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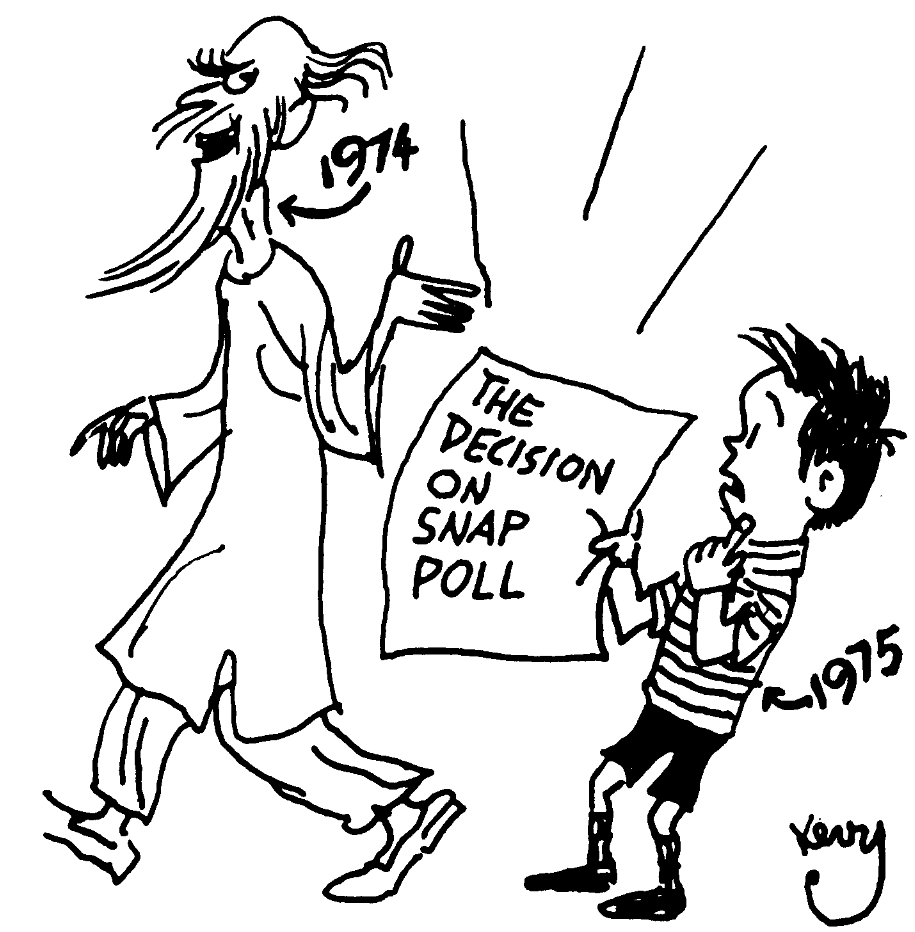


YOU DEAL WITH IT BOY, BYE, BYE!

Happy new year?

EVEN AS THE world turned its back on 1974 without regret, it could have had no sense of relief. The year that was was bad in many ways for a great number of countries including ours, but the new year could be still worse. In some major national economies there is indeed talk of growth picking up around the middle of this year, but it is doubtful that more than a very few of them are in a position to make good on this promise. Even in the case of these possible exceptions the impact of larger world events might well frustrate the contributions of individual national self-discipline or enterprise.

For instance, while it is largely true that West Germany and Japan may be able to stabilize their economies and move out of the slumpflation syndrome in the second quarter of this year provided no grave disturbances take place in international trade, the odds are perhaps less than even against a crisis of that kind developing in world economic activity. Currently grave concern is felt about the immediate future of the Italian and British economies while many observers feel that the French economy too is faced with an increasingly disquieting question mark. What however would decide the issue is whether forecasts of the American economy, currently predicting that its course might be set on a more even keel at least in the second half of this year, are borne out by facts. At the top levels of economic policy-making in Washington, it has still to be decided whether it is inflation which is to be treated as the public enemy number one of the national economy, or whether it is recession that has to be cast in that role. Much should depend on a decision not being delayed and even much more on its being one which is proved to be more right than wrong.

In this context it would be irresponsible on our part to be in any way dogmatic about economic recovery in our country. The safest thing would be to predicate an external environment more unfavourable than favourable and, having done so, to proceed to ensure that our own economic policies do not aggravate our difficulties or accentuate our problems. This would seem to imply that our country is more likely to be on a sound course than on one which is unsound if the management of its economic affairs is orientated more towards an increase in its current production as well as an improvement in its investment situation in the more or less immediate future. The government is paying at least lip sympathy to the cause of an all-out drive to increase agricultural production, but even such a theoretical commitment is still largely lacking where industry is concerned. This has been brought out clearly by the attitude struck by the ministers who addressed the meeting of the Advisory Council on Trade held in New Delhi last week. These spokesmen of the government who are in charge of important economic ministries still seem to persist in the immature attitude that an increase in production has to be specifically thought of only in terms of exports. An approach of this kind might be relevant, to the situation in Singapore or Hong Kong, or even in Japan which is excessively dependent on imports of oil and raw materials, but is considerably unaligned to the realities of an economy such as ours which has to resolve its problems essentially in the light of its imperatives of mass domestic consumption and mass domestic employment.

Viewed in this manner, the enthusiasm of Messrs Pai, Chattopadhyaya and company for showing special consideration to the expansion of production for exports is clearly less than adequate for the purposes of a comprehensive policy for stabilizing the country's economy or securing its sufficient expansion. There is in fact a great deal that is clearly absurd in ministerial suggestions that the optimum utilization of existing capacity in industry or the growth of investment and production activities of the larger enterprises should be allowed or assisted only in terms of the needs of production for exports. In practical as well as philosophical terms this attitude is unsustainable and is bound to end up in fringe activities of no substantial significance for the country's problems of employment or economic growth. May be that the government believes that it is politically more prudent to relate the liberalization of the government's economic policies to the non-controversial issue of the urgency and paramount importance of export promotion, but surely these are times when economic statesmanship rather than self-regarding political expediency is called for.

eastern ECONOMIST

JANUARY 3, 1975

Opulent have problems

THE SHIFTS in the balance of payment positions of the developed and developing countries, following the continuing accumulation of surpluses with oil rich nations, have given rise to an unprecedented situation in the world economy. It is now becoming abundantly clear that the lopsided development of the western countries and the promotion of a high level of trade between themselves is proving to be harmful even for the opulent nations. There was no serious criticism when huge reserves were being accumulated by western Europe and Japan as the oil producers were building up only small surpluses. The fast growth of industrial development in the west generated a larger demand for tropical products and other raw materials. But with the increase in the value of exports of tropical products and other raw materials of the developing countries was not in proportion to the rise in prices for manufactured goods.

The deterioration in the terms of trade of developing countries helped the rapid accumulation of reserves with the western countries. The USA and the UK however did not benefit to the same extent as the phenomenal rate of industrial growth and high level of foreign aid in the case of the former and an unstable foundation of the economy of the latter could not help these countries to derive the same advantage as the west European counterparts secured in the past decade. But the increase in the volume of overseas investments of US companies was taking place spectacularly with the result that the wealth of USA inside and outside the country grew steadily. Thus, even serious balance of payment deficits in the past few years and large outflow of gold at official prices, did not affect the US economy severely.

This process of regular increase in reserves of the developed countries has however been rudely disrupted by the inordinate hike in oil prices. The gaping deficits of many industrialised countries whose economies were considered invulnerable until recently have compelled the institution of measures which have far-reaching effects on the world economy and the direction and volume of international trade. There were rumblings of worldwide recession even in the third quarter of 1974. But the recession had actually set in the closing weeks of the year in the automobile industry in USA, west Europe and Japan.

The greatest casualty of the oil crisis is the automobile industry and in nearly 50 per cent of its assembly plants, Ford of USA has laid off workers and production is not expected to be resumed again until the end of January. Even if these units reopened, the rate of output will be very much lower than that of early 1974 or the latter half of 1973. The slump in production of new cars and commercial vehicles will have serious repercussions on the ancillary industries. It is unlikely that the major producers of automobiles will get the required relief as economic experts in the USA and the UK have been demanding that the consumption of petroleum products has to be discouraged, if the balance of payment deficits are to be reduced or eliminated. There has already been a reduction in the consumption of petroleum products in the USA by three per cent in a year with voluntary restraints. But this drop is not considered adequate and the USA is determined to implement its Project Independence for eliminating dependence on west Asian oil and safeguarding the security of the nation.

Eastern Economist wishes its readers a happy New Year

The imbalance in the balance of payments of Italy, Japan, France the UK and many other countries has become so fundamental that the governments concerned are not prepared to allow a dip in reserves even for short periods. The immediate difficulties are being overcome with the recycling of oil surpluses of rich nations which are also having a serious problem of disposing of satisfactorily these surpluses. Important countries like Iran, Saudi Arabia and Kuwait are proposing to spend larger amounts on the development of their regions and increasing also imports of consumer goods. Many schemes have been devised by Saudi Arabia for providing education, electricity, liberal loans for house construction and other schemes. But the surpluses are accumulating so fast that even lending in blocks to Britain or other countries for overcoming their deficits, the grant of credits to the International Monetary Fund, the acquisition of new interests in industrial units, or advance payments to countries like France against contracts for the supply of armaments have not helped the full absorption of current surpluses and it has been reported that huge sums have been held by American banks as short-term deposits. These institutions are also unable to decide how the funds should be utilised and with what certainty their redeployment can be attempted.

There are proposals for the formation of special institutions for extending long term credits to developing countries, not necessarily on a government-to-government basis, and taking advantage of the opportunity to raise the level of activity for reducing trade gaps and maintaining world business at a high level. The new institutions, however, are unsure about the extent of risks that can be undertaken on the basis of short term funds of the oil rich nations seeking refuge in industrialised countries. A definite view can obviously be taken only in the light of fresh developments though there is no denying the fact that the surpluses have somehow to be employed and the west has temporarily to reduce its gold reserves and adopt other restrictive measures.

There will probably have to be a mixture of these two approaches as any drastic attempt to correct the balance of payment deficits through negative measures will have a serious impact on the internal economies as is happening now in the USA. For Britain and Italy, it is becoming clear that trading in differences based on imports can upset seriously the calculations of the Treasury or the Board of Trade. It will be unwise to attempt any drastic solutions even while making

efforts to negotiate with the major oil producers for a significant reduction in the cost of crude. The US Treasury's decision to sell two million ounces of gold out of its reserves through public auction in order to meet the needs of its citizens in terms of bullion, with the lifting of the ban on the possession of gold, has given rise to a major question about what others will do with their gold reserves. A policy or reflation will be attempted generally but not necessarily in concert.

The release of two million ounces of gold represents only one per cent of the total reserves held by the US Treasury and what is now happening is only a transfer of a tiny part of these reserves from the custody of the administration to the individual, with the former making a significant profit in the process. There will easily be a gain of $125 per ounce as the London and New York rates did not decline to below $170 immediately following the announcement. (Actually, after the initial flurry there was a rally and the new moves of others are awaited by major bullion dealers.) The gain of $500 millions to the US Treasury may not be significant when its total needs are much larger and the balance of payment deficits is running at a annual rate of seven billion dollars. What immediately is the advantage is the prevention of imports of gold to satisfy the requirements of US citizens.

However, the US move may encourage the adoption of similar procedures for other purposes. In fact, something of this kind has happened even earlier with West Germany giving some assistance to Italy on the basis of the latter's gold reserves. It has been roughly estimated that the Big Ten and Switzerland had gold reserves of $43 billion at the end of 1973 on the basis of the official price and the appreciation in value of its holdings by nearly $150 billion can help the holders to overcome the balance of payment gaps for about two years without deteriorating the standard of living of the population of the countries concerned or drastically lowering the level of economic activity. The actual decline in reserves may not be of the dimensions indicated and also the time gained will be utilised for switching over to other forms of energy or discovering new oil reserves.

The above approach however may not result in any rectification of basic imbalances and what will happen is only the transfer of old surpluses from the industrialised countries to the oil-rich nations and the problems of recycling will still arise. The industrialised countries will of course be in a better position to negotiate with the oil-rich nations and it may even eventually happen that the recycling of the surpluses of the oil producers will result in a new kind of activity for catering for the needs of the third world. The oil rich nations too may have second thoughs about their pricing policies and there may be a deposition to take a total view which will be helpful to them and the consumers.

The main difficulty has arisen only because high level trading has been taking place mainly among the industrialised nations and the gradual devitalising effect the slow accumulation of surpluses of the western nations had on the developing countries has not been noticed. With the oil crisis, both the developed and developing countries in deficit in respect of oil requirements, are seriously hurt and as stated earlier there will have to be a better understanding of new problems and greater preparedness of affluent nations to bring about a better balance in international trade and economic activity in the world as a whole.

The latest reports however indicate that the oil-rich nations are disposed to take more serious note of the difficulties created by the undue rise in oil prices and some genuine efforts may be made to overcome the difficulties encountered in maintaining international trade at a high level. Some important developments may thus take place in the first half of 1975 which might facilitate the refixation of exchange parities of important currencies more firmly and also define more clearly the role of gold as a monetary medium.

Truth about jute prices

THE PROBLEM of ensuring a fair price to jute growers has once again been engaging the serious attention of the government of India as well as of the state governments in the eastern region. The union Commerce ministry has come in for considerable criticism in parliament and outside for its alleged failure to safeguard effectively the interests of the growers. Prof. Chattopadhyaya, the Commerce minister, told the Rajya Sabha on November 27, that though there had been some decline in prices they had not fallen below the minimum support price of Rs. 125 per quintal fixed by the government on the basis of the recommendations of the Agricultural Prices Commission. He added that the decline in prices could not be described as sharp and that the government had recieved no reports of distress sales. On December 4, the Commerce minister assured the Lok Sabha that the government was fully aware of the problem of the jute growers and that steps had been taken "to release them from the hands of middlemen". He also said that the Jute Corporation would ultimately take over the entire jute trade and that, with the active assistance of the cooperative structure, it would purchase jute directly from the grower and protect his interest.

But when the Jute Corporation is severely handicapped due to various factors how does the minister expect it to take more and heavier responsibilities and make a success of the scheme? The corporation was set up in 1971 for handling the export, import and internal marketing of jute. The Commerce ministry claimed in its last annual report that the corporation had been able to create "an effective impact on the price of raw jute and maintain it throughout above the minimum statutory level". However, the corporation's activities in recent months have been seriously affected due to lack of sufficient financial resources, administrative deficiencies, and failure of the state governments concerned to extend proper cooperation to it. The corporation has also not suc ceeded in enlisting the active support of the jute trade and industry. Last year it opened 30 direct purchase centres and purchased about 700,000 bales of raw jute. This year it had planned to buy about a third of the total crop which was expected to be of the order of 7.5 million bales. This target was lowered to 1.5 millions bales when it was known that the crop would not be more than 4.5 million bales. However, the actual purchase in the five months ended November this year was only about 400,000 bales and it is estimated that the total would not exceed 600,000 bales during the year.

The denial of adequate credit to the corporation has seriously affected its operations. The corporation had asked for a credit of Rs 40 crores from the Reserve Bank against Rs 20 crores that was available last year. But the Reserve Bank has fixed a ceiling of only Rs 18 crores. Prof. Chattopadhyaya told the Lok Sabha on December 4 that his ministry was continuing to pursuade the Reserve Bank to increase the bank credit ceiling to the Jute Corporation and also to locat additional bank credit that might be available from the commercial banks. But will the Reserve bank agree ? Its survey are reported to have shown that jute prices have not gone below the floor price fixed by the Agricultural Prices Commission. Moreover, the Reserve Bank has directed the commercial banks to restrict credit to the public sector trading organisation. In his letter to the banks issued towards the end of October this year while announcing the new credit policy, Mr Jagannathan, governor of the Reserve Bank, clarified that in the public sector, working capital requirements of manufacturing units for expanding production would receive prior consideration but trading operations such as those of the Cotton Corporation and Jute Corporation could be provided for "only to a limited extent". In the light of this statement, it remains to be seen to what extent the Commerce ministry will be able to persuade the Reserve Bank and the commercial banks to provide more credit to the Jute Corporation.

But how did the Commerce ministry allow the corporation to expand its staff and increase its expenditure without making certain about the availability of sufficient credit? The corporation at present has a total staff strength of nearly 1,000 persons and its monthly establishment expenses exceed one million rupees of which Rs 800.000 account for wages. This is perhaps in keeping with the pattern of many other public sector corporations whose staff strength bears hardly any relation to the actual volume of work involved. But in the case of the Jute Corporation its high overhead costs affect the price of raw jute. The present overhead cost of the corporation works out to about four rupees per maund which makes it uneconomical for the jute industry to purchase fibre from it.

The financial difficulties of the jute mills have added to the problems of the corporation which is due to receive over Rs 150 million from them. Year after year, the mills have complained about the inadequate availability of credit. In December 1973 the Indian Jute Mills Association said that the total bank credit granted to the industry was of the order of Rs 950 million made up of Rs 500 million against finished goods and stores and Rs 450 million against raw jute stocks, which was grossly insufficient compared to the annual turnover of the industry which was valued at about Rs 3,750 million and the volume of the jute crop valued at Rs 2.250 million. The Association pointed out that notwithstanding "the denial of the sorely-needed financial assistance", mills on their own had gone all-out to buy jute through contracts which helped to stabilise the Calcutta market as well as the agencies. The chairman of the Indian Jute Mills Association said in April this year that "the joint effort of the Jute Corporation of India and the industry for implementing the purchase programme of raw jute in the current season is without parallel in the annals of any industry in this country". Nevertheless, Prof. Chattopadhyaya said in the Rajya Sabha recently that the jute industry had not taken any interest in the plight of the growers and that it had behaved "in an irresposible way". This criticism is hardly justified in view of the industry's past record and the efforts it is making to improve the production and productivity of raw jute through a five year plan drawn up jointly by the Jute Industry's Research Association and the Commerce ministry.

In April this year Prof. Chattopadhyaya held a meeting in Calcutta to review the jute prices, at which were present the ministers of Agriculture and Co-operation from all the jute producing states, representatives of the trade unions and growers as well as of the Jute Corporation. At this meeting West Bengal's Agriculture minister pointed out that the minimum cost of production of jute was Rs. 168 a quintal and suggested that the support price for raw jute at the primary market should be fixed at around Rs 200 a quintal while the representatives of the trade unions and the growers wanted it to be fixed at between Rs 190 and Rs 250. Complaints were also made at this meeting that the Jute Corporation purchased raw jute from growers at much below the fixed prices and that it often arrived in the field rather late. It is not clear on what basis these figures have been worked out. But the fact that the Reserve Bank's studies and the data collected by the Commerce ministry do not show any evidence of distress sales seems to reveal that the prices are not as low as made out by the critics of the government's jute policy. It is also relevant to note that the index number of wholesale prices of raw jute (1961-62=100) went up from an average of 144 in 1969-70 to 181 in September 1974.

Prof. Chattopadhyaya admitted in the Lok Sabha that it was important to keep the prices of Indian jute good competitive. He said that while considering remunerative prices to the growers, the government had to take into account their impact on the ultimate products of the industry. He said, "We cannot afford to undermine the competitiveness of our jute production especially in the context of the fact that the expected increase in crude prices, has not come about". He disclosed that because of the uncompetitive prices,

there had been a substantial decline in the demand for products like carpet backing. While therefore the interests of growers have to be protected and promoted by offering them a fair price no less important is the need to refrain from measures which will inflate the industry's cost of production.

Dry farming in Rajasthan

THE MONSOON of 1974 was rather unkind to Rajasthan as it was to several other states in the country. It has been estimated that the rainfall was less than half of the normal in eight western districts of the state. In the remaining 18 districts also it was nearly 25 per cent below the normal. Besides, the periodicity and spread of rainfall were unfavourable for the kharif crop. Consequently, the state faced a serious situation caused by drought and scarcity and it approached the centre for relief through labour intensive works and acceleration of schemes in agriculture, irrigation and power sectors.

This failure in agriculture due to lack of rainfall makes its essential that the state goes in a big way for a programme of dry land farming through soil conservation. Unfortunately Rajasthan has neglected this aspect of agriculture. It is only the fifth five-year Plan that proposes to improve and strengthen the capability of the department of Agriculture to survey and design projects scientifically, as well as to attract bank funds for soil conservation works. The soil conservation programme is to be taken up during the year 1975-76 over an area of 40,000 hectares and a sum of six lakh rupees proposed to meet the subsidy component of the programme. An additional provision of two lakh rupees is also being made to take up a few schemes through the assistance to Agricultural Refinance Corporation. Considering the gross cropped area of the state at around 16.7 million hectares, out of which the area under irrigation is around 2.7 million hectares, the proposed area for soil conservation is grossly insignificant.

Dry land farming has been successfully taken up in arid regions of the world during the last 30 years and the programme is largely based on moisture. conservation and moisture utilisation in semi-arid regions which have near marginal levels of soil moisture. With proper dry land farming techniques ever drought years can yield sufficient returns to cover the cost of production and make the area self-sufficient. But the technique requires a package of practices to prevent crop failures.

The broad strategy of dry land farming requires conservation of water and prevention of its run off. This is achieved by creating a surface condition that holds water until it has had time to infiltrate. This can be done by mechanical and biological means. To prevent surface run-off, construction of contour bunds is necessary. This practice also prevents soil erosion and causes silting of catchment basins. It has been estimated that in semi-arid regions in this country contour bunding alone can raise crop yields by at least 25 per cent.

The provision of a mulch cover is another essential element of dry land farming. Crop refuse has to be left on the fields, preferably standing. A trash mulch cover slows down air movement at the soil surface, thereby reducing the evaporation of moisture. The provision of mulch cover, however, does not permit the cutting of crop refuse for animal feed.

It may be added that the crops which are fast maturing, deep rooted and have an ability to withstand low moisture conditions have to be selected for dry land farming. Crops such as jowar, bajra, oilseeds, fast maturing varieties of cotton and fast maturing pulses are suitable for cultivation. Dry land farming also requires judicious use of fertilizers because farm yard manure, which provides mainly nitrogen and potash, is of little value in semi-arid tropical soils. Fertilizer use has to be carefully related to water availability and a relatively lower than normal quantity is used.

Rajasthan's soils are subject to very heavy moisture loss by evaporation, and run off which not only results in the loss of water and good top soil, but also the loss of valuable soil nutrients. Measures to conserve soil, therefore, are significant. The strategy might vary in different areas of the state depending upon the type of land. Canal command areas, for instance, will involve primarily land levelling operations and the lining of water channels. In the semi-arid regions the programme will require the construction of contour bunds to hold water on the surface. In hill and ravine areas graded contour bunds will be necessary.

Soil and moisture conservation during the last few years has mainly been undertaken in the state on rain-fed lands, chiefly through funds provided for distress relief. Such programme envisaged a subsidy component and the landowners were expected to meet part of the cost. The soil conservation programme, therefore, has had only a limited coverage. Lack of capacity in the district organisations to undertake topographical surveys and execute physical works on a scientific basis was therefore evident.

It may also be pointed out that soil conservation has essentially been left to be taken up under special provisions made for development of backward areas, under drought prone area programme or under centrally sponsored schemes. For instance, soil conservation and topographical survey of potential areas are to be initiated under the development of backward areas in the districts of Jodhpur, Nagour, Jaisalmer, Barmer, Bikaner Churu, Dungarpur and Banswara. Similarly the drought prone area programmes include a programme of dry farming which will be initiated in potential districts. Soil conservation work is also to be undertaken under centrally sponsored schemes in river valleys of Chambal, Dantiwara and Kadana. It may, however, be stressed that such fragmented operations of this important programme cannot achieve rapid results. Under the present circumstances, it is evident that Rajasthan should provide high priority to dry land farming and it should be taken up earnestly during the fifth five-year Plan.

Energy: problems and prospects

K. K. Birla

> Text of the speech made at the Conference on Energy held on December 18, 1974, in New Delhi.

WE ARE meeting under the lengthening shadow of what has come to be called the "World Energy Crisis". In our own country, however, we have been living with power crisis for more than three years now. We have been plagued by paucity of power in different parts of the country including coal-belt areas. One can understand the break-down of hydro-electric plants following failure of rains, but it passes my understanding as to why thermal plants should not run to their full capacity! Sometimes we hear that the problem arises because of the break-down in transport. The lack of balance between coal supplies and wagon availability has been with us for too long. When we have wagons, we do not seem to have coal. When we have coal, there is shortage of wagons. There is considerable truth in the criticism that our power planning has been defective, installation of power generating capacity well below targets, operation of these plants and their maintenance so unsatisfactory as to bring down plant utilisation to less than 50 per cent.

efficient plants

My point gains both relevance and significance in terms of experience. There are specific instances to show that under better management, a number of power plants are working efficiently. I am sure that the chairmen of the electricity boards who are present here will bear out my proposition. They must be having their own difficulties in implementing effective measures or for that matter in normal running of their plants. I feel that if we exchange our thoughts freely and frankly and appreciate each other's difficulties, a way can be found to resolve them to the benefit of the nation.

Power generation is a public utility. It is unfortunate that many state elecricity boards are not financially well off and they have to depend heavily on borrowings from the state governments. My suggestion is that these boards should be converted into power corporations with greater autonomy in their working and with wider sources of funds to finance their development projects by borrowing from public and financial institutions. In one sense the problem reduces itself to one of management. If government feels that such management expertise as has been developed in the private sector would be useful, I may assure that our services will be willingly offered.

The international oil crisis and the hike in oil prices have added another dimension to our energy problem. The cost at which imported crude oil will be available to meet our growing energy requirements has upset our foreign exchange budgeting and has necessitated adjustments in using various sources of energy supply. Thus, there would be fundamental problems of energy availability in the years to come unless steps are taken immediately to increase energy supplies, rationalise consumption and lay plans for effective utilisation of domestic resources.

significant shift

Over the years, there has been significant shift all the world over in the use of solid fuels to liquid fuels. Some 50 years ago, the total world consumption of solid fuels was 83 per cent as against 13.3 per cent for liquid fuels, 3.2 per cent for natural gas and 0.7 per cent for hydel power. By 1968, the share of solid fuels came down to 36.7 per cent whereas that of liquid fuels went up to 42.8 per cent, of natural gas to 18.3 per cent and that of hydel power to 2.1 per cent. The replacement of solid fuels such as coal by oil was particularly prominent in the US and Europe. The major incentive for this change came from the boosing of world supplies of crude oil from new sources in the USA, in west Asia and in the USSR. At the same time, technical factors, cost of handling and the fall in the price of oil

Eastern Economist 30 Years Ago

JAN. 5, 1945

With the unprecedented inflation of currency during the previous twelve montds and the expectation of unprecedented dividends in the near future, the opening of the new year found the stock exchanges stoutly declining to allow their optimism to be overclouded by the premature shadows of the inevitable budget, now only two months ahead. The markets moved up in an unbroken curve till, about the first week-end of February, Tata Deferreds raised themselves from the opening year level of Rs. 1960 to Rs 2170; Ordinaries from Rs 396 to Rs 430; Dyeings from Rs 2,050 to Rs 2,170; Centuries from Rs 890 to Rs 1,175; and Kohinoors from Rs 640 to Rs 730. The precautionary tendency to seek shelter in the protected asylum of native states from the dimly apprehended swoop of the Indian Finance member did not find much expression in the prices of native State scrips as most of them had already reached very high levels by the close of the previous year. In the textile group, Osmanshahis crawled from Rs 360 to Rs 376, Raza Textiles from Rs 100 to Rs 121, while Azamjahis hesitated about the level of Rs 655-700. The only exception was the spectacular rise of the ordinarily quiet Minervas from the opening year level of Rs 225 to Rs 327 by the first week of February.

relatively to coal in the 1950s and 1960s have resulted in a preference for liquid fuels at the cost of solid fuels.

In our country, the demand for energy has grown rapidly particularly since the beginning of the planning, becoming nearly double in the last two decades. There has also been a significant shift towards commercial energy. In 1953-54, out of the total energy consumed, the share of commercial fuels was 32 per cent and that of non-commercial fuels 68 per cent. In 1970-71, their respective shares changed to 52 per cent and 48 per cent respectively. Between this period, the share of coal declined from 15.4 per cent to 13.6 per cent while that of oil went up from 12.8 per cent to 25.8 per cent and of electricity from 4.1 per cent to 12.9 per cent. This trend in commereial energy consumption has continued even in later years.

sources of power

Let me now examine the question as to how our country is placed in respect of energy resources. We have huge coal deposits which on present estimate are likely to last for about 150-200 years. There are already two atomic power plants and another has been planned in the fifth Plan. We have considerable hydel power potential which has not been fully tapped, hardly 17 per cent of which is being utilised so far for generating electricity. We are already producing seven million tonnes of crude oil and some ambitious plans are in hand in this behalf. It is said that promising results have emerged from our drilling operations in the Bombay High. We are all very much interested to have further particulars in this behalf, as also the plans of government to step up off-shore oil drilling as well as the plans to explore and exploit natural gas. I feel that if the country has to be industrialised in the manner we want, our total energy requirement is certain to grow very fast and to meet this requirement, we will have to exploit our energy resources fully.

We are not able to produce more coal and transport it to consuming centres. Our power plants are not working efficiently and there has been delay in installing new capacity. The hike in oil prices has created an entirely new situation. Therefore, a spate of decisions will have to be taken at government, board room and works manager level on how to optimise the efficient use of energy both primary and secondary. The basic question is whether we have been using the right form of energy in the best possible way. What will be the roles of coal, oil, nuclear and water power as primary fuels in the overall economy and their relative merits in electricity generation? What is the scope of substitution of one fuel by another on techno-economic considerations and improve the efficiency of various fuel uses? What should be our policy for conservation and effective utilisation of commercial energy resources? What is the scope for Gobar gas which has evoked wide public interest in the context of fuel and fertilizer shortage?

These issues have, no doubt, been examined by the Fuel Policy Committee appointed by government in 1970. Its recommendations have now been submitted to government. Similar committees were set up in the past and many valuable suggestions were made. But these recommendations remain more or less unimplemented. I, therefore, suggest that the recommendations of the Fuel Policy Committee be put forward for public debate : and on that basis a national energy policy be framed. A separate National Energy Commission be constituted to implement various aims and objectives of the National Energy Policy.

I welcome the recently constituted Cabinet Sub-Committee on Energy under the chairmanship of Mr. K. D. Malaviya, minister for Petroleum and Chemicals, for effective coordination of all schemes connected with the development of energy resources such as oil, coal and power. I am sure that under the guidance of the prime minister, Mr Malaviya and Mr Pant, this sub-committee will be able to sort out the various problems facing the country in the energy sector.

The increasing cost of fuel has been worrying the consumers. The recent increase of Rs 100 per month in the emoluments of coal mine workers will involve an additional expenditure of about Rs 100 crores a year. Inevitably, the burden will be passed on to the coal consumer who is already groaning under the impact of successive rise in prices, and it will have a snow-ball effect. Between January 1973 and August 1974, the index for the price of coal has already shot up by about 50 per cent. In addition, there have been sharp increases in transportation, handling and other charges. I would urge the government of India to examine such issues. Otherwise it will be difficult to check inflation as a result of increases in fuel costs.

In fairness, I must add here that the working of some power plants in the public sector has recently registered improvement. And I trust that this trend will continue and become universal in the near future. In conclusion, I would like to assure the government on behalf of the industry our full and wholehearted cooperation to combat the present energy crisis that the country is faced with.

Is crop insurance feasible?

M. R. Meher

A SCHEME of protecting the farmer against loss or damage to crop on account of drought, floods, etc., by crop insurance was mooted in the fifties. At present when there is widespread failure of rains and crops, resort is had to *ad hoc* relief and relief works. With the larger allocation to states under the sixth Finance Commission's recommedations, the states are expected to manage their rural economies without grants from the centre in the case of calamities caused by scarcity. Uncertainly of the crop would arise not only from failure of rains and excessive rains but also from damage from pests and plant diseases. It has been said that a crop insurance scheme would not only ensure security for the farmer but also encourage the farmer to keep marginal lands under cultivation.

drought prone areas

There are difficulties in the proposal for protecting the farmer by a scheme of crop insurance. Is a viable scheme to be administered by a crop insurance corporation covering the whole of India or should such schemes be region-wise? There is no year in which some parts of the country do not suffer from drought or floods. There are also some areas which are drought-prone. Areas which have satisfactory irrigation facilities are less prone to scarcity. On what basis are calculations of insurance premiums to be worked out? If premiums are to be worked out on an actuarial basis they would have to be graded according to the soil in the region, the crops grown, whether irrigation is available or not, whether the area is drought-prone, etc. The Maharashtra Economic Development Council in its recent publication, "Droughts in Maharashtra" has said that crop insurance is absolutely necessary for Maharashtra and that, to begin with, the scheme may be introduced in the areas identified as drought prone areas.

