilizers pharmaceuticals, steel, textiles, cement, leather and is also used in the manufacture of dyes, paints, detergents, soaps and cosmetics. Practically the entire demand for these chemicals was being met by imports until the company's plant commenced commercial production. The production of Ethanolamines is contributing to substantial savings and would add to earnings of foreign exchange, besides promoting industrial sophistication in the country. Amines and Plasticizers Limited is also manuafcturing dioctyl phthalate, a widely used phthalate plasticizer for the processing of PVC to manufacture products like PVC insulated cables, leather cloth, footwear, films and sheets for packaging etc. The company's research and development wing is actively engaged in developing other chemicals to be included in the range of its products.

Gwalior Tools Ltd., a new company is entering the capital market shortly with a public offer of one lakh equity shares of Rs 10 each and 3,000 10 per cent redeemable cumulative preference shares of Rs 100 each. The company is setting up a factory at Maharajpura industrial area, Gwalior, for manufacturing hackshaw blades. At present there is shortage of good quality hackshaw blades. Besides the indigenous demand, there is a large growing export market for the product. The estimated cost of the project is Rs 38.84 lakhs of which Rs 13 lakhs would be met out of the share issue to public, Rs 6.60 lakhs out of the share issue to promoters and friends Rs 17.33 lakhs as term loan from Madhya Pradesh Financial Corporation and Rs 1.91 lakhs as loan from directors.

Capital & Bonus Issues

Consent has been accorded to 17 companies to raise capital of over Rs. 18 crores. The following are the details:

Sarda Plywood Industries Ltd., (Calcutta): have been accorded consent, valid for three months, to capitalise Rs. 7.50 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 one equity share held.

Sylvania & Laxman Ltd., New Delhi): have communicatted to government their proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 to the value of Rs. 40 lakhs in 4 lakhs equity shares of Rs. 10 each, for cash at par on pro-rata basis.

The Vazir Sultan Tobacco Co. Ltd. (Hyderabad): have been accorded bonsent for issue of further capital of Rs. 1.77 crores in equity shares of Rs. 10 each to be issued for cash to the Indian nationals at a premium of Rs. 6 per share. The consent is valid for 12 months only.

Transport Corporation of India Ltd, (Secunderabad): have been accorded consent, valid for 12 months, for issue of further capital of Rs. 48 lakhs in 4.80 lakh equity shares of Rs. 10 cash, for cash to the public by issue of a prospectus at a premium of Rs. 10 per share.

Covelong Beach Hotel (India) Ltd.,: have communicated to government their proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 to the value of Rs. 30 lakhs in the form of 2.50 lakh equity shares of Rs. 10 each and 5,000 cumulative redeemable shares of Rs. 100 each (inclusive of the capital already raised).

Derco Cooling Coils Ltd., (Secunderabad): have communicated to government their proposal to issue capital under Clause of 5 of the Capital Issues (Exemption) Order, 1969 to the value of Rs. 35 lakhs (inclusive of capital already raised) in the form of 2.90 lakh equity shares of Rs. 10 each and 6,000 cumulative preference shares of Rs. 100 each.

United India Credit & Development Co Ltd., (Calcutta): have been accorded consent, valid for 12 months, for issue of equity shares debentures of the total value of Rs. 2,48,84,370 to the shareholders of United Bank of India in terms of the scheme of amalgamation of the latter with the former as approved by the Calcutta High Court on June 18, 1973, as amended on August 23, 1974.

Geoffery Manners & Co. Ltd., (Bombay): have been accorded consent, valid for three months, for issue of bonus shares worth Rs. 96,00,000.

Philips India Ltd., (Calcutta): have been accorded consent, valid for three months, to capitalise Rs. 6.79 crores 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 one equity share held.

Mafatlal Iudustries Ltd., (Ahmedabad): have been accorded consent, valid for three months, for issue of bonus shares worth Rs. 1,89,40,125 to be issued to the existing shareholders of the company.

Polyolefins Industries Ltd.,

(Bombay): have been accorded consent, valid for three months, to capitalise Rs. 1.80 crores out of its general reserve and issue fully paid equity shares of Rs. 100 each as bonus shares in the ratio of the bonus share for every three equity shares held.

Bakelite Hlam Ltd., (Secundrabad): have been accorded consent, valid for three months, for issue of bonus shares worth Rs. 52,60,150.

Bush Boake Allen (India) Ltd., (Madurai): have been accorded consent, valid for three months, for issue of bonus shares worth Rs. 15,51,350.

Sundaram Textiles Ltd., (Madurai): have been accorded consent, valid for three months, to capitalise Rs. 15 lakhs out of its general reserve and issue fully paid equity shares of Rs. 100 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Tirupur Textiles Pvt. Ltd., (Tirupur): have been accorded consent, valid for three months, to capitalise Rs. 7.50 lakhs out of its general reserve and issue fully paid equity shares of Rs. 100 each as bonus shares in the ratio of one bonus share for every one equity share held.

Kumargode Estates Ltd., (Bangalore): have been accorded consent, valid for three months, for the issue of bonus shares worth Rs. 3 lakhs to the existing shareholders of the company.

The Kumaran Mills Ltd., (Coimbatore): have been accorded consent, valid for three months, for issue of bonus shares worth Rs. 10 lakhs.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Equity dividend declared for: Previous year
Higher Dividend			
Shree Meenakshi Mills	June 30, 1974	10.0	Nil
Swan Mills	December 31, 1973	15.0	13.0
Same Dividend			
Maheshwari Mills	March 31, 1974	Nil	Nil
Rajesh Textiles	June 30, 1974	12.0	12.0
Jam Shri Ranjitsinghji Spg. & Wvg. Mills Co	June 30, 1974	12.0	12.0
Reduced Dividend			
Aditya Mills	December 31, 1973	8.5	9.0
Travancore Rayons	December 31, 1973	Nil	15.0
Estrela Batteries	March 31, 1974	Nil	8.0
Neelamalai Tea and Coffee Estates	June 30, 1974	Nil	5.3
Loyal Textiles	June 30, 1974	10 0	20.0
Alkali and Chemical Corpn.	September 30, 1974	12.0	17.5

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the weeks ended May 4 to May 25, 1974. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertaking (NU), New Article (NA); Substantial Expansion (SE), Carry on Business (COB); Shifting—and annual installied capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given. The licences and letters of intent issued in the month of August 1974 were published in our issue dated October 11, 1974. Due to late receipt of official releases, the licences and letters of intent issued during the period May to July 1974 are beidg carried in these columns from this week onwards.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Modern Steel Pvt. Ltd; G.T. Road, Mandi, Gobindgarh, Punjab—(Mandi Gobindgarh—Punjab)—Mild Steel Ingots—18,000 tonnes p.a — (C.O.B.)

Metallurgical Industries (Non-Ferrous)

M/s Sarda Industries Pvt. Ltd; 10-Industrial Area, Jhotwara, Jaipur-6 (Jaipur—Rajasthan)—Non-Ferrous Alloy Castings (Excluding Pressure Die Castings)—77 tonnes p.a.—(C.O.B.)

M/s Sarda Industries (P) Ltd; 4-Digambar Jain Temple Road, Calcutt-7. 24-Parganas, West Bengal)—Zinc & Aluminium Pressure Die-Castings—35 tonnes p.a.—(C.O.B.)

Electrical Equipment

M/s The English Electric Co. of India Ltd; P.O. Box No. 2, Pallavaram, Madras—(Madras—Tamil Nadu)—High Voltage HRC Cartridge Fuse-links for systems upto 11 KV with current ratings 5 to 100 amps.—6,000 nos. p.a.—HRC Cartridge Fuse—Links for the protection of semi-conductor rectifiers for systems upto 1000 volts (Peak inverse) with current ratings 5 to 500 amps.—60,000 nos. p.a.; Admiralty and inter-service pattern HRC cartridge fuse-links for use in systems upto 440 volts with current ratings 0.25 amps to 200-A.—3,00,000 nos. p.a.—(N.A.)

M/s Mahindra & Mahindra Ltd; Gateway Building, Apollo Bander, Bombay—(Bombay—Maharashtra)—Moulded Track Potentio meters—1 million nos. p.a.—(N.A.)

The Andhra Pradesh Industrial Development Corpon., Nizam Sugar Factory Bldg; Hyderabad. (Hyderabad—Andhra Pradesh)—Potentiometers—1.0 mill. nos. Carbon Tracks—5.0 mill. nos.—(N.U.)

M/s Delco Electronics Ltd; 29—Netaji Subhas Marg, Delhi-6. (New Delhi)—Tape Recorders—40,000 nos.—(N.U.)

M/s Bush India Ltd; Sukh Sagar, N.S. Patkar Marg, Bombay-7. (Bombay—Maharashtra)—Paper Cones for Loudspeakers.—2.5 mill. nos. p.a.—(S.E.)

M/s Bush India Ltd; Sukh Sagar, N. S. Patkar Marg, Bombay. (Bombay—Maharashtra)—Electrolytic Capacitors—12 million nos. p.a.—(S.E.)

M/s English Electric Co. of India Ltd; P.O. Box No. 2, Pallavaram, Madras (Pallavaram, Madras—Tamil Nadu)—Type SSRR3V Distance Protection Scheme Relays—160 nos. p.a.; Type VAM Automatic Semaphore Indicator Relays—1400 nos. p.a.—(S.E.)

Telecommunications

M/s Jai Electronic Industries Pvt Ltd; 75-Industrial Area, Nasik-7. (Nasik—Maharashtra)—Audio Tapes—40 mill. running metres p.a,—(C.O.B.)

Transportation

M/s Fenner Cockill Ltd; Pandyan Building, West Voli Street, Madurai-1. (Kachadai—Tamil Nadu)—Oil Seals—40 lakh nos. p.a (S.E.)

M/s Associated Bearing Co. Ltd: Mahatma Gandhi Memo-

OUR EXPERTISE IS WINNING RECOGNITION IN ALL THE SIX CONTINENTS !

Recently we have received an order worth Rs. 17 crores for sophisticated electronic systems from a renowned firm in Switzerland. They are one of the foremost electronic product manufacturers themselves!

Then, what made them place the order on us?

For two very practical reasons. They know that we have dependable production capability and technical expertise to deliver the goods —on schedule and custom-built to their designs and specifications. Secondly, quite attractive prices.

Reasons, sound enough for any business organisation.

Our Bangalore Complex, comprising six manufacturing Divisions, occupies a land area of 70 hectares and employs over 13,000 workers. Our Ghaziabad Unit near New Delhi is laid out over an area of more than 84 hectares and employs 1200 people.

Each Division is equipped with modern machinery and facilities. The sophistication and complexity of the machinery are matched by the skill and dexterity of our workers.

PRODUCT RANGE: A whole range of communication equipment from transreceivers to high power transmitters, audio and video broadcast transmitters and studio equipment, UHF radio relay systems, radar systems for surveillance, weapon control and meteorology; components like transistors, Integrated Circuits, receiving and transmitting tubes, X-ray and TV picture tubes occupy the present production spectrum.

PRODUCTION AND PROCESS TECHNIQUES AND CONTROL: Up to date techniques are employed using the latest machinery, inspection equipment and the best available materials. A high level of standardisation has been achieved in all the activities right from the component choice to final assembly.