It is true that areas which are dependent on timely rains for sowing and harvesting and districts which are drought prone need the most protection of the farmer and there is the necessity also of keeping alive cattle in a period of drought when there is shortage of fodder and water. But on an actuarial basis the largest premiums would have to be on such areas as also on areas prone to floods and the premiums would be beyond the capacity of the average farmer to pay. Any such schemes for these areas would have to be subsidised by the government. On the other hand, in regions where there is assured supply of water or farmers have been able to use modern technology and grow high yielding varieties the need for insurance would be less.

According to one economist, in a scheme of crop insurance, in the initial stage premiums would have to be on the low side so as to be within the capacity of the farmer, particularly the small farmer keeping marginal lands under cultivation. It might be mentioned that the number of small and marginal farmers in drought prone areas of the country alone is estimated to be about five million. According to one economist, in the initial stages, the state may have to subsidise insurance premiums to the extent of as much as 75 per cent. It is doubtful whether such a system of insurance would be viable and not degenerate into a cheap method of obtaining subsidy from the government. It has been suggested that for such a scheme to be viable it would not be feasible to give full protection against loss of crop due to natural causes and that the insurance should be limited to sixty or seventy per cent, or only fifty per cent of the normal yield, e.g., if the crop is insured to the extent of 70 per cent of the average yield, compasation should be payable only when the loss exceeds 30 per cent of the average yield, and losses up to that per cent should not be compensated.

other difficulties

There are other difficulties in the way of crop insurance. Premia would have to be calculated and worked out on the basis of the average yield of particular crops for a number of previous years. Reliable data on these are not easily available. In some states accurate land records are also not available. There is the problem of valuation caused by the fact that the production on land of a particular crop is not constant. The area under various crops depends not only on the nature of the soil but the farmer's choice between different types of food crops, as between food and cash crops. Care will also have to be taken by the insurer that the farmer uses due diligence in producing the insured crop. A very large nnmber of field inspectors would be required for conducting the insurance scheme, assessing of damage, etc. There would also be problems of dealing with scattered and small agricultural holdings and a variety of agricultural practices, crop seasons and crop rotation. Illiteracy and poverty of the small farmer would be another problem in the working of a crop insurance scheme.

It is understood that the central government has given clearance to the General Insurance Corporation of Iudia for introducing a crop insurance scheme, initially in six states, for two types of crops, viz., cotton and groundnut. When the scheme is introduced, its working can be watched and if successful, it can be extended later having regard to the experience gained.

development strategy

The draft of the fifth Plan does not say anything about crop insurance. The thrust of development strategy for drought prone areas in the draft Plan consists of improvement in irrigation facilities, soil conservation measures such as contour bunding, furrowing, terracing and levelling, improvement in agronomic practices, particularly dry farming technology, conservation of soil moisture, promotion of a suitable system of inter-cropping, livestock development, provisions for the benefit of the small farmers, marginal farmers and agricultural labour.

As regards agriculture in general the supply to farmers of necessary inputs such as seeds and pesticides, as also facilities for cheap credit and other outlays for increasing agricultural production proposed in the draft of the fifth Plan offer better prospects for improvement of production of agricultural lands than schemes of crop insurance which would require heavy subsidisation by the state and would also be difficult to administer. As regards protection against floods there are more suitable ways of preventing or reducing loss from floods by measures such as protective bunds and check dams.

Flow of resources to the developing world

Jossleyn Hennessy

London

I

The 1973 Record

THERE WAS a decline in development aid in 1973 as measured by the percentage of GNP devoted to Official Development Assistance (ODA) by members of OECD's Development Assistance Committee (DAC). The percentage is probably the best indication of trends since it avoids distortions caused by changes in exchange rates and prices. It was 0.30 per cent in 1973 as against 0.34 per cent in 1972 for members of OECD's Development Assistance Committee as a group. The DAC uses the word aid to refer only to Official Development Assistance, which consists of grants and loans at concessional terms by the official sector for the purpose of fostering recipient countries' development and welfare.

The total flow of resources comprises ODA, grants by private voluntary agencies

WINDOW ON THE WORLD

and loans, credits and investment at market terms. This last group of transactions favour growth and development and they are taken into account, but because they are at market terms, the word aid is not appropriate when referring to them or any total that includes them.

In US dollar terms, the total Official Development Assistance (ODA) of DAC members showed an increase of nine per cent in 1973 from $8,700 million to the record figure of $9,400 million, but if changes in exchange rates and price increase are taken into account, it fell by some six per cent. In 1973 DAO amounted to about $4.80 per person living in developing countries, a decline of about 30 per cent in real terms compared to ten years ago.

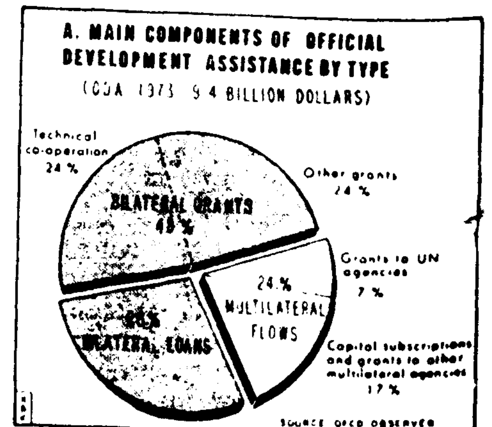
DAC members as a whole moved away from the 0.7 per cent of GNP target which the United Nations has recommended that each donor achieve by 1975. DAC Members have taken various positions with regard to this target. Four—the Netherlands, Belgium, Sweden and Norway—have accepted it without reservations; eight—Australia, Denmark, France, Canada, West Germany, Japan, New Zealand and the United Kingdom have accepted a date after 1975, and five have not subscribed to it at all.

Eight DAC members achieved some progress in their aid effort as measured in terms of the ODA to GNP ratio—Austria, Denmark, West Germany, Italy, Japan, Norway, New Zealand and Sweden. But a fall in this ratio for some of the major donors—France, the Netherlands, the United Kingdom and the United States—outweighed this progress, and the DAC average declined. In particular, the United States, the largest donor (32 percent of DAC members' combines ODA in 1973), recorded a fall in its provision of ODA, not only in relation to GNP, but also in absolute value.

There was a slight decline in the of *grants* in ODA (including grants to multilateral agencies) which slipped back from the record level of 72 per cent in 1972 to 71 per cent in 1973. Bilateral grants increased by only 2.6 per cent in nominal terms, and fell to less than half of the total outflow of ODA (48 per cent in 1973, compared to 50 per cent in 1972). Their relative stagnation was due mainly to lower expenditures on bilateral food and programme aid.

nominal increase

As regards the other main components of ODA, contributions to multilateral agencies (24 per cent of ODA in 1973) rose in nominal terms by 18 per cent to $2,200 million, an increase of about three per cent in real terms. Bilateral loans roughly maintained their share of 28 per cent in total ODA. As gross lending rose in 1973, the relative stagnation of new lending (which was about the same in real terms as in 1972) largely reflects increased amortisation backflows.



1 THE FIGURES IN ALL THE CHARTS ARE TAKEN FROM THE RECORD AS OF JULY 20. FINAL FIGURES WILL BE PRINTED IN THE REPORT OF THE DAC CHAIRMAN IN DECEMBER

Wheat prices more than doubled between 1972 and 1973, and other food prices rose substantially. According to preliminary data, food aid shipments dropped sharply. Expressed in dollars, bilateral food aid grants decreased slightly, and the dollar value of food aid channelled multilaterally by DAC members through the United Nations World Food Programme and the Commission of the European Communities remained virtually unchanged. Food aid financed out of the budget of the European Community was stepped up from $87.6 million to $143 9 million, with additional amount contributed by the United Kingdom ($12.7 million) and Denmark $1.6 million).

improved terms

The terms of Official Development Assistance, which have been improving over recent years, improved further in 1973 as the grant element increased from 84 per cent in 1972 to 87 per cent (the share of grants in new commitments rose and loan terms softened).

The main provision of the Recommendation on the Terms and Conditions of Aid adopted by the DAC in 1972 is that members should use their best efforts to reach and maintain an average grant element in their ODA programmes of at least 84 per cent. The grant element is in essence a measure of the softness or concessionality of a transaction, and takes account of the maturity, grace period and interest of a loan. It is the difference between face value and the discounted per cent value of the stream of repayments, included interest, to which the loan will give rise, expressed as a percentage of its face value. In calculating it, a standard rate of interest is used which is assumed to reflect the market rate of interest in donor countries. This rate of interest (or more accurately, rate of discount) is conventionally taken as 10 per cent. Some examples may help to understand the concept.

—The grant element of a grant is 100 per cent, since there are no repayments.

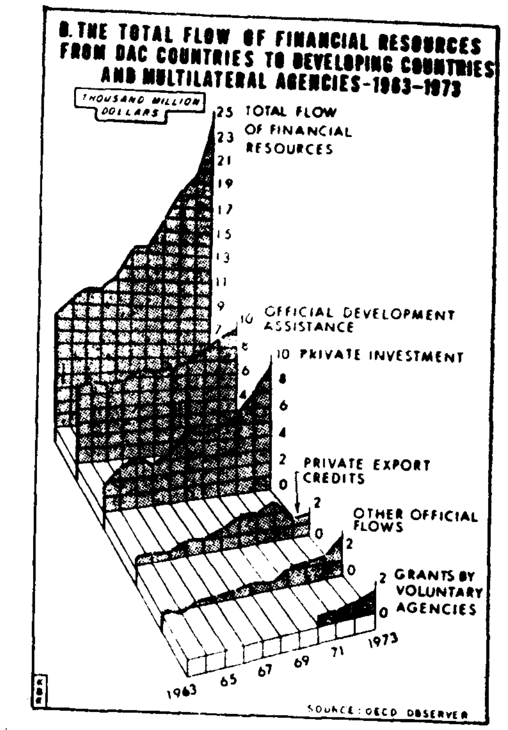
—The grant element of a loan at 10 per cent is nil, because the actual and standard rate of interest are the same.

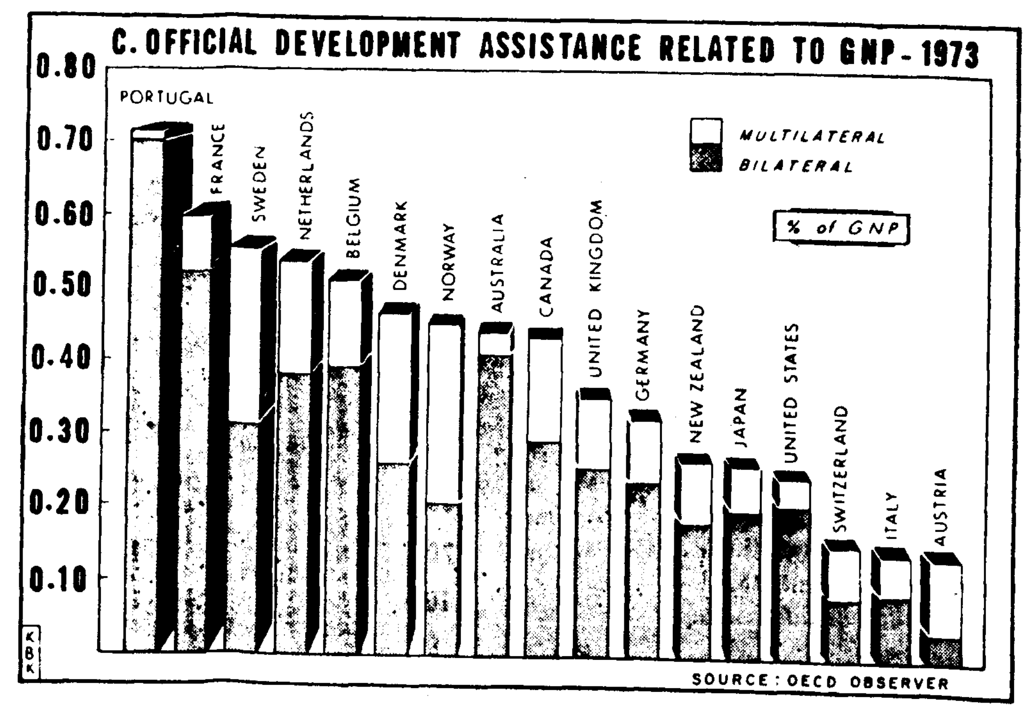
—The grant element of a 30-year loan, amortised 6-monthly in equal instalments, with a 10-year grace period, extended at 2½ per cent interest is 62 per cent.

In 1973, thirteen out of the seventeen DAC countries complied with the general terms objective. Of these thirteen, eight raised their grant element above the levels of 1972 : Denmark, France, West Germany, the Netherlands, New Zealand, Sweden, the United Kingdom and the United States. Australia, Belgium, Canada and Norway roughly maintained the already high concessionality of their ODA programmes. Switzerland complied on terms grounds proper, but as in previous years, the volume of its commitments was too low to be considered as having met the terms target.

Of the remaining four countries, the information for Austria and Portugal is incomplete. Italy, which has not accepted the terms target owing to the special problems of its economic structure, softened the terms of its small programme. Progress was made by Japan, whose aid programme is relatively recent. It raised the grant element of its ODA from 61 per cent to 68 per cent.

Export credits, private lending private investment and grants by voluntary agencies together, which are not considered aid but do constitute part of the net flow of resources, increased more than Official Development Assistance. Most official export credits are provided by West Germany, Japan and the United States, and their volume almost doubled. Direct private investment rose to a new record of $5,900 million and bilateral portfolio investment by 30 per cent, but





this was partly offset by lower purchases of multilateral portfolio securities by private investors. Private export credits were 25 per cent below their 1972 level and grants by private voluntary agencies increased by 30 per cent. Thus the total net flow of resources rose sharply in absolute terms—by 21 per cent, to a new record of $24,000 million but in terms of GNP remained at the same level as in 1972—0.78 per cent. This figure, however, excludes most Euro-currency lending, which is not officially reported to the DAC; this has expanded rapidly in receut years and is estimated to have reached at least $9,000 million gross in 1973. (Some estimates go as high as $12,000 million). While no figures are available on individual countries, it is known that DAC members accounted for a major part of these funds.

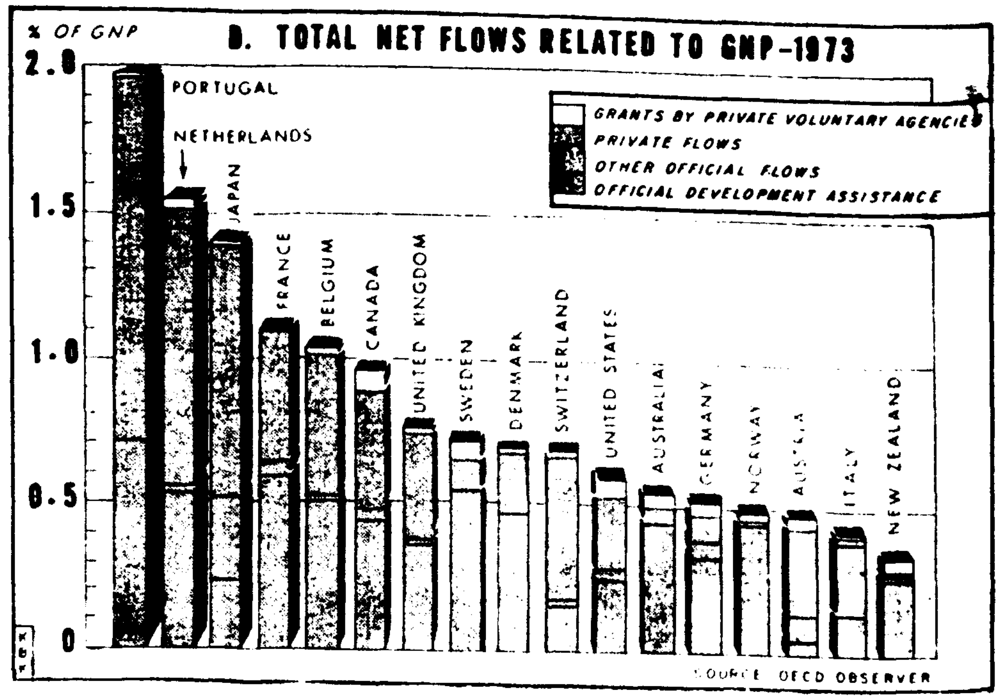
substantial increase

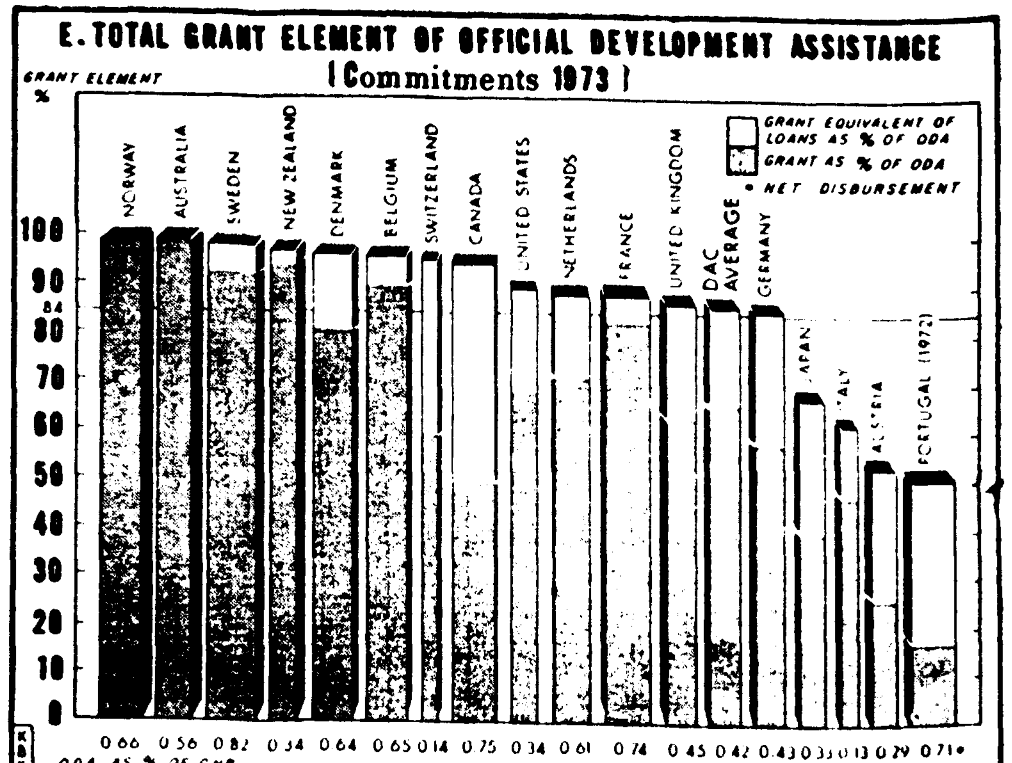
Thus the total net flow of finanaial resources to developing countries actually increased substantially in 1973. The target of one per cent of GNP recommended by the United Nations and accepted by all DAC members would probably have been reached in 1973 and possibly exceeded if all Euro-market lending were included.

Recorded performances varies considerably between individual countries. Five countries—Belgium, Japan, the Netherlands and Portugal exceeded the target level of one per cent. For some countries the percentage fell, in particular the United States, which recorded a further decline from 0.66 per cent in 1972 to 0.58 per cent in 1973.

Since flows at market terms increased their share in the total flow at the expense of ODA, terms would have hardened for this reason alone, but the effect was intensified by the general rise in market rates. It is difficult, however, to quantify the implications of this: the increase in the debt due to harder terms is to some extent offset by inflation, and it would seem that individual developing countries may be affected differently.

The outlook is difficult to assess, but DAC members have stated their determination to make all possible efforts to maintain and enlarge their aid flows to developing countries, and to improve the terms of their aid further. They are also propared to extend relief assistance in various forms to the poorer developing countries which have been most seriously affected by the price of of oil and other essential imports and, in channelling their aid to give priority to the countries whose needs are the greatest and most urgent.





Painful progress towards stability

Vienna

E.B. Brook

WEST EUROPE is in a peculiarly perplexed, uncertain and pessimistic mood which can only change into an unexpectedly vigorous recovery or sink into even deeper resignation. Which way it will go will depend on a number of factors. Superficially there is little prospect of better days; strikes continue in Britain and Italy, unemployment increases—though not dramatically—in West Germany, France has had labour troubles with the posts, radio television and sanitation services and there seems to be disenchantment with the relatively young President d' Estaing.

steady rise

Overall, prices steadily rise with more increases promised as soon as 1975 dawns and there is continuing nervousness about the value of money leading to a good deal of needless buying which helps only to force up prices further. On the whole, the Common Market, moving from "summit" to "summit", moves forward very slowly, uncertain of the British, divided on important issues between the Germans and the French and looking forward to its new relations next year with east Europe and Comecon with uncertainty. Prophets of gloom are to be found everywhere in the Market area and outside, stockbrokers advise their clients to sail securities and "run for cash" only to find from the stores prices that cash buys steadily less.

Not a happy outlook for 1975; the west Europeans have not been happy for over a year, in fact since President Nixon took the international burden off the dollar by devaluing. The oil-owners merely added sharply to depression last year by putting up their prices four-fold. Europe knows the post-war boom has come to an end but does not know what the future holds—very largely because their leaders are not agreed among themselves or with the USA as to what is best to be done. Overall, there is fear of new Middle-East conflict, with Cyprus possibly added to the Arab-Israeli war for good measure.

But such unadulterated gloom is obviously excessive and suggests an atmosphere of exaggeration. Until quite recently both France and Italy were managing to maintain a fair level of business activity —only in the last few weeks have they, also, been heading for increased unemployment and moving toward zero growth in productivity and sales. This means that in almost all the Market area—and outside—consumer demand has held up well, despite rising prices. If the European has less faith in his money he still, on the whole, has plenty of it. What, in fact, makes present circumstances worrying is that the little man in almost every west European country has become used to being a little capitalist with not only an adequate income and bank account but an owner of a small parcel of equity shares or more often, unit trust shares. It is the sharp fall in the value of these investments that worries and angers a section of the population that strictly speaking, should never have been speculators or investors at all.

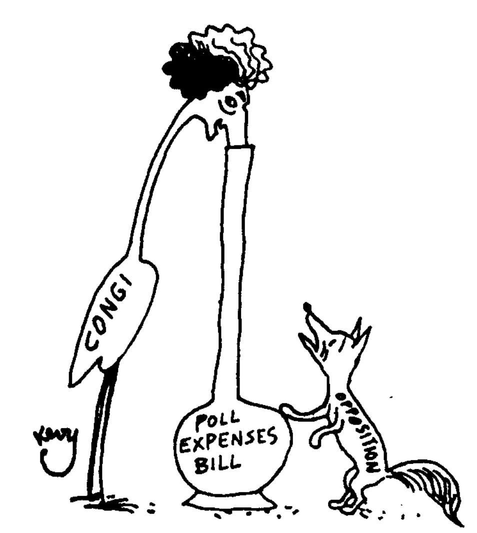
the "little man"

Attracted by the swift growth achievements of companies and unit trusts in the '60s the "little man", lacking experience in these matters, expected the good times to last forever and is now crestfallen to find that they do not. The middle middle-class who had become used to the luxury of owning two cars, usually parked in the front garden, resents having to make do with one and that the cost of foreign travel owing to sharply deteriorated exchange values in his currency makes the need to stay at home imperative. These inconveniencies—if they are such—can scarcely be called hardships: the fact that sales were till recently holding up shows that lack of cash was not causing personal anxiety untill very recently.

The solid facts are that unemployment in France and West Germany has been growing this year faster than in Britain and, in Italy—which still has the highest percentage—it has been slowly falling. It is very largely because worklessness has been increasing sharply in W. Germany and, more recently, more sharply in France that there is so much fuss about it. France and, especially, Germany of post-war vintage are not accustomed to unemployment and are more frightened by it than are the more bitterly experienced British and Italians. Similarly, industrial growth has fallen only a little in France, sharply in Britain and Italy who are used to this phenomenon and recently, sharply in W. Germany which is not used to it at all.

Those who complain loudly about prices in Britain — where they have certainly increased in recent months—should try the continental Market countries and EFTA countries such as Austria. West German prices rose till September while British were falling. France is more expensive than either while Italy bids to become west Europe's most costly country for living outside expensive Scandinavia. A hair cut in Austria costs three times as much as in Britain, and though the percentage rise in central Europe is less than in Britain the base price from which this percentage increase is calculated is considerably lower in Britain than anywhere on the continent. The average Value Added Tax in Switzerland and Austria is 16 per cent with the result that state earnings from it are disappointing because people are unable to pay the prices plus this heavy tax. Excessive taxes produce an adjuster in the form of decreased sales, but the effect on industrial and farm production is very discouraging.

Almost all west European countries except the Scandinavians and W. Germany are in deficit on their trade



balances; Britain and Italy have managed to raise the level of their exports to 75 per cent of imports and France to 90 per cent while W. Germany still manages to export about 125 per cent exports over imports. In each case the essential problem is keeping the process under control, helping beneficial changes without blocking the national system which differs in every case. The chief problem is that the characteristics of coming stability after adjusting to fuel prices and inflation are still unknown and emerge only slowly. As a result, steps are taken cautiously with very gradual relaxation of credit restrictions, a gradual lowering of rates of interest. This has occured in the USA, then in W. Germany and now in France. Similarly, in the foreign exchange market the hectic days of revaluations and devaluations are giving way to a more cautious feeling of the way towards the best balance between the dollar, the mark and other leading currencies. Recycling the "petrodollars" is still in its embryo trial stages but an instinctive realisation of the urgent need to avoid catastrophe has led to some unusual evidence of solidarity, with West Germany finally agreeing to make a loan to prevent the collapse of the Italian economy and Iran and Saudi Arabia coming to the assistance of France and Japan with Iran and Kuwait buying into German industries as one profitable and constructive way of allying new excessive cash wealth in Middle-East with the most efficient forms of west European industry.

In conditions where little is certain, where many crucial problems remain to be solved while Europeans are nervous and a trifle quarrelous it is at least encouraging that what appeared at one time to be a threat of beggar-my-neighbour-tactics is giving way to something like a simultaneous—though not concerted—effort to find unspectacular means of getting through a difficult period. The greatest stability will however come if politicians can lessen their fear of allowing some unemployment to grow.

TRADE WINDS

Central Loans

THE UNION government floated on December, 16 two more loans for Rs 75 crores to take the total market borrowing so far during the current financial year to Rs 491.61 crores. The 1974-75 union budget had taken credit for a net receipt of Rs 491.36 crores from market loans. The first two tranches issued on July 16, and November 22, 1974 yielded a net receipt of Rs 416.61 crores, leaving a balance of Rs 81.75 crores. As in the previous cases, the government has reserved the right to retain subscriptions up to 10 per cent in excess of the notified amount.

The two loans announced on December, 16 were: (1) 5-1/4 per cent, loan, 1978, to be issued at Rs 100 each and repayable at par on November 22, 1978. (ii) 6 per cent loan 1988, to be issued at Rs 100 each and repayable at par on November 22, 1988.

Subscriptions were to be received from December 28 to December 30, 1974, (both days inclusive) : but the subscription lists closed on December 28, on loans being fully subscribed on the opening day. All subscribers will receive full allotment. Interest for the period December 28, 1974, to May 21, 1975 inclusive will be paid on May 22, 1975 and thereafter interest will be paid half-yearly on November 22nd and May 22.

Indo-EEC Joint Commission

This country hopes to enhance its quotas for a number of export products to the EEC for the next year, besides continuing to enjoy duty-free entry for jute and coir goods into Britain and Denmark. This was stated by Commerce Secretary, Mr Y.T. Shah, while addressing newsmen at the end of the second Indo-EEC Joint Commission meeting recently. Mr Shah, who is the chairman of the commisson,, stated that the expectation was based on the "atmosphere of further liberalisations" that permeated the talks. He and Dr. M. Caspari, leader of the EEC team, described the discussions as "constructive, fruitful and forward-looking." Dr Caspari noted that the discussions on certain aspects were not easy and would require a longer time to clarify but talks did create the necessary climate for better trade and economic relations between the two sides. Dr. Caspari was particularly optimistic that the volume of trade which India had with Britain was possible with other countries of Community also. The missing link perhaps was that either side did not know the potentiality of the other. It was necessary to bring in industrialists of the two sides into a closer contact than hitherto for trade promotion.

Trade with Bangladesh

Rupee trade between India and Bangladesh has been abolished. The three-year rupee agreement, officially called Bilateral Payments and Trade Agreement, came to a premature end on December 31, only after a brief existence of a little over 17 months. The union minister for Commerce. Prof. D. P. Chattopadhyaya. explained that the switchover to convertible currency would promote uninterrupted trade between the two countries. "Our experience with Yugoslavia has proved that," he added. A protocol was signed recently by Prof. Chattopadhyaya and the Bangladesh Commerce minister Mr Khandaker Moshtaque Ahmed to provide that with effect from January 1, 1975 all payments and charges in connection with trade between the two countries shall be effected in freely convertible currencies in accordance with the foreign exchange regulations in force in each country from time to time. Prof. Chattopadhyaya pointed out that the rupee agreement had to be terminated because it had not yielded the results that had been expected. He blamed transport bottlenecks in Bangladesh and strikes and go-slow in India for the failure of the rupee trade agreement between the two countries.

Indo-USSR Trade

A significant increase of about 15 per cent is anticipated in the trade turnover between India and the Soviet Union during 1975. Against Rs 600 crores during 1974 the total turnover this year is expected to be about Rs 700 crores. Final round of trade talks with the Soviet Union—biggest trading partner of India—were held recently. Russian delegation headed by Mr I. T. Grishin, deputy minister of Foreign Trade, was in this country to finalise the list of commodities and to sign the agreement. In October, Commerce Secretary, Mr Bose Mullick had gone to Moscow for talks with the Soviet authorities. Under the annual plan for 1975 among the much-needed items that the Soviet Union would supply to this country are kerosene, fertilisers, non ferrous metals and equipment and machinery. The pattern of exports to the Soviet Union from this country would include traditional goods such as textiles and jute, besides, this country would export e gineering goods, leather goo oilcakes and ready-ma garments.

Delegation from Iran

Iran's desire to evolve cl ser economic cooperation wi India was amply reflected the statement of Mr Ahm Khayyami, the leader of visi ing 15 member delegation fro Iran Chamber of Commerc Industries and Mines. H fully praised India's indu trial development and th countries capacity to meet tl needs of Iran, now launchi a massive programme of indu trial development. During the visit to various units in Dell and Bombay, the visitors loca ed numerous avenues of coop ration between the two cou tries. Mr Humayun Faruza a member of the delegatio stated that India was a cou try with skills in man fields. He was certain th the two countries could coop rate in many fields. He pointe out that Irano-Hind Shippi Lines, a joint venture to b launched within three month would mark the first step to wards the building of tra between the two countries.

Indo-Polish Accord

India and Poland have ev lved an arrangments to pr tect their reserves because international currency fluctu tions. Poland has agreed continue rupee trade wi India for the next three yea under a trade and paymen agreement signed in New Del recently. The new Indo-Poli trade agreement will thus r place the existing agreeme which is to expire by the e of December this year. T trade agreement was signed the Commerce Secretary, M Y.T. Shah for India, a Stefen Gerkowic, vice-minist of Foreign Trade Supply, f Poland. Poland is the seco largest trading partner India in east Europe next on to the Soviet Union. The tra turnover between the t countries in 1973 was Rs 85. crores while the trade plan f

1974 envisaged a turnover of Rs 200 crores. The trade plan for 1975 is likely to be finalised in Warsaw shortly.

Assistance from Britain

Britain has given a loan of Rs 17.75 crores to this country as debt relief under an agreement signed recenly. The agreement was signed by the British High Commissioner, Sir Michael Walker, for the British government and Mr M.G. Kaul, Secretary, Department of Economic Affairs, union ministry of Finance. The loan represents British contribution to the debt-relief scheme for 1974-75 agreed by members of the Aid-India Consortium following the negotiations held earlier this year. The loan is not tied to the purchase of goods and services from Britain and thus amounts to a transfer of free foreign exchange. It is on the usual soft terms of British lending to this country. It is free of interest and service charges and repayable over 25 years, with no repayment due during the first seven years.

Trade with Yugoslavia

A high-level trade delegation led by Mr Y.T. Shah, Commerce Secretary left for Yugoslavia recently. The delegation consisted of representatives from the ministries of Commerce and Industry and Civil Supplies, public sector undertakings such as Engineering Projects (India) Ltd, and SAIL International and from the private sector. The delegation which has been invited by the government of Yugoslavia, will explore opportunities for strengthening and expanding Indo-Yugoslav trade and economic relations. Trade between India and Yugoslavia increased to Rs 31.4 crores in 1973-74 from Rs 19.8 crores in 1972-73. India's exports increased by 90 per cent from Rs 12.4 crores in 1972-73 to Rs 23.5 crores in 1973-74.

Gold Prices

The price of gold rose to a record of $194.50 an ounce in the morning trading of London bullion Markers on December 27. Dealers stated that the $7.00 rise from December 20, price fixing reflected new confidence in gold following a statement by the French prime minister that differences with Iran over the revaluation of France's gold reserves had been ironed out, and also due to anticipated American demand.

West German Bank Rate

The West German Central Bank recently lowered Bank Rate by half a point to six per cent to support the government's new reflationary policies aimed at fighting rising unemployment and the threat of recession.

World Oil Production

The Soviet Union is the world's largest oil producer, averaging 9,034,000 barrels per day during the first nine months of 1974, according to the figures compiled by the Venezulan Mines ministry. Soviet production increased by 8.6 per cent this year while the Uuited States, world's second largest producer, saw its output fall by 3.8 per cent to 8,869,000 barrels per day. Five members of the Organisation of the Petroleum Exporting Countries (OPEC) rank as third to seventh largest producers. Saudi Arabia's output increased by 7.6 per cent to 8,430,000 barrels per day, Iran's rose by 4.5 per cent to 6,103,000 barrels, Venezulan output dropped by 10.4 per cent to 3,015,000 barrels, Kuwait's fell by 15.7 per cent to 2,629,000 barrels and Nigeria increased its output by 12.7 per cent to 2,266,000 barrels. Canada is the world's eighth largest producer with a 2.6 per cent rise to an average 1,840,000 barrels per day.

FCI to Make Explosives

The Fertiliser Corporation of India has taken up the manufacture of explosives. A Rs 2-crore methylamines plant at Trombay was commissioned recently. Methylamine is better and safer than dynamite as an explosive. The plant, the first of its kind in the country, will annually produce 1,000 tonnes of monomethylamine, 2,500 tonnes of dimethylamine and 500 tonnes of trimethylamine. At present this country is importing its requirements. The plant has been built with US know-how on a turn-kay basis. The design of the plant is flexible to produce any one or more of the products and in any concentration. The foreign exchange cost of the equipment of the plant is only five to six per cent of the total erection cost.

Export of Canned Foods

This country exported processed food worth Rs 19.01 crores in the first six months of the current financial year, Mr Kisan Mehta, chairman of the Processed Food Export Promotion Council stated recently. Addressing the 11th annual general meeting of the council, Mr Mehta indicated that the council was making efforts to increase its export performance to a minimum of Rs 35 crores against the original target of Rs 31.85 crores. Exports during 1973-74 were of the order of Rs 31.03 crores as against Rs 24.48 crores in 1972-73. Mr Mehta added that India suffered a setback in the export of mango juice in 1973-74 to the Soviet Union with only 3,000 tonnes of export, a fall of 50 per cent in average exports.

Hindustan Shipyard

The Hindustan Shipyard Limited (HSL) earned a net profit of Rs 53.39 lakhs during 1973 as against Rs 64.70 lakhs in the previous year. This was revealed in the annual review of the shipyard for 1973-74 presented in the Rajya Sabha recently. Out of the cumulative profit of Rs 100.54 lakhs, a sum of Rs 39 lakhs had been set apart as development rebate reserve raising the reserve to Rs 117 lakhs. It also revealed that a sum of Rs 296.58 lakhs was due to the company from the government of India representing estimated subsidy on the vessels built and delivered during 1973-74. The company delivered three vessels of about 13,800 dwt during the year and eight were in various stages of construction. The total value of production during the year reached Rs 1,521.81 lakhs as against Rs 1,275.98 lakhs in the preceding year.

Bihar's New Emporium

"Ambapali", Bihar's new handicraft retailing centre in the posh state handicraft emporia complex in New Delhi was inaugurated by the President, Mr Fakhruddin Ali Ahmed on December 20. Besides the President and Begum Ahmed, Mr Abdul Ghafoor, the chief minister of Bihar and Mr Chandrasekhar Singh, the state Industries minister, and other high officials, people also turned up in large numbers to make the occasion a colourful and memorable one. The President was very much impressed by the exhibits which is a glowing tribute to the exquisite craftsmanship of the artisans who have kept alive the rich culture of Bihar. Mr Ahmed received a carpet as a gift on this occasion.

The "Ambapali" emporium will be managed by the Bihar State Handloom, Powerloom and Handicrafts Development Corporation. This corporation has an authorised capital of Rs 5 crores and its main activities will be to promote the development of handicrafts and handloom sectors. It will also manage the sales emporia functioning at Delhi, Calcutta, Bombay, Ranchi and Patna. Besides this corporation, the Bihar State Leather Industries Development Corporation also has been set up with an authorised capital of two crores of rupees, the main objective being to achieve the intensive development of leather and allied industries in the state.

Names in the News

Dr A. R. Baji, Director of News Services of All India Radio, has been appointed Principal Information Officer to the government of India.

COMPANY AFFAIRS

Markets Buoyant

SHARE MARKETS again turned buoyant last week. Several scrips recorded further hand-some gains on sustained support and hectic bear covering. The market sentiment improved considerably following the union Finance ministry's assessment discounting fears of recession overtaking the economy. Renewed hopes of a modification in dividend controls and flow of encouraging corporate news also brought some cheer to the markets. The prevailing mood in the markets so far is one of optimism. How long this will last is anybody's guess?

The upward trend in equities on Dalal Street accelerated further during the week, with several scrips registering smart gains. Textiles were in the limelight on improved outlook for the industry. Khatau, Mafatlal Fine and Finlay, firmed up substantially during the week. Trading on the Lyons Range was steady during the past week. The improvement was largely of a technical character. Besides hopes of relaxation in dividend ceiling curbs and a steady flow of encouraging corporate reports also aided the market sentiment. Sugars, textiles, chemicals and industrials were to the fore on the Madras Stock Exchange during the week. The turnover of business was fair and the undertone was of a mixed nature.

Hindustan Lever

The shareholders of Hindustan Lever has passed a resolution approving the sale of the company's undertaking at Tiruchirappalli, manufacturing vegetable oil products. The unit forms a small part of the company's total operations both in terms of the book value of the fixed assets and the turnover. According to the management, the viability of the unit in South India has been seriously affected following the uneconomical price control and increasing loss accentuated further by rising labour costs. Meanwhile the company has taken up three projects in order to diversify its activity. One of the projects would be a detergent plant to be set up in Jammu & Kashmir. The necessary industrial licence has already been obtained and production is expected to start by the end of next year. Another project is for the manufacture of a new product and it is being put up at Taloja, Bombay at an estimate cost of about Rs. 1.5 to 2 crores. The third project relates to the manufacture of phosphates at an estimated cost of Rs 15 crores. It would be set up at Haldia.

Siemens India

Siemens India has proposed a one for one bonus issue of equity shares besides reporting excellent working results in the year ended September 30, 1974. Besides it has also proposed an equity dividend of 12 per cent the maximum permissible at present under the dividend ordinance, as against 18 per cent declared for the previous year. Half of the recommended dividend will however, be tax free in the hands of shareholders. The company's sales during the year soared to Rs 53.7 crores from Rs 43.7 crores while gross profit jumped to 8.17 crores from Rs 4.58 crores in 1972-73. Out of the gross profit, the directors have allocated Rs 88 lakhs to depreciation reserve, Rs 4.8 crores to taxation, 13.5 lakhs to development rebate reserve, Rs 5 lakhs to debenture reduction reserve and Rs 2 lakhs towards doubtful debt reserve as against Rs 76 lakhs, Rs 2.4 crores, Rs 12 lakhs, Rs 5 lakhs and Rs 1.5 lakhs provided respectively in the preceding year. After adjustments there is a balance of Rs 2.29 crores and it has been transfered to the general reserve out of which the proposed dividend amounting to Rs 28·8 lakhs will be paid.

International Tractor

The International Tractor Company of India Ltd has secured an order from Turkey for the export of 750 tractors valued at Rs 2.5 crores. The first consignment of 200 tractors had already being shipped. It is significant to note that the company has secured by the middle of last month export orders for tractors and implements valued at over Rs 4 crores The countries to which the company is exporting include United Kingdom, Australia, Turkey, Japan, Indonesia, Kenya, Tanzania, Zambia, Muscat and Nepal. In addition to exports, the company has also signed a collaboration agreement in Zambia for the manufacture of implements under which it will provide the complete technical know-how and components required for the assembly plant. Also, the company is likely to enter into negotiations with Zambia for collaboration agreement for setting up a tractor assembly plant. It may be recalled that the company started production of tractor at its thirty-five acre Kandivli plant in 1966 and it has so far produced over 53,000 tractors.

Shriram Bearings

Shriram Bearings Ltd. has reported appreciable rise in turnover and profits during the year ended June 30, 1974. Sales during the year spurte to Rs 4.08 crores from Rs 3.1 crores in 1972-73. While gros profit moved up sharply t Rs 83.07 lakhs from Rs 64.1 lakhs in the previous yeai Out of gross profit th directors have alloted Rs 10.9 lakhs to depreciation reserve Rs 0.63 lakh to developmen rebate reserve and Rs 45.6 lakhs to taxation as agains Rs 17.65 lakhs, Rs 2.18 lakh and Rs 30.42 lakhs providec respectively in 1972-73. This leaves a balance of Rs 25.8 lakhs and it has been transferr- ed to the general reserve. In view of the dividend ordinance the directors have recommended an equity dividend of 12 per cent and 9.3 per cent on preference shares. The equity dividend will absorb Rs 6.60 lakhs while the preference dividend will claim Rs 1.86 lakhs.

Although the turnover and profits are better than in 1972-73 Further improvement in operations has been handicapped by some of the machines which have worn out after having been in use for more than ten years. Phased replacement of the machines has been planned on the basis of operational priorities and with such replacement it is expected that the physical operations would improve further. However, improvements in financial working results would depend considerably upon the efforts of tightness of bank credit, continued power shortage affecting most of the consuming industries and the cost of production which is escalating continuosly. The company's scheme for expansion of ball bearings capacity has been making steady progress. Capital goods clearance for the Aurangabad unit has been received. Arrangments for foreign exchange and rupee loans have been made. The government's approval under the MTRP act for setting up the factory at Aurangabad is now awaited. The company's foreign collaboration proposal for setting up a project for manufacture of roller bearings is still pending with the government for a decision. The abnormal delay which has already taken place in government clearance for the project has made its implementation highly uncertain.

Sakthi Sugars

The outstanding achievement of Sakthi Sugars is the doubling of crushing capacity to 4,000 tonnes daily in less than three years and the installation of a distillery with a capacity of three million gallons annually. Ever since it began crushing operations in 1964-65, there has been a steady increase in the quantity of cane handled and sugar produced and it should be said to the credit of the management that at no stage difficulty was experienced in securing the required cane supplies. The vigorous implementation of expansion schemes in 1971-74 has also resulted in a considerable saving in capital outlay as the value of gross fixed assets at Rs 958.58 lakhs on June 30, 1974 would require an investment of over Rs 20 crores on the basis of current costs even for creating the same facilities.

For Sakthi Sugars the year 1973-74 was spectacular in many respects. A record quantity of cane of 8.13 lakh tonnes against 6.88 lakh tonnes in 1972-73 was handled and the output of sugar at 67,776 tonnes against 59,972 tonnes in 1972-73 constituted the second largest for any factory in the whole country in spite of a low recovery due to factors beyond the control of the management. The working results for 1973-74 too are gratifying being the second best in the history of the company notwithstanding the heavy losses that had to be sustained by sugar mills in Tamil Nadu particularly due to the fixation of price of levy sugar on an unrealistic basis by the government and high prices that had to be paid to cane growers. The net profit before depreciation has thus been significantly higher at Rs 104.72 lakhs as against Rs 74.99 lakhs in the previous year in spite of higher interest charges, a bigger wage-bill and higher cost of cane. With no liability for taxation it has been possible for the directors to recommend payment of the permissible maximum dividend of 12 per cent taxable even after allocating substantial amounts to various reserves. The charge in respect of depreciacion is naturally higher at Rs 46.99 lakhs (34.66 lakhs) and development rebate Rs 32.67 lakhs (Rs 7.15 lakhs). There is no allocation towards taxation against Rs 9 lakhs formerly.

The transfer to preference share redemption reserve is Rs 50,000 (same) and dividend reserves Rs 18.45 lakhs (Rs 22.50 lakhs). Generation of internal resources for Rs 80.16 lakhs has been very useful in meeting part of the heavy capital expenditure of Rs 391.93 lakhs incurred in 1973-74. The full benefit of the expanded facilities will be realized in 1974-75 as it is confidentally expected that the quantity of cane crushed may constitute another record at nine lakhs tonnes and there is also the prospect of a higher recovery of sugar being achieved. The current year may thus turnout to be another important landmark in the history of the company.

Kothari (Madras)

Kothari (Madras) is an amalgam of five companies, viz. Waterfall Estates Limited, Blue Mountain Estates and Industries Limited, Balmadies Plantations Limited, Kothari Textiles Limited and Adoni Spinning & Weaving Company Limited. The first year of the amalgamated companies results were published in the accounts for the year ended June 30, 1972. The profit for the year ended June 30, 1974 is a record profit achieved by this company and also a record in regard to profits achieved by the amalgamating companies in any of the previous years. The gross profit of the company was of the order of Rs 331.38 lakhs as against Rs 76.84 lakhs achieved during 1972-73. After adjustments, the directors have appropriated Rs 41.84 lakhs to depreciation reserve, Rs 10.73 lakhs to development rebate reserve, Rs 150.00 lakhs towards taxation, Rs 45.00 lakhs to taxation reserve and Rs 79.90 lakhs to general reserve. The board of directors have declared a dividend of 9·3 per cent on its preference capital and a dividend of 12 per cent on its equity capital. The dividend could have been higher but for the restrictions imposed by the government on the distribution of dividends. It may be noted that despite the power cut of varying degrees, throughout the year, the production has been much better than the previous year because of the installation of generators in the various units of this company.

The production of textiles, however, has been exceptionally good not only because of the installation of generators, but also due to the consistent modernization programmes carried out at its textile mills right from 1960 and over which, the company has so far spent approximately over Rs 200 lakhs. Modernization programme is still being carried out in phases. Similarly, this company is attempting to improve its production of tea both as regards its quality and quantity. Besides modernising its tea factories a systematic replanting or regeneration programme of at least eight per cent to 10 per cent of the coffee acreage has been started and it will be completed progressively in the course of next few years. The company has received licences for the installation of 300 automatic looms each, in one of the textile mills at Coimbatore and its textile mill at Adoni. The matter is under active consideration. In its fertiliser division, the company has got an approval from the government for expanding the capacity of the sulphuric acid plant from 15,000 tonnes to 18,750 tonnes per annum, which is expected to cost Rs 20 lakhs. This expansion programme is expected to be completed in the current year.

One of the primary objectives of the scheme of amalgamation was to utilise more effectively the resources of the amalgamated companies to provide a steady rate of return to the shareholders and achieve greater financial stability to enable expansion, diversification etc. With this objective in view, the company has applied for a licence for manufacturing of caustic soda and ammonium chloride. Tangible progress has been achieved in regard to this project and barring unforeseen circumstances, it is expected to go into production by early 1977. The estimated investment is of the order of Rs 15 crores and the gross profit for this unit is alone expected to be of the order of Rs 2.5 crores.

Refractory Specialities India

Refractory Specialities India Ltd is being set up in the backward district of Santhal Parganas, Bihar, for the manufacture of monolithic Refractories of all types as well as high alumina bricks upto 99 per cent alumina. The unit is being set up by enterpreneurs who are already running four small-scale refractory units manufacturing wide range of refractories such as silica, sillimanite, high alumina bricks and other grades of fire bricks. Encouraged with the progress in the four small-scale units the enterpreneurs, who have no backing from any other big house, have now decided to set up a medium-scale unit.

The high performance refractories will be manufactured with the technical know-how of North American Refractories Co. who are one of the major refractories producing company in the United States. This company will provide complete know-how for manufacture, for applications and plant design layout for this Unit. Great emphasis is being laid by this company not only to manufacture consistent quality refractories but also to provide complete technical services in regard to application of monolithic refractories in the steel, petrochemical, fertilizer, cement, power generation and other industries.

The company's own refractory lining crews will install special refractories at the customers site. Almost all the petrochemical and fertilizer units are importing this special refractories alongwith steel industry. This unit will provide indigenous product which are hitherto being imported. The company has an export obligation of 10 per cent and has already located buyers who have shown keen interest in obtaining the products of the company. The major outlet for exports would be in middle East and South east countries. The collaborator has also agreed to assist this company in taking part of the production for meeting the export obligation. The total project cost is Rs. 135 lakhs, out of which equity will be Rs 40 lakhs, backward area subsidy Rs 15 lakhs and institutional loan Rs 80 lakhs. The project is very viable and good investment and hence assures an early return on capital.

West Bengal Industrial Dev. Corp.

The West Bengal Industrial Development Corporation has sanctioned incentives to 14 medium and large industrial units in the month of November, 1974. The incentives include sales tax refunds as long term loans, 30 per cent subsidy on power consumption, repayment of octroi duties and 75 per cent subsidy on cost of preparing feasibility reports. The 14 units which comprise new ones and expansion projects of existing companies are: Shaktigarh Textiles in Burdwan, Bengal Arc Steel in Purulia, Eastern Spinning Mills in 24 Parganas, Orient Steel and Industries in Hooghly, Fort William Co., in Hooghly, Silver Fibre Mills in Midnapore, Siddhartha Ferro Alloys in Hooghly, Universal Industries & Cotton Mills in Biruhum, Pench Steel in Hooghly, Purulia Steels in Purulia, Singh Alloys & Steel in Nadia, Somani Ferro Alloys in Nadia, Birla Jute Mfg. Co. in Burdwan and Mohankas in Nadia. The above units coming up in different parts of the state, will generate a total investment of Rs. 21.5 crores and offer direct employment to about 5000 people. For the current year the state government have alloted Rs. 50 lakhs for payment under the incentive scheme.

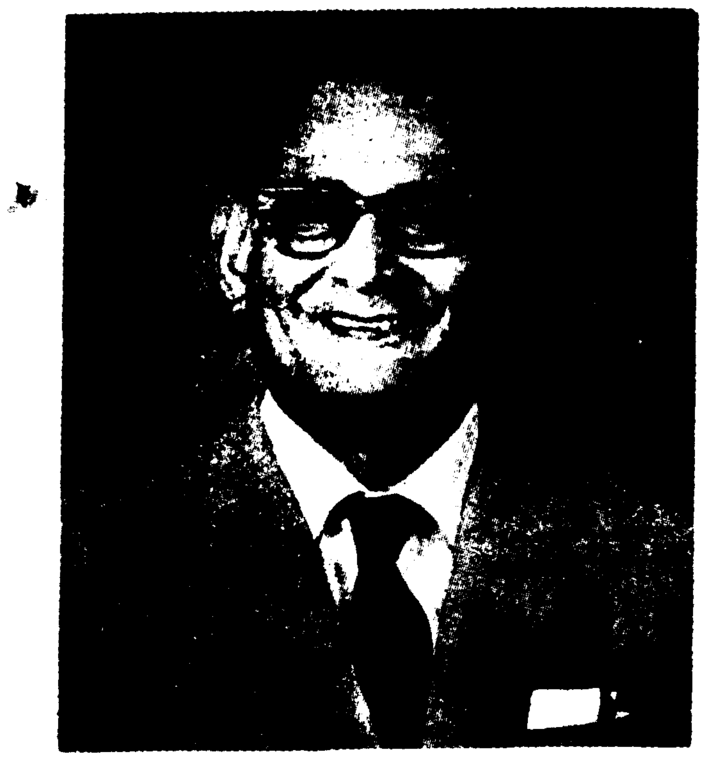
Unit Trust

Mr. James S. Raj, chairman of the Unit Trust of India, described as "totally baseless and unwarranted" reports that the trust was in financial difficulties or that it proposed to sell some of the shares of public limited

Kothari Sugars And Chemicals Limited

Madras 600 034

Chairman's Statement read out at the 14th Annual General Meeting held on 27th December, 1974.



MR. D. C. KOTHARI

Ladies & Gentlemen:

I have great pleasure in inviting you to this Fourteenth Annual General Meeting of our Company.

I am glad to report that the last season has again been a successful and profitable one. Although under normal circumstances, a higher dividend could have been paid, due to the restrictions on the payment of dividends imposed by the Government recently, the Directors have recommended a dividend of 9%.

The total crushing at Kattur factory for 271 days of working was to the tune of 3,68,066 tonnes of cane, producing 3,06,601 quintals of sugar at an average recovery of 8.33% against a crushing of 2,24,531 tonnes of cane for 193 days of working producing 1,97,126 quintals of sugar at an average recovery of 8.76% during the previous season 1972-73. The crushing of cane at the new factory at Siruguppa for 134 days of working was to the tune of 1,07,700 tonnes producing 97,800 quintals of sugar at an average recovery of 9.13%.

The statutory minimum price per tonne of cane fixed for our Kattur factory by the Government for 1973-74 was Rs. 85.60. But at the instance of Tamil Nadu Government, we had agreed to pay Rs 100/- per tonne being the price that was paid during 1972-73 season. However, on a demand made by the sugarcane growers, a meeting was convened by the Tamil Nadu Government with the sugarcane growers and the manufacturers at which meeting the Government advised the manufacturers to pay an increase of 25% over the statutory minimum price. On this basis, the Kattur factory has to pay, to its growers Rs 107/- per tonne for the season 1973-74.

The Government of India, has recently increased the basic price for cane from Rs 80/- to Rs 85/- per tonne linked to a recovery of 8.5% with a premium of ten paise per quintal for every increase of 0.1% in recovery over the basic recovery of 8.5%. On this basis, the statutory minimum price payable at Kattur and Siruguppa factories works out to Rs. 92/- and Rs. 97/- respectively.

The Government has fixed a production target of 60 lakhs tonnes of sugar by 1978-79. The production capacity for achieving this should therefore be of an order of 70 lakhs tonnes. The achievement of this target is dependent on a definite and fixed policy regulating the control and distribution of sugar, fixation of an attractive cane price to the growers and relaxation of credit curbs.

The Government had made a policy statement in August, 1972 for intensification of cane development and also for planning for quantitative and qualitative improvement in sugarcane production. It had also announced the continuance of the policy of partial control, uniform issue price of levy sugar throughout the country and also a well conceived and properly integrated long range policy to increase the production to meet the gap between demand and supply of this commodity between the periods 1972-75.

Subsequently in September, 1972, the Government announced incentives in the form of rebate in excise duty concessions on excess production obtained by the factory. These measures had the desired result as a large number of factories started crushing operations earlier than usual despite high costs of production.

However, the Excise Duty Rebate Scheme recently announced by the Government of India for the season 1974-75 is disappointing and may not result in any substantial increase in production. Under this scheme, seasons have been divided into two periods viz early and main, and eligibility of concessions is based on the average production of the preceding five years during the corresponding periods. It might benefit the industry if this period of five years is reduced to three years and if the system of excise concessions are continued in future also with some adjustments in regards to the duration of the main season, which could further be divided into two viz. peak recovery period and low recovery period. The additional excise duty rebate should be extended to low recovery period also.

The attention of the Government has been frequently drawn by the industry to the fixation of a remunerative price to the sugarcane grower in order that the production of sugar could be increased to achieve the target set by the Government. It is imperative that the price for cane should be commensurate with the level of prices obtained by the growers of other commercial crops. Even the recent revision in the basic price for cane announced by the Government does not obtain a remunerative price for the sugarcane growers. The prices paid by the industry are much higher than these basic minimum prices fixed by the Government.

Another important factor that has to be given consideration by the Government to give a boost to the production of sugar is the fixation of a realistic and economic price for levy sugar.

It used to be the usual practice of the Government given up in the year 1969-70 onwards, to fix provisional levy price before the beginning of the season on the basis of an estimated recovery and cost of production of cane. The prices now prevailing for levy sugar are highly uneconomical which necessitates increase in price of free sugar to make up the loss.

Sugar industry is largely dependent on bank credit for financing its production achieved in a short period of 4 to 5 months which is disposed off over a period of 12 to 14 months. There has been sharp increase in the cost of raw materials namely sugarcane and various stores items during this year. The production also is expected to be higher. The credit requirement of the sugarcane industry would be higher this year than the preceding year. Whilst this is the case, the credit restrictions imposed by the increase in the margins from 10 to 15% on levy sugar and 15 to 20% on free sugar will considerably affect the working of this industry unless the Government relaxes the credit curbs considerably.

It is fortunate that at a critical time when the foreign exchange resources of this country are dwindling, the sugar industry has been able to come in a large measure to rescue this situation. It is expected that additional foreign exchange on the export of sugar alone would account for Rs 400 crores for this country. The international price for sugar is almost double the free market price ruling in our country today. To meet the increased export demand, it is expected that a certain amount of sacrifice will have to be made by our countrymen, as the sugar production in the country is still far below the demand. In this context, sugar production has to be stepped up.

I am confident that the industry could meet this challenge if the credit restraints are relaxed and larger cane areas are assured without diversion to gur and khandsari. Adequate and assured supplies of cane can be had if the grower is assured a remunerative price for his cane.

As regards the prospects for the current year, we expect to crush about five lakh tonnes of cane between the two factories at Kattur and Siruguppa, to which if the total quantity of 87,683 tonnes of cane already crushed between July to September, 1974, at Kattur is added, the total crushing is expected to be of the order of 5.87 lakh tonnes as compared to a total crush of 3.88 lakh tonnes last year.

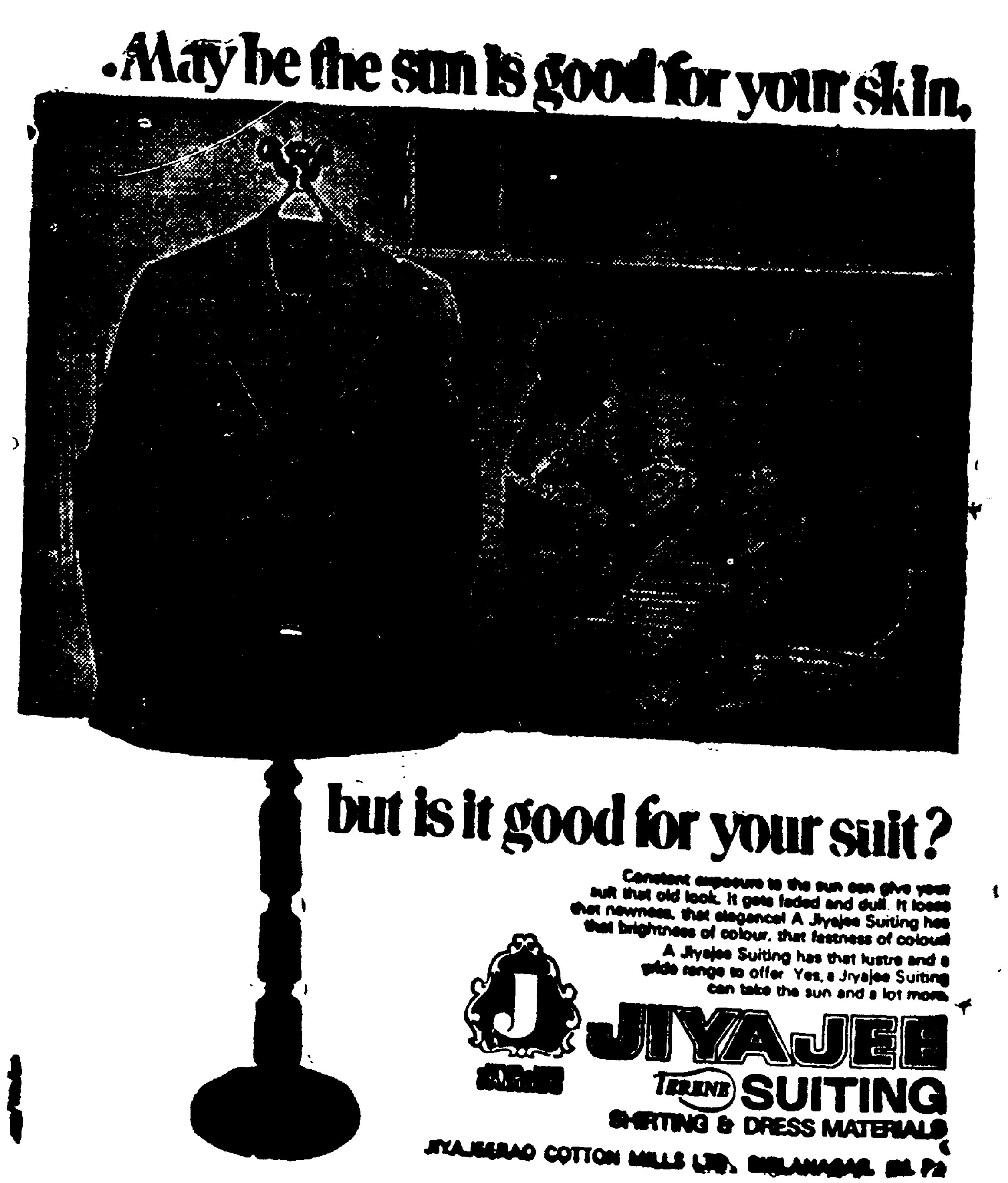
The total production is estimated at 5.27 lakh quintals of sugar as compared to 3.42 lakh quintals during the previous year. The quantity to be produced therefore will be nearly double of the previous year.

Judging from the above estimates and the present indications, I expect that the profit for the current year should be higher than the year under review.

Before I conclude, I would like to thank my colleagues on the Board for their co-operation and all the officers, staf and workers of the Company for the hard and sincere work they have put in.

D. C. KOTHARI
Chairman

NOTE: (This does not purport to be the proceedings of the Annual General Meeting).



COMPANY NOTICE

Upper Ganges Sugar Mills Limited

NOTICE

NOTICE is hereby given that the Forty-second Annual General Meeting of Upper Ganges Sugar Mills Limited will be held on Monday, the 20th January, 1975 at 3.00 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 K.K. Birla, Shri P.K. Khaitan and Shri B.N. Jhunjhunwala who retire by rotation and being eligible offer themselves for re-election.

(4) To appoint Auditors and fix their remuneration.

As Special Business:

(5) To appoint a Director in place of Shri S.J. Utamsing who was appointed as an Additional Director by the Board of Directors. His term of office expires at this Annual General Meeting. A notice in writing has been received by the company from a member proposing his candidature for the office of Director and signifying his intention to move the following resolution as an Ordinary Resolution:—

"Resolved that Shri S. J. Utamsing be and is hereby appointed a Director of the Company."

(6) To appoint a Director in place of Shri Kamalnayan Saraogi who was appointed as an Additional Director by the Board of Directors. His term of office expires at this Annual General Meeting. A notice in writing has been received by the company from a member proposing his candidature for the office of Director and signifying his intention to move the following resolution as an Ordinary Resolution:—

"Resolved that Shri Kamalnayan Saraogi be and is hereby appointed a Director of the Company."

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

(7) Resolved that rendering of services by Shree Services & Trading Company Limited from 1st May, 1961 and payments therefor be and are hereby ratified.

(8) Resolved that the company hereby approves the appointment/reappointment of the following parties as Distributors for the sale of Confectionary and Milk Products manufactured by Morton Confectionery & Milk Products Factory at Marhowrah (of which the company is the lessee) on the terms and conditions and for the areas as set out in the standard distributorship agreement subject to any variation that may be made in the terms including changes in areas:—

M/s. Badridas Rajendralal, Barnala
M/s Gopaldas Vijendra Kumar, Patiala
M/s. Kishanchand Agarwal Sons, Ferozepur
M/s. Tayal General Stores, Modinagar
M/s. Punjab Biscuit Factory, Lakhimpur Kheri
M/s. Asumal Arjundas, Sujangarh (Rajasthan)
M/s. Jeetmul Ramdeo, Ramkola (Deoria)
M/s. Shreshta Distributors, Kathmandu (Nepal)
M/s. Lakhpat Rai Chamanlal, Meerut
M/s. Ashok General Stores, Rewari
M/s. Sethi General Stores, Roorkee (U.P.)
M/s. Balkishandas Shyamrattan, Kalimpong
M/s. Sadriwala Stores, Udaipur
M/s. Ruby Confectioners, Saharanpur (U.P.)
M/s. Satyapal Tea Co., Sriganganagar (Rajasthan)
M/s. Sitaram Kailashchand, Mussoorie.
M/s. A. Das & Co., Allahabad
M/s Light House, Dalsingsarai.

By Order of the Board,

S. N. GUPTA
Secretary.

9/1, R.N. Mukherjee Road, Calcutta-1, the 16th December, 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 3rd January, 1975 to the 15th January, 1975, both days inclusive. Explanatory Statement has been sent to the shareholders.

Microfilm Edition of Eastern Economist

EASTERN ECONOMIST, for the benefit of its readers, both at home and abroad, has made arrangements with University Microfilms of Ann Arbor, Michigan, USA, for the latter undertaking the reproduction of *Eastern Economist* on microfilm and through xerographic copies.

This arrangement covers for the present back issues of *Eastern Economist* starting from January 1971. The question of including issues from earlier years in this arrangement is under consideration.

University Microfilms will be sending the relevant literature to prospective microfilm subscribers. It is believed that this service will be of particular interest and value to libraries, business houses, firms, government offices and other institutions which may find it useful to maintain files of *Eastern Economist* for record and reference.