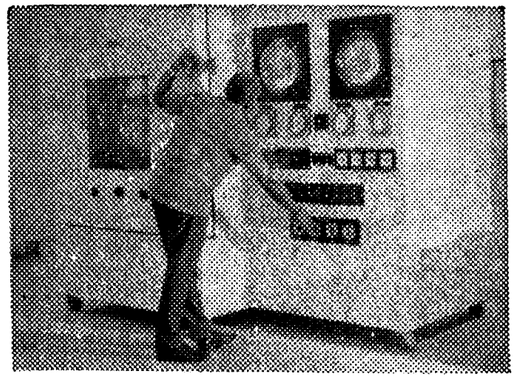
RELIABILITY: We are fully equipped to design, produce and inspect equipment to rigid international standards like DEF, BSS, MIL, JSS etc.

A series of special tests and checks including extensive environmental tests ensure high standards of quality.

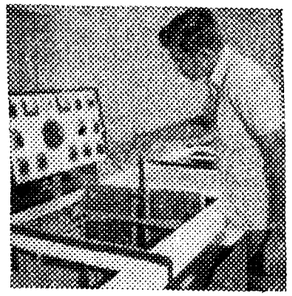
DEVELOPMENT AND ENGINEERING: The highly qualified team of over 200 engineers in our Development and Engineering Division have to their credit the designing of several modern equipment and systems.

SYSTEMS CAPABILITY: In fact our systems capability has reached such an advanced stage that we won against global bids a Rs. 2-crore contract to set up a multichannel UHF radio relay link for the Indian Oil Corporation. When commissioned the system will link Barauni with Haldia and Kanpur thus facilitating communication and monitoring of the 1200 km pipeline.

This is no flash in the pan. Recently we have received an order from the Tamil Nadu Government for setting up a multichannel Microwave communication system for their Police. The network system will link Madras with all the important centres of the State.







RECOGNITION OF MERIT: It is not by accident that our exports touched Rs. 1.86 crores during 1973-74. Some of the orders came from countries highly advanced in the field of electronics such as U.K., West Germany, U.S.A., Canada, Australia, Japan, Hong Kong and Singapore. The dedication of our engineers and workers is paying off handsomely !

BHARAT ELECTRONICS LTD.
Bangalore • Ghaziabad
(A Govt. of India Enterprise)

AIYARS-BEL-3674

al Building, Netaji Subhas Road, Bombay-2. (Chinchwad—Maharashtra)—Ball Bearings—60 lakh nos. p.a.—(S.E.)

Industrial Machinery

M/s Ingersoll Rand (Rand) (P) Ltd; 44-Abdul Ghaffar Road, ost Box No. 16564, Worli, Bombay. (Ahmedabad—Gujarat)—Drilling Rigs (Small & Medium)—100 nos. p.a.—(S.E.)

M/s Mukund Iron & Steel Works Ltd; Express Towers. rd Floor, Nariman Point, Bombay. (Kalwa, Thana, Maharashtra)—Spares, Components & Assemblies for Steel Plants nd other Metallurgical Plants.—600 tonnes p.a.—(S.E.)

M/s National Engineering Industries Ltd; 9/1, R.N. Mukher-e Road, Calcutta. (Jaipur—Rajasthan)—Roller Bearing Axle oxes.—60,000 nos. p.a.—(S.E.)

Chemicals

M/s Shriram Chemicals Industries, Naaz Building, 1-handewalan, New Delhi.(Kota—Rajasthan)—Calcium Carbide -23,300 tonnes p.a.—(S.E.)

M/s Neomer Limited, Alembic Road, Baroda-3. (Baroda—ujarat)—Polopropylene Fibre—6.000 tonnes p.a.—(N.U.)

Mr N.K. Parekh, M/s Kondivita Pvt. Ltd; 12, Parvati, ion (W), (Bombay—Maharashtra)—Synthetic Rubber based dhesives—42,930 litres p.a.—(C.O.B)

Drugs & Pharmaceuticals

M/s German Remedies Ltd; Shiv Sagar Estate, 'A' Block, r. Annie Besant Road, Worli, Bombay. (Bombay—Maharashtra)—UROGRAFIN; Ampoules 60%—75,000 nos. p.a., mpoules 75%—2,25,000 nos. p.a.—(N.A.)

Textiles

M/s Bihar State Industrial Development Corpn. Ltd; andar Bagicha, Patna-1. (Bihar)—Cotton Yarn—25,000 pindles.—(N.U.)

M/s Bihar State Industrial Development Corporation Ltd. andar Bagicha, Patna-1. (Bihar)—Processing of Cloth—30 Mill. Metres p.a.—(N.U.)

Paper and Pulp

M/s Sun Coated Paper Co., Block-D, Shivsagar Estate, r. Annie Besant Road, Worli, Bombay. (Satpura—Maharashtra)—Clay Coated Paper—6,000 tonnes p.a.—(S.E.)

Sugar

M/s Shri Malaprabha Co-op. Sugar Factory Ltd; M. K. ubli, Distt: Belgaum, Karnataka. (Hubli, Belgaum, Karataka)—Sugar—3,500 tonnes p.a.—(S.E.)

Cement and Gypsum Products

M/s Bagalkot Udyog Ltd; Bagalkot, Distt; Bijapur. (Bijaur—Karnataka)—Portland Cement (by dry process)—6,90,000 nnes p.a.—(S.E.)

Letters of Intent

[During the week ended may, 4, 1974]

Metallurgical Industries (Ferrous)

M/s Sanghvi Steels; 159/2, Bombay Poona Road, Chinchwad, oona-19. (Poona—Maharashtra)—Iron & Steel and Alloy teel Castings—1,200 tonnes p.a.—(N.U.)

M/s Bengal Ingot Company Ltd; 5-Hide Road, Calcutta-43. Calcutta—West Bengal)—Stainless Steel Castings, Heat esistant Castings and Special Alloy Steel Castings—3,000 nnes p.a.—(N.A.)

Electrical Equipment

M/s Delco Electronics Ltd; 29-Netaji Subhash Marg, Delhi. anta Cruz EPZ—Maharashtra)—Tape Recorders—1 lakh nos. Pre-recorded Cassettes.—50 lakh units. Pre-recorded Cartridges.—50 lakh units. p.a.—(N.U.)

M/s H. N. Karanjia & P. Kudianavala, Consultants Pvt. Ltd; M.M. Buildings, Ballard Estate, Bombay. (Santa Cruz EPZ—Maharashtra)—(i) Steatite Ceramics (ii) For-Sterite Ceramics & (iii) Alumina Ceramics—300 tonnes p.a.—(N.U.)

Mr Navaratna Mal Kothari, M/s Mahalchand Motilal Kothari, Gancy Bazar, Gauhati. (Santa Cruz EPZ—Maharashtra)—Integrated Circuits of all kinds including MOS LSI—50 mill. nos. p.a.—(N.U.)

M/s Siemens India Ltd; 134-A, Dr. Annie Besant Road, Worli, Bombay. (Bombay—Maharashtra)—A.C. Synchronous Machines (150 KVA to 2500 KVA)—50 nos. D.C. Machines (Upto 200 HP)—1,200 nos. p.a.—(N.A.)

M/s Western Maharashtra Development Corpn. Ltd; IIIrd Floor, Red Cross Building, 11-Mahatma Gandhi Road, Poona. (Maharashtra)—Medium & Low Voltage Electrical Switchgear Components of 415 V and 240 V.—50,000 nos. p.a.—(N.U.)

M/s Kerala State Electronics Development Corpn. Ltd; 1133 & 1134, Sasivihar, Peroorkada, Trivandrum. (Kerala)—Electromagnetic Components and Electronic Sub-assemblies—1,25,000 nos. p.a.—(N.U.)

M/s Kerala State Electronics Development Corpn. Ltd; 1133 & 1134, Sasivihar, Peroorkada, Trivandrum. (Kerala)—Static Invertor Systems—5,000 nos. p.a.—(N.U.)

M/s The Mysore Electrical Industries Ltd; Bangalore—Tumkur Road, Yeshwantpur, Bangalore-22. (Bangalore—Karnataka)—Earth Leakage Relays—1,600 nos. p.a. Inverse Characteristic Over Current Relays—1,400 nos. p.a. Under/Over Frequency Relays—240 nos. p.a. Directional Over Current Relays—240 nos. p.a. Distance Relays—240 nos. p.a. etc. etc.—(N.A.)

M/s Cutler-Hammer India Ltd; 20/4, Mathura Road, Faridabad. (Ballabgarh, Gurgaon—Haryana)—Relays—90,000 nos. p.a. Push Buttons—1 lakh nos. p.a.—(S.E.)

Telecommunications

M/s Trimourti Electronics Pvt. Ltd; Sea Castle, Opp. Tilak Statue, Netaji Subhash Road, Chowpatty Sea Face, Bombay. (Santa Cruz EPZ—Maharashtra)—Black & White T.V. Receivers—36,000 nos. p.a. Colour T.V. Receivers.—25,000 nos. p.a. B & W Portable T.V. 50,000. AM/FM Radios—200,000 nos. p.a. Cassette Tape Recorders (including radio Combination)—50,000 nos. p.a. Electronics Tuners—UHF/VHF.—1 lakh nos. p.a. (N.U.)

Transportation

M/s Raunaq & Company India Pvt. Ltd; B-82, Himalaya House, Kasturba Gandhi Marg, New Delhi.—(Bombay—Maharashtra)—Clutch Assembly—40,000 nos. Clutch Driven Plate Assembly.—1 lakh sets. p.a. Hydraulic Brake Assembly—40.000 sets p.a.—(N.U.)

M/s Bihar State Indl. Dev. Corpn. Ltd; Bandar Bagicha, Patna-1. (Bihar)—Automobile Wheel Rims—3.5 lakh nos. p.a (N.U.)

M/s U.P. State Industrial Development Corpn. Ltd; 117/420, G.T. Road, P.B. No. 413, Kanpur. (Uttar Pradesh)—Automobile Shock Absorbers—5 lakh nos. p.a.—(N.U.)

Machine Tools

M/s K.G. Khosla & Co. Pvt. Ltd; 1—Deshbandhu Gupta Road, New Delhi. (Ballabhgarh, Gurgaon, Haryana)—Wagon Drills—100 nos. p.a.—(N.A.)

Miscellaneous Industries

M/s V.C. Poojara & C.K. Shah, C/o Montex Corporation; Yusuf Bldg; Mahatma Gandhi Road, Bombay-1. (Gujarat)

—Cellulose Acetate Decorative Sheets and Strips—750 tonnes p.a.—(N.U.)

Mr Dileep Nevatia, Shashi Deep, 5-A, Worli Sea Face, Bombay. (Gujarat)—Twist Drills (3 mm to 35 mm) dia.—20 lakh nos. p.a. Reapers (upto 25 mm dia).—1 lakh nos. p.a. End Mills (upto 25 mm dia.)—1 lakh nos. p.a.—(N.U.)

Scientific Instruments

M/s Associated Printers (Madras) Pvt. Ltd; 165, Mount Road, Madras. (Madras—Tamil Nadu)—Overhead Projectors and Transparency Makers and Accessories thereof—1000 sets. —(N.A.)

Microscopes & Accessories

M/s C.Z. Instruments India Pvt. Ltd; Court Chambers, 35-A, New Marine Lines, Bombay. (Baroda—Gujarat)—(a) Research Binocular Microscope with magnification upto 2000x. (b) Advance Research Microscoope with built in illumination Magnification upto 2000x. (c) Universal Binocular Microscope with Incident/Transmitted light. Magnification upto 2000x. (d) Steriomicroscope with & without Incident and Transmitted Light, with rapid magnification changer and (e) Incident Light Metalurgical Microscope.—500 units p.a.