Prospective microfilm subscribers may address their enquiries to: Serial Publications University Microfilms, 300 North Zeeb Road, Ann Arbor, Michigan 48106, USA.

companies held by it. Mr. Raj said the financial position of the trust continued to be sound despite heavy repurchases of units since the dividend curb Ordinance early in July. The trust, he pointed out, was not a net seller in the share market but a buyer. Since July, it had bought a net Rs. 29 lakhs worth of shares. Mr. Raj agreed that the trust had to repurchase since July units worth about Rs 14 crores, not during the same period it sold units worth over Rs. 10 crores. Thus the net disinvestment in units was only Rs. 4 crores. Againt this, the trust had a regular flow of income from its investments amounting to over Rs. 14 crores a year. Thus there was no question of the trust being in financial difficulties.

AIE Convention

The Association of Indian Engineering Industry (AIEI) held its two-day convention at New Delhi on December 20 and 21, and was inaugurated by Mr T. A. Pai, the union minister for Industry and Civil Supplies. Combined with the inaugural function, AIEI organised a two-day conference on "the engineering industry and the challenges ahead". The conference consisted of three working sessions, namely, the technological challenges, export challenges and the managerial challenges. AIEI's objective was that through these deliberations, specific plans should emerge for appropriate action by the industry and the government. The principal emphasis was on raising engineering production and exports. Each working session was devoted to a discussion of the problems and perspectives and action plans framed in respect each subject. Delegates from all over the country participated in this convention. It is worth noting here that the Association of Indian Engineering Industry is the largest industry association in the country with a membership of 1068 companies representing an investment of Rs. 3000 crores and employment of one million. Its membership is drawn from small, medium and large units from public and private sectors.

News and News

Philips India has already crossed the export target by the end of November 1974 and is quite hopeful of reaching the Rs 3½ crore-mark by the close of the year, although it has fixed a target of Rs 3 crores for the whole of 1974. The company's export in 1973 was to the tune of Rs 1.20 crores. The wide variety of exports during 1974 covers radio components, radio receivers, radio kits, lamps, tubes, lighting fittings, public address system, mobile amplifiers and welding electrodes. The recent despatch of over 200,000 fluorescent tubes to Hong Kong as part of a major order is an important landmark in Philips India's export drive. The first major breakthrough in the field of welding electrodes was made recently when the company received an order for 250 tons of welding electrodes from Egypt covering a value of approximately Rs one million. Initial despatches have already been made and the company hopes to obtain larger orders for welding electrodes during 1975.

Dr Beck and Company (India) Limited of Pimpri, Poona has signed an agreement with the Soviet Union's ministry of Foreign Trade for the supply of synthetic insulations valued at Rs 4.27 crores for the Russian electrical industry during 1975. The company has secured this repeat order from the Soviet Union against stiff competition from companies in Europe, America and Japan.

New Issues

The Gujarat Industrial Investment Corporation (GIIC) of Gujarat state government, the promoters of the prestigious Gujarat State Fertiliser Company (GSFC) have ventured into a project for the manufacturing of caustic soda. *The Gujarat Alkalies & Chemicals Limited (GACL)* has been formed to implement the project for the manufacture of 37,425 tonnes of caustic soda, 33,000 tonnes of chlorine and 6,000 tonnes of Hydrochloric acid (100 per cent). The technical know-how will be provided by M/s Friedrich Uhde GMBH of West Germany who have established over 70 caustic soda-chlorinet plants all over the world. GACL's unit will be located in Baroda, near the consumers' plants such as Indian Petrochemicals Corporation Limited, GSFC and other chlorine-based units located or proposed to be located in the Baroda Petrochemical complex. The entire production of GACL will be consumed in Gujarat itself by textile units, GSFC, Baroda Rayon Corporation and other chemical units located near Baroda. The cost of the project is estimated at Rs 11.40 crores which would be financed by the share capital of Rs 425 lakhs and term loans of Rs 715 lakhs. Of the share capital of Rs 425 lakhs, GIIC, the promoters, will subscribe to Rs 170 lakhs and the balance shares valued at Rs 255 lakhs will be offered to the public. The issue will be underwritten by financial institutions and brokers. Necessary land has been acquired and the building construction has commenced. The company expects to commission the plant by the middle of 1976. The public issue, of equity shares of Rs 255 lakhs, is scheduled for the end of January 1975 and is being managed by H.L. Financial Consultants and Management Services Private Ltd (FICOM). Bombay.

Dividends

(Per cent)

Name of the company	Year Ended	Equity dividend declared for: Current year	Previous year
Higher Dividend			
Monogram Mills	December 31, 1973	15.0	10.0
Shree Yamuna Mills	December 31, 1973	8.5	6.0
Tarun Commercial Mills	December 31, 1973	17.0	14.0
Same Dividend			
Sree Rajendra Mills	March 31, 1974	12.0	12.0
Cooper Engineering	June 30, 1974	Nil	Nil
Jaipur Metal & Electricals	March 31, 1974	Nil	Nil
Kanknarrah Co.	December 31, 1973	Nil	Nil
Reduced Dividend			
Hindustan Sugar	June 30, 1974	6.5	9.0
Indo-American Electricals	March 31, 1974	6.0	12.5
Jayant Paper	March 31, 1974	8.0	12.0
Auckland Jute	March 31, 1974	Nil	5.0
Spencer & Co.	June 30, 1974	11.0	20.0
Sri Krishna Rajendra Mills	March 31, 1974	5.0	10.0
Hooguly Flour Mills	December 31, 1973	10.0	25.0
Saurashtra Cement	June 30, 1974	Nil	15.0
Upper Ganges Sugar	June 30, 1974	12.0	16.0

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951 during the month of September 1974. The list contains the names and addresses of the licences, articles of manufacturer, types of licences viz New Undertaking (NU), New Article (NA), Substantial Expansion (SE), Carry On Business (COB) and Shifting—and annual installed Capacity. Details regarding letters of intent revoked, rejected or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Rajhans Steel Ltd; 16, Ganesh Chandra Avenue 6th Floor, Calcutta-33.—(Mihijan, Santhal Parganas, Bihar)—Alloy Steel Castings—900 tonnes p.a. Spheriodal Castings—900 tonnes p.a. Manganese Steel Castings—1,200 tonnes p.a.—(NU)

M/s Modi Steel Wire Mfg. Co., Modi House, 10-B, Kasturi Ranga Iyenger Road, Alwarpet, Madras 18.—(Madras-Tamil Nadu)—Mild Steel Wire of 18 gauge & Thinner (Galvanised of otherwise)—3,700 tonnes p.a. ACSR Core Wires. Pre-stressed concrete wires. Spring Steel Wires. Cycle Spoke Wires. Alloy Steel Wires. and Low Carbon Galvanised & Un-galvanised steel Wires.—6,30 tonnes p.a.—(NU)

M/s Industrial Steels, G.T. Road, Miller Ganj, Ludhiana.—(Ludhiana-Punjab)—Steel Casting—2,000 tonnes p.a. Stainless Steel Castings; Heat Resistant Castings; Shell Moulded Castings and Alloy Steel Castings2500 p. a.—(NU)

M/s Kaveri Structurals, 'Sire Mansion', 123, Mount Road, Madras.—(Tiruchirapalli, Tamil Nadu)—Pressure Vessels (*New Articles*) Heat Exchangers.—1,200 tonnes p.a. (N.A./S.E.)

M/s Allied Engg. Works, 5713, Industrial Area, Wazirpur-Delhi—(Delhi)—Bright Bars—510 tonnes p.a. Conduit Pipes—80 tonnes p.a.—(COB)

M/s D.G. Steels & Alloys, 5-3-667, Topkhana, Near Usmanganj, Hyderabad.—(Hyderabad-Andhra Pradesh)—M.S. Ingots, Quality Carbon Steels; Forging quality carbon steels; Cold Heading quality Carbon steels; etc.—4,000 tonnes p.a.—(COB)

M/s Hindustan Steel Forgings, Rajpura, Punjab.—(Rajpura-Punjab)—Closed Die Steel Forgings—525 tonnes p.a.—(COB)

M/s Asian Steel Industries Ltd; Moulali, Hyderabad.—(Hyderabad-Andhra Pradesh)—Stranded Wire—925 tonnes p.a.—(COB)

M/s Machine Techno (Sales) Pvt. Ltd; Jindal House, 8-A, Alipore Road Calcutta.—(Calcutta-West Bengal)—Mild Steel (Black Wires)—2,000 tonnes p.a.—(COB)

M/s A.K. Corporation Ltd; 93, Park Street, Calcutta.—(Vishakhapatnam-Andhra Pradesh)—Tin Containers (Above 18 litres)—100 tonnes p.a.—(COB)

M/s Swastik Ispat Ltd; 18-Naryan Dhurn Street, Bombay.—(Satpur-Nasik-Maharashtra)—M.S. Ingots; Electrode quality Carbon Steels; Forging quality carbon steels; cold heading quality carbon steels; etc.—18,000 tonnes p.a.—(COB)

M/s Godavari Steels (Pvt.) Ltd; c/o Sreenivasan Finance Corpn., Devichauk, Rajamentry.—(Devichouk-Andhra Pradesh)—M.S. Ingots; Electrode quality carbon steels; Forging quality carbun steels; etc.—9,000 tonnes p.a.--COB)

M/s S. P. International Pvt. Ltd; 3-A, Focal Point, Dhandhari Kalan, Ludhiana.—(Ludhiana-Punjab)—Mild Steel Wires (Ungalvanised)—1,250 tonner p.a.—(COB)

M/s Dabriwala Steel & Engg. Co. Ltd; Sector-24, Plot No. 136, Faridabad.—(Faridabad-Haryana)—M.S. Ingots; Electrode quality Carbon Steels; Cold heading quality carbon steels; etc.—7,000 tonnes p.a.—(COB)

M/s B.R. Harman Mohatta (Varunee), Ulhas Nagar, Thana, Maharashtra.—(Thana, Maharashtra)—M.S. Ingots; Electrode quality Carbon Steels; Cold heading quality carbon steels; etc.—28,000 tonnes p.a.—(COB)

M/s Haryana Steel & Alloye Ltd; 3/5, Asaf Ali Road, New Delhi.—(Murthal-Sonepat, Haryana)—M.S. Ingots; Electrode quality Carbon Steels; Cold heading quality carbon steels; etc.—18,000 tonnes p.a.—(COB)

M/s Pradyumna Steels Ltd; 112, Chittaranjan Avenue, Calcutta.—(Hoogly, West Bengal)—M.S. Ingots; Electrode quality Carbon Steels; Cold heading quality carbon steels: etc.—27,000 tonnes p.a.—(COB)

Shri Chandra Kant Maganlal Sanghvi, 395/97, Natha Street, Bombay-9—(Kolaba, Maharashtra)—M.S. Ingots; Electrode quality Carbon Steels; Cold heading quality carbon steels; etc.—18,000 tonnes p.a.—(COB)

M/s Delta Spokes Mfg. Co. Dharam Chand Estate, Devnar, Bombay-8.—(Devnar-Maharashtra)—Carbon Wires (Ungalvanised Bright)—2000 tonnes p.a. High Carbon Wires (Galvanised)—1,000 tonnes p.a.—(COB)

M/s Lauls Pvt. Ltd; 33-B, New Industrial Township, Faridabad.—(Faridabad-Haryana)—M. S. Ingots; Electrode Quality Carbon Steels; Forging quality Carbon Steels; etc.—9,000 tonnes p.a.—(COB)

Shri K. Dharma Rao & Shri R.C. Mitra, Promoters, Circar Steel Pvt. Ltd; 23, Camac Street, Calcutta.—(Vijayawada-Andhra Pradesh)—M.S. Ingots: Electrode Quality Carbon Steels: Forging quality Carbon Steels; etc.—9,000 tonnes p.a.—(COB)

M/s Western India Steel Industries; Prop. Merchant Steel Industries (P) Ltd; Nirmal Nagar, Bhavnagar.—(Bhavnagar Rajkot Road, Sehor, Gujarat)—M.S. Bars, Flats Angles—2,160 tonnes p.a.—(COB)

M/s Ravindra Steel Ltd; 33-B, MIDC Industrial Area, Hinga Road, Nagpur—(Nagpur-Maharashtra)—M.S. Ingots; Electrode quality carbon steels; Forging quality carbon steels; etc.—18,000 tonnes p.a.—(COB)

M/s Golden Steel Corpn. (P) Ltd; P-35, India Exchange Place, Calcutta-1.—(Liluah, Howrah, West Bengal)—Mild Steel Black Wires—2,600 tonnes p.a.—(COB)

M/s Mahakoshal Steel Inds. Pvt. Ltd; 9-Rajmahal, Churchgate, Bombay-20.—(Raipur-Madhya Pradesh)—M.S. Ingots; Electrode quality carbon steels; Forging quality carbon steels; Cold heading quality carbon steel; etc.—5,500 tonnes p.a.—(COB)

M/s Maharashtra Wire Drawing Co. 64, Peddar Road, Bombay.—(Bombay-Maharashtra)—Mild Steels Black Annealed Wires—2,350 tonnes p.a—(COB)

M/s Pratap Steel Rolling Mills (P) Ltd; 21/3, Mathura Road, Ballabhgarh, Haryana.—(Hyderabad-Andhra Pradesh)—M.S. Ingots; Electrode quality carbon steels; Forging quality carbon steels; Cold Heading quality carbon steel; etc.—18,000 tonnes p.a.—(COB)

M/s Rishabh Ispat Ltd; 82, Joshi Road, New Delhi.—(Solan-Himachal Pradesh)—M.S. Ingots; Electrode quality carbon steels; Forging quality carbon steel; Colds Heading quality carbon steels; etc.—16,000 tonnes p.a.—(COB)

M/s Ganesh Ispat & Alloys Industries Ltd; 9604, Mundewalan, Sadar Thana Road, New Delhi.—(Alwar-Rajasthan)—M.S, Ingots; Electrode quality carbon steels; Forging quality carbon steels; Cold Heading quality carbon steels; etc.—18,000 tonnes p.a.—(COB)

M/s Sarda Industries (P) Ltd; 4-Digamber Jain Road, Calcutta.—(Jaipur/Calcutta-Rajasthan/West Bengal)—Mild Steel Wires-Jaipur Unit—300 tonnes p. a.; Calcutta Unit—100 tonnes p.a.—(COB)

M/s Marathwada Alloy Steels Co. Ltd; 30-Dr. D.N. Road, Fort, Bombay.—(Aurangabad-Maharashtra)—M. S. Ingots; Electrode quality carbon steels; Forging quality carbon steels; etc.—14,000 tonnes p.a.—(COB)

M/s Asian Steel Industries Ltd; Moulaali, Hyderabad.—Moulaali, Hyderabad-AP.)—Mild Steel & High Carbon Wires Ungalvanised)—9150 tonnes p.a.—(COB)

M/s Rajhans Steel Ltd; 16, Ganesh Chandra Avenue, Calcutta-13.—(Santhal Parganas-Bihar)—M.S. Ingots, Electrode quality steel; Forging quality carbon steels; Cold heading quality carbon steels; etc.—7,000 tonnes p.a.—(COB)

M/s Sri Seetha Ram Anjaneya Durga Steels Pvt. Ltd; Rajahmundry, Andhra Pradesh.—(Tirupathi, Chittor, A.P.)—M.S. Ingots; Electrode Quality Carbon Steels; Forging quality carbon steels; Cold Heading quality carbon steels; etc.—5,500 tonnes p.a.—(COB)

Metallurgical Industries (Non-Ferrous)

M/s Indian Standard Metal Co. Ltd; I.S.M. Estate, Chinchpokli Cross Lane, Bombay-27.—(Bombay-Maharashtra)—Aluminium Die Castings of sizes above 4 Kgs.—410 tonnes p.a. (after expansion)—(SE)

Electrical Equipments

M/s Kirloskar Pneumatic Co. Ltd; Hadapsar Industrial Estate, Poona-13.—(Poona-Maharashtra)—Air Conditioning & Refrigeration Equipment for Transport.—600 nos. p.a.—(NA)

M/s Electronics Corpn. of India Ltd; Industrial Development Area, Cherlapalli, Hyderabad-40.—(Hyderabad-Andhra Pradesh)—Power Line Carrier Equipment—100 nos. p.a. Frequency Shift Equpment—25 nos. p.a.—(NA)

M/s Electronics Corpn. of India Ltd; Hyderabad.—(Hyderabad-Andhra Pradesh)—Nickel Cadmium Calls—50,000 nos. p.a. (after expansion)—(SE)

M/s Philips India Ltd; Shiv Sagar Estate, Block-A, Dr. Annie Besant Road, Worli, Bombay.—(Loni-Poona-Maharashtra)—Variable Gang Condensors—22,50,000 pcs. p.a.—(SE)

M/s Armcess Engineers (P) Ltd; SUP-A 8 & 9, Industrial Estate, Madras.—(Madras Tamil Nadu—Tap Recorders—10,000 nos. p.a.—(NU)

M/s Electra (India) Pvt. Ltd: Industrial Area, Partapur, Meerut.—(Meerut-UP)—Power & Distribution Transformers upto 33 KV/5MVA—1,50,000 KVA p.a.—(COB)

Telecommunications

M/s Electronics Corpn. of India Ltd; Industrial Development Area, Hyderabad.—(Hyderabad-Andhra Pradesh)—Antennae with Feld (of various sizes)—250 nos. p.a. (after expansion)—(SE)

Transportation

M/s Sussen Textile Bearings Ltd; National Highway No. 8, Baroda.—(Baroda-Gujarat)—Antifriction Assemblies for Water Pumps of Automobiles/Tractors—3 lakh nos. p.a.—(NA)

Industrial Machinery

M/s Shalimar Wires & Industries Ltd; 27-A, Camac Street, Calcutta-16.—(Uttarpara-West Bengal)—Fourdenier Wire Cloth—1,50,000 sq. meters p.a. (after expansion)—(SE)

M/s Paper Machine Wire Industries Pvt. Ltd; 73, Industrial Area, Nasik, Maharashtra.—(Nasik-Maharashtra)—Fourdrinier Wire (Metalic and Synthetic—48,800 sq. mtrs. p.a. (after expansion)—(SE)

Shri Wazir Chand Kawatra, C-44, Cinema Road, Batala.—(Atlas Engg. Industry) (Gurdaspur-Punjab)—Diesel Engines (Upto 15 HP)—750 nos. p.a.—(COB)

M/s Usha Telehoist Ltd; Princep Street, Calcutta.—(Faridabad-Haryana)—Hydraulic Pumps—80,000 nos. p.a; Control Valves—60,000 nos. p.a.—(SE)

Machine Tools

M/s Wesman Engg. Co. Pvt. Ltd; 1/2, Allenby Road, Calcutta.—(Dum Dum-24-Parganas, West Bengal)—Industrial Furnaces—Rs 6 crores after expansion p.a.—(SE)

Fertilizers

M/s National Fertilizers Ltd; C-94, N.D.S.E. Part-II, New Delhi.—(Batinda, Punjab)—Ammonia—2,97,000 tonnes. Urea—5,11,000 tonnes Sulphur (By-product)—8,250 tonnes.—(NU)

Chemicals

M/s Shri Ishar Alloy Steels Pvt. Ltd: (Gas Division) Sector-D, New Industrial Area, Sukhalia, Sonwar Road, Indore.—(Indore-Madhya Pradesh)—Oxygen Gas—4,50,000 Cu.M.—(NU)

M/s Phillips Carbon Black Ltd; 160, Jor Bagh, New Delhi.—(M/s Oriental Carbon Ltd.) (Ghaziabad-U.P.)—Carbon Black (Furnace Type)—9,000 tonnes p.a.—(NU)

Shri Kewal Krishan Sethi, Sethi Niwas, C/285, Defence Colony, New Delhi-3.—(Ghaziabad-U.P.)—Oxygen Gas—0.45 M.C.M. Acetylene Gas—0.10 M.CM.—(NU)

M/s Hercules Chemical & Cardide Ltd; 8-Dalhousie Square East, Calcutta.—(Gokak, Belgaum, Karnataka)—Calcium Carbide—14,850 tonnes—(NU)

M/s Shalimar Paints Ltd; 13-Camac Street, Calcutta.—(Bangalore-Karnataka)—Paints, Enamels, Varnishes & N. C. Lacquers—6,000 tonnes. Synthetic Resins (for captive Consumption only)—600 tonnes.—(NU)

M/s Sturdia Chemicals Ltd; Neville House, Graham Road, Ballard Estate, Bombay—(Gujarat)—Citric Acit—3,000 tonnes p.a.—(NA)

Drugs and Pharmaceuticals

M/s Ranbaxy Laboratories, Pvt. Ltd; Okhla New Delhi.—(Delhi)—Rifampicin Capsules (150 MG)—10 lakhs & (300 MG)—4 lakhs p.a. Rifampicin Syrup—100/mg/5. ml.—750 litres p.a.—(NA)

M/s Chemical Industrial & Pharmaceutical Laboratories Ltd. 289, Bellasis Road, Byculla, Bombay.—(Bombay-Maharashtra)—Trimethoprim B.P.—600 Kgs. p.a. Sulphamethoxazole—3 tonnes p.a.—(NA)

M/s Gluconate Ltd; 23, Camac Street, Calcutta.—(Nagpur-Maharashtra)—Pethidine Hydroonloride—500 Kgs. (after expain) -(SE)

Textiles

M/s Sri Annapurna Cotton Mills Ltd; P-10, New Howrah Bridge Approach Road, Calcutta-1—(Calcutta-West Bengal)—Cotton Cloth—100 automatic looms.—(SE)

M/s J.K. Synthetics Ltd; Kaml. Tower, Kanpur,—(Kota-Rajasthan)—Nylon Tyre Yarn Fabrics—800 tonnes p.a.—(NA)

M/s Textile Processing Corpn. of India Ltd; Budge-Budge, Calcutta.—(Calcutta-West Bengal)—Processing of Cotton & Blended Textiles—43.5 Mill. mtrs. p.a.—(NU)

M/s Vishwa Bharati Spg. & Weaving Co-operative Society Ltd; Bhiwandi, Thana, Maharashtra.—(Bhiwandi-Maharashtra)—Cotton Yarn—50,280 spindles. (after expansion)—(SE)

M/s Shri Ramalinga Choodambikai Mills Ltd; Tirpur.—

(Tirpur-Tamil Nadu)—Cotton Cloth—200 Automatic looms of indigenous make. (after expansion).— (SE)

M/s The Bihar State Indusirial Development Corpn. Ltd; Bandar Bagicha, Patna.—(Siwan-Bihar)—Cotton Yarn—25,000 spindles. —(NU)

M/s The Bihar State Industrial Development Corpn. Ltd., Bandar Bagicha, Patna.—(Madhubani-Bihar)—Cotton Yarn—25,000 spindles p.a.—(NU)

Paper & Pulp

Shri R.K. Jain, 123 Guldhar, Meerut Road, Ghaziabad.—(Ghaziabad, Meerut, U.P.)—Packing, Wrapping & Corrugated Papers & Boards—3,650 M.T. p.a.—(NU)

M/s U.P. Straw & Agro Products Ltd; 13-Civil Lines, Bareilly.—(Moradabad-U.P.)—Corrugating Medium—10,000 tonnes p.a.—(NU)

M/s Wainganga Paper Mills Ltd; D-38, Greater Kailash-1 New Delhi-48.—(Balaghat-M.P.)—Pulp & Paper—20,000 tonnes p.a.—(NU)

Sugar

M/s The Deccan Sugar & Abkhari Co. Ltd; Dare House, Parry's Corner, Madras.—(Pugalur-Tamil Nadu)—Sugar—2,500 tonnes of sugar cane crushing capcaity per day.—(after expansion) (SE)

M/s Sonepat Co-operative Sugar Mills Ltd; Soneput, Distt. Rohtak.—(Sonepat-Haryana)—Sugar—1,250 tonnes p. day came crushing capacity.—(NU)

M/s Aruna Sugars Ltd; Pennadam, Distt. South Arcot, Tamil Nadu.—(Pennadam, S-Arcot, Tamil Nadu)—Sugar—4,000 tonnes per day cane crushing capacity.—(after expansion) (SE)

Fermentation Industries

M/s Mount Shivalik Breweries Ltd; V & P.O. Bhankarpur, Distt: Ropar.—(Ropar-Punjab)—Beer—50,000 Hecto Litres.—(COB)

M/s Devana Modern Breweries Ltd; Dehri Talab Tillo, Jammu-2.—(Jammu-J & K)—Beer—23,400 Hecto Litres p.a. (COB)

M/s Associated Breweries & Distilleries, Mehar House, Ist Floor, 15, Cawasji Patel Street, Bombay-1.—(Cortalam-Goa)—Bear—20,000 Hecto Litres.—(COB)

M/s Mysore Breweries Ltd; Yashwantpur, Bangalore.—(Yashwantpur-Karnataka)—Beer—50,000 H. Litres. p.a.—(COB)

M/s Aurangabad Breweries Ltd; 118, Jelly Bhavan No. 1, 10-New Marine Lines, Bombay.—(Aurangabad-Maharashtra)—Beer—50,000 Hecto Litres.—(COB)

Rubber Goods

M/s Supreme Rubber Reclaimers Pvt. Ltd; 156-A Gollerkeri Street, Mangalore-1.—(Bondel, Mangalore. Karnataka)—Reclaimed Rubber—1,500 tonnes p.a.—(NU)

M/s T. Maneklal Mfg. Co. Ltd; Vaswani Mansion, Dinshaw Vachha Road, Bombay-20.—(Ahmedabad-Gujarat)—Expansion Joints & Flexible Cannextions—10 tonnes p.a.—(NA)

Letters of Intent

Metallurgical Industries (Ferrous)

Shri Rajinder Kumar Aggarwal, G. T. Road, Meeran Ghati, Karnal.—(Karnal-Haryana)—Machine Screws (Self tapping and specialised type)—500 tonnes p.a.—(NU)

Shri Manubhai C. Patel, 21-Meghdoot Society, Kareli Baug, Baroda.—(Gujarat)—O.T.S. Cans—7,000 tonnes p.a; Battery Jackets—500 tonnes p.a.—(NU)

M/s Man Industrial Corpn. Ltd; Near Loco, Jaipur.—(Jaipur-Rajasthan)—Ferrous & Non-Ferrous Forgings—6,000 tonnes p.a.—(SE)

Shri Narinder Nayar, Fair Haven, Doongersi Road, Malabar Hill, Bombay.—(Maharashtra)—Specialised Pipe Fittings—4,000 tonnes p.a.—(NU)

Shri N. K. Jain, 190, Civil Lines (North) Muzaffarnagar.—(Alwar-Rajasthan)—Centrifugal Alloy Castings—500 tonnes p.a; Alloy Steel Castings—500 tonnes p.a.—(NU)

M/s Precision Metal Industries, Delhi (Shri Chandra Mohan Arya), 8/84, Punjabi Bagh, Delhi.—(Delhi)—Ferrous & Non-Ferrous Tubes—500 tonnes p.a.—(NU)

M/s D. L. Miller & Co. (P) Ltd; 3-Netaji Subhas Road, Calcutta.—(Uttar Pradesh)—Ferrous & Non-Ferrous Finned Tubes—500 tonnes p.a.—(NU)

Shri G. M. Surana, c/o M/s Surana Industries, Mahatma Gandhi Road, Secunderabad.—(Andhra Pradesh)—Ferrous & Non-Ferrous Finned Tubes—500 tonnes p.a.—(NU)

Shri Mahinder Kumar Gupta, 245-A, Old Tharagpet, Bangalore.—(Karnatrka)—Ferrous & Non-Ferrous Finned Tubes—500 tonnes p.a.—(NU)

M/s Steel Tubes of India Ltd; 27/34, Industrial Estate, Indore-3.—(Madhya Pradesh)—Ferrous & Non-Ferrous Finned Tubes—500 tonnes p.a.—(NU)

M/s Samsher Singh, c/o Kuldip Singh & Bros; Hauz Qazi, Delhi-6.—(Delhi)—Ferrous & Non-Ferrous Finned Tubes—500 tonnes p.a.—(NU)

M/s B. K. Extrusions, 'Nirman', East West Road No. 2, Juhu-Parle Scheme, Bombay.—(Maharashtra)—Ferrous & Non-Ferrous Finned Tubes—500 tonnes p.a.—(NU)

M/s Ganges Steel Mfg. Co., (India) (P) Ltd; 23/24, Radha Bazar Street, Calcutta-1.—(West Bengal)—Ferrous & Non-Ferrous Finned Tubes—500 tonnes p.a.—(NU)

M/s Andhra Pradesh Indl. Development Corpn. Ltd; B-1-174, Fateh Maiden Rd; P.B. No. 13, Hyderabad.—(Andhra Pradesh)—Alloy & Heavy Duty Iron Castings including Automobile Castings—15,000 tonnes p.a.—(NU)

Shri S. Maruthasalam, Jey Dry Batteries Pvt. Ltd; 3(1) S.D.R. Colony, Gopichettipalayam, Erode, Tamil Nadu.—(Tamil Nadu)—Dry Cells—60 mill. nos. p.a.—(NU)

M/s Automatic Electric Pvt. Ltd; Rectifier House, 570, Nargaun Road, Post Box No. 7103, Bombay.—(Bombay-Maharashtra)—Current & Potential Transformers of 200 K. V. Range—120 nos. p.a.—(NA)

M/s N.G.E.F. Ltd; Bangalore.—(Bangalore-Karnatak)—Thyristors—16,000 nos. p.a; Thyristor Convertors for Industrial Controls—Rs. 250 lakhs; Thuiostor Control Systems for Industrial Use—Rs. 250 lakhs p.a.—(NA)

Shri U. K. Choudhry, 314, Jodhpur Park, Calcutta-31.—(Calcutta-West Bengal)—Fan Capacitors—30,000 nos. p.a: Flourscent & other discharge lighting capacitors—30,000 nos. p.a; Motor capacitors—20,000 nos. p.a.—(NA)

Shri W. P. Karnik, 12-B, Connaught Road, Poona-1.—(Maharashtra)—Mineral Insulated Cables—2 Mill. core metres p.a.—(NU)

Shri Surinder Vasudeva, 109-A, Model Town, Yamunanagar.—(Jagadhri, Ambala,. Haryana)—H. T. Capacitors—70,000 nos. p.a; L.T. Capacitors—25,000 nos. p.a; Medium Frequency Capacitors—20,000 nos. p.a.—(NU)

M/s W. S. Insulators of India Ltd; Madras.—(Bangalore-Karnataka)—Telemetring Equipment—35 sets p.a; Power Line Carrier Equipment—40 nos. p.a.—(NA)

M/s Sree Thirumalai Electronics Pvt. Ltd; R. Muthu Gounder's Colony, Harur, Distt: Dharmapuri, Tamil Nadu.—(Dharmapuri-Tamil Nadu)—Metallised/Plain Plastic Film Capacities—10 Mill. nos. p.a.—(NU)

M/s Pioneer Electric Furnace Manufacturers (Successors to Electrotherm Industries), G.I.D.C. Industrial Estate, Vithal Udog Nagar, Vallabh Vidyanagar, Kaira Distt.—(Anand-Kaira-Gujarat—Electric Melting & Heating Furnaces—25 nos. p.a; Heat Treatment Furnaces—Rs. 50 lakhs p.a.—(NU)

M/s The General Electric Co. of India Ltd; Magnet House, Chittarangan Avenue, Calcutta.—(Naini-U.P.)—(i) Special Purpose Transformers upto 33 KV.—285 MVA p.a; (ii) Reactor upto 132 KV—55 MVA p.a.—(SE)

M/s Jyoti Ltd; P.O. Chemical Industries, Baroda-3.—(Baroda-Gujarat)—Generators—1,53,600 K.W. for ranges upto 6000 K.W.—(SE)

M/s Gystronics, Division of M/s Sarabhai M. Chemicals & Electronics (P) Ltd; 89-92, Naroda Industrial Area, Ahmedabad.—(Ahmedabad-Gujarat)—Attenuators/Faders—100 nos; Pulse Genetators—100 nos; Pattern Generators—200 nos; Transister Testors—100 nos; Frequency Counters—100 nos; Digital Voltmeters—100 nos; Function Generators—100 nos; Distortion Factor Meters—100 nos; Electrophorers Apparatus—100 nos.—(NA)

Transportation

Shri Natver G. Oza, 6-Mani Nivas, Lady Hardinge Road, Bombay.—(Surendranagar-Gujarat)—Oil Seals—2 mill. nos. p.a.—(NU)

M/s Bharat Gears Ltd; Allahabad Bank Building, 17-Parliament Street, New Delhi.—(Bombay-Maharashtra)—Crank Shafts—30,000 nos. p.a.—(NA)

Industrial Machinery

M/s Etscheid India Pvt. Ltd; 1/8, Prince Golam Mohd. Road, Calcutta.—(Hoogli-West Bengal)—Cooling Tank type KW 250 capacity 258 litres—720 nos; Cooling tank type KW 500 Capacity 516 litres.—576 nos; Cooling tank type KW 1000 capacity 1024 litres.—432 nos; Cooling tank type KW 2000 Capacity 2040 litres. 288 nos; Cooling tank type KW 5,000 capacity 50—180 nos; Cooling tank type KT 108000 capacity 10800—48 nos; Cooling tank type KT, 20,000 capacity 20,000—24 nos—(NU)

M/s Gupta Engineering Works, 4-Sidhpura Industrial Estate S.V. Road, Goregaon(W), Bombay-62.—(Bombay-Maharashtra)—Single Bed Cardmatic Hand Knitting Machine—30,000 sets p.a; Double Bee Hand Knitting Machine—15,000 sets p.a; Rib Knitting attachment—15,000 sets p.a.—(NU)

M/s J.K. Synthetics Ltd; Kamla Tower, Kanpur.—(Kanpur-U.P.)—Draw Twisting Machines for Synthetic Fibre Industry—30 nos. p.a.—(NA)

Machine Tools

M/s Indian Sugar & General Engg. Corpn. (Prop: Saraswati Industrial Syndicate Ltd.), Yamunanagar.—(Yamunanagar-Haryana)—Press Brakes & Guillotine Shears—50 nos. p.a.—(NA)

Engineering Indusiries

Shri Vallabh Glass Works Ltd; Anand-Sojitra Road, Vinyanagar.—(Anand-Kaira-Gujarat)—Polyvinyl Butyral Eoils—0.75 million Sq. meters. p.a.—(NA)

Shri D. Vijayaraghav & Sons, 767, 36th Cross, IV-T Block, Jayanagar, Bangalore-11.—(Hosur, Dharmapuri,-Tamil Nadu—Hard Metal & Hard Metal Products—50 tonnes p.a.—(NU)

Shri K-46, 2nd Floor, Connaught Circus, New Delhi.—(Khopoli, Kolaba, Maharashtra)— p.a.—(NU)

Shri Anil Bahl, 208, Rouse Avenue, New Delhi.—(Faridabad Haryana)—Forged Hand Tools—3,000 tonnes p.a. (NU)

M/s Widia (India) Ltd; 8/9th Mile, Tumkur Road, Post Bag 2280, Yeswanthpur, Bangalore.—(Bangalore-Karnataka)—Hard Metal & Hard Metal Products including Tungsten carbide products Allied materials, tipped tools including multi point tools & mining tools—52 tonnes taking the post expansion annual capacity for civilian use to 100 tonnes p.a.—(SE)

Chemicals

M/s Fertilizer Corpn. of India Ltd; Ramagundam Unit, P.O. Godavari Khani, Distt: Karim Nagar, Andhra Pradesh.—(Andhra Pradesh)—Argon Gas—0.96 M.C.M.—(NA)

M/s Maharashtra Vegetable Products (P) Ltd; Dhulia, Maharashtra.—(Dhulia-Maharashtra)—Oxygen Gas—2,50,000 C.M.—(NA)

M/s Cloth Traders Pvt. Ltd; 253, New Cloth Market, Ahmedabad.—Kalol, Mehsana, Gujarat)—Glyoxal (40%)—750 M.T.—(NU)

M/s Government Soap Factory, Bangalore.—(Bangalore-Karnataka)—Sodium Tripolyphosphate—30,000 tonnes p.a.—(NA)

The Managing Director, U. P. State Development Corpn. Ltd; Director of Industries Building, 117/420, G. T. Road, Kanpur-2.—(Mizopur-U.P.)—Sodium Tripolypeosphate-30,000 tonnes p.a. (NU)

Shri M. K. Gupta, 36/1, Punjabi Bagh, New Delhi.—(Ranchi-Bihar)—Potassium Chlorate—4,500 tonnes p.a.—(NU)

M/s Indian Aluminium Cables Ltd; Kanchenjunga Building, (7th Floor), 18-Bharakhamba Road, New Delhi.—(Ghaziabad' Meerut, U.P.)—Wire Enamels/Impregnating Varnishes—3,000 tonnes p.a. (NA)

Shri Surjit Singh, 12/26, East Patel Nagar, New Delhi.—(Ludhiana-Punjab)—Sulphuric Acid—16,500 tonnes p.a.—(NU)

M/s Universal Chemicals & Industries Pvt. Ltd; 317, Neelam, 3rd Floor, 108, Worli Sea Face Road, Bombay.—(Thana-Maharashtra)—Sodium Chlorate—1,500 tonnes p.a.—(NA)

Drugs & Pharmaceuticals

M/s Indian Drugs & Pharmaceutieals Ltd; N-12, N.D.S.E. Part-1, New Delhi-49.—(Andhra Pradesh)—Indomathacin Capsules—60 mill. nos. p.a; Sulphamethexy Pyrdiazine tablets—100 mill. nos. p.a; Frusemide Tablets—25 mill. nos. p.a; Methyl Depa Tablets—20 mill. nos. p.a; Phtalyl Sulphathiazole Tablets—120 mill. nos. p.a; B-Complex Forte tablets—40 mill. nos. p.a; Cheable Vitamin tablets—50 million nos. p.a.—(NA)

Paper & Pulp

M/s Gogte Minerals, 'Empress Court, 126, Backbay Reclamation, Bombay.—(Maharashtra)—Dissolved Pulp—30,000 tonnes. Polynesic Staple Fibre—27,000 tonnes p.a: Carbon Disulphide (intermediate for item 2 above)—10,000 tonnes—(NU)

M/s Abaskar Construction (P) Ltd; 26-Curzon Road, New Delhi.—Nadia-West Bengal)—Wrapping Paper & Fluting Media and Liner—4,000 tonnes p.a. (NU)

Shri Mahadeo Prasad Jhunjhunwala, c/o. M/s Sohan Lal Pachisia & Co., 16-India Exchange Place, Calcutta-1.—

(Hooghly-West Bengal)—Unbleached Paper—4,500 tonnes p.a.—(NU)

Shri Gopal Daga, 168-B, Jamunalal Bajaj Street, Calcutta—(Midnapur-West Bengal)—Paper (Industrial Papers such as Wrapping & Packing Paper & Paper & Boards)—6,000 tonnes p.a.—(NU)

Shri N. K. Dabriwala, A-1/34, Safdarjung Enclave, New Delhi.—(Karnal-Haryana)—Unbleached Paper—5,000 tonnes. p.a.—(NU)

Shri Kamlesh Kumar Rathi, F-7-A, Hauz Khas Enclave, New Delhi.—(Pattancherru, Andhra Pradesh)—Writting, Printing Wrapping Papers & Boards—15,000 tonnes p.a.—(NU)

Shri M.P. Khemka, 114, Chittaranjan Avenue, Calcutta-7.—(Purulia/Nadia, West Bengal)—M.G. Kraft, Writing, Printing Duplicating Paper, etc.—7,500 tonnes p.a.—(NU)

Shri Bishwanath Pasari, 3796, Chawri Bazar, Delhi-6.—(Chandrapur-Maharashtra)—Paper—5,000 tonnes p.a. (NU)

Shri Parmeshwar Gauridutt Mittal, Lentin Chambers, 5th Floor, Dalal Street, Fort, Bombay.—(Aurangabad-Maharashtra—Kraft Paper—5,000 tonnes p.a.—(NU)

Shri Mayank Kumar Poddar, 24/B, Park Street, Calcutta.—(Midnapur-West Bengal)—M.G. Kraft Paper—7,500 tonnes p.a; Wrapping Paper, M.F. Paper including Bond Paper, Tissue Paper, etc.—7,500 tonnes p.a; Total: 15,000 tonnes p.a.—(NU)

Shri Chiranjilal Biyani, N-203, Greater Kailash, New Delhi.—(Jhalawar-Rajasthan)—Paper (Industrial papers such as Wrapping & Packing papers and paper boards)—6,000 tonnes p.a.—(NU)

M/s New Prahlad Mills Ltd; 55-Apollo Street, Fort, Bombay.—(Solan-Himachal Pradesh)—Packing and Wrapping Papers and Boards—11,000 tonnes p.a.—(NU)

Shri Narendra Kumar, 20-British Indian Street, Calcutta.—(Pvrlia-West Bengal)—M.G. Kraft, Writing, Printing, Duplicating, Cartridge. Bank and Bond Papers, etc.—7,500 tonnes p.a.—(NU)

Shri V.L.N. Madhusudan 136/24, P.G. Road, Secunderabad—(Kurnool-Andhra Pradesh)—Kraft Paper 9,000 tonnes p.a; Writing & Printing Paper—4,500 tonnes p.a.—(NU)

Shri Bijay Nandan Patodia, 11/1, Heysham Road, Calcutta.—(Karnataka)—Paper consisting of Kraft, Packaging, Wrapping Corrugating Mediums—5,000 tonnes—(NU)

Shri K.K. Maheshwari, 35-L. Jagmohandas Marg, Bombay.—(Kolaba-Maharashtra)—Paper (Corrugating Media/other varieties)—5,000 tonnes p.a.—(NU)

Food Processing Industries

Shri J.V. Muthye, Madhu Millan, Patil Wadi, Ranade Road Extn., Dadar, Bombay.—Delhi—High Protein Biscuits for infants—5,000 tonnes p.a.—(NU)

Vegetable Oils & Vanaspati

Shri P. C. Mutha, Mg. Dir., M/s Vippy Solvex Products Pvt. Ltd; Saket, Chhota Sarafa, Ujjain.—(Dewas-Madhya Pradesh)—Cotton Seed Oil—20,000 tonnes p.a.—(NA)

Rubber Goods

M/s The East India Rubber Works (Pvt.) Ltd; 161, Chittaranjan Avenue, Calcutta-7.—(Lilloah, Howrah, W-Bengal)—Transmission Delting—504 M. tonnes p.a; Conveyor Belting—1,080 M. tonnes p.a.—(SE)

M/s Premier Tyres Ltd; Merchant Chamber 41, New Marine Lines, Bombay.—(Kalamassery-Alwaye, Kerala)—Camelback & Repair materials—2,500 tonnes p.a.—(NA)

Glass

M/s Modern Fibre Glass Manufacturing Co., 60/61, Madhubhan Apartment, Flat No. 24-A, Worli Hills, Bombay-18.—(Kurnool-Andhra Pradesh)—Fibre Glass—2000 tonnes p.a.—(NU)

Shri Raj Kumar Parshotam Nath Jain, c/o Peeraj Agencies Pvt. Ltd; 5625, Qutab Road, New Delhi.—(Delhi/Haryana)—Fibre Glass—2000 tonnes p.a.—(NU)

Shri M. A. Palaniappa Chettiar, Mg. Director, The Jawahar Mills Ltd; Salem-5.—(Dharmapuri-Tamil Nadu)—Fibre Glass—2000 tonnes p.a.—(NU)

M/s Rahi Glass Ltd: Promoter; N. Chandra, C-50, Defence Colony, New Delhi-24.—(Maharashtra)—Fibre Glass—2,000 M. tonnes p.a.—(NU)

M/s Gujarat Fibre Glass Manufacturing Company, 52/53, Vithal Udyognagar, Kaira, Gujarat.—(Kaira-Gujarat)—Fibre Glass—2,000 tonnes p.a.—(NU)

Shri P. Obul Reddy, 31, General Patters Rd; Madras-24.—(Tamil Nadu)—Fibre Glass—2,000 tonnes p.a.—(NU)

M/s Andhra Pradesh Industrial Dev. Corpn. Ltd; Shakar Bhawan, Ground Floor, B-I-174, Fateh Maidan Road, Post Box No. 13, Hyderabad.—(Menboobnagar-Andhra-Pradesh)—Fibre Glass—2,000 tonnes p.a.—(NU)

M/s Industrial Aides, 96, Basin Road, Post Box No. 2286, Tirubottiyur, Madras-19.—(Dharampuri-Tamil Nadu)—Fibre Glass—2,000 tonnes p.a.—(NU)

M/s Swan Mills Ltd; Hindustan Time House, 12th Floor, Kasturba Gandhi Marg, New Delhi.—(Uttar Pradesh)—Fibre Glass—2,000 tonnes p.a.—(NU)

M/s R. Sen & Company, 10/1, Elgin Road, Calcutta.—(West Bengal)—Fibre Glass—2,000 tonnes p.a.—(NU)

Ceramics

Shri J. P. Mehta, Suryamahal No. 1, Bhavnagar.—(Bhavnagar-Gujarat)—Refactory Grade Magnesite—45,000 tonnes p.a.—(NU)

Change in Names (Owners/Undertaking)

(Information pertains to particular licences only)

From M/s Sudershan Engg. Pvt. Ltd. to M/s Universal Cans & Containers Ltd; Bombay.

From M/s Motilal Padampat Sugar Mills Co. Ltd: Kanpur. to M/s Motilal Padampat Udyog Limited; (Sugar Mills Branch) Kanpur.

From Shri G. D. Shah, M/s Siddhartha Steels Ltd; Calcutta. to M/s Siddhartha Ferro Alloys Ltd; Calcutta.

Letters of Intent Revoked, Lapsed or Cancelled

(Information pertains to particular letters of intent only)

M/s Burn & Company Ltd; P. Box No. 2, Howrah, (West Bengal)—Agricultural Tractors.

M/s Abohar Cotton Company Ltd; 59, Golf Links, New Delhi.—(Uttar Pradesh)—Reclained Rubber.

M/s Vegetable Industries & Products (India) Pvt. Ltd; New Delhi.—(Delhi)—Food & Vegetabte Protein Products.

M/s Shri Ambica Machinery Manufacturers (A Division of Shri Ambica Mills Ltd.) Ahmedabad.—(Gujarat)—Petrol Engines.

M/s Northern Dairies India Ltd; 6, Panch Sheel Marg, New Delhi.—(Rajasthan)—Milk Powder.

M/s Hindustan Copper Ltd; Industry House, 10, Camac Street, Calcutta.—(Rajasthan)—Cryolite.

THE SCINDIA STEAM NAVIGATION COMPANY LIMITED

Summary of speech of Shri Krishnaraj M. D. Thackersey, Chairman, The Scindia Steam Navigation Co., Ltd., made at the 55th Annual General Meeting of the Shareholders on Wednesday, the 18th December 1974, at Patkar Hall, Bombay.

You would be pleased to observe that the Company's performance during the year under review has been very good. The Freight and charter hire earnings have risen from Rs. 54.01 crores to Rs. 65.49 crores, increasing the gross profit from Rs. 12.32 crores to Rs. 15.26 crores, leaving a record net profit of Rs. 8.21 crores as compared to Rs.6.19 crores of the last year.

The Directors have recommended a dividend of 12% on the face value of the shares i.e. Rs. 2.40 per share, this being the maximum possible dividend declarable under the Companies (Temporary Restrictions of Dividends) Act, 1974. The full dividend is subject to tax. The reserves and surplus of the Company now stand at Rs. 31.5 crores as against Rs. 26.7 crores at the end of the previous year.

The oil prices continued to rise steeply, notably between October 1973 and February 1974, shooting up abnormally the fuel cost of ships. Ships suffer undue delays not only in Indian ports but also in foreign ports, adding substantially to operational cost. Shipping being international in operation has had to bear the brunt of global inflation, resulting in the rising costs of stevedoring, labour, oil, port charges, repairs etc. which are beyond the control of shipping lines. The shipping conferences have often had to adjust the freight rates with a view to neutralising such rise in costs as much as possible.

The Company keeps in check the operational costs, ensuring economy & introducing innovations in cargo handling and ocean transportation, adopting unitisation as far as possible. In its India/U. K. Continent Service the Company provided ships to lift full loads of palletised chests of tea from Calcutta. The Company's vessels also lift palletised tea and rubber from Cochin in and rubber from Malaysian ports and singapore. Consideration is given to lift cotton piece goods in pallets.

The new ships acquird by the Company are designed to carry containers. The Company's vessels in India/U.S.A. Pacific route, have been catering to containerised traffic between Singapore, Taiwan and Hong Kong and the Pacific Coast ports since 1971/72. This facility can be extended to Indian ports as containerised traffic develops from India.

In our tramping sector, the Company's bulk carriers were fully employed, the dry cargo freight market being good throughout the year.

The Company's acquisition programme is going ahead. It took delivery of one Emden-built bulk carrier "Jalvallabh" of 53,500 DWT. One bulk carrier of 75,000 DWT is on order with M/s. Scott Lithgows Ltd., Port Glasgow, expected to be delivered in the last quarter of 1976.

The Suez Canal is likely to be re-opened for navigation before June 1975. Its reopening depends on how soon congenial political climate is created and necessary international agreements are secured. The utilization of the canal by shipping will depend upon the level at which the Suez Canal dues are fixed.

It is gratifying that our Government have tentatively fixed an ambitious shipping target of 9.64 million gross registered tons, including 1 million tons on order, to be achieved by end of the Fifth Five Year Plan. Such unprecedented expansion efforts call for elastic availability of rupee and foreign exchange resources, facilities to raise rupee and foreign exchange loans on commercially viable basis and special development-al incentives. In this context the Government's decision to discontinue the development rebate is retrograde step. Hitherto development rebate has been the one greatest incentive given to shipping and it has helped the Indian shipping industry to expand smoothly. The initial depreciation allowance proposed as an alternative to development rebate is not an adequate relief. I still feel that development rebate is the only answer to increase the tonnage and to achieve the target set in the Fifth Five Year Plan.

Drydocking and repairing facilities in India should be improved. The development of ports is very vital for efficient handling of the traffic passing through the ports. The traffic at Bombay port has outgrown the port's capacity and extensive development of the port at its present site is not feasible. Therefore, the proposed building up of a ne port at Nhava Sheva acro the Bombay harbour, wi facilities to berth deep draft vessels and to handle bu cargoes and containeris traffic has to be expedited.

I take this opportunity t thank Shri Kamalapati Tr pathi, the Minister for Shi ping and Transport whos matured guidance and couns have been of great value t the shipping industry. I woul like to record our thanks t Shri P. K. Mukherjee, til recently the Deputy Ministe for his help to Indian shipping.

I have pleasure in welcoming Shri H. M. Trivedi, wh has recently been appointe as the Minister of State fo Shipping and Transport. am sure, his rich administrative and shipping experienc and knowledge will be of grea help to the shipping industry.

Our sincere thanks are du to the Secretaries, Join Secretaries and other official in the Ministries of Transpor and Finance, the Directo General of Shipping and hi officials as well as the official of Transchart for their guidance, help and advice. I also thank the officials of the Shipping Development Fun Committee, Reserve Bank o India and other Governmen departments for their co-operation and assistance.

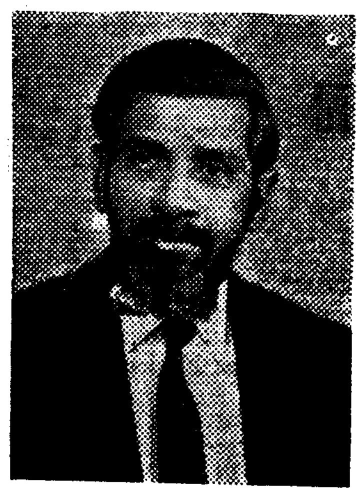
I convey our thanks to our patrons. shippers and other well wishers of the Company. I thank the Management, officers and staff, both ashore and afloat, and the agents at various ports for their service and devotion to duty.

Note ;

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

The Delhi Cloth & General Mills Co. Ltd.

Speech by Dr. Bharat Ram, Chairman, Board of Directors at the 86th Annual General Meeting of The Delhi Cloth & General Mills Co. Ltd., on December 30, 1974 at Delhi.



Dr. Bharat Ram

Ladies & Gentlemen,

While cordially welcoming you to this 86th Annual General Meeting of your Company, may I wish you all, who are present and all the shareholders, a happy and prosperous 1975.

The Directors' Report and the audited Statement of Accounts for the year ended 30th June 1974 have already been circulated. As you would have undoubtedly noted, the financial record is satisfactory; but it has not been possible to pass on the benefit to the shareholders. On the contrary, the dividend rate is considerably lower than last year, and this is so because of the Companies (Temporary Restrictions and Dividends) Act.

As per the provisions of this Act, Companies cannot pay dividends within India in excess of the distributable profits, which has been specified as one-third of the net profits of the Company for the financial year or an amount equivalent to 12% dividend on the face value of the equity shares of the company and the dividend payable on the preference shares, whichever is lower. According to Government, this restriction on dividends along with the Additional Emoluments (Compulsory Deposit) Act 1974 and the Compulsory Deposit Scheme (Incometax-payers) Act 1974 constituted a package to fight inflation.

I feel that the Companies (Temporary Restrictions and Dividends) Act could have been conceived in a more imaginative fashion. The provisions of this Act do not freeze dividends, but in fact result in the reduction of dividend payment. It is, therefore, not comparable with Additional Emoluments (Compulsory Deposit) Act, which impounds additional payments, but does not prohibit such payments being made. While the minimum dividend sum involved is estimated at only Rs 50 crore and is not likely to have an excessive influence on the demand factor, its impact on investment sentiment has been disastrous. Even the stated objective of Government could have been secured if Companies were allowed to pay dividends, as before the Act, but dividend in excess of that permitted by the present Act was to be compulsorily deposited in the company and made payable with adequate interest, say, 2½% over and above the Bank rate, after a period of two years. This would have given the shareholderst the satisfaction of having earned the dividends, and what is more important it would not have had a depressing influence on the new issue market. Similarly, the measure of credit squeeze was imposed rather illogically as it froze the borrowings of companies as on a particular date viz. October 31, 1973. The result of this has been that those companies who had managed their affairs well on that particular date, suffered most. In addition, those companies who had large seasonal requirements like Textiles, Vanaspati & Sugar, were put to great difficulties.

The high rate of inflation which has overtaken both the developed and developing countries during the last two to three years has provoked policy-makers in devising new forms of controls and regulations, which may help to stabilise the price level or at least minimise its rate of increase. Price-Incomes policy had in a way become a fashionable concept in many countries in the Western Europe, North America and lately in Latin America and even Africa. In reality, however, it did not prove to be a success.

In our own country, we have had the unhappy experience of price controls. These controls have been imposed for years now, mostly on commodities which are essential and where the supply is shorter than demand. We have seen how the very existence of such controls has discouraged investments and how even public financial institutions hesitate to extend loans if the prices are not remunerative. The consequence has been that in the very industries where supplies were required to be augmented, shortage conditions got perpetuated and aggravated.

Let us see why at all we in our country have got into an inflationary situation. It would be well to remember that inflationary pressures had developed even before the hike in oil prices. Whatever may be the causes for inflation in other countries, in India the fall in foodgrains production which is the principal item of mass consumption, was the starting point. The marketable surplus of foodgrains available for urban consumption shrinks in a greater proportion than the fall in production, because the farmers more or less maintain their level of consumption. Thus, even a small reduction in production tends to have a disproportionate impact on price levels. The same or similar kind of effect is produced by reduction in the production of other agricultural commodities like cotton, sugarcane, oilseeds, etc. The agro-based industries constitute the most important segment in our national economy, and their health or otherwise influences the price level of the products which are consumed by the common man. The increase in the prices of these commodities together with that of foodgrains leads to a rise in wage rates, the link being provided by dearness allowance. The demand-pull inflation which starts in the agricultural sector multiplies itself as it spreads into a cost-push inflation in other sectors.

In my view there are two principal reasons as to why agricultural production has not kept pace with the requirements. Firstly, the failure of monsoons in succession. Secondly and more important, it is because we have not given enough attention to the development of agriculture and the need to free ourselves from the vagaries of monsoon. The level of investment in agricultural development has been inadequate. The agricultural sector, which produces one-half of the national output was allotted less than one-fifth of the total Plan outlay in the Fourth Plan and less than one-sixth in the Second and Third Plans. The result is that we are exposed to floods and droughts, and are short of fertilizers, pesticides, electric power and a host of other inputs which contribute to production and productivity.

Other essential articles like cement, paper, which are in short supply are due to the wrong policies followed by Government both in respect of fixing prices at unremunerative levels and virtually discouraging people who are in a position to go ahead with expansion plans. The situation is particularly sad and tragic because in these industries we could have easily expanded production with domestic resources, and there was no question of importing either foreign capital or know-how.

Over the years the shortages in wage goods industries as much as in certain basic industries and in infrastructural facilities have occurred, primarily because management of both public and private sector undertakings is never allowed a free hand. While the former is hamstrung by bureaucratic regulations, the latter is subjected to an unbelievable mix of ideology and regulations in detail with the result that the overall major objective of speeding up economic growth has not been achieved.

We are thus faced today with a critical situation where two opposite forces are at work. On the one hand, the back of inflation has not yet been broken, and on the other there seems to be a beginning in the decline of economic activity, which may develop into a recession. I personally feel that the anti-inflationary measures adopted by Government were necessary, even though they have caused some difficulties. The question is as to how long Government should stick to these measures, and whether some adjustments have to be made, if only to ensure that the measures do not become counter-productive and result in creating new problems like wide-spread unemployment, which would be very dangerous. When dealing with two contrary trends, a delicate balance has necessarily to be struck. Stability and growth represent two sides of the same coin. One cannot be pursued at the expense of the other. This is neither possible, nor desirable. What is called for is the reorientation of policy on the principle that economy lies not so much in reducing expenditure, but in making wise expenditure decisions. It is, therefore, necessary in my opinion that while retaining a certain amount of control over credit, the Government must at the same time encourage investment in industries. Even the latest report of the Reserve Bank of India on Currency and Finance has pointed out that — "the problem of price inflation is also to be attributed in a wider context, to the long-term factors of low investment and low production". To achieve the maximum benefit out of investment, priorities for investment must be in agro-based industries and wage-goods industries. The other important field of investment must be in power, because the country has lost a good deal of production due to the existing capacities not being fully utilised because of power shortage.

If our country is now passing through a phase of unrest, the economic situation is largely responsible for it. This unrest is taking quite a few forms and is even manifest in Parliament and in some State Assemblies also. None of the unhappy events are isolated incidents, but all are connected like the links of a chain. Just as sedatives can temporarily relieve pain, but cannot cure the disease, the problems in our country have to be squarely met, instead of taking *ad hoc* measures and living in the hope that a good monsoon will do the trick.

I should, however, not be mistaken to be a pessimist. The problem of inflation cannot be solved merely by intellectual analysis or an intellectual answer. It requires a disciplining of thinking and behaviour on the part of all economic and political groups. There is need for everyone of us doing a bit more than what we are doing now, so that the availabilities are increased and the long-term objectives which we have set for ourselves and for the nation are not thwarted.

Let me conclude by thanking each and every worker and all members of the staff for the contribution they have made to the successful operation of the Company during last year. It is my trust and hope that the Company will prosper further with their continued support.

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

SAKTHI SUGARS LIMITED

Regd. Office :
8/28, Race Course Road,
Coimbatore-641018

Factory :
Sakthinagar, Appakudal,
Coimbatore Dt.

Text of speech by Thiru N. Mahalingam, B.Sc., F.I.E., Chairman, Sakthi Sugars Limited, delivered at the 13th Annual General Meeting held on 23rd December, 1974.

I welcome you all to the 13th Annual General Meeting of your Company which marks the end of a successful decade of operations and the beginning of a new era of further dynamic expansion. The Annual report and the accounts for the year ended June 30, 1974 have been with you for some time and I shall take them as read.

Working Results

Regarding the performance of your company I would like to point out that Sakthi Sugars has again succeeded in increa-

Thiru N. Mahalingam

sing the quantity of cane crushed to 8.13 lakh tonnes from 6.88 lakh tonnes in 1972-73 which is a new record for your factory. There were no doubt delays in deliveries by machinery suppliers and hence the programme could be completed only by the end of April, this year, instead of February as scheduled resulting in some inconvenience to the ryots in the matter of cane crush because the crushing operations could not be maintained at the level visualised earlier. While regretting the delay in crushing we are happy to state that in regard to the quantity of cane crushed, your factory is the third largest for any sugar mill in the country and for sugar production the second largest for any single unit in 1973-74. I am glad to say that the newly erected plant and machinery are functioning satisfactorily and their efficiency have been fully established after some teething trouble with the crushing rate being currently of rated capacity.

The output of sugar at 67,776 tonnes against 59,972 tonnes in 1972-73 is nearly double that of any other sugar mill in Tamil Nadu and Sakthi Sugars is the first factory in this State to achieve a capacity of 4000 tonnes daily. The net profit before depreciation and taxation for 1973-1974 has recorded a big rise to Rs. 104.72 lakhs from Rs. 74.99 lakhs in the previous year inspite of higher interest charges, a bigger wage bill, and higher cost of cane.

The amount set aside for depreciation is Rs. 46.99 lakh (Rs. 34.66 lakhs) and Development rebate Rs. 32.67 lakhs (Rs. 7.15 lakhs). With a large claim towards depreciation and development rebate, there is no liability for taxation. A provision of Rs. 9 lakhs was made on this account on the last occasion. The allocation to preference share redemption reserve is Rs. 50,000 (same) and dividend reserve Rs. 18.45 lakhs (Rs. 22.50 lakhs). Your Directors have recommended the payment of a dividend of 12% taxable on equity capital, as against 15% taxable previously, because of the restrictions recently imposed by the Government on the distribution of profits. The expeditious implementation of the expansion scheme of the sugar mill and the diversification of the output of the distillery, have been responsible for the big increase in the cost of gross fixed assets to Rs. 958.58 lakhs at the end of 1973-74 from Rs. 567.55 lakhs on June 30, 1973 and in not fixed assets too Rs. 752.45 lakhs from Rs. 408.34 lakhs. The heavy capital outlay of Rs. 391.93 lakhs in plant and machinery. labour colony and other facilities is an eloquent testimony to the meticulous planning of the implementation of the expansion programme and allied projects. You will be proud to know that the capital outlay in 1973-74 represents hereby 41% of the total investment incurred by Sakthi Sugars in fixed assets in a decade and the full benefit of the newly created facilities will be derived in the current and coming years.

Distillery

The distillery too functioned efficiently with the output of rectified spirit rising to 12.99 million litres from 9.29 million litres. But the prices realised were not quite remunerative and there could therefore not be any significant increase in total earnings. The position in this regard has changed significantly latterly and the distillery will be stepping up further its output and its earnings substantially in 1974-75, not withstanding the slight dislocation caused by an accumulation of stocks of alcohol following the re-introduction of prohibition in Tamil Nadu, from the beginning of September. I am happy to inform you that there is now a good offtake of alcohol with the needy industrial consumers in the neighbouring States gobbling up available supplies. The prospects for the current year should therefore be considered quite promising.

Prospects for 1974-75:

The 1974-75 crushing season will stand out as an outstanding landmark in the history of the sugar industry at a time when the Government is straining every nerve to maximise foreign exchange earnings with a stepping up of exports in order to meet the heavy cost of imports of foodgrains, crude oil and allied products. The exports during 1973-74 was only of the order of 4 lakh tonnes and for 1974-75 the exact quantum of export has not yet been decided. The international price of sugar has been increasing sharply from 100£ per tonne to 700£ and it is possible to sell even 10 lakh tonnes of sugar annually for the next three years if the Government of India can conclude forward sales for even three years at an agreed price.

It is rather surprising that the policy of the Union Government this year is not properly tuned towards increased production. The cost of cultivation to the ryot has increased phenomenally due to the escalation in the prices of diesel oil, electricity, fertilizers, as well as due to higher labour charges. Consequently, the net earnings of the farmer has fallen very much had the general tendency is to go in for paddy in the place of cane as paddy now gives a higher return per acre to the grower. Your directors considered this matter and requested the Union Food Minister and the Sugar Directorate, several months ago to fix a minimum price of Rs. 125/- per tonne of cane for a recovery of 8.5%. However, the suggestion has not been accepted and the Government have only fixed a price of Rs. 85 per tonne of cane for a recovery of 8.5%.

The levy sugar price fixed at Rs. 2.15 per kg. is still sought to be maintained at a low level when the price of rice has almost doubled in the last six months. On the basis of a minimum price of Rs. 85 per tonne for a basic recovery of 8.5% the statutory price for your factory works out to Rs. 94 per tonne. However, your directors have thought it fit to start the season by giving a price of Rs. 110 per tonne.

I am convinced that unless a suitable forward looking policy is evolved and a price of Rs. 125 per tonne of cane for a basic recovery of 8.5% for 1975-76 is announced early, planting of the required scale may not take place and there may even be a decline in the area under cane. I would even say that the all-India production of sugar for 1975-76 may fall sharply to 32 lakh tonnes if an immediate decision on the lines indicated above is not taken.

In regard to excise duty rebate I welcome the present scheme of full excise duty rebate in October and November. However, I feel that a more liberalised approach is essential to make the factories crush even in the low recovery months of June and July so that more sugar can be produced.