Analytical Instruments. Spectrocolorimeter with grating monochrometer. Fluorescence Equipment for Spectrocolorimeter. Turbidity attachment for Spectrocolorimeter. Reflectance attachment for Spectrocolorimeter. Spectrophotometer for UV VIS range with Prism Mono-chromator & Photometric accuracy better than 0.5% and Abbe Refractometers reading to 4th decimal.—350 units p.a.—(N.U.)

Fertilizers

M/s Mysore State Industrial Investment & Development Corpn. Ltd.; Harinivas, 36-Cunningham Road, Bangalore.—(Mangalore—Karnataka)—Sulphuric Acid—3,41,000 tonnes p.a. Phosphoric Acid (P_2O_5)—1,25,000 tonnes p.a. Mono-Ammonium Phosphate—1,17,000 tonnes p.a. Fluorine Chemicals—20,000 tonnes p.a.—(N.U)

M/s Andhra Pradesh State Industrial Dev. Corpn. Ltd; Fateh Maidan Road, Hyderabad.—(Kothagudam-Andhra Pradesh)—Oxygen (Gas & Liquid)—1.45 million M3. Acetylene —0.40 Mill. M3.—(N.U.)

Chemicals

M/s Hindustan Zinc Ltd; 6-New Fatehpura, Udaipur.—(Udaipur-Rajasthan)—Electrolytic Zinc Metal—45,000 tonnes p.a. Cadmium Metal—17 tonnes p.a. Sulphuric Acid—97,000 tonnes p.a. Phosphoric Acid.—26,000 tonnes p.a.—(S.E.)

M/s Assam Indl. Dev. Corpn. Ltd; Kannachal Road, Silpu Khuri, Gauhati-3.—(Sibsagar-Assam)—Carban Black—12,500 tonnes p.a.—(N.U.)

M/s Vardhman Spinning & Electrolytic General Mills Ltd; Chandigarh Road, Ludhiana-3.—(Karnataka)—Manganese Dioxide—3,400 tonnes p.a.—(N.U.)

M/s Adoni Vanaspati Manufacturers, Basapuram Road, Adoni.—(Adoni, Kurnool, Andhra Pradesh)—Oxygen Gas—0.45 M.C.M.—(N.A.)

M/s Tata Oil Mills Co. Ltd; Bombay House, Homi Mody Street, Fort, Bombay.—(Gauhati-Assam)—Synthetic Detergents —10,000 tonnes p.a.—(NU)

M/s Andhra Pradesh Industrial Development Corpn. Ltd; B-1-174, Fateh Maidan Road, P.B. No. 13, Hyderabad.—(Andhra Pradesh)—Calcium Carbide—33.000 tonnes p.a.—(NU)

Dyestuffs

M/s Pigments & Dyestuffs Pvt. Ltd; Mon Repes, Arthur Bunder Road, Colaba, Bombay-2.—(Kalyan, Thana, Maharashtra)—Basic Dyes—186 tonnes p.a. Dyes for Acrylic Fibre—210 tonnes p.a.—(SE/NA)

Drugs & Pharmaceuticals

M/s German Remedies Ltd; Shiv Sagar Estate, A-Block, Dr. Annie Besant Road, Worli, Bombay.—(Andheri-Maharashtra)—Lidamen Affemes—1 mill. nos. p.a. Tablets—12 mill nos. p.a. Drops—1,250 litres p.a.—(NA)

M/s Deys-Chem Ltd; 8-Rifle Range Road, Calcutta-19. (Calcutta-West Bengal)—Nitrofuranoin & its Derivatives—24 tonnes p.a. Diphenyl Hydantoin & its Derivatives—10 tonnes p.a.—(NA)

The Chemicals Industrial & Pharmaceutical Laboratories Ltd; 289, Bellasis Road, Byculla, Bombay-8.—(Bombay-Maharashtra)—Ibuprofen & Formulations thereof—2 tonnes p.a.—(NA)

Textiles

M/s Basanti Cotton Mills; P.O. Panihati, 24-Parganas, West Bengal.—(Panihati-West Bengal)—Cotton/Canvas Cloth—128 looms consisting of 16 imported looms for Canvas Cloth—112 indigenous looms for Cotton Cloth.—(SE)

M/s Rajapalayam Mills Ltd; Rajapalayam.—(Rajapalayam, Ramanathapuram, Tamilnadu)—Cotton Canvas Cloth and—52 imported Canvas Looms.—(NA)

Paper & Pulp

Mr R.P. Baya, E-6. Green Park, New Delhi-6.—(Jhalawad-Rajasthan)—M.G. Duplex Board, Packing & Wrapping Papers —7,300 tonnes p.a.—(NU)

M/s The Western India Match Co. Ltd; Nicol Road, Ballard Estate, Bombay.—(Alambazar, West Bengal)—Semi Chemical Pulp—36,000 tonnes p.a. Paper & Paper Board.—43,000 tonnes p.a.—(S.E.)

Food Processing Industries

M/s Meghalaya Industrial Development Corpn. Ltd; Additional Sretariat Bldg; Room No. 53, Shillong-1.—(Bernihat-Khasi Hills, Meghalaya)—Pineapple Products—20,000 tonnes p.a.—(N.U.)

Vegetable Oils & Vanaspati

M/s S. Rangaswamy Nadar & Co.; 456; P.J. Nehru Road, Villupuram.—(Madurai-Tamil Nadu)—Cotton Seed Oil by Expeller process and by solvent extraction process—6,000 tonnes in terms of cotton seeds.—(N.U.)

Rubber Goods

Mr S.M. Saburi, B-1/47, Safdarjung Enclaves, New Delhi-16—(Andhra Pradesh)—Fan and V-Belts—10 lakh nos. p.a.—(N.U.)

M/s Murli Rubber Products Ltd; 42-Maharani Gayatri Devi Market, Tripolia Bazar, Jaipur-2.—(Alwar-Rajasthan)—Fan and V Belts—10 lakh nos. p.a.—(N.U.)

M/s Swastik Rubber Products Ltd; Swastik House, Behind Kirkee Railway Station, Poona.—(Pune-Maharashtra)—Conveyor & Transmission Belts—1,200 tonnes p.a. Fan & V Belts —10 lakh nos.—(N.A.)

M/s East India Rubber Works (P) Ltd; 161, Chittaranjan Avenu, Calcutta-7.—(Lillooah, Howrah, West Bengal)—Fan and V. Belts—10 lakh nos. p.a.—(N.A.)

Mr Kuldeep Singal, H-212, Model Town, Delhi.—Sonepat-Haryana)—Fan & V. Belts—10 lakh nos. Conveyor & Transmission Belts—3,600 tonnes p.a.—(N.U.)

Leather, Leather Goods & Pickers

Mr M.M. Madar, 44-Oothu Kattan Street, Periamet, Mad-

ras.—(Ranipt, N. Arcot, Tamil Nadu)—Finished Leather from Skins 9—lakh nos. p.a.—(N.U.)

Ceramics

M/s Transformers & Electrical Kerala Ltd; Angamally P.O., Ernakulam.—(Ernakulam-Kerala)—H.T. Insulators—5,000 tonnes p.a.—(N.A.)

Mr Nirmal Kumar Jain, Hardoi Road, Sitapur.—(Uttar Pradesh)—Glazed Wall Tiles—5,400 tonnes p.a.—(N.U.)

Licences/Registration Certificates Revoked or Surrendered

(During the week ended May 4, 1974)

(Information pertains to particular licences only)

M/s The Shivrajpur Syndicate Ltd; Killick House, Home Street, Bombay-1—Granulated Fertilizer Mixtures.

Letters of Intent Cancelled, Revoked or Surrendered

(During the Week ended May 4, 1974)

(Information pertains to particular licences only)

M/s Mysore Kirloskar Ltd; Yantrapur P.O., Harihar—(Karnataka)—Cylinderical Grinding Machines.

M/s Ulhas Udyog Pvt. Ltd; Mustafa Building, Sir Pheroz Shaha Mehta Rd; Fort, Bombay—(Madhya Pradesh)—Steel Pipes and Tubes.

M/s Swastik Textile Trading Compauy (Pvt.) Ltd; Amrai-Ahmadabad—(Gujarat)—Flour Mill Machinery.

M/s Indian Sugar & General Engineering Corporation, Yamunanagar—(Haryana)—Dairy Machinery.

Licences Issued

(During the week ended May 11, 1974)

Metallurgical Industries (Ferrous)

M/s Paliwal Mini Steel (India) Ltd; Alpna Cinema Building, Model Town, Delhi. (Alwar-Rajasthan)—Mild Steel Ingots—23,000 tonnes p.a.—(C.O.B.)

M/s Haryana Industrial Dev. Corpn. Ltd; S.C.O. 4-5, Sector-17-A, Post Box No. 22, Chandigarh.—(Mohindergarh-Haryana)—Steel Billets from Scrap.—50,000 tonnes p.a.—(N.U.)

Boilers & Steam Generating Plants

M/s Bharat Heavy Electricals Ltd; 5-Parliament Streeet, New Delih-1—(Triuverumbur, Tiruchirapalli, Tamil Nadu)—High Pressure Boilers including boiler house auxiliaries like Air Pre-Heaters, Fans, Mills, Soot Blowers, Dust Collectors, etc. Industrial Package Recovery Bagasse and Marine Boilers—25,000 MW or 87,000 tonnes p.a.; Nuclear Steam Generating Equipment 235/250 MW—(S.E./N.A.)

Electrical Equipment

M/s Delhi Cloth & General Mills Co. Ltd; (M/s D.C.M. Data Products Pvt. Ltd;) S.B.M. Premises, Shivaji Marg, New Delhi.—(New Delhi)—Electronic Desk Calculators—7,000 Nos. p.a.—(S.E.)

Chemicals

M/s India Gelatine & Chemicals Ltd; 192, Dr. Dadabhoy Naoroji Road, Fort, Bombay-11.—(Vapi, Bulsar, Gujarat)—Ossein—1,200 tonnes p.a. Dicalcium Phosphate (as Bye-product)—2,160 tonnes p.a.—(N.U.)

M/s Avtar Salh Gases Pvt. Ltd; D-39, Annexe, South Extension Part-2, New Delhi-49—(Chandigarh-Union Territory)—Oxygen Gas—0.55 Mill. C.M.—(N.U.)

M/s Deyse-Chem. Ltd; 8-Rifle Range Road, Calcutta-19.—(Calcutta-West Bengal)—Vanillin—30 tonnes p.a.—(N.A.)

Textiles

M/s Shree Balaji Spg. & Wvg. Mills; Sheth Jayanarayan Ladda Road, Sanghli-1.—(Sanghli-Maharashtra)—Cotton Cloth—300 looms of indigenous make—(S.E.)

M/s Bangodaya Cotton Mills Ltd; Panihati, 24-Parganas.—(Panihati, 24-Parganas, West Bengal)—Cotton Yarn—25,000 Spindles—(S.E.)

Food Processing Industries

M/s Edward Keventer (s) Pvt. Ltd; Sardar Patel Marg, New Delhi-21.—(Delhi-Union Territory)—Milk Powder—50 tonnes p.a. Condensed Milk-386 tonnes—(C.O.B.)

Letters of Intent

(During the week ended May 11)

Metallurgical Industries (Ferrous)

M/s Western Maharashtra Dev. Corpn. Ltd; III Floor, Indian Red Cross Society Building, 11-Mahatma Gandhi Road, Poona.—(Maharashtra)—Forged Steel Pipe Fittings.—2,150 tonnes p.a.—(N.U.)

Electrical Equipment

M/s NGEF Ltd; Bangalore—(Bangalore-Karnataka)—Potential Transformers (33—400 KV)—75 nos. p.a.—(N.A.)