Tamil Nadu:

The achievement of sugar producers in the private and co-operative sectors has been highly creditable and it is no exaggeration to say that even the marginal increase in production in 1973-74 to 39.5 lakh tonnes for all-India from 38.72 lakh tonnes in 1972-73 would not have been possible but for the jump in the output of Tamil Nadu by 1.32 lakh tonnes to a new peak of 4.66 lakh tonnes. Inspite of the difficulties relating to the availability of cane and the dissatisfaction expressed by the growers over the policy of the Government in regard to the fixation of the cane prices, the production of sugar mills in Tamil Nadu in 1974-75 is likely to be further higher at 5 lakh tonnes on account of good planting done in 1973-74 even though all-India output is placed at not more than 38 lahh tonnes. This tempo of development can be sustained only if the private sector is also allowed to play its due role.

As Tamil Nadu is a surplus State we have to sell our sugar in Calcutta and other North Indian Markets for which a transport charge of Rs. 18 to Rs. 20 per quintal has to be incurred. Due to this factor, the free market realization of the South Indian Sugar Mills when compared to those of the North is lower by about Rs. 20 per quintal. It will be an effective incentive if the Tamil Nadu Government can give some concession in the purchase tax atleast in respect of the sugar sold in the North Indian Markets.

Your Directors are fully aware of the new opportunities available to the industry and Sakthi Sugars has succeeded already in developing a large-sized complex. With the completion of the 4000 tonne programme, it is possible to maximise crushing operations during the peak of the season and improve the recovery of sugar. Hence, your Directors feel that in the current year your factory has to concentrate on improving this efficiency of the existing plant and machinery so that the management can be in a position to implement expansion to 5000 tonnes easily. The intention presently is to avoid crushing in the hot season when maximum recovery can be secured.

Furfural Project:

The preliminary work connected with a project for manufacturing furfural with foreign technical know-how, is being done and the details of this big project will be placed before you for consideration at the appropriate stage. You will readily agree that all these activities will result in the development of a huge integrated complex in the Sakthi Nagar area and lead to the effective use of the by-products.

Labour Management Relation:

I am indeed very happy to state that during the period under review the workers and the staff gave unstinted co-operation to the management and enabled the factory to function for 332 days without trouble of any kind. Your Directors have nothing but warm appreciation for the staff and workers of the factory for their enthusiastic and voluntary co-operation in all the affairs of the Company. Therefore, in the matter of distribution of bonus to the workers they were very responsive to the expectations of employees and sanctioned a bonus of 8.33% an exgratia payment of 16.67% and a production incentive of 15%.

Welfare Measures:

The Voluntary Health Services Scheme sponsored by your Company, during the last year, has been held up because of rejection of the claim for subsidy from the Centrel Government. However, we are negotiating with the State Government to complete the project on a 50-50 basis and we hope to succeed in our endeavours.

The labour colony consisting of 120 houses built at a cost of Rs. 17 lakhs under the subsidised Industrial Labour Housing Scheme, of the Government of India was declared open by the Hon'ble Chief Minister Dr. Kalaignar Karunanidhi. There is a proposal for constructing another labour colony of 120 houses in the near future.

Note :

This does not purport to be a record of the Proceedings of the Annual General Meeting.

RECORDS AND STATISTICS

Energy : its demand and supply

A CONFERENCE on Energy was held under the auspicious of the Federation of Indian Chambers of Commerce and Industry in New Delhi on December 18, 1974. The text of the background paper prepared by the FICCI and presented at the Conference is given below :

I

Demand and Supply

Energy is required for various purposes like lighting, heating, cooking, running machinery, generating electric power, etc. The primitive sources of energy are firewood and vegetable waste. There are a few other basic sources of primary energy like coal, oil and water power. Electric power generated from steam, oil and water power is another important derived source of energy since industrialisation. During the past decade or two nuclear source of energy has also made its appearance not only in developed countries but also in developing countries like India as well.

The source of energy in India has been traditionally non-commercial fuels like firewood, dung and vegetable waste, which accounted for more than two-third of the total energy supplied in the beginning of the Plan period. Planned economic development has however been changing the situation in India gradually so that by 1970-71 commercial sources of energy like coal, oil and electricity accounted for slightly more than half the total supply of energy. In 1970-71, 51 million tonnes of coal were consumed (apart from coal consumed for power generation) in addition to 15.3 milllon tonnes of oil and 48 billion units (kWh) of electricity. The comparative shares works out as given below.

The shift in the consumption of energy from non-commercial to commercial sources has been observed all the world over. In 1925, the total world consumption of solid fuels was 83 per cent as against 13.3 per cent for liquid fuels, 3.2 percent for natural gas and 0.7 percent for hydro-electricity. By 1968 the share of solid fuels was brought down to 36.7 percent whereas that of liquid fuels was up to 42.8 percent, that of natural gas up to 18.3 per cent and that of hydro-electricity up to 2.1 percent. The replacement of solid fuels like coal by petroleum products was particularly prominent in North America and Europe. The chief incentive for this came from the boosting of world supplies of crude oil from new sources in the USA, the Middle East, and the USSR

Growth in Demand for Energy

In India, the demand for energy has been rapidly expanding since the beginning of planning. The total energy consumption in two decades of planning has more than doubled. There has been more rapid increase in the consumption of some forms of energy than others. While coal consumption has increased from about 28 million tonnes to 51 million tonnes between 1953-54 and 1970-71, consumption of oil has increased from three million tonnes to 15 million tonnes and that of electricity from seven million units to 48 million units. There has been further growth in later years. The annual increase in demand for electric power has been as much as 15-20 per cent in some of the States. 10 percent of the electricity are now supplied to villages. In some of the states such as Punjab, Tamil Nadu, Andhra Pradesh, nearly a quarter of their power output is used for agricultural operations. 1.5 lakh villages have been slectrified and 23 lakhs pumping sets have been set up in the villages. Besides, there is a large suppressed demand for electric power in many parts of the country because of the non-availability of power.

The demand for petroleum has been increasing at about 9.4 percent per annum, and given a greater supply of oil the quantum of demand for oil is likely to come out more explicitly. It has been estimated that by 1978-79 consumption of electricity is likely to go up to 125 billion units from about 56 million unit[s in] 1970-71; Oil consumption energy requirements are [...]d to be 27.2 million to[nnes] besides another 9-10 mil[lion] tonnes of non-energy requ[ire]ments for oil. There has be[en] similar increases in the demand for coal which is likely to go more rapidly up in view of the pressing demand for substitution of oil by coal in view of the oil crisis. The demand by the end of the fifth Plan is put at 165 million tonnes although there is a programme only for 135 million tonnes of coal production. The table below gives the anticipated growth in demand.

Demand Estimates

—These demand estimates are projected on the basis of certain assessments and foreeasts regarding shift in technology in different sectors of the economy and the consequent impact on consumption of different types of fuels. The relative cost of different fuels have also been taken into account in projecting these demands by the Fuel Policy Committee in their interim report in May, 1972.

—The growth of demand in these projections is no

Total Supply of Fuels (in per cent)

	1953-54	1970-71
Commercial Fuels		
Coal	15.43	13.64
Oil	12.80	25.80
Electricity	4.09	12.92
Total	32.32	52.36
Non-commercial Fuels		
Firewood	44.19	30.97
Dung	10.00	7.14
Vegetable waste	13.49	9.53
Total	67.68	47.64
Grand Total	100.00	100.00

Anticipated Growth in Demand

Unit	1978-79	1980-81
Coal (mil. tonnes)	164.5*	190.5*
Oil (mil. tonnes)	36.95	42.95
Electricity (billion kWh)	125.00	150.00

*including requirements of electricity generation of 56.5 mil. tonnes and 66.0 mil. tonnes respectively.

doubt postulated to be very high. The rates of growth postulated between 1970 and 1980 are about 30 per cent per year or more as against an estimated increase in world demand at 5.5 per cent between 1970 and 1980, 8.7 per cent increase in the Far East and 5-6 per cent increase in the advanced countries. Whether such a growth rate can be sustained during this period is, of course, another pertinent question.

Per capita Consumption of Energy

—But the per capita consumption in India is undoubtedly very low which needs to be increased by all efforts. It increased from about 492 Kgs. of coal equivalent in 1953-54 to about 694 Kgs. of coal equivalent in 1953-54 to about 694 Kgs. of coal equivalent by 1970-71. Against this, the world average of per capita energy consumption in 1968 was 1810 Kgs. and that in advanced countries was well above 3,000 Kg., the USA's consumption being more than 10,000 Kg. of coal equivalent. While there is a high positive correlation between energy consumption and Gross National Product observed from data regarding various countries, the ratio of energy growth to the GNP growth rate shows wide variations among different countries and also over time as shown by extensive data by experts like J. Darmstadter. However, the need for increasing energy consumption in India cannot be over-emphasised.

—The growth in the requirements of energy has to be set against the existing reserves of different kinds of fuels. In western countries, the change over to commercial fuels, particularly liquid fuels, has brough the current rate of consumption at a fantastically high level. But the centres of energy consumption particularly oil fuels are not necessarily the sources of crude oil. Thus, the USA produced about 500 million tonnes of crude oil per year against the annual consumption of about 750 million tonnes of refined oil products requiring an import of about 250 million tonnes per year. The sources of liquid fuels which have increased in recent decade are generally located away from the centres of intensive energy consumption resulting in the sharp imbalance between demand and supply. Western Europe consumes about 700 million tonnes of refined products, but produces only 60 million tonnes; Japan consumes 37 million tonnes of oil products against an almost negligible crude production at 0.7 million tonnes. It has been said that the current rate of the fantastically high level of consumption in the USA will exhaust its own oil resources by 11 years's time and the world resources by twenty years. The growth of future demand in India must, therefore, be studied against the existing reserves of different fuels.

Energy Reserves

—The total coal reserves are placed at somewhat above 110 billion tonnes. Of this, coking coal reserves are about 20 per cent which is considered to be sufficient to meet the growing requirements of the metallurgical industries for a period of 40-50 years; the reserves of non-coking coal that have been categorised so far are likely to last for about 200 years. Of the hydel resources only about 16-20 per cent have been developed or are under development. It has been estimated that during the next two or three decades it would be possible to instal about 80-100 million kW of hydel capacity on the basis of our river system. Oil reserves at about 140-150 million tonnes can last for about 20 years at the current rate of production, and only for 12 years at the projected rate in 1978-79.

—One of the assumptions of the projected demand for fuel by the Fuel Policy Committee was an oil price of $5 per barrel. This was probably not unrealistic in 1972 when the projections were made. The price of Arabian crude was $1.98 and $1.30 in 1970. But the oil prices started rising in view of the evident desire of the oil producing countries to make the most out of their existing assets, and the prices started rising. In mid-October, 1973, the oil price was $3 per barrel. But thereafter, it started to increase sharply coming to about $12 per barrel at present.

—A new dimension has thus been added to the energy supply situation by the sharp increase in prices of crude oil from abroad. The import bill has increased from about Rs. 144 crores in 1972 to Rs. 242 crores in 1973. Since the price increase has been four times since then, to maintain a supply of crude at the 1973 level of 13.4 million tonnes would increase the import cost by four times. If the throughput required for the refinery programme during the fifth Plan is to be applied, the import bill for oil products in the fifth Plan is likely to go up, as estimated by the Fuel Policy Committee, from Rs 3000 crores given in the Plan to about Rs. 9000 crores. The total provision for all imports in the fifth Plan has been specified at Rs 14,100 crores. Thus, it is simply impossible to meet the import bill for oil products in the fifth Plan at the current oil prices.

—Moreover, the economics of using oil as against alternative fuel like coal has undergone a fundamental transformation due to this price increase. At $12 a barrel for oil and Rs 60 per tonne of coal, the relative price of coal and oil has become nearly 1:11 as against a relative heat value of 1:2. This basic change in the economics of using oil due to steep increase in prices of imported oil has more than offset the various advantages claimed for oil in respect of conveyance, cost of transport, storage and efficiency of utilisation. This is the crux of the energy crisis today.

National Energy Policy

—The limited resources against the growing demand for various forms of energy in the face of economic development underlines the need for evolving a national energy policy and planning the development of various forms of energy uses and resources on an integrated basis. According to the Chairman of the Fuel Policy Committee, it would be unrealistic to be scared at the high international oil prices and start re-assessing the energy plan on that basis. This is because there are possibilities of producing oil at very low cost given the time to explore and develop oil fields. It is significant to note that current oil prices are roughly 70 times the marginal cost of production in the Gulf Countries according to London *Economist*. Energy planning therefore will consist largely in re-apprising the situation and investment possibilities at alternative price levels and accept for immediate implementation those projects whose essentiality is not dependent on large price changes.

Suggestions for Substitution, Conservation, Efficiency, etc.

—One of the objectives of a national energy policy must be the conservation and maximum effective utilisation of commercial energy resources. Other important objectives are substitution of one fuel by another on techno-economic considerations and improving the efficiency of various fuel uses in appliances. Many suggestions in this regard have been made by the Fuel Policy Committee in its interim report and others concerned. More important among these are as follows:

(i) The basic premise for a future energy policy will be the adoption of coal as the chief primary source of energy. This is dictated chiefly by the comparatively large coal reserves which are known to be available.

(ii) Oil exploration in India has to be given top priority, particularly in the off-shore areas and selected on-shore regions. The capabilities of the ONGC to conduct exploration should be augmented by providing them with all the technical facilities, trained personnel and modern equipment. This is to be supplemented by exploring the scope for increasing the oil supply through joint ventures in OPEC countries. Advantage should be taken of the complementarities, if any in resource endowments of India and the OPEC countries through bilateral negotiations. In fact, all policies in respect of oil should be geared to the international oil situation with the specific objective of reducing the quantity of oil products to be imported, minimising the total foreign exchange expenditure and ensuring a stable supply of crude and refined oil products.

The scope for substituting one fuel by another should be fully explored. This is mainly to conserve the limited supply of oil available.

) New fertilizer projects should be designed to make use of coal as the feedstock rather than naphtha. This is because the supply of light distillates like naphtha is likely to be in short supply in coming years.

) Fuel oil is an important raw material for the production of high cost petroleum products (such as lubes, bitumen, petroleum coke and wax) with considerable export potential or which can serve as import substitutes. The Fuel Policy Committee is understood to have recommended a complete prohibition of licensing of new industries on the basis of fuel oil and substitution by coal. A selective approach will, however, be preferable. Coal dumps in industrial centres have been suggested as immediate steps for ensuring the supply of fuel to industries which would be based on coal in place of fuel oil. The Fuel Policy Committee has also recommended limitations on the demand for high speed diesel oil through substitution of long distance movement by rail transport instead of road transport. A Sub-Committee on Substitution of Fuel Oil by Coal is already conducting exercises to assess substitution possibilities in consultation with concerned industries, their ciations, the governments, producers and railways.

(c) Light diesel oil is us in pump sets for lifti water for agricultur purposes, even in som electrified villages

Such pump sets should be quickly changed over to electric power. Moreover, in certain, areas in Gujarat, UP Maharashtra, diesel pumps are used in a geographically compact area. There should be speedy electrification of selected villages in such areas in order to energise the pumps with electricity for saving of diesel oil.

(d) The scope for reduction in consumption of fuel oil is the highest wherever it is used for raising heat, as for power generation and in industrial furnaces. By 1978-79 nearly 3·4 million tonnes of fuel oil can be saved by converting industrial and power generation boilers to the use of coal. The quantity of fuel oil thus released could be used to produce middle distillates by secondary processing such as hydro-cracking of catalytic-cracking. This, it is claimed, would save a quantity of seven million tonnes of crude oil imports and will lead to a substantial saving in foreign exchange.

(e) At the current level of international oil prices all the uses of oil except those in the transport sector can be economically substituted for by coal or coal-based energy forms. For example, in the households the use of kerosene for lighting can be replaced by electricity: the use for kerosene for cooking can be replaced by cooking gas in densely populated urban areas and by soft coke in small towns and some rural areas; in industry for all heating requirements coal is preferable to oil; for lifting water the use of electricity becomes more economic; in the case of transport the movement of bulk commodities over long distances by rail is preferable to road movement.

(f) The recent exploration in land and off-shore and the discovery of substantial quantities of natural gas indicate that production of fertilizers, methanol and other chemicals could in future be based more economically on natural gas.

(g) Further research and development in appliances such as battery-powered vehicles and fuel cell technology will enable substitution of oil in light vehicle as well as immobile small cells for use in remote villages.

(iv) It is also necessary to conserve the different forms of energy by making available their supplies in the first instance to consumption for essential purposes. Car manufacturers could be requested to improve the efficiency of fuel consumption of the engines to the maximum, as is being thought of in some western countries and suggested by the National Productivity Council. Urban mass transportation should be the objective in place of personal transportation in passenger cars. There is a very high excise duty on automobiles which acts as a curb on the use of motor cars for personal use. To what extent it should be reduced to encourage mass transportation is a pertinent question. If necessary, the measures can be enforced through suitable regulation or by legislation even.

(v) Various measures to improve the efficiency of fuel uses should be taken urgently.

(a) The efficiencies of the machinery, equipment and appliances should also be increased as for as is practicable from techno-economic considerations.

(b) The Fuel Policy Committee seems to have recommended that a National Fuel Efficiency Service should be instituted as early as possible. This should have centres at various regions and at various industry levels and should be provided with sufficient authority to ensure the right kind of fuel and the optimum level of efficiency as recommended on technical studies.

(c) Steps should be taken to modify or improve the design of the indigenous thermal equipment with the specific objective of reducing the requirements of oil.

(d) There is need for a long term concentrated effort on research and development directed towards seeking and wherever possible, providing alternative and cheaper sources of energy. The Fuel Policy Committee has recommended the under taking of R & D work on coal gassification and pipeline transport of gas. Work for the development of battery powered light vehicle should also be taken up. There is also need for developing techniques by which energy could be generated on a relatively small scale near the actual places of consumption. When fuel cell technology is well developed, it should be possible to use small cells in remote villages.

(vi) The success of various measures for substitution and conservation of energy will largely depend on the cooperatio of all concerned lik technologists, the peopl and the governmen agencies enforcing thes measures. It has to b realised that the cost o creating additional powe capacity is currently larg considering the additional expenditure require for the development o coal and oil sources Its impact on poo countries like India i severe.

India occupies a special position in thi respect in view of th wide dispersal of its eno mous population ove lakhs of villages. Th cost of distribution o electricity required fo economic developmen of our rural areas woul therefore involve gigan tic expenditure an effort. The oil crisi with the four-fold in crease in prices of im ported oil has greatl aggravated this proble for India which has t be faced with the mos seriousness of purpos and concerted effort fo correct direction in ord to avoid all wastes an adopt the substitutio dictated on techno-econo mic grounds. For th purpose, the organisa tional set up needs t be re-vitalised. Th pooling of functions i the new ministry Energy is a step in t right direction. It is al required to review t energy position period cally. Moreover, the should be regional ener policies which should integrated into a nation policy.

Alternative Sources of Energy

—The potentialities of a ditional and alternative sourc of energy are well-known mankind for many yea Apart from the discoveries new sources of oil and co the sun, the wind, and tid are natural sources of powe Solar energy has great pote tials particularly in countri such as India which gets continuous sunshine for a major part of the year. No doubt, it is being currently used by some industrial unit as in the case of preparation of salt by Tata Chemicals and others. Wind driven generators and devices have a role to play in the future supply of energy and significant developments are taking place or are known to have taken place in advanced countries. But the impact is likely to be small. Building dams to harness the tides is expensive and is applicable, according to experts, only in a few spots where the tides rise and fall enough to make such projects economical. Wider uses of such devices can be expected only after sufficient technical progress has been made in this direction and the long range of transmission of power becomes more efficient.

Thermal Power

—Geo-thermal power is known to be an ideal source because it is clean and its fuel constantly renews itself as in the case of hydro-electric power. These are however relatively few places in the world hot springs bubble to the surface, or can be tapped with the conventional drilling methods. Experiments however are going on in the advanced countries, with imaginative schemes which, if successful, will make geothermal power available to mankind.

—Squeezing oil from tar sands and oil shales are technically feasible and often provide an important source of energy. It appears that China has recently adopted some methods to increase oil production from these sources; in China, crude oil production has increased from 30 million tonnes to 50 million tonnes between 1972 and 1973, and it is known that this is inclusive of oil extracted from coal and shale. Technical Research should be diverted more towards this end.

—Coal gassification is another source of additional energy. This is produced in a form similar to natural gas and has technical possibilities of using in car engines. It would however, be more useful in substituting oil.

—Nuclear power seems to be the best hope for solving future energy requirements of the world. Its development is however beset with many problems as actually observed in fission reactors. These problems relate to safety and environmental devices which, it is feared by experts, may never be perfected, in the so-called fast breeders. As regard fusion reactors there are conflicting views as to whether electricity can be produced by this means at all, in view of the fundamental problem of controlling very high temperature so far unknown to man. It is however known that if fusion reactors ultimately prove feasible, as is reported from the break-throughs achieved in USSR and the USA, unlimited source of power would be available to mankind. Perhaps this is a far cry in India today.

—The alternative sources of fuel require considerable research effort for proper development. Whether India can afford the expenses for such research effort is doubtful. There should however be attempts by our technical people, even though limited by funds and technical know-how.

Price Policy

—There should be a rational price policy in the energy sector. The price fixed for any fuel such as coal, oil or electricity should enable the industry to earn a return of 10 per cent on the investment made. Differential pricing might be adopted in cases of coal of different qualities which should reflect the value of specific quality supplied to the consumers. The producer price of crude produced in India should be atleast equal to the long term cost of producing crude in India and the difference from the international price should be collected by government as tax. This is in effect to provide the refineries with crude at international prices.

—The general questions before the conference on the subject of demand and supply of total energy are the following:

—Is the current pattern of demand for different forms of energy as revealed by the consumption data economic? Should coal form the mainstay of our energy supply in the near futur? If so, to what extext can coal be substituted for oil on techno-economic grounds? How far it is advisable and fesaible to shift the consumption of heavy stock oil to light distillates? To what extent can the pace of substitution of coal for oil products be accelerated?

What suggestions can be made for more conservation of scarce fuels—not the use of coking coal limited to metallurgical purposes only? To what extent a non-essential uses of oil and the level of comfort based on current use of oil pr- products can be curbed in the democratic country like India? Is legislation required for the purpose, and if so, at what stage and in which areas and to what extent?

—To what extent efficiency of appliances including machinery can be improved for conservation of scarce fuels? Should not more publicity for efficiency suggestions of the NPC be given? To what extent efficiency of different machinery and appliances using fuel be standardised? How to implement the suggestions for wider acceptance?

II

Problems of Different Types of Fuel

Coal

—Coal is by far the world's most abundant energy resource In our country too, more than half of the energy is generated by coal in one form or the other. This primary fuel has one of the highest forward linkage effects having a direct or indirect bearing on the growth of almost all the industrial activity. Basic industries such as iron and steel depend on coal; more than half of power generation is coal-based: the railway are one of the major consumers of coal anc struction industries su bricks and cement r coal. Hence the unintrr and adequate supply of important primary fuel Is disputed.

Additional Resources

The discovery and develop ment of massive additiona resources in the Middle Easter and North Africa from the 1950s led to a ready availability of cheap oil supply and a gradual erosion in the market for coal which continued till the present time. In our countary as well more and more reliance was placed on oil as compared to coal. The railways, one of the major consumers of coal went ahead with their dieselisation of tractions and the demand for coal slumped in the 1960s. Industrial use of oil was also on the increase. However, with the recent development in the international oil front, it is becoming clear both from short and long term point of view, coal must be taken as the major primary source to meet the energy requirements.

The national coal reserves are estimated at present at about 111 billion tonnes. This figure may go up when the reserves of the exploratory work are known. We have, therefore, subsantial reserves of this primary fuel.

Our problems of coal is, therefore, related more to the anticipated increase in its demand, particularly in view of substituiion of oil, and the consequent need to increase its production and to facilitate its transportation. The coal industries position has to be considered in the context of the current supply situation and its requirements in the Fifth and successive Plan periods. The current produc- of coal in the country is around 81 million tonnes including lignite. The requirements of coal by the end of the fifth Plan have been assessed at 165 million tonnes although a target of 135 million tonnes has been set.

The order of increased projects is quite large. Looked at in the context of shortfalls in the achievement of target in the third and fourth Plans, this will call for massive organizational efforts and investment. Much of additional demand will come from the electric power and the steel sectors. For this suitable advance action is called for. The current national production of coal is around 81 million tonnes; the target for 1974-75 is 88 million tonnes which has been recently scaled down from 95 million tonnes. It is unlikely that the production target will be achieved.

Coal Crisis

—The country has been facing unprecedented coal crisis for the last two years. Steel plants, railways, power houses cement factories, textile mills tea gardens and others including domestic consumers are facing shortages of coal. Several trains have been cancelled in different railway zones due to scarcity of coal.

—Another problem related to the deterioration in quality of coal produced. India's reserves are largely of inferior qualities. Besides, coal supply to consumers is mixed with shales stones and other foreign materials. This increases coal consumption in factories and damages the boilers.

If coal is to play the role of the primary source of source energy in the country. it is essential to prepare well in advance a earefully planned perspectives of coal production. The inferior quality coal in the country further underlines the need for suitable action for exploitation of the known reserves under a well-coordinated plan. The development of washeries is an essential part of coal production. Power supply to collieries and washries should be maintained at an adequate and uniform level and suitable steps taken for an uninterrupted supply.

As the coking coal reserves are likely to get exhausted in about 40 years' time efforts need to be taken now for the conservation of coking coal. Its use for non-metallurgical purposes should be severely restricted and, if necessary, controlled by legislation.

The requirements of coal for industries is likely to rise steeply in the next two decadesto about five times the current level, particularly in view of the need for restricting the use of oil in boilers. Location of industries in future years has, therefore, to be carefully planned, which have to be dovetailed into the Plan for coal production and transport. In order to ensure a steady uninterrupted supply of coal to industrial consumers which will be asked to depend more on coal, coal dumps will have to be set up in major industrial centres and regions.

—Separate plans for development of coal mines near Haldia and Pradeep for export to Burma, Bangladesh and Pacific areas without affecting domestic supply have been proposed by the Fuel Policy Committee.

—Research studies should be conducted for studying the feasibility of transportation of coal by pipelines for superthermal power stations of 1000 MW capacity or more.

—The Fuel Policy Committee has suggested the setting up of a committee to assess the indigenous capacity in the manufacture of coal mining machinery which should study the existing capacity, fix import requirements, take steps to standardise the equipment and plan for production of sufficient quantity of spares which are in short supply.

—The Fuel Policy Committee does not forese any large size gas plants at pit-heads because of the difficulty of transporting gas for industrial and domestic uses to large distances. In major cities such as Calcutta and Bombay gas plants with smaller capacities are considered to be a viable proposition.

One of the special features of the Indian coal reserves is that it is concentrated largely in the eastern region and to a lesser extent in the north and western region which together accounl for nearly 95 per cent of the total known deposits. This means that there should be an adequate and efficient transport system for the distribution of coal to the centres of consumption which are spread all over the country. The development of an efficient transport system for coal assumes a greater importance in the context of the need for substitution of fuel oil by coal in boilers used by industry and for power generation. This is further enhanced by the requirements of soft coke for domestic and other purposes which have to be transported from the Bengal-Bihar coal fields to the urban centres at considerable distances from the coal fields.

—Rail transpost seems to be the most economical way of transporting coal particularly to long distances. At present 90 per cent of the coal despatches are by the railways. It is, therefore, essential that the performance of the railways in movement to consuming centres all over the country must be substantially imporved. The railways have always pleaded that the wagons required for movement of coal are not inadequate although the minimum guaranteed number of 6600 daily to the eastern and the south-eastern railways has never been achieved by the railways. On the other hand, there has been persistent shortage of wagons for rail movement although currently the situation seems to be somewhat easier than a few months back. The need for augmenting the wagon fleet should be carefully examined and wagon building should be planned well in advance and implemented with the highest priority. The efficiency of railway transport of coal should also be examined by all possible means.

—Transport and coal by railway should have to be suitably supplemented by other forms of transport. Transport of coal by road is now uneconomic except for short distances particularly after the increase in oil prices. Although India has a large coastline, movement of coal by shipping has not picked up for one reason or the other. The use of inland water transport is limited. The main burden for transporting coal to consuming centres has to be borne by the railways in future years. This underlines the need for streamlining the railway transport system for a smooth supply of coal and ensuring the available coal resources to the centres of consumption. Without proper coordination of the railway movement, efforts at increasing production of coal would not be useful. Transportation of coal must be cosidered as a part and parcel of our energy policy. Adequate attention must be paid to careful planning of railway transport with respect to augmentation of the wagon fleet, additional line capacity, yard capacity, signalling and communication which would facilitate speedier turnround of wagons.

Main Issues

The main issues before the Conference in respect of coal are the following:

—If coal is to play the primary role in the supply of energy in future, in what manner should the future exploitation of coal mines to be planned to make the best use of the available resources—Are coking coal still being used for non-metallurgical purposes? If so, what are the ways of preventing such national wastes? What other suggestions can be made for conservation of coal resources?

—If the use of oil in industrial furnance and for power generation are to be reduced to the minimum, what steps can be recommended for ensuring uninterrupted supply of coal to industry and power plants which are located at great distances from the coal producing centres? Are coal dumps near the industrial and other consuming centres being planned sufficiently for this purpose? Is research being conducted to improve the efficiency of boilers using coal?

—Are adequate steps being taken to maintain and increase the coal production as anticipated in the fifth Plan? Have steps for an uninterrupted supply of power to collieries and washeries been ensured? Are the mining equipment and spares sufficient? Are imports of these being arranged well in advance?

—Are proper steps being taken to ensure an adequate and uninterrupted flow of coal to consumers by a proper planning of the railway movement?

Oil

The recent history of economic development throughout the world underlines the importance of oil. The emergence of the automotive age in recent years has proceeded hand in hand with the growth of petroleum industry all over the world. There has been some significant transformation in the commercial energy sources as well which consist largely in change over from solid fuels to liquid fuels. **In India, oil** production has grown rapidly. From a refinery output of only 0.21 million tonnes in 1950, the output of petroleum products have grown to 19.1 million tonnes in 1973.

—Petroleum products have a number of desirable properties. A tonne of oil combined the dual virtue of possessing less volume than a tonne of coal, while yielding 50 per cent more energy so that transportation costs decline substantially below those of coal. Loading, unloading and storage also are facilitated easily, and oil is subject to less damage in transit than coal. It burns more cleanly and in a more controllable fashion. In many applications its thermal efficiency is higher.

—Before the Plans, most of the demand for petroleum products of India were met from imports. In 1950, against a refinery output of 0.21 million tonnes, consumption of petroleum products was 3.3 million tonnes and imports in 1950 came to 2.99 million tonnes worth Rs 51.8 crores. Crude oil output also increased from 0.26 million tonnes in 1950 to 7.2 million tonnes in 1973.

Refining Capacity

—Most of the refinery capacities were set up during the Plan periods. From a capacity of hardly half a million tonne, the refinery capacity increased to 23.3 million tonnes by 1970. The fourth Plan target for 1973-74 was placed at 28 million tonnes of refinery capacity of which about 25 million tonnes capacity were to come up according to the programme.

—The demand for petroleum products has been rising rapidly over the last two decodes at a rate of about 9.4 per cent per annum. If consumption is not curbed deliberately the likely demand for oil products is expected to rise over 36 million tonnes by 1978-79. This could be met only by an installed capacity of about 39 million tonnes which is the capacity target set for the fifth Plan.

The requirements of crude oil have risen from 0.2 million tonnes in 1950 to 20.5 million tonnes in 1973. By the end of the fifth Plan a through put of 36 million tonnes of crude oil is envisaged for the refineries.

The main problem of oil as a source of energy is the supply of crude oil to the refineries. Crude oil output has, no doubt, been increased by exploration activities of the ONGC and Oil India. The maximum output of crude has been in 1972 at 7.37 million tonnes. The fifth Plan programmes envisages a crude output of 12 million tonnes. If the refinery programme of the fifth Plan has to be achieved an import of nearly 24 million tonnes of crude has to be made.

A new dimension has been added in the problem of crude supply by the increase in oil prices by the chief oil producing countries. Imports of crude 12.3 million tonnes of crude in 1973 cost Rs 144 crores but by 1973 the cost has gone up to Rs. 242.4 crores for an import of 13.4 million tonnes. There has been futher increases of prices since then, and the same level of imports, it is estimated, cost more than Rs 1000 crores at current prices. The import bill of the crude required for the fifth Plan target will on present prices come easily to more than Rs 2000 crores which is evidently beyond the ability of the Indian economy. The impact on the balance of payments position and the foreign exchange required would be prohibitive.

New Sources

The solution to this basic problem can be met chiefly by finding new oil sources within the country's boundary and off-shore through intensive exploration activity. This is a long term measure. The short term measures should aim at economising the use of petroleum products by various means.

The first suggestion is for reducing the demand for petroleum products by cutting all non-essential consumption. At present there are various types of petroleum products required for different uses. Amongst the major consumers are: road transport, power generation, industry, fertilizer and chemical production, civil aviation, etc. Uses like power generation, transport, fertilizer production and some essen-industrial use like Iron and Steel fall in the more essential categories and the scope for substitution or redection is limited. There is however more scope for reduction of fuel oil in certain industries according to some investigators.