M/s W.S. Insulators of India Ltd; Mount Road, Madras-2—(Madras-Tamil Nadu)—Medium Frequency Capacitors—27,500 KVAR p.a; LT Power Capacitors—20,000 KVAR p.a; HP Power Capacitors (Upto-11 KV)—30,000 KVAR"—(N.A.)

Mr R. Sunderaraman, 175/1, Mount Road, P.B. No. 2763 Madras—(Karnataka)—Power Transformers upto 50MVA/132 KVA—1,000 MVA p.a.—(N.U.)

Industrial Machinery

M/s Peass Industrial Engineers Pvt. Ltd; Manekfal Road, Navasari—(Navasari-Gujarat)—Precision Cone Winders for Filament yarn—60 nos. p.a.—(N.A.)

Commercial, Office & Household Equipment

Mr A.D. Jain, 7/33, Darya Ganj, Delhi—(Delhi-Union Territory)—Domestic Sewing Machine—1 lakh nos. p.a.—(N.U.)

Chemicals

M/s U.P. State Industrial Dev. Corpn. Ltd; 117/420, G.T. Road, Post Box No. 413, Kanpur—(Uttar Pradesh)—Electrolytic Manganese Dioxide—5,000 tonnes p.a.—(N.U.)

M/s Alembic Chemicals Works Co. Ltd; Baroda-3—(Baroda-Gujarat)—Benzaldehyde—300 tonnes p.a.—(N.A.)

M/s Devidayal Sales Pvt. Ltd; Reary Road, Dharu Khana, Bombay—(Bombay-Maharashtra)—Carbaryl Technical—2,000 tonnes p.a.—(N.A.)

Drugs & Pharmaceuticals

M/s Pfizer Ltd; Express Towers, Nariman Point, Bombay-1—(Bombay-Maharashtra)—Foot & Mouth Disease Vaccines—4 million doses p.a.—(N.A.)

M/s Alembic Chemicals Works Co. Ltd; Baroda-(Gujarat)—(Baroda-Gujarat)—Ampicillin—5 tonnes p.a; 6-Amino-Penicillanic Acid (APA)—20 tonnes p.a.—(N.A.)

M/s Themis Chemicals Ltd; 38, Suren Road, Andheri (East), Bombay-93—(Gujarat)—Chloramphenicol Mono Stearyl Glycolate (Basic)—5 tonnes p.a.—(N.A.)

Textiles

M/s Amitabh Textile Mills; Prem Nagar Dehra Dun (U.P.)—(Dehra Dun-U.P.) Cotton Cloth—276 looms of indigenous make & 24 imported looms—(S.E.)

M/s Delhi Cloth & General Mills Co. Ltd; (Shriram Fabrics), Bara Hindu Rao, Delhi-6—(Manali-Tamil Nadu)—Nylon Tyre Yarn Fabrics—1,000 tonnes p.a.—(N.A.)

M/s National Rayon Corpn. Ltd; Ewart House, Bruce Street, Bombay-1—(Kalyan, Maharashtra)—Nylon Tyre Yarn Fabrics—1,100 tonnes p.a.—((N.A.)

M/s J.K. Synthetics Ltd; Kamla Tower, Kanpur—(Kota-Rajasthan)—Nylon Tyre Yarn Fabrics—800 tonnes p.a.—(N,A.)

M/s Shree Sitaram Mills Ltd; N.M. Joshi Marg, Bombay-11—(Bombay-Maharashtra)—Knitted Fabrics of Cotton Yarn only—4 Warp Knitting Machines—(S.E.)

M/s The Gaekwar Mills Ltd; 79/51, Mehta House, Apollo Street, Fort, Bombay-1—(Billimora, Bulsar, Gujarat)—Knitted Fabrics of Man-Made Fibre/Cotton Yarn—4 nos. Warp Knitting Machines—(S.E.)

M/s The Sarangpur Cotton Mfg. Co. Ltd; Amraiwadi Road, P. No. 19, Ahmedabad—(Amraiwadi, Ahmedabad, Gujarat)—Knitted Fabrics of Man-Made Fibre/Cotton Yarn—5 nos. of Warp Knitting Machines—(S.E.)

Paper & Pulp

M/s Harcharan Singh Brar, House No. 19, Secter-4, Chandigarh—(Himachal Pradesh)—Tissue &: other light weight Paper—3,000 tonnes p.a; Saleable Sulphite Pulp—7,600 tonnes p.a.—(N.U.)

M/s Nuddea Mills Co. Ltd; 2-Fairlie Place, Calcutta—(Naihatti-West Bengal)—Industrial Paper—6,000 tonnes p.a.—(N.A.)

Food Processing Industries

M/s Delhi Cloth & General Mills Co. Ltd: D.C.M. Marine Products, Textile Division, Bara Hindu Rao, Delhi-6—(Haldia-West Bengal) (Mandapam-Tamil Nadu) (Veraval-Gujarat) (Vishakhapatnam-Andhra Pradesh)—Processed Marine Products—12,000 tonnes. (in addition to fish meal and other bye-products corresponding to the above capacity on the basis of a capacity of 3,000 tonnes of processed marine products at each of the four factories—(N.A.)

Rubber Goods

Mr M. M. Mohanka, Partner, Techno Engineers, 183, 'G' Block, New Alipore, Calcutta—(Kalyani, Nadia, West Bengal)—Specialised wear resistant rubber components and specialised moulded wear resistant products—1,500 tonnes p.a—(N.U.)

Changes in Names of Owners or Undertakings

(During the week ended May 11, 1974)

(Information pertains to particular licences only)

From M/s Vinar Private Ltd; Calcutta to M/s Vinar Systems Private Ltd; Calcutta;

From Shri Chhatarapati Shivaji Sahakari Sakhar Karkhana Ltd; Poona to Shri Chhatarapati Sahakari Sakhar Karkhana Ltd.

From M/s Haren Textiles (P) Ltd. to M/s M.P. Spinning & Weaving Mills Pvt. Ltd.

From M/s Sahakari Sanghi, Tehsil Nighasan, District. Kheri. to M/s Sarjoo Sahakari Sugar Mill, Kheri.

From Shri S. Gopinath, Madurai, to M/s Nagalakshmi Flour Mills Pvt. Ltd; Madras.

Licences/Registration Certificates Revoked or Surrendered

(During the week ended May 11, 1974)

(Information pertains to particular licence only)

M/s The Shivrajpur Syndicate Limited, Bombay-1.—Granulated Fertilizer Mixture. (Cancelled)

Letters of Intent Cancelled, Revoked, or Surrendered

(During the week ended May 10, 1974)

(Information pertains to particular licences only)

M/s Gujarat Machinery Manufacturers Ltd; Bombay—(Gujarat)—Fisher Flour Milling Machinery.

M/s Gujarat Industrial Investment Corpn. Ltd; Ahmedabad.—(Gujarat)—Fuel Injection Pump Testing Machines.

Mr Ranjit Singh Sahni New Delhi.—(Haryana)—Automobile Electricals.

Licences Issued

(During the week ended May 18, 1974)

Metallurgical Industries (Ferrous)

M/s Evergreen Wire Cloth Factory (P) Ltd; 167/155, Shamaldas Gandhi Marg, Bombay.—(Bombay-Maharashtra)—Wire Gauge, Wire Netting, Wire Farming & Wire Mesh.—(C.O.B.)

M/s Bharat Aluminium Co. Ltd; F-41, N.D.S.E., Part-I, Ring Road, New Delhi.—(Korba-Madhya Pradesh)—Properzi Rods—10,000 tonnes.—(N.A.)

Electrical Equipment

M/s Asain Electronics Ltd; Handloom House, 3rd Floor, 221, Dr. D.N. Road Bombay.—(Nasik-Maharashtra)—Metal Film Resistors—2 million nos. Metal Oxide Film Resistors—2 million nos. Cormet Resistors— 5 Lakh pes.—(N.U.)

M/s Indian Cables Industries: Bombay-Poona Road, Pimpri, Poona-18.—(Pimpri, Poona, Maharashtra)—House Wiring Cables & Flexible Cables—20 Mill. Core Meters p.a.—(S.E.)

Transportation

M/s Maco Private Ltd; 6692/1, Khari Baoli, Delhi-6—(Sonepat-Haryana)—Gudgeon Pins—12 lakh nos. p.a.—(N.U.)

Industrial Machinery

M/s Hindustan Bobbin Inds; 35, Canal East Road, Calcutta-11.—(Calcutta-West Bengal)—Card Staves for Carding Rollers for Jute Mills.—1,20,000 pcs. p.a.—(N.A.)

M/s Rolcon Engg. Co. Ltd; Vallabh Vidyanagar—(Vallabh Vidyanagar-Gujarat)—Sprocket Wheels for Industrial Roller & Conveyor Chains of various sizes—30,000 nos. valued at Rs. 24 lakhs. p.a.—(N.U.)

Earth Moving Machinery

M/s K.S. Diesels Pvt. Ltd; 19-21, Hamam Street, Fort, Bombay.—(Rajkot-Gujarat)—Single Cylinder Pumps—1,90,080 nos. p.a. Elements—15,0080 nos. Delivery Valves—15,0080 nos. Nozzles Holders—2,58,000 nos. Nozzles—15,0080 nos.—(S.E.)

Chemicals

Mr P. Kumar, c/o CTR Mfg. Indst. Ltd; Nagar Road, Poona—(Poona-Maharashtra)—Polystyrene Capacitors—40 lakh nos. Polycarbonate Capacitors—30 lakh nos. Polyester Capacitors—30 lakh nos.—(N.U.)

M/s Chemical Industrial & Pharmaceutical Laboratories Ltd; 289, Bellasis Road, Byculla, Bombay—(Bombay-Maharashtra)—Practolar B.P. 1 tonne. p.a. Practolar Tablets—7 mill. nos. p.a.—(N.A.)

M/s Swadeshi Detergents; 2-Coronation Hotel, Fatehpur, Delhi—(Ghaziabad—U.P.)—Synthetic Detergents—10,000 tonnes p.a. (30% A.D.)—(N.U.)

M/s Partap Gases & Chemicals Pvt. Ltd; C/92/2, South Avenue, Maharani Bagh, New Delhi.—(Ballabgarh-Haryana)—

Oxygen Gases—6 lakhs C. Metres. Acetylene Gases—1,50,000 C. Metres.—(N.U.)

Drugs & Pharmaceuticals

M/s Themis Orgasyn Chemicals, 38. Suren Road, Bombay-93—(Vapi-Gujarat)—Amitriptylene Hydrochloride—200 Kgs. p.a.—(N.A.)

Textiles

M/s Sarvaraya Textiles Ltd; Beach Road, Kakinada—(Kakinada-Andhra Pradesh)—Cotton Yarn—25,000 spindles—(S.E.)

M/s Bihar State Industrial Development Corpn. Ltd; Bandarbagicha, Patna-1.—(Bhagalpur-Bihar)—Cotton Yarn—50,000 spindles.—(N.U.)

M/s Vijayshree Spinning Mills Pvt. Ltd; Lakshmi-Soundara, G.T.N. Naidu Salai, Dindigul.—(Dindigul-Tamil Nadu)—Cotton Yarn—25,000 spindles.—(S.E.)

Paper & Pulp

Mr Guru Dutt, 4/13, West Patel Nagar, New Delhi-8—(Gurgaon-Haryana)—Coated and Calendered Paper—3,000 tonnes p.a.—(N.U.)

Sugar

Shri Banaskantha Khand Udyog Sahakari Mandli Ltd; Distt: Banaskantha.—(Palampur-Banaskantha, Gujarat)—Sugar—1,250 tonnes p.a.—(N.U.)

The Registrar of Cooperative Societies, Pondicherry-1—(Mannadipet Commune, Pondicherry)—Sugar—1250 tonnes p.a.—(N.U.)

M/s Kisan Sahakari Chini Mills Ltd; Bhongaon, Distt: Mainpuri.—(Mainpuri-Uttar Pradesh)—Sugar—1250 tonnes p.a.—(N.U.)

Food Processing Industries

M/s Bihar State Dairy Corporation Ltd; Composite Milk Plant, Barauni, Distt: Begusarai.—(Barauni, Begusarai, Bihar)—Skimmed Milk Powder—12,00 tonnes p.a. Whole Milk Powder—400 tonnes p.a, Baby Food—800 tonnes p.a. Casein—100 tonnes p.a.—(N.U.)

Leather, Leather Goods & Pickers

M/s Asia Tanning Company, 26-V. V. Koil Street, Periamet, Madras-3.—(Ambur, Nort Arcot Distt: Tamil Nadu)—E.I. Tanned Sheep Skins—4, 30 lakh nos. p.a.—(C.O.B.)

Letters of Intent

(During the week ended May 18, 1974)

Metallurgical Industries (Ferrous)

Mr Sudhir Gupta, 17-Civil Lines, Moradabad. (Haryana)—Forged & Machined Steel Flanges, Rings, Discs, Tees, Reducers and Gaskets—4,000 tonnes p.a.—(N.U.)

M/s Vijay Tanks & Vessels Pvt. Ltd. Haji Adam Mansion, Homji Street, Bombay. (Bombay—Maharashtra)—Forged & Machined Steel Flanges. Rings, Discs, Tube Steels, Elbows, Tees, Reducers and Bents.—4,000 tonnes—(N.A)

Mr V.K. Khemka, P-34, India Exchange Place. Calcutta-1. (Patratu—Bihar)—Manganese Steel Castings—1,200 tonnes p.a. Alloy Steel Castings.—900 tonnes p.a. S.G. Iron Castings.—900 tonnes p.a.—(N.U.)

Mr Nirmal Chandra Mandal, 1/4, Gentra Avenue, A-Zone Durgapur. (Enayetpur, P.S. Barjara, West Bengal)—Chain Sling Hooks—200 tonnes p.a. Studs for Ship Chains.—100 tonnes p.a. Master Rings—50 tonnes p.a. Steel Forgings—1,200 tonnes p.a.—(N.U.)

Mr U.K. Deshmukh, 12-B, Connaught Road, Poona-1. (Maharashtra)—High Tensile Machine Screws.—500 tonnes p.a.—(N.U.)

Electrical Equipment

M/s The Mysore Electrical Industries Ltd; Tumkur Road, P.B. No. 2221, Bangalore-22. (Bangalore—Karnataka)—Circuit Breakers 11/66KV, 730/500 MVA (Indoor) 400 to 1500 Amps—250 nos. Circuit Breakers 33KV, 1000/1500 MVA 600 to 2,500 Amps.—500 nos, p.a. Moulded Case Circuit Breakers—6,000 nos. p.a.—(N.A)

Mr M. Neelakantan, 6-A, Mowbraya Road, First Cross Street, Madras. (Madras—Tamil Nadu)—Glow Lamps—6 mill. nos. p.a.—(N.U.)

M/s Britalite Carbons Ltd; 206, New Anand Bhavan, 259, Narohi Natha Street, Bombay. (Kalol, Panchmahal, Gujarat)—Cinema Arc Carbons—6 mill. pairs p.a.—(S.E.)

Telecommunications

M/s West Bengal Industrial Development Corporation, 23-A, Netaji Subhas Road. Calcutta. (West Bengal)—T.V. Picture Tubes (20 inch and above)—40,000 nos. p.a. (N.U.)

M/s Anand Electronics, 21/24, Dwarkadeesh Road. Kanpur. (Kanpur—U.P.)—T.V. Picture Tubes (20 inch and above)—40,000 nos. p.a.—(N.U.)

Transportation

M/s Usha Die Castings (P) Ltd; C-20, Friends Colony, New Delhi. (Gurgaon—Haryana)—Multi Speed & Brake Hubs.—5 lakh nos. p.a. Multi Sprocket Free-Wheel—5 lakh nos. p.a.—(N.U.)

Industrial Machinery

Mr K.R. Purushotham, E.E., 25-Edward Elliots Road, Mylapore, Madras-4. (Madras—Tamil Nadu)—Spinnerettes for man-made fibre—190 Kgs. p.a.—(N.U.)

Engineering Industries

M/s Power Cables Pvt. Ltd; 24-Brelvi Sayed Abdulla Road, Fort, Bombay-1. (Nadiad—Gujarat)—Precision Moulds, Dies, Tools, & Fixtures—Rs. 40 lakhs p.a.—(N.A.)

Mr K.K. Roy, Automotive Manufacturer's Association, P-27, Princep Stree:, Calcutta-13. (West Bengal)—Hand & Cutting Tools—5.000 tonnes p.a.—(N.U.)

Indnstrial Instruments

M/s Bombay Burmah Trading Corporation Ltd; 9-Wallace Street, Fort, Bombay. (Maharashtra)—Post Office Meters—1 lakh nos.—(N.U.)

Chemicals

M/s BASF India Limited, Tiecion House, Dr. E. Moses Road, Bombay. (Thana—Maharashtra)—Baselin—200 tonnes p.a. Bavistin—135 tonnes p.a. Chloro-Cholin Chloride—31 tonnes p.a.—(N.U.)

M/s Industrial & Allied Chemicals, National House, 6-Tullock Road, Bombay-1. (Gujarat)—Polybutenes—5,000 tonnes p.a.—(N.U.)

Mr Charanjit Singh Singhal, M/s Ceekay Woodcrafts) 20/45, Punjabi Bagh, New Delhi-26. (Ludhiana—Punjab)—Carbon Dioxide—1,200 tonnes p.a.—(N.U.)

Dyestuffs

M/s Amar Dye-Chem Ltd; Rang Udyan, Sitladevi Temple Road, Mahi, Bombay. (Maharashtra)—Naphthols—1,350 tonnes p.a.—(S.E.)

Textiles

M/s The Sidhpur Mills Co. Ltd; 52-54, Nakhoda Street, Pydhonie, Bombay. (Mehsana—Gujarat)—Knitted Fabrics of man-made Fibre/Cotton Yarn.—Warp Knitting Machines 4 nos. corresponding to a totol consumption of 80 tonnes of Caprolactum.p.a.—(S.E.)

The Raja Bahadur Motilal Poona Mills Ltd; Hamam House, Ambalal Deshi Marg, Bombay. (Poona—Maharashtra—(Knitted Fabrics of man-made Fibre/Cotton Yarn.—Warp Knitting Machines 4 nos. corresponding to a total consumption of 80 tonnes of Caprolactum.p.a.—(S.E.)

Food Processing Industries

M/s Ratilal Rambhai Patel, 914, Khadia, Golwad, Ahmedabad-1. (Ahmedabad—Gujarat)—Guar Gum based products (For textile paper, mining, printing, food and pharmaceuticals applications 0—2,000 tonnes p.a,—(N.U.)

Leather, Leather Goods & Pickers

M/s S.K. Sen & Sons Pvt. Ltd; 1-Middaleton Street, Calcutta. (Calcutta—West Bengal)—Industrial Leather Garments.—2 lakh nos. Leather Gloves—2.5 lakh nos. Leather Jackets—25,000 nos. Finished Leather from Skins—2 lakh nos. Finished Leather from Hides—2.5 lakh nos.—(N.U.)

Changes in Names of Owners or Undertakings

(During the week ended May 18, 1974)

(Information pertains to particular licences only

From M/s Tamil Nadu Industrial Corporation Ltd; Madras. M/s Dynavision Ltd; Madras;

The Balaji & Maharani Flour Mills, Bombay.—M/s Chhaganlal Khimji & Company (Private) Ltd; Bombay.

Letters of Intent Revoked or Surrendered

(During the week ended May 18, 1974)

(Information pertains to particular letters of intents oniy)

Mr S.M. Subramanian, 24-C, Thanikachalam Chetty Road, Madras-17. (Tamil Nadu)—Engine Valves,

Licences Issued

(During the week ended May 25, 1974)

Metallurgical Industries (Ferrous)

M/s Sono Electricals Pvt. Ltd; B-200, Rajendra Marg, Bapu Nagar, Jaipur.—(Faridabad—Haryana)—Winding Wires upto 41 SWG—300 tonnes p.a—Winding Wires 42 SWG and above—50 tonnes p.a—Impregnated Asbestos and Bonded Glass covered Wires—75 tonnes p.a—Fuse Wires—10 tonnes p.a—(N.U.)

M/s Saraswati Steel & Alloys Ltd; Alpna Cinema Building Model town, Delhi—(Alwar—Rajasthan)—Mild Steel Ingots—18,000 tonnes p.a—(C.O.B.)

M/s Rashtriya Engg. Works (Reg.), G.T. Road, Batala.—(Batala—Punjab)—Bright Bars & Shaftings—8,000 tonnes p.a—(C.O.B.)

M/s Sarda Industries Pvt Ltd; 4-Digamber Jain Temple Road, Calcutta-7—(Raipur. 24-Parganas, West Bengal)—Bright Bars—840 tonnes p.a—(C.O.B.)

M/s Bagri Steel Industries Pvt Ltd; 138-Biplabi Rash Behari Babu Road, Calcutta-1—(West Bengal)—Bright Bars—9,460 tonnes p.a—(C.O.B.)

M/s Shree Metals (P) Ltd; 2-Oxford Building, N-56, Connaught Circus,New Delhi—(Kundli, Sonepat, Haryana)—Copper & Copper Alloy Pipes & Tubes (Industry-Ordinary)—500 tonnes p.a—(NU)

Electrical Equipment

Mr H. K. Abrol (M/s Abrol Engg. Co. (HRC)-13, Birbal Road, Jangpura Extension, New Delhi-14—(Kapurthala, Punjab —HRC Fuses 500/650V, 5 to 1,500 Amps—4 lakh nos. D. Type Fuses 500/650 V to 1500 Amps—5 lakh nos. Switch Gear (L.T.) 30—500 Amps—40,000 nos. p.a—(N.U.)

M/s Minicon Insulated Wires Pvt. Ltd; A-6, Industrial Estate, Sanathnagar, Hyderabad.—(Hyderabad-Andhra Pradesh—Winding Wires upto 41 SWG—300 tonnes p.a; Winding Wires 42 SWG & Thinner—50 tonnes p.a; Litz. Wires—10 tonnes p.a; (NU)

Industrial Machinery

M/s Fenner Cockil Ltd; Post Box No. 117, Madural-1.—(Madurai—Tamil Nadu)—Industrial V Bolts and Fan Belts.—35 lakhs nos. p.a.—(S.E.)

Engineering Industries

M/s Supreme Industries Ltd; P.B. 7107. Wadala, Bombay.—(Bombay—Maharashtra)—Plastic Moulded Goods—12,902. Gms. 21 machines. P.a.—(S.E.)

M/s Blow Plast (P) Ltd; Station Road, Bhandup Bombay.—(Bombay—Maharashtra)—Blow Moulding Goods—140 tonnes p.a. Injection Moulded Goods—220 tonnes p.a. (Total : 360 tbnnes (p.a.)—(C.O.B.)

M/s Geep Flash Light Industries Ltd; Allahabad.—(Allahabad—U.P.)—Plastic Flashlight Cases—9 lakh nos within the overall licensed capacity of 5 million nos. p.a.—(C.O.B.)