This can be done only on selective basis in view of the urgent need to increase industrial production. Reduction in the consumption of other petroleum products like HSDO, kerosene, motor spirit, etc. has been closely examined by some investigators whose estimate for saving in the consumption of petroleum products is about 20 per cent of the current consumption of about 23.5 million tonnes.

—One way of conserving the oil resources is to reduce the consumption of kerosene oil in the rural areas by alternative sources of energy. Apart from rural electrification, an useful method is the Gobar Gas plant. This should be possible in view of the social benefits of the nutrient production possible from these plants in addition to less atmospheric pollution and has been strongly recommended by the Fuel Policy Commitee. Many gobar gas plants have already been set up in the country but not much is known about their actual working or their actual impact on saving in the use of kerosene. These should be more widely publicised among rural people and made readily available in rural areas.

Hydrocracking

—There have been some suggestions for diversion of heavy stocks like fuel oil and re-processing them through a process called 'hydrocracking'. It has been suggested that such diversion can lead to reduction of oil imports by about seven million tonnes and of the import bill by nearly Rs 450 crores. Such proposals for diversion should be carefully studied and given serious consideration.

—Conservation of petroleum fuels should also be care fully studied. Thus, increasing efficiency of the appliances, particularly in industries should enable larger savings in consumption of fuels. The National Productivity Council has set up a Fuel Efficiency Service a decade ago to advise the industries as to how to avoid wastage of fuel and energy. This service has benefitted several hundreds of industrial under-takings and has helped training about two thousand engineers in the techiques of efficient utilisation of fuel. There should be greater publicity, if not enforcement through legislation, to persuade industry to adopt these techniques for conservation of petroleum products.

—Dieselisation of the

ould be stopped and steam traction e depended on for re development of .

ertain other measures mediate conservation of eum are being thought d implemented in certain ern countries. Amongst se measures are encouragement of community transport stead of individual transport, estriction on petrol consumption in automobiles and commercial vehicles by specifying limits for the automobile manufacturers, etc. Some of these are being adopted more or less in these countries, and as suggested by the National Productivity Council.

Pattern of Consumption

—The pattern of refinery production and the pattern of consumption of refinery products do not necessarily coincide. Thus, light distillates such as motor spirit, naphtha, etc. constitute about 17.8 percent of the production but the consumption was 14.76 per cent of the total consumption in 1973. Production of middle distillates like kerosene, HSDO etc. in 1973 was 51 per cent aginst a consumption of 47 percent, and production of heavy ends like fuel oil, lubricants wax etc. constituted only 30 per cent against a consumption of over 33 per cent.

—Alternative sources for extraction of oil should also be explored fully. Squeezing oil from tar sands and oil shales and converting low quality coal to gas are technically feasible. While a tar sana project is known to involve large capital investment, extraction of oil from shales should be promising. China seems to have increased its crude oil production from seven million tonnes in 1963 to about 30 million tonnes by 1972. In 1973, Chinese crude oil production came to a total of 50 million tonnes which it is understood, is inclusive of oil extracted from coal and shale. Serious consideration should be given to this possibility with the help of technologists.

Substitution of Oil

—Substitution of oil by other sources of energy should also be explored fully. In rural areas there is extensive use of kerosene for lighting and cooking. Nearly half of the consumption of kerosene is for cooking purpose and about 40 per cent for lighting purposes and 10 per cent for miscellaneous uses such as village street lighting, railway signal lamps, preparation of gas for laboratories in educational institutions, cleaning equipment by the Army, fuel in some small scale units. etc. Construction of gobar gas plants and expediting the rural electrification work for village lighting seem to be the practical possibilities for substitution of kerosene by other sources of energy. Use of kerosene in railway signal lamps can be stopped quickly by substitution of lights fed from the mains or where this is not available by means of portable units powered by dry cells or batteries.

The main issues are :

—Explorations for new oil sources within the shores and off-shores being imperative, the question is whether exploratory activities are carried on sufficienrly and efficiently. Are the technical staff adequate in number and sufficiently trained? Are the equipment necessary and sufficient?

—Is it not possible to pursue the new oil findings such as the off-shore ones more vigorously and expeditiously?

—One way of improving the crude supply would be to explore the possibility of joint ventures with OPEC countries. Some beginnings are also made as is reported in Iran. Are we moving sufficiently in this direction through diplomatic propaganda and other activities?

Is the pattern of refinery production economic and efficient? Does it require changes? If so, in what direction?

If the pattern of consumption must necessarily differ from the pattern of refinery production are there are ways of conversation of particular oil products? If so, what are the fields in which this could be done and what are the means by which it could be enforced?

Electricity

One of the basic requirements of agricultural and industrial progress is the development of electricity. In India, power generating capacity has been installed dvring the British days. But the use of electricity was limited, and the per capita consumption in 1947 was as low as 13 kWh. Power generating capacity in 1950-51 was only 2.3 million kW.

—Power generating capacity increased largely during the Plan periods. The capacity increased to 18.87 million kW by 1973-74.

—Despite this increase, per capita consumption of electricity in India is one of the lowest in the world being 113 units in 1973-74 as against 13,000 units in Norway, 6,500 units in USA, 2,300 units in Japan. It is projected to increase to 185 units by the end of the fifth Plan.

—Targets of power generating capacity to be installed during the Plans have never been achieved—there being shortfalls of varying magnitude between 15 to 35 per cent, the shortfall in the fifth Plan however was about 50 per cent.

—Although the physical targets were not achieved actual investment has all through the Plan exceeded the Plan targets.

—Electricity generated per unit of installed capacity has been on the average low. The highest achieved in any year was about 3620 units generated per kW of capacity. The figures for some power plants are:Nellore 7,900 units; Tata Electric 6,760 units; Bokaro 3,960 units; CESC 3,740 units; Durgapur 2,860 units; Ennore 2,700 units.

—At the beginning of the Plan, about 76 per cent of the power plants were thermal and 24 per cent were based on hydro-electricity. By 1973-74, the share of hydro plants increased to 36.9 per cent where-as that of thermal plant came down to 60.0 per cent and 3.1 per cent of the plants were nuclear. Planned additions of generating capacity during the fifth Plan are 16.55 million kW consisting of 6.42 million kW of hydro plants, 9.42 of thermal plants and 0.71 million kW of nuclear plants.

—The power supply position has been consistently falling short of requirements for nearly two years. The average shortfall in supply has been of the order of 25 million units per day. The shortfall anticipated in November was 31 million units against an all-India requirement of 217 million units per day. The point to note is that although there are some states like Rajasthan, MP, Kerala, Gujarat, Bihar, Orissa etc. where the requirements and availability match each other, there is consistent deficit in all the other states. The power shortage in the industrial centres such as Calcutta and Bombay have particularly hit industrial production adversely. The loss in industrial production has been estimated at several crores of rupees. Markets in foreign countries have been lost as in the case of jute manufactures.

One important cause for

Electricity Generated and Investment—1950-69 to 1969-74.

	1950-69	Fourth Plan 1969-74
Planned Addition (mill. kW)	18.60	9.2[illegible]
Achievement (mil. kW)	11.99	4.5[illegible]
Shortfall %	35.5	50.0[illegible]
Planned Investment (Rs. Crores)	3196	2447
Actual Investment (Rs. Crores)	6416	2983

it will be useful for government to consider the possibility of setting up power plants and genarating capacity jointly with private entrepreneurs. The private electricity undertakings also should be given assurance that such undertakings should not be taken over within a certain period of time so that it is possible for such units to plan their power supply programme on a definite basis.

Nuclear Power

—At present, there are two nuclear power plants at Tarapore and Rana Partap Sagar with a total installed capacity of 640 MW. The capacity of the latter is under expansion to 400 MW and the third nuclear station is to come up in Tamil Nadu with a capacity of 470 MW. The percentage share of nuclear energy in India already available is nearly 3.0 per cent. The fifth Plan programme comprises the commissioning of the second unit of the Rajasthan and the two units of the Kalapakkam stations. The Atomic Energy Commission is at present concentrating on the construction of a prototype 40 MW fast breeder thermal reactor in which plutonium and thorium would be used. When the fast breeder reactor come on line in the 1980s more plutonium is expected to be produced to form the basis for generation of electricity of a million MW. The future development of nuclear power is essential to provide power to industries located for away from coal and hydro sources. It is only through nuclear power development that divergencies in resource endowments in different parts of the country could be corrected to some extent. Urgent attention therefore needs to be given to nuclear power development as actually had been in government planning today.

—Moreover, as emphasised by the Fuel Policy Committee, the realisation of the projected nuclear programme depends upon the capabilities of the indigenous industries to produce many sophisticated and heavy components and special pumps and instruments required for the purpose.

—The Fuel Policy Committee has also examined the power problem carefully and made a number of suggestions:

(a) The requirements of power have been estimated on certain assumptions and are given in table below.

In order to maximise the generating capacity within the funds available and to generate cheap power a larger share of new generating capacity to be added in the next Plan should be derived from hydro stations. Source-wise, generating capacities suggested are given below.

(b) In the overall interest of the economy more and more thermal power stations should be located at pit-heads. In selective cases location of power stations at load centres should also be given due consideration.

(c) The realisation of the nuclear capacities will depend largely upon the capabilities of the indigenous industry to develop expertise for producing many of the sophisticated and heavy components and special pumps and instruments required for nuclear power stations. The nuclear programme will also depend upon the success in finding new uranium deposits by intensive exploration work.

(d) The power projects should be sanctioned and executed in time and sufficient funds be provided for the purpose.

(e) The relative social cost benefit analysis for electrifying different areas should be carried out with reference to the water potential in that area; the possibility of increasing agricultural and non-agricultural production in that area, etc. The rural electrification programme should be considered as an integral part of an overall rural development programme in which the supply of electricity is to be one of the inputs arranged by government.

(f) The electricity tariff should be such as to enable the electricity undertakings to earn a return of atleast 10 per cent on the investments made. There should be scope for discriminating rates of tariffs as between peak period and off period use, agricultural and non-agricultural use, etc.

—The main issues in respect of electric power before the Conference include the following:

—If the implementation of power projects are to be given top priority and not allowed to fall behind the schedule during the Fifth Plan, are the recent changes and streamlining of the organisational structure of the electricity supply industry sufficient to ensure this? What further suggestions could be made for ensuring that power projects come up according to schedule ? Are these recent changes take eare of the question of sufficient funds for the power projects? If not what suggestions could be made?

—Is the present pattern of generation of electricity by coal based, thermal, hydro and nuclear sources economic and resource-oriented? What modifications need to be made in future planning of electric power? To what extent power generation by oil-based thermal stations need encouraged in the cont the international oil situ and rising oil prices?

—What is the role of lear power in future policy electricity generation? To wh extent nuclear power can provided for industrial dev lopment of regions which ar short of coal and hydro resour ces?

—To what extent can the utilisation of installed power generating capacity be improved by better maintenance and management? Have provisions been made for the supply of raw materials for civil works and spare parts and components?

—To what extent rural electrification has been responsible for high transmission losses? What are the methods of reducing transmission losses? Will the provision of high voltage Inter-State links and corrective shunt capacitors be useful in reducing the transmission losses?

—To what extent captive power plants can help maintain production of industry? Is it feasible to integrate the captive power plants into the State Grid System for use as stand-by source whenever feasible?

Requirements of Power—1978-79—1990-91

Year	Forecast of Energy Consumption (bil. kWh)	Forecast of Energy Requirements (bil. kWh)	Installed Capacity (mil. kW)
1978-79	100.3	116.4	33.6
1983-84	167.7	193.6	53.0
1990-91	320.4	370.7	87.3

Source-wise Generating Capacity of Power

(Mil. kW)

	1978-79	1983-84	1990-91
Hydel	13.00	20.00	28.40
Nuclear	1.02	1.90	8.62
Thermal	19.55	31.10	50.30
Total ..	33.57	50.00	87.32

N.B. Thermal stations include coal and lignite based power stations.

the shortage of power is shortfall in the achievement of power generating capacity targets. Power projects are generally under the administrative responsibility of the state electricity boards or special authorities except for some projects taken up directly by the centre. Delays occurred in the installation of power generating capacity for a number of reasons such as preparation of feasibility studies, delivery of power generating equipment, diffusion of responsibility for the power supply industry between a number of departments and organizations of the government, etc. Nearly two-thirds of the delay in the installation of plants in the fourth Plan were attributed to the delay in the delivery of main equipment, a quarter of delay was due to non-completion of civil works and the remainder due to delay in finalization of agency, etc.

Effective Steps

—The deficiency in power project implementation is due largely to the fact that modern methods of management and performance budgeting were not being utilised. It is understood that effective steps are being taken for evaluation and progress of the implementation of power projects in the ministry of Energy at present. This is expected to remove these important deficiencies.

—The organisational set up of the power supply industry has also been responsible for the delay and shortfall in the achievement of targets. The organisational structure of the power supply industry is complex; the responsibility is diffused; a number of matters coming under the purview of the power organisations involve other departments and ministries of the government which causes delay in taking decisions and implementation. The need for a single centralised agency has been felt and recommended by various study teams and seminars (such as FICCI Power Seminar in August, 1973).

—It is understood that government have already taken effective steps in this direction by revitalisation of the Central Electricity Authority and the Regional Electricity Boards. This authority should have the ultimate responsibility for formulation of national power policy and planning of power projects; watching their progress and having ultimate responsbility for the implementation. It is also hoped that coordination of inter-state subjects in power supply, administration and development will also be better by the reconstitution of the organisational structure of the power supply industry.

Improved Management

—The management of the existing power plants and transmission lines needs also to be improved to a considerable extent. The under-utilisation of power generating capacity already installed leads to national waste. This can be improved only by improving the efficiency of working of power plants and their maintenance. The supply of spares and components should be planned in advance. In particular. the spares for the old plants are often not available. Either a stock has to be kept or some indigenous units should be asked to produce the spares when required by suitable adjustment in the capacity of the plants. Facilities should be provided for overhauling and maintenance to avoid breakdowns and forced outages, There is need for a well-trained staff.

—Transmission losses in India are one of the highest. All-India average of transmission losses in India is about 17 per cent as against 6 to 10 per cent in foreign countries. Amongst the reasons for high transmission losses are inadequacy of inter-connections, inadequate size of conductors, low power factors and lack of integrated operation, unauthorised tapping of energy, sanction of additional loads in advance of adequate transmission facilities, etc. Transmission losses can be reduced by various means such as setting up of high voltage lines, expediting the work in respect of inter-state links which have been falling short from Plan to Plan and through better management of the power supply industry. The new organisational set up should be in a position to reduce this loss to a considerable extent through better coordination of work between the states and the central authorities.

—Captive power plants for self-generation and use by industry at present constitute abont 10 per cent of the total installed generating capacity. The Fuel Policy Committee has discouraged captive power plants. But in view of the persistent power shortage for two years it has been increasingly felt that important sectors of industry should be allowed to have more captive plants so that production in some vital sectors does not fall short due to power shortage from the public utilities. Government have been sympathetic to consider proposals in selective cases on merits. There are also cases when industrial undertakings have actually been using for renovation of old and discarded generating plants. This should be encouraged. Even import of usable second-hand plants from abroad should be allowed. On the part of the industry, it will be useful to consider integration into the State Grid System, so that whenever feasible, surplus power if any, could be provided to the state grid.

—As a matter of fact, in view of the acute shortage of power almost all over the country which has been persistent for nearly two years,

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FAITH
PEOPLE
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PLANNI NG
WELFARE

THE PRIME MINISTER HAS ASSUMED CHARGE OF PLANNING.

Time to think

THE KILLING of Lalit Narayan Mishra has shocked and saddened us. It cannot be otherwise, the political and personal controversies which crowded his last days notwithstanding. The prime minister spoke of him as "large-hearted." That he was and more; for there were many personal attributes of his which made it easy to like him. A children's book version of every one's good uncle, he was, in fact, a very unlikely candidate for assassination.

Yet the fact remains that he was murdered. It is clearly the first duty of the central government not only to bring Mishra's murderer or murderers to book but also to investigate and bring out the full story of the crime to its last detail. This much the ruling party owes to the man and his memory. There is little doubt that it had made full use of him in its politics of power or money and there must always persist the thought that Mishra's life or at least his public life would have ended better had he been less committed to his party's interests in which he no doubt saw his own included.

The prime minister has lost a political colleague who had served her well according to his lights — and hers. It now remains for her to do the dead man a service. For reasons best known to herself she had been resisting a parliamentary or other appropriate or adequate inquiry into allegations of Mishra's involvement in corruption in government or public life. While he was alive there was always a risk that some of those who made those charges would press them in terms of personal vendetta or partisan politics. That danger has disappeared with his death. It should now be possible for the charges made against him to be inquired into in a dispassionate and objective climate of opinion. If Mishra was innocent, the prime minister and her other political colleagues cannot better serve his memory than by making it possible for the facts to be established to the satisfaction of his countrymen. If on the contrary he was guilty, and should this be proved, he is now past material harm, while his name and reputation would not suffer more than it would with all the mud sticking where it has been thrown.

There is, again, a supremely important consideration of public interest which makes it absolutely essential that the allegations of corruption in the central government and the ruling party which have centred in charges against Mishra should be taken out of the context of party politics and investigated and judged in terms of the public's right to be satisfied of the integrity of those whom the democratic process has put in positions of law-givers or rulers. We have lately been seeing how the great democracy of the United States has relentlessly been pursuing the logic of the accountability of the government to the governed and this journal at any rate is not prepared to concede that the citizens of the land of Gandhi are less deserving of this right of people's sovereignty than the men and women of the America of Abraham Lincoln.

Lesser men in Mrs Gandhi's party seem already to be fearful of these larger implications of the Mishra murder. Pathetic prisoners of party politics as they are, they do not seem to know any better than try to make political capital even out of a colleague's violent death. The present president of the ruling party, for instance, is reported to have delivered himself of the opinion that "what was started as an attempt at character assassination has been followed up by cruel and loathsome murder." If his words mean what they seem to do, Mr D.K. Barooah must know more than the rest of us seem to do about who had killed Mishra and why. His predecessor in the party post has declared with ill-timed pomposity that fascism has claimed its first victim. It seems as if Dr Shankar Dayal Sharma is convinced that more murders are in the offing. It even sounds as if he is contemplating the prospects with easy fatalism. As *The Times of India* has suggested while commenting on a similarly ill-advised pronouncement by the deputy minister in the Railway ministry, Mr Buta Singh, the nation will only treat with contempt and ridicule any effort on behalf of the ruling party to exploit

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the assassination of Mishra for inflaming public sentiments against political movements in the country which may be exercising their democratic right to protest against the abuse of power by the ruling party or raise debates over issues of public interest.

Deep and large as her personal anguish or private sorrow must be over the tragic death of Mishra, the prime minister should surely lose no time in giving a proper lead to her partymen. She herself has charged "the forces of disruption which have come to the fore lately" with indirectly encouraging an atmosphere of violence "which is responsible for this dastardly crime." The prime minister is certainly entitled to her view when it is expressed in these general terms, although some of us might surely wonder whether forces of disruption had been only "lately" let loose in our public life. The naked and unashamed march of power politics in the government of the country since the split in the Indian National Congress has after all been a rather lengthy process spread over quite a few years.

Whatever may be the verdicts of particular elections as reflected in the size of majority a party may come to acquire in the legislature, the fact remains that this country can be governed peacefully and constructively only if the government of the day is responsive to the people's needs and accountable to it for its actions in a way which transcends its merely formal right to exercise its power to the limits of its physical or legalistic domination of the legislature. In any political society there will always be disruptive forces. It is up to governments coming into power through the democratic process to ensure that these disruptive forces do not become more than fractional or marginal. This these governments can do only by themselves strictly abiding by the rule of law in letter and spirit. Failure on their part inevitably leads to subversive forces flooding into the mainstream of politics or public life. The prime minister has expressed her hope that "the crime will induce rethinking in the country and redirect political life along saner lines." In this respect as in many others the country's powerful ruling party and its undisputed leader are clearly in the best possible position to give the right lead to the people.

Dual pricing and its merits

WHILE ADDRESSING the Indian Merchants' Chamber at Bombay recently, the prime minister, Mrs Indira Gandhi, was reported to have disfavoured the extension of the dual pricing policy to a majority of the essential consumer products. She said that this policy would be acceptable to the government only if a certain portion of production was made available for vulnerable sections of society at prices which could be subsidised by the sale of the rest of the production. Explaining further as to why she was opposed to increasing the coverage of this policy in the economy she said that she was afraid that the business community wanted to have normal profits on the output surrendered to the public distribution system and abnormal profits on free sales. And in the process the quality of the products meant for public distribution was sacrificed and the consumer got a raw deal, she added.

It seemed that the prime minister's fears were founded on ill-conceived notions of the dual pricing policy. It was true that this policy was meant to provide support to weaker sections of society by the supply of essential commodities at cheaper prices. How the prime minister had come to the conclusion that the business community wanted to have normal profits for output surrendered for the public distribution system and abnormal profits for free sales, was not clear. The only commodity in the case of which the dual pricing policy had been adopted in this country and which had worked with remarkable success was sugar. (The cotton textiles industry had not tried dual pricing policy with the same earnestness as sugar). The sugar factories surrendered every year 70 per cent of their output for distribution to the public at relatively low prices which far from throwing up surpluses for the sugar factories, was the source of substantial losses which were covered by the sale of the free sugar at market prices. It did what the prime minister wanted it to do under the dual pricing system, i.e. subsidising the supply of cheaper sugar to the public distribution system which handed out bulk of it among the poorer sections of society.

This was abundantly clear from the actual price paid by sugar mills for cane purchased by them. For example, the average statutory price fixed by the government for sugarcane in 1972-73 in east UP was Rs 8.80 per quintal but the actual price paid was Rs 12 per quintal. In western UP the average statutory price fixed was Rs 9.29 per quintal but the sugar mills had paid as much as Rs 13 per quintal. The cane prices actually paid by factories in some important sugar producing regions during 1967-68 were between Rs 16 and 17 per quintal while the statutory minimum cane price varied between Rs 7 and 8 per quintal. Since the quota sugar prices were fixed on the basis of the statutory minimum prices of sugarcane it was obvious that the prime minister's charge that the industry has had normal profits in respect of quota sugar and abnormal profits on free sugar was not based on facts.

The policy of controls over production, distribution and prices had not succeeded in increasing production in the manner envisaged by the planners since the beginning of the first five-year Plan period. Sugar had been under control for 32 years followed by vanaspati for 27 years, cement for 18 years, fertilisers for 17 years, motor cars for 15 years, textile machinery and newsprint for 12 years and commercial vehicles for 11 years. The industry was rightly against the institution of controls because it invariably operated as a brake on increased investment and consequent expansion in production. It had accepted partial control or dual pricing of industrial products as a second preference because it has operated reasonably well in the case of the sugar industry. In a recent study made by the Federation of Indian Chambers of Commerce and Industry entitled "Towards the dynamic economy" it was suggested that the dual pricing policy should be extended to all the important

essential commodities because it combined the advantages of protecting the special categories of consumers and at the same time leaving sufficient incentives to industry to expand its productive capacity. This policy ensured that a class of consumers (whom the prime minister termed as vulnerable section) got the consumer products at subsidised prices while industry made up the loss from sales to other sections which were able to pay the market prices.

Even after having recommended the dual pricing policy to the government the FICCI had rightly pointed that price control could be gradually removed if production could be made to increase. The approach suggested was that in the case of commodities which were not under price control, additional licences should be given whenever shortages occurred due to inadequate capacity and every facility should be provided to industry to increase output so as to match demand within the shortest possible time instead of subjecting it to price controls. In the case of commodities which were subject to price control, incentives were needed to make new investment over expansion worthwhile. This could be done either by waiving price control in respect of new production for a period of three years or by devising different retention prices for different units with a common price for consumers. The pool could be operated in the manner that an investible surplus was generated.

The course of the Indian economy during the past three decades had made it abundantly clear that controls in whatever form were not conducive to increased production. Even Gandhiji had advocated the abolition of controls in the case of cotton textiles immediately after Independence . The government of India had only recently conceded this point while withdrawing distribution and price control on vanaspati, Here was an industry which had an annual installed capacity of more than 1.2 million tonnes but was not in a position to supply even 0.5 million tonnes of output which was the maximum demand of the country. This was the direct outcome of the controls under which it operated. Seeing that the basic irritant, i.e. the reduced supply of raw materials (oilseeds) was removed due to good harvests for two years, it rightly decontrolled the industry ignoring the FICCI suggestion of partial control or the dual pricing scheme. It did likewise in the case of Ambassador and Standard cars.

The chief merit of the dual pricing scheme was that it ensured the supply of essential commodities to lower strata in society at cheaper prices and fulfilled an essential purpose. The success of the scheme in the case of sugar clearly demonstrated that it could be profitably extended to other commodities but not to cement or steel which were not necessarily consumed by vulnerable sections of society. The prime minister's misconception that the industry tended to make exborbitant profits both on the quota and free sales of products was not based on facts. However, the units which tended to cheat the consumer through a reduction in quality could certainly be pulled up. The scheme in all fairness needed to be given a trial wherever chronic shortages in supply had persisted over a long period. The performance of the sugar industry had clearly proved that production could be slowly but steadily increased under the dual pricing system as well.

Difficult ways and means position

THE CENTRAL government is finding itself in a difficult position to meet fully Plan expenditure after overcoming completely the over-runs on non-Plan account even with the mobilisation of record revenue and capital resources. As in the period of emergency in 1971-72 a massive attempt has been made to increase tax revenues with the levy of new taxes in an interim budget. The Railways too presented a supplementary budget. While the Posts and Telegraphs department has been increasing its revenues with higher rates for all its services. In spite of the severe burden imposed on the community the central government is bemoaning all the time that the required resources are not available for all purposes and there will have to be a considerable pruning of expenditure if the overall deficit is not to be allowed to exceed the budget estimate of Rs 125 crores.

The union Finance minister, Mr C. Subramaniam, only, recently indicated that the targets for revenues from direct and indirect taxes were being more than fulfilled. While it will not be correct to base any estimates of revenues on the collections for the first six months of the current financial year, there is no doubt that the budget estimates will be easily exceeded, the additional amount available on revenue account being at least Rs 100 crores. Capital receipts too may be higher than the estimates by even Rs 250 crores as the profits realised on exports of sugar alone will be a minimum of Rs 125 crores while rupee resources against special credits for importing foodgrains may fetch another Rs 25 crores. The Finance minister will thus have at his disposal an extra amount of Rs 350 crores in both the revenue and capital budgets and any over-run on non-Plan account should be capable of being absorbed especially as net borrowing through open market loans will be according fully with budget estimates.

There is however no indication that the ways and means position of the central government is comfortable as its deposits in the Reserve Bank have been barely above the minimum of Rs 50 crores and it was only during the week ended December 20 that these deposits recorded a rise to Rs 85.62 crores from Rs 54.88 crores, with the collection of large tax dues. There would have been of course a much bigger rise under this head but for the cancellation of ad hoc securities for a sizeable amount in order to neutralise to a certain extent earlier doses of deficit financing. This procedure is obviously being adopted in pursuance of the declared objective of containing deficit financing within tolerable limits. An analysis of the data available from the weekly returns of the Reserve Bank shows that the increase in holdings of rupee securities, treasury bills and investments in the Issue and Banking departments between March 28 and December 20, 1974, has been only Rs 347 crores against as much as Rs 639 crores in the corresponding period in 1973. This is certainly an indication that the creation of currency is taking place on a much smaller scale than in the previous two years particularly as there were earlier reports that there had been a throw-forward of part of the overall deficit of 1973-74 with delayed payment of outstanding bills and an increase in the pressure on the banking system by requiring public sector units to return their loans to the government to the extent possible and secure the required credit from banks.

The quantum of deficit financing in the first eight months however would have been on a larger scale if the government had not denied payments against additional dearness allowances to its employees. The arrears of three instalments alone will be around Rs 125 crores while there may be additional liability in respect of two other instalments for about Rs 40 crores. The total commitment may therefore be around Rs 265 crores against earlier assumption of Rs 212 crores and the budget estimate of Rs 120 crores, though the full effect of five or six additional payments will be felt fully in 1975-76. On the basis of an extra commitment of Rs 63 crores on account of dearness allowances and the increase in non-Plan expenditure in other directions the ways and means position should not be so difficult as it has been so far nor give rise to the frequent reports that deficit financing may be easily Rs 700 crores. It is not also known how the profits from sugar export have been utilised up to now. There is of course a fairly large amount still to accrue in the coming months as the higher priced exports will be effected only in the first quarter of 1975.

There is no justification therefore for saying that there will have to be a drastic pruning of Plan expenditure on central account and a different policy will have to be adopted for payment of dearness allowances when the required resources are in sight. The centre will of course have some difficulty in resisting the claims of the state governments for special assistance for carrying out flood and drought relief operations. Even if it is stated that there will be no large grants and only advance payments will be effected against Plan allocations for subsequent years, the union Finance ministry will still have to find the required resources. As election prospects are even now being assessed and there is no desire to adopt an extremely harsh attitude the centre may eventually have to find about Rs 250 crores additionally for drought and flood relief and for implementing a crash programme for boosting agricultural production. This compulsion is probably worrying the government especially as the states may not have the required resources for Plan purposes if they have also to disburse larger amounts by way of additional dearness allowances.

There is however no denying the fact that the centre cannot expect to do better than it has done so far in respect of mobilisation of resources. The additional dearness allowances will have to be paid to the government employees. It can perhaps be decided that instead of immobilising completely the frozen portion of additional dearness allowances the centre may be allowed to divert the frozen portion for Plan purposes. This will in effect mean an increase in the borrowing of the government by over Rs 135 crores. Along with the other receipts it should not be difficult to maintain Plan outlay at the desired levels and yet avoid large-scale deficit financing. There can of course be changes in allocations on Plan account for releasing larger funds for core projects. On no account however should there be any serious shortfall in Plan expenditure on central account as this will affect seriously the calculations of many industries.

The government can hope even to raise additionally Rs 100 crores through tap sales out of reissue of earlier loans if there is no aggressive demand for funds from industry and trade in the next three months and banks are not feeling uncomfortable. It can also be decided that the remaining impounded cash balances of Rs 120 crores should be released with a lowering of the cash reserve ratio to three per cent from four per cent. The Reserve Bank has deliberately or otherwise adopted this policy for securing resources for the government. The liquidity ratio was raised to 33 per cent from 32 per cent when the cash reserve ratio was reduced by two per cent from seven per cent. With a further reduction in this ratio to four per cent in December the last phase of the borrowing programme has been successfully completed. In the first two phases, an aggregate amount of Rs 416.07 crores was raised. In the third phase there were two reissues for Rs 75 crores.

The lists for 5¼ per cent 1978 loan and 6 per cent 1988 loan were opened on December 28, 1974, and closed on the same day on being fully subscribed. As the notified amount was Rs 75 crores the target of Rs 498.36 crores for net borrowing has been fulfilled. It would not be surprising if in the name of containing deficit financing there was an attempt to raise additionally Rs 100 crores through fresh re-issues before March as stated earlier and adopt a flexible credit policy. Since major decisions are involved and complicated accounting procedures have to be completed, the revised estimates for 1974-75 on both revenue and capital accounts have more than usual significance. It can only be said now that the government could not have been more successfull in mobilising resources than it has been in the current year and if there is nevertheless a large uncovered gap it has only itself to blame for not managing its resources budget properly.

Indo-Bangla trade prospects

PROF. D.P. Chattopadhyaya, our Commerce minister, and Mr Mustaq Ahmed, his counterpart in Dacca, have expressed the hope that the new Indo-Bangladesh trade agreement would give a big boost to the flow of goods between the two countries. Similar sentiments were expressed by the Commerce ministers when the first Indo-Bangladesh trade agreement was signed in March 1972. But, despite many favourable factors, Indo-Bangladesh trade failed to gather momentum and the rupee payment arrangement had to be abandoned. The switch-over to payment in freely convertible currencies with effect from January 1 is expected to contribute substantially to the expansion and diversification of trade but this will be possible only if New Delhi and Dacca learn the appropriate lessons from past experience.

The protocol signed in New Delhi on December 17 refers to the determination of the two countries to increase and improve their two-way trade. There is no doubt that if both countries make sincere efforts in this direction, the results will be mutually beneficial. India is in a position to supply a vast variety of traditional and non-traditional products which Bangladesh has been importing from distant countries. Especially the engineering industries of India can offer consumer goods and also industrial machinery, spare parts and many sophisticated equipment. At the same time, Bangladesh will find in India a large and profitable market for many of the goods that she can export.

The trade agreement of September 1973 had in fact identified many items for export from India and for import from Bangladesh. It had envisaged that India would export coal valued at Rs 60 million, unmanufactured tobacco for Rs 52 million, raw cotton for Rs 75 million, cotton yarn for Rs 20 million and cotton textiles for Rs 10 million. There was also provision for the export of other items such as bicycles, pharmaceuticals, chemicals, spices and sports goods. The main products to be imported from Bangladesh under this agreement were raw jute for Rs 200 million, fresh fish for Rs 35 million, newsprint for Rs 45 million, besides other items. The Indo-Bangladesh agreement, signed in New Delhi on May 17, 1974 by Mrs Indira Gandhi and Sheikh Mujibur Rehman, also provided for the expansion of trade in some directions. India had agreed to provide three credits totalling Rs 410 million to Bangladesh to be used to finance the cost of imports from India of railway wagons, coaches, and other equipment, power equipment, agricultural and other industrial machinery.