Textiles

M/s Poineer Spinners, Kamudakkudi, Paramakudi Taluk, Ramnad District.—(Paramakudi, Ramanathapuram. Tamil Nadu)—Cotton Yarn—18,000 spindles.—(S.E.)

M/s Stretch Fibres (India) Ltd; Moosa Haji Patrawala Compound, 20-Dr. E. Moses Road, Mahalaxmi, Bombay.—(Maharashtra)—Knitted Circular Fabrics.—80 tonnes p.a. Socks/Half Hose—20 "—(S.E.)

Paper & Pulp

Mr Ramesh R. Gupta, 87, Nagdevi Cross Lane, Bombay.—(Roha—Maharashtra)—Paper and Paper Boards—12,250 tonnes p.a.—(N.U.)

M/s Angel Industries, Mahamayatolla, Garia P.O., 24-Paraganas, West Bengal.—(Kalyani, Nadia, West Bengal)—Kraft & Brown Wrapping Papers—3,300 tonnes p.a.—Writing & Printing Papers.—1,650 tonnes p.a.—(N.U.)

Mr Kantilal R. Chordia, 18-Haribhakti Colony, Old Pandra Road, Baroda.—(Kalol, Panchmahal-Gujarat)—Duplex Board—4,000 tonnes, Kraft Paper—2,000 tonnes —(N.U.)

Sugar

The Managing Director, Assam Industrial Dev. Corpn. Ltd; Gauhati.—(Goipani, Dibrugarh, Assam)—Sugar—1,250 tonnes of cane crushing capacity per day.

The Managing Director, Assam Industrial Dev. Corpn. Ltd; Gauhati.—Kamrup, Nowgaung, Assam)—Sugar—1,250 tonnes of cane crushing capacity per day.—

The Co-operative Sugar Factory, Kovur Taluk, Nellore,—(Kovur, Nellore, Andhra Pradesh)—Sugar—1,250 tonnes of Cane Crushing capacity per day.

Mr Bhagawati S.S.K., Pangaon, Taluka Barai, Sholapur.—(Pangaon, Banshi, Sholapur, Maharashtra)—Sugar—1250 tonnes of cane crushing capacity per day.

Timber Products

M/s South India Viooscose Ltd; Race Course, Coimbatore-18—(Coimbatore—Tamil Nadu)—Dissolving Wood Pulp.—42,000 tonnes p.a.—(S.E.)

Letters of Intent

(During the week ended May 25, 1974)

Metallurgical Industries (Ferrous)

Mr R.D. Patel, 'Sanjeev', 7-A, Atul Park, Near Narangpura, Char Rasta, Ahmedabad—(Gujarat)—Malleable Iron Pipe Fittings—2,400 tonnes p.a.—(N.U.)

M/s Bombay Forgings Pvt. Ltd; G.S.T. Road, Kalina, Santa-Cruz, Bomay—(Bombay-Maharashtra)—Closed Die Forgings including Stainless Steel (by Pour Forge method)—4,000 tonnes; Closed Die Forgings (by pour forge)—6,000 tonnes p.a; (Total capacity after 16,000 tonnes p.a.—(S.E.)

Mr R.K. Jain, 903, Akash Deep, Barakhamba Road, New Delhi—(Aurangabad-Maharashtra)—Centrifugally Cast Alloy Steel Tubes—500 tonnes p.a; Alloy Steel Castings—500 tonnes p.a.—(N.U.)

Mr Ajay Sharda 878-A, East Park Road, Karol Bagh, New Delhi—(Ghaziabad-U.P.)—Forged Steel Rolls/Open Forgings—1,200 tonnes p.a.—(N.U.)

M/s Bharat Forge Co. Ltd; Mundhwa, Poona—(Poona-Maharashtra)—Forged Rolls—1,000 tonnes p.a.—(N.A.)

Metallurgical Industries (Non-Ferrous)

Mr S. S. Kantak, Post Box No. 31, Margao, Goa—(Margao, Gao)—Aluminium Collapsible Tubes—15 million nos. p.a.—(N.U.)

Transportation

The Kerala Fisheries Corpn. Ltd; XVI/848-B, Darmodayam Buildings, Shanmugham Road, Ernakulam—(Vizhinjom, Trivandrum, Kerala)—Steel Hulled Deep Sea Fishing Trawlers—25 nos. p.a.—(N.U.)

M/s U.P. State Industrial Development Corpn. Ltd; 117/420, G. T. Road, Kanpur—(Uttar Pradesh)—Automobile Wheels—1 lakh nos. p.a.—(N.U.)

Industrial Machinery

Mr Sivaram Krishnan, Ronald Steel & Rubber Industries, 5-New Market, T. T. Nagar, Bhopal—(Madhya Pradesh)—Bulk Conveyors—25,000 mtrs; Package Conveyors—25,000 mtrs; Bucket Elevators—240 units; Industrial Special Conveyors—1,000 units; Bucket Wheel Excavators—4 nos; Escalators—10 nos. p.a.—(N.U.)

Machine Tools

M/s Gujarat Industrial Investment Corpn. Ltd; Ahmedabad—(Bhavnagar—Gujarat)—Central Lathes—1000 nos. p.a; Column Drilling Machines upto 40 mm capacity—200 nos. p.a; Radial Drilling Machines 40 mm capacity—100 nos. p.a; Hydro-copying attachments—200 nos. p.a.—(N.U.)

Miscellaneous Industries

M/s Ltd; First Pokhrum Road, Thana—(Thana-Maharashtra)—Threading Tools—2 lakh nos. p.a; Metal Slitting Saws—20,000 p.a.—(N.A.)

M/s Gangappa Cables Ltd; Uppal Road, Hyderabad—(Hyderabad-Andhra Pradesh)—Diamond Wire Drawing Dies—1,500 nos. p.a.—(N.A.)

Chemicals (Other than Fertilizers)

Mr C.M. Arya, 8/84, Punjabi Bagh, New Delhi—(Aurangabad-Maharashtra)—Potassium Chlorate—3,650 tonnes p.a.—(N.A.)

M/s Mico Farm Chemicals Ltd; Madras—(Madras-Tamil Nadu)—Lindane Technical—100 tonnes p.a.—(N.A.)

Dyestuffs

M/s Indian Dye-stuff Industries Ltd; Mafatlal Centre, Nariman Point, Bombay—(Kalyan, Thana, Maharashtra)—Vat Pigments—75 tonnes p.a; Quinacridone Pigmenis—10 tonnes p.a; Dioxamine—15 tonnes p.a: Phthalocyaline—400 tonnes p.a.—(N.A.)

M/s Chemical Industrial & pharmaceutical, 289, Bellasis Road, Byculla, Bombay—(Bombay-Maharashtra)—Trimethoprim B.P.—600 Kgs;—Sulphamethoxazole—3 tonnes.—(N.A.)

Textiles

M/s Shree Sadul Textiles Ltd; Sriganganagar—(Sriganganagar-Rajasthan)—Cotton Cloth—718 looms after expansion—(S.E.)

Paper & Pulp

M/s Agarwal Brothers, 61, Neel Kamal, Poddar Road, Bombay—(Dombivli, Thana, Maharashtra)—Carbonising Tissue Paper—2,000 tonnes p.a.—(N.U.)

M/s Poddar Enterprises, 109, Shaikh Memon Street, 2nd Floor, Bombay-2—(Dombivli, Thana, Maharashtra)—Duplex Paper Board—4,0 0 tonnes p.a.—(N.U.)

Mr N. Sachindran, Raji Buildings, 147, (Mount Road, Madras—(Pondicherry)—Pulp—9,000 tonnes p.a; Paper & Paper Boards—9,000—(N.U.)

M/s Poddar Estates Ltd; 'Hongkong House' 31, Dalhousie Square(s), Calcutta—(Kudal, Ratnagiri, Maharashtra)—M.G. Kraft Paper, Wrapping Paper including Kraft Sack Paper—10,000 tonnes p.a.—N.U.)

M/s Vaishali Papers Ltd; 105-A, Rewari Line Industries Area Phase-III, Mayapuri, New Delhi—(Rewari, Mahendragarh, Haryana)—Kraft Paper—3,300 tonnes p.a.—(N.U.)

Food Processing Industries

Mr I.M. Sharma, c/o M/s Flour Millers Engg. Corporation, Bagadganj, Itwari, Post Box No. 339, Nagpur-1—(Chandrapur-Maharashtra)—Maize Products—30,000 tonnes p.a.—(N.U.)

Vegetable Oils and Vanaspati

Mr G. Balakrishnan, 'Shanmugha', 77-Race Couree, Coimbatore—(Dindigul, Madurai, Tamil Nadu)—Cotton Seed Oil and its Bye-products—24,000 tonnes of cotton seed per year—(N.U.)

Mr S.K. Sarda, 23-Ring Road, Lajpat Nagar-JV, New Delhi—(Delhi-Union Territory)—Cotton Seed Oil & its bye-products—30,000 tonnes in terms of cotton seed p.a.—(N.U.)

M/s Deoil (Solvent) Industries Pvt. Ltd; 3038, Civil Station, Bhatinda—(Faridkot, Punjab)—Cotton Seed Oil & its Bye-products—30,000 tonnes in terms of cotton seed p.a.—(N.U.)

Glass

M/s Hindustan National Glass & Industries Ltd; 2-Wellesley Place, Calcutta-1—(Rishra-West Bengal)—Neutral Glass Bottles & Vials—36,900 tonnes p.a.—(S.E.)

Changes in Names of Owners or Undertakings

(During the week ended May 25, 1974)

(Information pertains to particular licences only)

M/s Motilal Padampat Sugar Mills Company (P) Ltd: Kanpur—to—M/s Motilal Padampat Udyog Ltd; Kanpur.

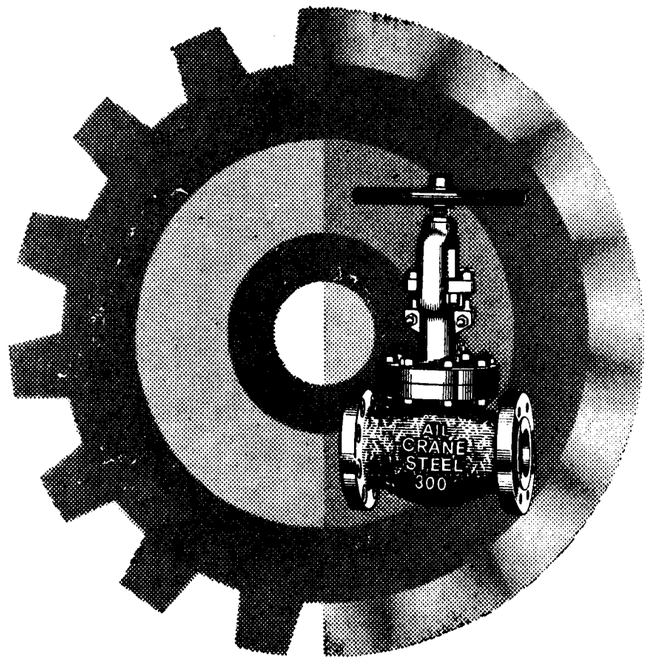
Mr O. N. Chopra, New Delhi—to—M/s Mathur Steel Industries Pvt Ltd; New Delhi.

Licences Revoked or Surrenderd

(During the Week ended May 25, 1974)

(Information pertains to particulars licences only)

M/s Pradip Lamp Works, Jay Krishna Road, Patna-9—Lead-in-wires (Revoked)



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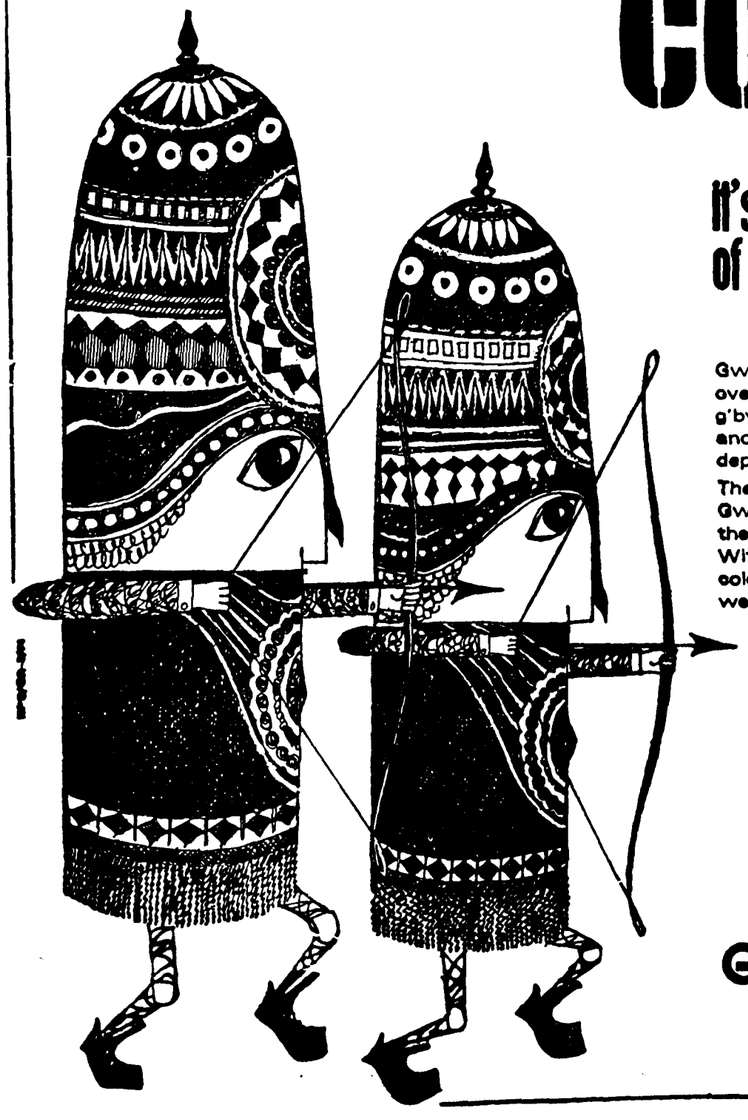
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RECORDS AND STATISTICS

Wholesale prices

THE OFFICIAL wholesale prices index (with the year ended March, 1962 as 100) recorded a fall of 1.1 per cent to 319.8 during the week ended October 26, 1974 as against 323.2 for the previous week. The all-commodities index at this level was lower by 3.1 per cent when compared to the corresponding week of the last month but was higher by 24.9 per cent than that of a year ago. The monthly average for October, 1974 worked out to 324.5 as against 328.7 for September, 1974 and 255.2 for October, 1973.

Food Articles

Lower prices of maize (—15 per cent), khandsari (—7 per cent), moong and turmeric, (—6 each), groundnut oil (—5 per cent), eggs and sugar (—4 per cent each), wheat, ragi, potatoes and fish (—3 per cent each), milk, mustard oil and gur (—2 per cent each), jowar bajra, gram and masoor (—1 per cent each), brought down the index for "*foood articles*" by 1.6 per cent to 374.0 as against 380.0 for the earlier week. However, the prices of onions (+15 per cent), barley (+5 per cent), urad (+3 per cent), bananas and chillies (+1 per cent each) advanced.

Liquor and Tobacco

The index for "*liquor & tobacco*" stood stationary at its earlier week's level of 310.7.

Fuel, Power, Light and Lubricants

The index for the "*fuel, power light & lubricants*" group stood at 318.6 as against 318.7 for the previous week. The

Industrial Raw Materials

The index for "*industrial raw materials*" declined by 2.0 per cent to 318.2 as against 324.7 for the last week owing to a decline in the prices of castor-seed (—10 per cent), groundnuts and gingellyseed (—6 per cent each) linseed and cotton-seed (—3 per cent each), raw cotton and rubber (—1 per cent each).

Chemicals

The index for the "*chemicals*" group remained unchanged at its previous week's level of 300.4.

The index for "*machinery & transport equipment*" group

Index Numbers of Wholesale Prices by Groups & Sub-Groups

(Base 1961-62=100)

Group & sub-Group	Week ended Oct. 26, 74	Oct. 19, 74	Aug. 29, 74	Oct. 29, 74
Food Articles	374.0	380.0	389.7	300.3
Foodgrains	426.5	431.2	440.2	294.3
(i) Cereals	398.4	403.5	411.3	267.9
(ii) Pulses	552.9	556.3	562.4	413.2
Fruits & vegetables	282.2	281.4	327.1	289.0
Milk & milk products	327.6	332.7	318.9	311.8
Edible oils	395.8	406.3	411.4	350.6
Fish, eggs & meat	497.2	506.6	535.7	387.6
Sugar & allied products	332.0	343.3	374.4	303.3
Others	284.7	285.3	290.7	200.8
Liquor & Tobacco	310.7	310.7	308.5	249.1
Liquor	215.2	215.2	215.2	180.7
Tobacco	315.1	315.1	315.1	252.2
Fuel, Power, Light & Light Lubricants	318.6	318.7	318.8	194.9
Coal	263.2	263.2	263.2	190.4
Coke	356.3	357.3	357.3	268.4
Mineral oils	395.7	395.7	395.7	197.5
Rectified spirit	323.1	323.1	323.1	306.0
Electricity	186.5	186.5	186.5	161.3
Castor oil	358.8	371.0	380.2	420.3
Industrial Raw Materials	318.2	324.7	352.0	300.5
Fibres	265.7	277.8	310.7	231.3
Oilseeds	387.5	399.6	429.3	377.2
Minerals	158.1	158.1	158.1	153.1
Others	282.7	283.0	282.5	273.2
Chemicals	300.4	300.4	300.4	211.3
Machinery & Transport Equipment	266.8	266.4	261.1	181.6
Electrical machinery	244.2	244.2	240.4	182.9
Non-electrical machinery	307.8	306.0	303.6	197.2
Transport equipment	212.9	212.9	202.5	152.5
Manufactures	260.0	260.7	271.3	209.9
Intermediate Products	322.8	323.0	332.2	288.2
Textile yarn	263.0	263.0	268 4	245.9
Leather	216.8	216.8	230.1	229.1
Metals	394.5	394.5	394 3	339 0
Linseed oil	455.1	459.5	470 8	347.1
Finished Products	244.8	245.5	244.1	191.0
Textiles	237.3	238.4	238.8	189.7
Metal products	282.6	282.6	280.8	231.6
Non-metallic products	259.9	259.9	259.6	190.2
Chemical products	249.0	249.1	238.2	171.1
Leather products (Shoes)	125.4	125.4	125.4	107.3
Rubber products	225.3	225.3	225.3	163.3
Paper products	233.4	233 4	233 4	147.1
Oilcakes	365.1	369.7	379.9	319.8
Misc. products	171.1	171.1	161.1	132.6
All Commodities	319.8	323.2	330.2	256.0

Source: Office of the Economic Adviser to the Government of India, *Ministry of Industry & Civil Supplies.*

stood at 266.8 as against 266.4 for the last week.

Manufactures

"*Manufactures*" group comprising of (a) intermediate products and (b) finished products fell by 0.2 per cent to 260.0 as against 260.6 for the previous week.

(a) The index for "*intermediate products*" worked out to 322.8 as against 323.0 for the last week. The price of linseed oil (—1 per cent), receded.

(b) Lower prices of silk & rayon manufactures (—2 per cent), jute manufactures, essential oils and oil-cakes (—1 per cent each) brought down the index for "*finished products*" by 0.3 per cent to 244.8 as against 245.5 for the earlier week.

Index Numbers of Industrial Production (Base: 1960=100)

Group	Weight	1972	1973	January-April 1973	January-April 1974 (Prov)	Percentage change in 1973 over 1972	Percentage change in Jan-April,'74 over Jan-April,'73
General index (crude)	100.00	199.4	200.7	199.8	202.1	+0.7	+1.2
Electricity generated	5.37	390.7	383.8	373.3	411.1	—1.8	+10.1
Mining & quarrying	9.72	164.2	163.6	171.7	185.0	—0.4	+7.7
Manufacturing	84.91	191.4	183.1	191.5	190.8	+0.9	—0.4
Food manufacturing	12.09	162.6	154.5	157.9	155.1	—5.0	—1.8
Beverages & tobacco	2.22	174.1	178.9	156.5	190.5	—2.8	+21.7
Textile manufacturing	27.06	114.4	113.3	106.9	101.5	—1.0	—5.1
Cotton textiles	21.18	112.6	114.1	105.2	105.4	+1.3	+0.2
Jute textiles	3.97	96.8	90.6	90.7	62.9	—6.4	—30.7
Footwear manufacture	0.21	150.8	151.3	155.9	148.7	+0.3	—4.6
Wood & cork manufacture	0.80	217.7	158.4	155.2	180.8	—27.2	+16.5
Paper & paper products	1.61	226.1	236.4	219.3	242.2	+4.6	+10.4
Leather & fur products	0.43	59.9	76.4	67.9	84.2	+27.5	+24.0
Rubber products	2.22	256.0	250.6	230.1	267.4	—2.1	+16.2
Chemicals	7.26	293.7	301.9	314.3	296.8	+2.8	—5.6
Petroleum refinery products	1.34	317.2	332.8	304.0	344.4	+4.9	+13.3
Non-metallic minerals	3.85	225.2	226.6	218.0	231.7	+0.6	+6.3
Basic metal industrides	7.38	225.3	215.8	231.3	205.2	—4.2	—11.3
Manufacture of metal products	2.51	242.7	240.5	264.9	258.0	—0.9	—2.6
Manufacture of non-electrical machinery	3.38	402.7	454.9	450.8	462.2	+13.0	+2.5
Electrical machinery	3.05	435.0	436.2	423.7	442.6	+0.3	+4.5
Transport equipment	7.77	133.5	148.1	152.0	147.4	+10.9	—3.0
Miscellaneous industries	1.23	86.5	74.5	44.2	96.5	—13.9	+118.3

Source: C.S.O.

Index Numbers of Security Prices—All India Base: (1970-71=100)

Week ended	1973 Nov 3	1974 Oct 5	Oct. 12	Oct. 19	Oct 26	Nov 2
Government and Semi-government Securities	98.9	96.9	96.9	96.9	96.8	96.8
Government of India	98.4	95.9	95.9	95.9	95.9	95.9
State governments	99.9	99.3	99.3	99.3	99.3	99.3
Semi-government institutions	100.8	100.9	100.9	100.9	100.9	100.9
Debentures	97.5	96.8	96.2	96.2	96.0	95.8
Preference Shares	94.1	91.4	91.2	91.2	90.7	90.8
Ordinary Shares	126.1	100.7	99.0	100.9	101.5	100.8
Tea plantations	94.0	101.4	99.1	98.3	98.4	98.2
Cotton textiles	147.1	123.7	120.6	123.0	122.9	122.1
Jute textiles	157.3	140.9	139.3	139.4	139.5	139.5
Silk, woollen and rayon textiles	144.0	117.3	114.9	117.5	117.7	116.4
Iron & steel	80.7	45.0	44.6	48.3	49.0	48.1
Aluminium	83.9	55.7	52.8	53.7	55.7	55.3
Transport equipment	109.3	72.5	71.3	75.2	76.1	74.7
Electrical machinery, apparatus, appliances, etc.	131.0	100.5	99.3	100.2	100.1	101.2
Chemical fertilisers	193.1	138.2	135.6	138.8	139.9	139.2
Other basic industrial chemicals	131.5	99.2	97.4	101.4	101.8	100.6
Cement	107.8	78.2	77.7	80.0	80.8	79.8
Paper and paper products	145.6	149.0	146.9	153.9	155.4	153.3
Rubber and rubber products	115.5	89.3	86.6	90.2	92.9	92.4
Electricity generation and supply	84.1	67.9	66.7	66.9	67.7	67.9
Shipping	146.4	139.7	129.1	125.6	125.3	124.4

Source: Reserve Bank of India

Reserve Bank of India (Rs lakhs)

	Nov. 1, 1974	A week ago	A month ago	A year ago
Issue Department				
Notes held in banking department	22,25	42,15	21,37	49,98
Notes in circulation	5,941,04	5,957,41	5,598,10	5,630,81
Total notes issued	5,963,28	5,999,56	5,979,46	5,680,79
Gold coin and bullion	182,53	182,53	182,53	182,53
Foreign securities	141,74	141,74	141,74	120,93
Rupee coin	18,67	19,94	19,37	6,17
Government of India rupee securities	5,620,35	5,655,36	5,635,83	5,371,16
Banking Department				
Deposits of central govt.	53,11	57,17	59,16	59,98
Deposits of state govts.	12,34	9,02	32,43	21,38
Deposits of banks	606,40	632,64	591,98	745,19
Other deposits	522'00	368,09	371,27	74,06
Other liabilities	1,559,20	1,485,65	1,455,66	1,187,90
Total liabilities or assets	2,753,05	2,552,58	2,510,51	2,088,42
Notes and coins	22,35	42,21	21,44	50,08
Balances held abroad	615,07	459,26	466,08	268,68
Loans and Advances to:				
State governments	129,91	162,18	98,04	137,84
Scheduled com. banks	49,74	63,33	95,40	94,79
State coop. banks	343,10	333,09	318,42	309,62
Other loans & advances	316,62	297,14	289,61	164,72
Bills Purchased and Discounted:				
(i) Internal	105,80	108,10	142,18	41,30
(ii) Govt. treasury bills	745,63	654,62	652,49	446,85
Investments	294,14	335,92	335,50	528,81
Other assets	130,69	96,75	91,36	45,73

Scheduled Commercial Banks (Rs lakhs)

	Nov 1, ago	A week ago	A month ago	A year ago
1. Demand deposits	4,713,60	4,712,08	4,651,19	4,032,19
2. Time deposits	6,536,99	6,494,15	6,471,27	5,689,40
3. Aggregate deposits	11,250,59	11,206,23	11,122,46	9,721,59
4. Borrowings from Reserve Bank	49,74	63,33	95,40	94,79
5. Cash	274,93	271,98	276,57	279,75
6. Balances with Reserve Bank	587,58	615,05	574,14	730,14
7. Cash and Balances with Reserve Bank	862,51	887,03	850,71	1,009,89
8. Investments in govt. securities	2,759,02	2,727,59	2,673,15	2,342,33
9. Advances	6,349,09	6,318,61	6,244,47	5,334,34
10. Inland bills purchased and discounted	987,22	999,25	1,020,43	922,52
11. Foreign bills purchased and discounted	394,71	387,45	380,90	275,96
12. Total bank credit	7,731,02	7,705,31	7,645,80	6,532,82
Percentage of:				
(7) to (3)	7.67	7.92	7.65	10.39
(8) to (3)	24.52	24.34	24.03	24.09
(12) to (3)	68.72	68.76	68.74	67.20

Source: Reserve Bank of India

Money Supply with the Public

(Rs crores)

Week ended	1973 Oct 26	1974 Sept 27	Oct 4	Oct 11	Oct 18	Oct 25
A. Money Supply with the Public	9,929	10,912	10,985	11,044	11,042	11,043
Currency with the public	5,790	6,105	6,146	6,217	6,198	6,161
Other deposits with the Reserve Bank	34	60	51	44	44	47
Bank money	4,105	4,747	4,788	4,783	4,800	4,835
B. Factors Affecting Money Supply (1+2+3+4—5)						
1. Net bank credit to government sector (a+b)	8,710	9,239	9,311	9,378	9,436	9,479
(a) Reserve Bank's net credit to government sector	6,291	6,511	6,540	6,603	6,655	6,652
(b) Other bank's credit to government sector	2,419	2,728	2,771	2,775	2,781	2,827
2. Bank credit to commercial sector (a+b)	8,128	9,574	9,560	9,533	9,546	9,552
(a) Reserve Bank's credit to commercial sector	301	550	542	527	519	515
(b) Other bank's credit to commercial sector	7,827	9,024	9,018	9,006	9,027	9,037
3. Net foreign exchange assets of banking sector	595	537	528	526	513	522
4. Govt.'s net currency liabilities to the public	490	509	510	511	510	513
5. Non-monetary liabilities of banking sector (a+b+c)	7,994	8,947	8,924	8,904	8,963	9,023
(a) Time deposits with banks	5,966	6,810	6,823	6,839	6,844	6,802
(b) Net non-monetary liabilities of RBI	1,206	1,430	1,441	1,431	1,463	1,466
(c) Residual	822	707	655	634	656	755
C. Aggregate Monetary Resources [A+B5 (a)]	15,895	17,722	17,813	17,883	17,886	17,845

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	1973-74	1973	1974					
									July	Feb.	Mar.	April	May	June	July
	(Base:1949=100)														
All-India	169	213	212	215	226	233	251	304	295	325	334	344	357	366	378
	(Base: 1960=100)														
All-India	—	—	174	177	186	192	207	250	243	267	275	283	294	301	311
Ahmedabad	130	168	165	169	176	181	198	245	236	260	264	272	284	290	295
Alwaye	145	183	198	197	198	202	215	267	275	273	288	293	312	322	338
Asansol	140	168	176	187	189	194	206	245	234	263	274	286	298	301	312
Bangalore	144	172	180	183	186	194	212	265	250	234	286	286	292	299	306
Bhavanagar	132	173	176	178	186	194	217	273	256	239	235	297	306	302	310
Bombay	130	162	167	175	182	190	203	233	235	243	249	259	259	277	282
Calcutta	131	163	170	172	182	187	197	223	217	241	255	264	272	276	282
Coimbatore	132	151	147	152	163	177	189	218	210	236	246	258	269	272	280
Delhi	136	172	178	185	199	211	222	245	256	280	296	309	325	330	335
Digboi	138	198	185	180	189	188	198	234	222	255	256	260	273	282	297
Gwalior	139	191	179	184	191	197	214	271	263	299	312	316	329	339	342
Howrah	137	178	181	176	186	191	206	239	225	255	270	274	280	255	291
Hyderabad	140	167	173	185	189	195	211	251	255	263	271	273	277	284	291
Jamshedpur	136	183	171	190	183	187	202	249	238	275	278	293	307	311	317
Madras	134	151	150	160	170	182	203	229	225	241	248	261	268	271	280
Madurai	128	146	148	162	183	193	206	236	225	251	257	266	282	298	311
Monghyr	151	215	185	188	203	204	225	292	264	343	347	344	337	360	378
Mundkayam	138	173	186	191	197	199	210	253	267	272	286	291	309	323	333
Nagpur	138	164	166	176	187	192	203	256	259	275	277	277	295	299	308
Saharanpur	141	188	176	181	186	196	213	253	241	280	290	294	311	318	333
Sholapur	128	165	167	176	185	198	216	277	281	282	279	288	295	302	314

Source: Labour Bureau, Govt of India

Consumer Price Index Numbers for Urban Non-Manual Employees

(Base : 1960 -100)

Centre	1965-66	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1973	1974				
									June	Feb.	Mar	April	May	June
All-India	132	159	161	167	174	180	192	221	211	233	238	244	251	256
Bombay	132	153	156	162	168	172	183	204	206	210	213	222	231	236
Delhi—New Delhi	131	154	162	178	174	180	190	217	205	230	236	238	248	253
Calcutta	126	152	156	162	170	174	180	204	193	213	219	221	227	229
Madras	133	154	154	161	175	188	204	221	222	245	250	257	264	269
Hyderabad—Secunderabad	133	155	159	167	174	180	193	223	216	230	237	240	248	254
Bangalore	133	156	160	162	172	180	194	223	215	242	216	250	258	262
Lucknow	132	159	156	161	166	174	185	215	202	220	235	243	248	256
Ahmedabad	131	160	162	168	171	173	188	222	218	229	33	239	253	236
Jaipur	133	162	168	176	183	188	205	234	227	230	256	274	280	285
Patna	139	170	174	191	190	199	199	229	216	249	59	253	261	271
Srinagar	134	160	157	174	184	191	200	215	225	220	237	244	244	247
Trivandrum	131	165	168	172	178	184	198	231	218	260	250	258	266	269
Cuttack—Bhubaneswar	142	164	167	169	176	184	196	221	208	242	239	242	246	249
Bhopal	133	166	166	172	180	188	204	238	224	254	258	251	258	276
Chandigarh	129	155	165	171	178	183	194	217	206	229	237	241	246	248
Shillong	123	153	163	164	166	175	183	208	196	219	217	229	233	237

Source: CSO

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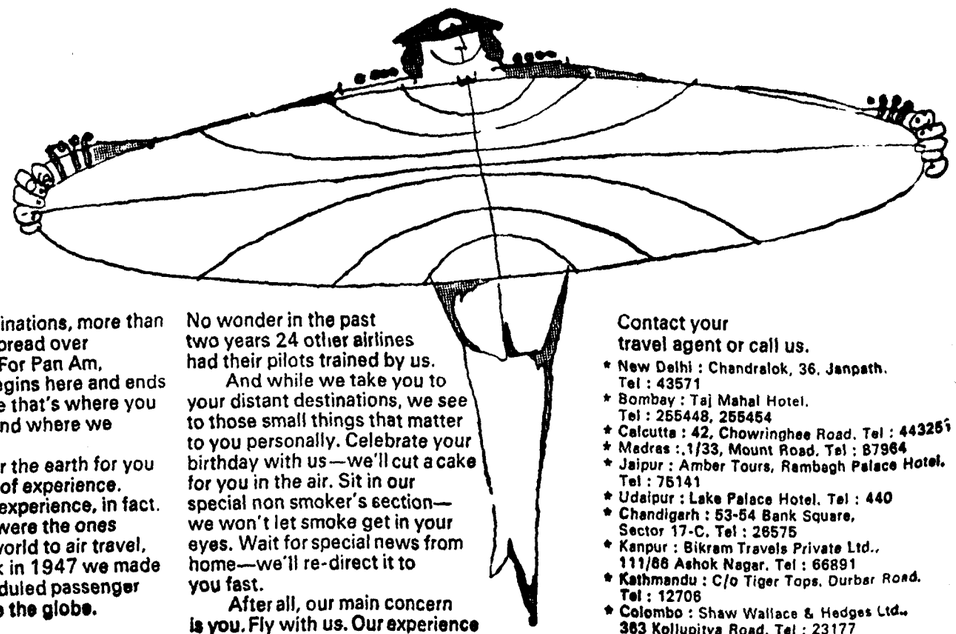
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