But the trade did not expand, as envisaged in the previous agreements, mainly because Bangladesh did not have sufficient surpluses for export of certain items while, in the case of others, she found it more profitable to sell them against free foreign exchange. Dacca, on the other hand, complained that India's STC and the MMTC had not been able to deliver the goods at the time and in the manner they were expected to do under the agreements and that, in some cases, the quality was not according to specifications. But it is expected that, under the system of payment in free foreign exchange, both countries will have the inducement and incentives to sell to each other.

It is not clear from the protocol what exactly will be the role of the private sector in promoting the trade between the two countries. In the protocol that was signed recently between India and Pakistan it was specifically stated that trade would be conducted on a government to government basis in the initial stages. It is hoped, however, that, in developing trade with Bangladesh, New Delhi will not only allow but even encourage the private sector to play its part. The state trading agencies will, of course, continue to have an important role but, surely, it will be an advantage to the country to avail itself of the experience of the business community in building up this trade. The import requirements of Bangladesh are substantial and will continue to increase steadily in the coming years. It will therefore be necessary for Indian exporters to know what specifically are the various goods that are being imported by Bangladesh, the countries which are supplying them, and the prices at which they are obtained. India's Commerce ministry should instruct the export promotion councils and the commodity boards to take a special interest in developing trade with Bangladesh by exchanging delegations and study teams, by arranging exhibitions and fairs, and by opening showrooms in Dacca and other commercial centres.

A major impediment to the promotion of Indo-Bangladesh trade has been the absence of transport facilities by sea, river and road. The services provided by the Shipping Corporation of India and the Bangladesh Shipping Corporation were said to be irregular and inadequate. New Delhi and Dacca should immediately look into this problem and see to it that transport facilities are readily and promptly available on both sides at reasonable costs.

The protocol gives no indication as to whether the two countries have any idea to evolve a joint approach in regard to jute. When Bangladesh came into existence it was widely expected that both Delhi and Dacca would actively cooperate with each other in regard to various aspects of the development of the jute industry and thereby counter effectively the threat from synthetics. But so far neither the governments nor the industries in both countries seem to have given serious thought to this question.

It is indeed surprising that the new trade protocol has evoked practically no interest in West Bengal although this state is ideally situated to be an important supplier of a variety of goods to Bangladesh. The West Bengal government has often pointed out that the share of this state in India's foreign trade has declined in recent years due to various reasons. But now that the power situation in West Bengal has improved and industries are able to step up their production, it should be possible for this state to find a market for her various goods in Bangladesh especially those of the engineering, chemical, pharmaceuticals and other industries. About two years ago, the state government had set up a cell in the secretariat for promoting the trade with Bangladesh. But this cell has remained inactive. In view of the new export opportunities that are now available in Bangladesh, the government of West Bengal should take the necessary steps to enable its industries to sell their products in this market at their doorstep.

Farm size, productivity and some related aspects

Rajvir Singh & R. K. Patel

THE FARM management studies conducted by the ministry of Agriculture provided a wealth of data to examine the efficiency of Indian agriculture. A number of conclusions were drawn from these studies by the different workers which had their bearing on economic policies (*see* Sen 1, 4; Mazumdar 2, 6; Hanumantha Rao 3, 7; Khusro 5; Rudra 9, 11; Saini 12, 14; Usha Rani 15; and Bhattacharya 16). One of the important findings of these studies was that there existed significant difference in factor intensities and input-output ratios between different size classes of farms. More specifically it was observed that (i) the output per acre is inversely related to the size of farm as measured by area; (ii) the input per acre (total cost including payment for all the factors of production) is inversely related to size of farm; (iii) the profit per acre is directly related to size of farm; and (iv) the farms are operating at constant returns to scale. The last three conclusions were accepted by most of the economists. However, the first conclusion, i.e. the output per acre is inversely related to size of farm, started a controversy and workers in this field offered different explanations for this relationship (*see* Sen 1, 4; Mazumdar 2, 4; Hanumantha Rao 8; Rudra 11; Sanyal 13; Usha Rani 15; and Bhattacharya 16).

vast opportunities

During the last decade yield increasing technology, such as high yielding short duration varieties of crops, increased use of chemical fertilizers and pesticides and enhanced irrigation facilities, have opened vast opportunities for rapid growth of agricultural production and realisation of higher income per unit of area. Consequently, it was felt that the relationship of output and input with the size of farm might have changed (*see* Saini 14; and Bhattacharya 16). However, the empirical work to examine the relationship of output and input with farm size in the context of recent technology has been limited. Therefore, the present study is an attempt at examining these relationships in an area which has been well exposed to latest technological developments.

Meerut district of Uttar Pradesh which has the top rank according to agricultural development in the state was selected for the present study. Out of 20 blocks of the district, the blocks where the holdings were consolidated prior to 1968 were arranged in descending order of the percentage area under Mexican varieties of wheat*. First two blocks from the top were then selected and the same criterion was used to select two villages from each block.

personal verification

The data on the operational holding of all the farmers of these four villages were collected from local revenue officials and were verified by personal enquiry. All the farms were, then, arranged in an ascending order with regard to size of operational holdings. Those top farms, which occupied one-third of the total area of all farms, were classified as small farms; the next slab of the farms occupying another one-third of the total area were categorised as medium farms; and the remaining farms were termed as large farms. Thus, small farms comprised operational holdings of less than three hectares, medium farms three to less than 5.5 hectares and large farms 5.5 hectares and above. Sixty farms from each block were selected at random according to probability porportional to the number of farms in each size class and the total sample, thus, included 120 holdings in all.

The selected farmers were interviewed personally with the help of specially structured schedule and the data on the physical input-output of the crops, prices of inputs and outputs, wages of labou fertility of land (consolidation assesse value fixed for each plot by the revenu department of the state at the time c consolidation of holdings) and on th inventory of all the assets were collecte pertaining to agricultural year 1969-70.

dependent variable

To examine the relationship betwee output and farm size an equation of th form, $Y = aX^b$ may be fitted where Y ma be taken as output per hectare or tot output of the farm. However, it has bee widely observed that the use of per hec tare data introduces an element of nor linearity in the data. Therefore, per far data were used as dependent variable an the size of farm in standard hectare as a independent variable. In this case re gression coefficient of land would be pos tive but less than unity if output pe standard hectare declined with the siz of farm; positive and equal to unity i output per standard hectare remaine same with the size of farm; and positiv and greater than unity if the outpu per standard hectare increased with th size of farm (7). The fitted equation bet ween output and farm size was as follows

$$\text{Log } Y = 3.6125 + 1.0811^{***} \log X_1$$
$$(0.0662)$$

$$N = 120 \quad R^2 = 0.8153$$

where

Y = Gross returns on the farm in rupees

X_1 = Size of farm in standard hectares

R^2 = Coefficient of multiple determina tion.

N = Number of observations.

The regression coefficient of farm si

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*The percentage area under Mexican varieties of wheat was taken as an index of adoption of new technology.

†The area was standardised using the assess value of land as an index of fertility fixed for ea plot by the Revenue Department of Uttar Prades Therefore,

$$X = \frac{\Sigma A_1 V_1}{16}$$

where,

X = Size of farm is standard hectares

A_1 = Area of one plot in hectares

V_1 = Assessed value of the plot in annas.

was positive and significant at one per cent level indicating that the total output per farm increases with an increase in farm size. Though the regression coefficient with respect to farm size was greater than unity, but the difference was found significant only at 30 per cent level which may not be considered as an appropriate level to conclude a positive relationship between output per standard hectare and farm size. However, it may be concluded that in the context of recent technology there is no indication of inverse relationship between output per hectare and farm size and, therefore, the hypothesis of inverse relationship is rejected on the sample farms.

The inverse relationship of output per hectare and farm size in the farm management studies was attributed to the fact that the small farms were using more input per unit of area than the large farms. Therefore, an attempt is made here to examine the relationship of total cost with farm size by fitting the following equation:

$$\text{Log } C = 3.6089 + \underset{(0.0392)}{0.9311^{***}} \log X$$

N=120 $\quad R^2 = 0.8817$

where

C=Total cost on the farm in rupees

X=Size of farm in standard hectares.

The regression coefficient of farm size is positive and significantly less than unity at 10 per cent level indicating that with an increase in farm size there is significant decrease in the total cost per standard hectare. Therefore, the explanation of output being constant or increasing with farm size does not lie in the total cost which showed a decreasing trend. It may only be attributed to the use of growth promoting inputs which showed increasing trend with farm size. From the table below it may also be observed that the use of conventional inputs such as human labour and bullock labour per standard hectare is decreasing with an increase in farm size while the use of growth promoting inputs and machinery and implements is increasing with the farm size.

To examine the relationship of profit and farm size the following equation was fitted taking per farm profit as dependent variable and farm size as independent variable:

$$\text{Log } P = 1.2237 + \underset{(0.6750)}{2.0521^{***}} \log X$$

N=120 $\quad R^2 = 0.1832$

where,

P=Profit on farm in rupees

X=Size of farm in standard hectare.

The regression coefficient in this case is positive and significantly higher than unity at 20 per cent level of significance indicating that at this level the profit per standard hectare is increasing with farm size. This finding supports the earlier findings that the profit per unit of area and farm size are positively related.

The examine the nature of returns to scale on the sample farms, the following Cobb-Douglas type of equation was fitted to the data.

$$Y = a\, X_1^{b_1} X_2^{b_2} X_3^{b_3} X_4^{b_4} X_5^{b_5} X_6^{b_6}$$

where

Y = Gross returns on the farm in rupees.

X_1 = Area of the farm in standard hectare.

X_2 = Plough unit (comprising one pair of bullock and one man associated with that) in days.

X_3 = Irrigation in hectare-centimeters.

X_4 = Manures and fertilizers in rupees.

X_5 = Human labour in days.

X_6 = Machinery and implements in rupees.

Out of two variables which had high inter-correlation only one, which showed higher correlation with returns, was retained in the equation. In the final equation only those variables were retained whose coefficients were significant at least at 20 per cent level and the same were as follows:

$$Y = 59.2463\ \underset{(0.1005)}{X_1^{0.3770^{***}}}\ \underset{(0.1040)}{X_2^{0.3759^{***}}}\ \underset{(0.0859)}{X_6^{0.4830^{***}}}$$

N=120 $\quad R^2 = 0.8704 \quad \Sigma b_i = 1.2359$

S.E.$(\Sigma b_i) = 0.0466$

In the Cobb-Douglas type of equation the regression coefficients indicate directly

Levels of Labour and Capital Inputs and Estimates of Returns, Costs and Profits Per Standard Hectare on Farms in Meerut District (1969-70)

S. No.	Items	Small Farms	Medium Farms	Large Farms	All Farms
	A. Inputs				
1.	Human labour (days)				
	(i) Family labour	227.05	112.49	45.65	136.35
	(ii) Hired labour	61.33	146.69	168.37	120.48
	(iii) Total	288.39	259.18	214.02	256.82
2.	Bullock labour (days)	95.46	81.29	71.43	83.77
3.	Machinery and implements (Rs)	143.33	154.00	290.30	190.80
4.	Growth promoting inputs (Rs)	849.00	1015.15	1018.81	908.79
	B. Gross returns (Rs)	4252.45	5081.65	5174.25	4791.58
	C. Total cost (Rs)	3709.78	3612.23	3445.70	3599.67
	D. Profit (Rs)	542.67	1469.42	1728.53	1191.91

Human labour: The actual number of labour used for crop production.

Bullock labour: The actual number of bullock pair used for crop production.

Machinery and implements: The annual depreciation on machinery and implements.

Growth Promoting Inputs: Expenditure on fertilizers, manures, pesticides, seed and irrigation.

Gross Returns (Y): Value of main product as well as by-product of the crops grown on the farm evaluated at harvest prices.

Total Cost (C): All cash and kind expenses on the farm comprising wages of hired labour, value of bullock labour — hired and owned, seed and manures, (farm produced and purchased) fertilisers, irrigation charges, interest paid in cash, depreciation on implements, rent paid and rental value of owned land, interest on owned fixed capital excluding land and imputed value of family labour.

Profits (P): Gross returns (Y) *minus* Total cost (C).

elasticity of production of each input and the sum of these elasticities indicates the nature of returns to scale. The return to scale is decreasing, constant or increasing as the sum of elasticities is less than, equal to or greater than unity. The sum of elasticities is 1.2359 which is significantly higher than unity at one per cent level indicating increasing returns to scale in the area under study. Therefore, the hypothesis that Indian agriculture is operating at constant returns to scale is rejected in the context of the new agricultural technology.

testing the validity

The present study has been directed to test the validity of some of the conclusions drawn from the farm management studies in the context of recent technological development. More specifically the following were tested: (1) the output per acre is inversely related to size of farm; (ii) the input per acre (total cost including payment for all the factors of production) is inversely related to size of farm; (iii) the profit per acre is directly related to size of farm; and (iv) the farms are operating at constant returns to scale. The data were collected from 120 farms of Meerut district pertaining to agricultural year 1969-70. Special attention was given at every stage of selection, viz. district, blocks and villages, so that the sample farms could have been well exposed to latest yield increasing technology.

The conclusions may thus be summed up as follows:

1. The gross return per standard hectare does not have any indication of inverse relationship with the farm size.

2. The total cost per standard hectare showed an inverse relationship with farm size.

3. The profit per standard hectare is increasing with the farm size.

4. The sample farms are operating at increasing returns to scale.

Therefore, the hypotheses of inverse relationship between farm size and productivity and constant returns to scale were rejected in the area under study while the other two were accepted. Based on the findings of this study it may well be suggested that similar types of studies should be conducted in different agro-climatic regions of the country before reducing farm size by introducing downward land ceiling which may result in drastic cut in total agricultural production.

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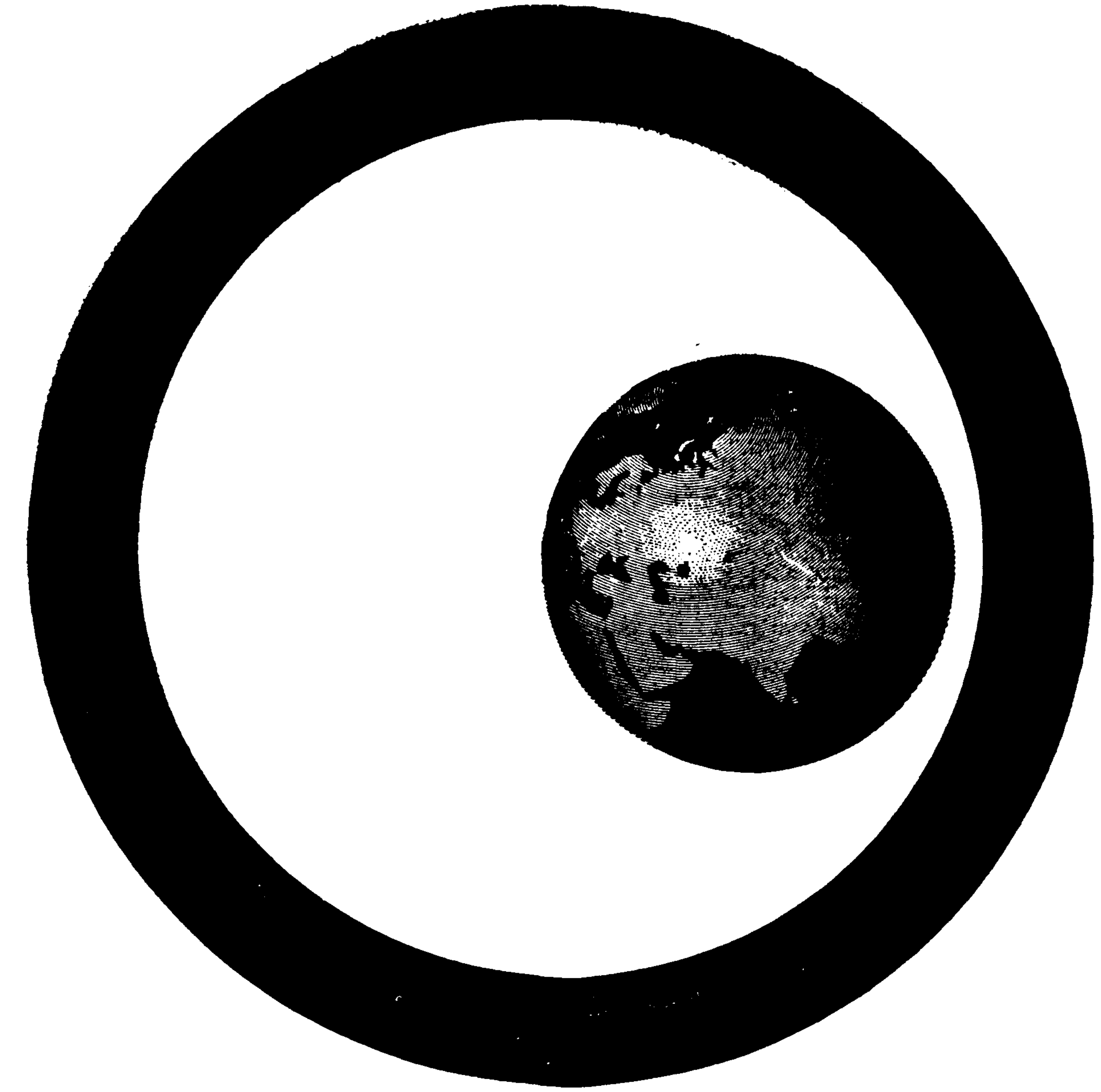
Eastern Economist 30 Years Ago

JAN. 12, 1945

India produced from 20 to 23 million tonnes of coal each year in the pre-war days. This supply being inadequate to meet the country's requirements substantial imports had to be obtained from South Africa and elsewhere amounting in 1937-38 to 79,000 tons. In contrast to this is the present acute shortage in coal supply which is not likely, it is strongly feared, to reach even the comparatively low target of 23 million tons fixed for the year 1944-45. Lack of essential machinery and equipment continues to cause worries and the government have so far been able only to give the information that they have deputed two officials in the USA and the UK to arrange for the import of machinery. Transport has also been in part at least a source of trouble. It has been calculated, for instance, that total wagons required for the transport of coal from the Bengal and Bihar coal-fields are about 2,000 per month. Of this till some time back only a half seem to have been made available. But the worst difficulties have arisen out of a shortage of labour supply and instead of taking steps to remove the causes responsible for labour's repulsion to work in the coal-fields the government contented itself with the retrogade step of legalising women miners' entry into the mines and with half-measures like the lifting of the military and the PWD out of the miner labour market. The cost of living in the mining areas is reported to have increased by about 300 per cent, and government have sanctioned a dearness allowance of about 50 per cent! The miners' standard wages, it should be noted here, are between Rs 5 and 9.



WINDOW ON THE WORLD

Around south-east Asia

Jossleyn Hennessy
London

I

The Philippines

President : Fernand E. Marcos
Exchange Rate : 15.663 Pesos=£1
(£1=US $2.317)

THE OUTBREAK of hostilities between government forces and Muslim secessionists in 1974 to some extent detracted from the country's recent impressive economic performance. However, attempts have been made to reduce tensions in the southern Philippines. Since the declaration of martial law in September, 1972, the Philippines has established diplomatic relations with many east European nations and is also moving towards establishing ties with both China and the Soviet Union.

Considering the disruption caused by floods in July-August 1972, the economic growth rate of 10 per cent recorded in 1972 was impressive. The value of agricultural output rose by 11 per cent, manufacturing by 12 per cent and mining by 8.7 per cent. The government has introduced many measures in the past two years designed to promote economic growth. These include the establishment of the National Economic Development Authority, substantial expenditure on transport improvements, and the overhaul of the tariff, customs and tax systems. However, the main factor behind the recent improved economic performance has been a favourable movement in the terms of trade. As a result of the increase in world commodity prices, the value of exports rose by 65 per cent in 1973 to P 12,147 million. The major commodity exports were coconut products (P2,385 million), wood (P2,217 million), sugar (P2,051 million), and copper (P1,896 million).

In addition, foreign investment has been increasing and a large number of long-term development loans have been arranged. Tourism has also been growing in importance and the net result was that a relatively substantial balance of payments surplus of $671 million was achieved in 1973; by the end of July, 1974, international reserves totalled $1,517 million, an increase of $667 million over the previous twelve months.

However, this rapid economic expansion has not been achieved without cost. The emphasis on exports has led to a number of artificial shortages in domestic markets, such as the construction industry, and, with consumer prices rising by over 17 per cent in the first six months of 1974, many groups of workers have seen their real wages declining. While the internal shift of resources towards business firms might be welcome insofar as it permits the expansion in investment necessary to maintain a high rate of economic growth, nevertheless, to a large extent the move conflicts with the attainment of an equitable distribution of wealth, a major target of President Marcos' New Society.

The government is taking a relatively optimistic view of the country's economic prospects and has set a target growth rate of seven per cent for the current year. In a four-pronged approach designed to counteract any recessionary tendencies President Marcos announced early in 1974 that short-term investment projects would be given priority, as would the continued expansion of exports and the encouragement of foreign investment and overseas loans. The government is also actively encouraging the development of Manila as the next financial centre of south-east Asia and has opened the domestic banking system to direct investment by foreign banks. Moreover, earlier forecasts of a balance of payments deficit in 1974 have recently been revised and a payments surplus was projected. If a surplus is not achieved, the government will be able to utilise the standby credits of some $800 million which were arranged by the Central Bank earlier in 1974. In the immediate future much depends on the trend in world commodity prices and on the government's success in tackling the problems of domestic inflation and political disturbances.

Philippines : Value of Trade

(Total trade in millions of Pesos)

	Exports	Imports	Balance
1967	3,199	4,143	—944
1972	7,351	8,165	—814
1973	12,147	10,710	1,437

II

Malaysia

Prime Minister: Tun Abdul Razak

Exchange Rate: M$5.607=£1
(£1=US $2.317)

In the general elections held in August, 1974, the ruling party returned to power with an overwhelming majority. Malaysia has recently established diplomatic relations with China, and other countries of the Association of South East Asian Nations (ASEAN) are expected to follow suit. Economic expansion has been led by the trade sector, exports accounting for 48 per cent of GNP in 1973. Malaysia is the world's leading exporter of rubber, tropical hardwood, tin, palm oil and pepper. As a consequence of the commodity boom, the Malaysian dollar which joined the 'floaters' in June, 1973, appreciated by nearly 10 per cent on a trade-weighted basis against the currencies of the major trading partners by the end of 1973. Unemployment, estimated at 7.3 per cent at the end of 1973, is moderate by Asian standards. Inflation presented a problem: consumer prices were rising at an annual rate of 23 per cent by March, 1974. However, remedial measures taken by the government effectively halted and brought the rate down to only 13 per cent by June.

Increasing importance is being attached to economic development reflected by the fact that while federal government current xpenditure is to rise by six per cent over 1973, development expenditure is to increase by 11 per cent. The 1974 budget provides for current expenditure of M$3,470 million and development expenditure of M$1,402 million. Current revenue is to total M$3,537 million and the overall deficit is mostly to be financed by domestic borrowing.

The industrial sector is gradually assuming an important role. Manufacturing output, which averaged a 12 per cent annual growth rate over the last five years, increased by 19.2 per cent in 1973 and is forecast to generate 23.3 per cent of GDP by 1980, compared with 13.6 per cent in 1970. In 1973, the government approved 473 new projects which are expected to create 81,000 new jobs at a cost of M$545 million — this is around 50 per cent higher than in 1972. Manufactured exports, excluding tin metal, were estimated to have increased by 46 per cent in 1973 reaching M$730 million.

Export earnings registered 50 per cent increase in 1973, which also saw a welcome diversification of the export sector. Rubber was still the major export earner, but accounted for only 33 per cent of exports compared with 55 per cent in 1960: timber for the first time took second place with 22 per cent cent, tin accounted for 13 per cent and palm oil exports contributed seven per cent. Imports increased by 29 per cent mainly in respone to the high level of aggregate demand following the export boom. Manufactured goods, machinery and transport equipment accounted for just over 56 per cent. Singapore, the EEC, Japan and the United States took almost three quarters of total exports and supplied three-fifths of imports. Total reserves stood at US $1,508 million at the end of June, 1974, an increase of US $222 million over June, 1973.

reasonably optimistic

While the overall picture of the economy is reasonably optimistic, the major flaw on the export front is that the spectacular gains achieved were largely due to the favourable terms of trade. However, the rise in commodity prices appears to have stabilised and coupled with the impending recessions in, and expected deficits of, many of Malaysia's major trading partners, the rate of export-led growth may fall.

Malaysia is rapidly nearing take-off stage in economic expansion. GNP, at an estimated M$1,360, is one of the highest per head in Asia. The oil crisis has enhanced the cost-competitiveness of natural rubber and the long-term prospects for the timber industry remain good, although prices are currently depressed. Resource-orientated industries should not only diversify the manufacturing sector but also help to alleviate unemployment. On the energy front new oil finds and high hydroelectric potential augar well for the future. The slowdown in world trade remains a major problem confronting the country. Substantial development can nevertheless be anticipated in this sound economy.

Malaysia : Value of Trade

(Total trade in M$ million)

	Exports	Imports	Balance
1967	3,724	3,152	572
1972	4,838	4,347	491
1973	3,372	5,555	1,817

III

Singapore

Prime Minister: Lee Kuan Yew

Exchange rate: S$5.717=£1
(£1=US $2.317)

Lee Kuan Yew's government has gradually created a climate conducive to the development of Singapore as a major financial and manufacturing centre in south-east Asia. Of the countries of the Association of South East Asian Nations (ASEAN), Malaysia has already established diplomatic relations with China, and Singapore is likely to follow other ASEAN countries. This could have far reaching effects in the light of China's increasing trade with the world and the strategic position of the port of Singapore. Gross Domestic Product grew in real terms by 11 per cent in 1973. However, the higher cost of oil and commodity imports raised prices by 23 per cent as compared with one per cent per annum in the previous decade.

Economic development is receiving priority in the budget for the fiscal year 1974-75 and is allocated S$1,562 million out of a total expenditure of S$3,380 million. Total expenditure is 15 per cent more than for the fiscal year 1973-74, whereas development expenditure is to rise by 33 per cent. Housing and industrial development are to account for nearly two-thirds of the total estimated development expenditure.

In 1973, at constant prices, exports and imports grew by 14.1 per cent and 6.2 respectively, and entrepot trade rose by six per cent. Machinery, transport equipment, mineral fuels and lubricants, and crude materials form the bulk of exports while the first three together with manufactured goods, food and live animals are the principal imports. As recently as 1970, re-exports accounted for 61 per cent of total exports, but by 1973 this proportion had diminished to an estimated 46 per cent. Domestic exports rose from S$217 million in 1960 to S$4,791 million in 1973. Malaysia, the United States, Japan and the United Kingdom are the major trading partners. Total reserves rose from US $1,020 million in March, 1973, to US $1,325 million by March, 1974.

rising labour costs

Manufactured exports accounted for 68 per cent of total domestic exports in 1973. However, labour costs have been increasing, and were forecast to rise by over 20 per cent in 1974. Given rising costs and the sluggish trading conditions in the developed countries, which took half of domestic exports in 1973, export earnings are likely to fall. The emphasis is now on capital intensive and advance technology products, reflecting endeavours to broaden the base of the economy and to ease a tight labour market. High technology industries accounted for some 87 per cent of the total investment of S$819 million in the manufacturing sector in 1973: foreign investment in manufacturing rose by 136 per cent over 1972. The high volume of foreign investment has been mainly responsible for the growth of the shipbuilding and ship-repairing industries.

Singapore is an urban economy. Agriculture plays only a limited role. Half the cultivated land is devoted to rubber and coconuts. Virtual self-sufficiency has, however, been attained in poultry, eggs and pork, and the fishing industry is receiving increasing attention.

Government encouragement has led to the development of the Asian-Dollar market and funds currently total some US $7,000 million. It is hoped that this market will now attract part of the astronomical increase in the oil revenues of middle-east countries. Singapore is a net borrower of funds, a large proportion of which is drawn from the Eurodollar market, mainly through London; the major borrowers are multi-nationals and private south-east Asian companies.

It is difficult to chart the course of Singapore's open economy as it is dependent on economic conditions in the outside world. In 1974, the real rate of growth may have fallen to some 5-7 per cent and the gap in commodity trade may have widened further, though increased invisible earnings will have somewhat eased the burden. The increasing search for oil by south and south-east Asian countries offers wider opportunities to the oil drilling industries and allied services and to the growth of the Asian-Dollar market as the source of finance.

Singapore : Value of Trade

(Total trade in S$ million)

	Exports	Imports	Balance
1967	3,491	4,157	—666
1972	6,149	8,948	—2,799
1973	8,907	11,738	—2,831

IV

Indonesia

President: General Suharto

Exchange Rate: 962 Rupiahs=£1
(£1=US $2,317)

The economy continued on its upward path in 1974. For example, oil production rose by 24 per cent to 488 million barrels and rubber production by 20 per cent to 333 million kilogrammes. Overseas investment has been important in the country's economic development; by the end of June, 1974, foreign investments totalling $3,496 million had been approved by the Foreign Investment Board under the terms of the 1967 Foreign Investment Law. Such investments have been concentrated in west Java, particularly Jakarta.

The continued economic expansion was reflected in the value of exports which rose by 58 per cent in 1973. A large part of the increase was a result of the higher prices and volume of oil exports, although overseas sales of timber, rubber and tin also improved. As a consequence international reserves rose by $ 233 million to $ 807 million in the twelve months to the end of December, 1973. Moreover, the increase in reserves was even more pronounced in 1974, and by the end of July stood at $ 1,827 million.

However, in spite of recent economic progress Indonesia still remains essentially a low-income developing country with enormous problems. With a population of nearly 129 million, unemployment is wide-spread and rice production is insufficient for domestic needs. Inflation has been accelerating; in the twelve months to the end of June, 1974, consumer prices had risen by nearly 50 per cent. President Suharto has recognised the need for policy changes. When presenting the draft of the Five Year Development Plan (Repelita II) covering the psriod April, 1974, to April, 1979, he emphasised that future development would aim to increase 'social justice', to supply sufficient food, clothing and housing, improve the infrastructure and provide greater employment opportunities. The Plan itself provides for an estimated expenditure of Rp 4,858,800 million and aims at an annual growth rate of 7-8 per cent. Nevertheless, this did not prevent public dissatisfaction erupting in the form of rioting which broke out in Jakarta in January during the visit of the Japanese prime minister. However, the government has made further efforts to answer public criticism. Measures designed to increase local participation in new investments and to reduce corruption have been announced and an nti-inflationary package introduced which ıcluded sales tax reductions.

Indonesia : Value of Trade

(Total trade in US $ million)

	Exports	Imports	Balance
1967	665	590	75
1971	1,234	985	249
1972	1,778	1,302	476

Although many problems remain, the economic outlook in general appears favourable. The Inter-Governmental Group on Indonesia is to give $850 million in aid in 1974-75. Moreover, despite the current slump in the timber industry, the long-term prospects for timber exports remain good. An expansion of industrial capacity and exports of indigenous mineral resources, particularly tin, bauxite, natural gas and oil, is also planned. Indeed the recent boom in oil prices will result in a substantial surplus of funds (receipts from oil exports in 1974 were likely to exceed $4,000 million) which may well prove difficult to absorb.

Sources and acknowledgements: The foregoing summaries a report issued by the Barclays Bank Group, Economic Intelligence Unit (54 Lombard St. London EC 3 P:3AH) but the bank is responsible neither for the emphasis of my summary nor for my interspersed comments based on a variety of sources.

Silver lining on western horizon

E. B. Brook

Vienna

THERE ARE are a few significant bright patches in an otherwise gloomy sky as the new year opens. The first is the decrease in mutual competitiveness by the European states and the USA in handling their oil problems and relations with the oil producers, the second the belated and absolutely last-minute passage by the U S Congress of the Trade Bill which not only gives the USSR most-favoured-nation treatment in commerce but, much more importantly enables the second round of trade talks within the General Agreement on Tarff and Trade to make a realistic start after the preliminary discussions about having such talks were concluded in Tokyo nine month ago. After some 15 months of steadily rising prices in domestic and foreign trading, short time and unemployment, falling profits and bankruptcies the world may be in a more chastened mood, ready to make mutual concessions in order to increase the total volume of trading. There is much preparation to be done in the USA and within the Common Market area but the talks should now be able to begin in Geneva next Appril.

There is reason also for some world relief that the newly-elected one-third of the US Congress will now come in to constitute the 94th US Congress with probably fresher and more liberal ideas than those shown by the 93rd, overshadowed by the Watergate scandal and essentially halting in his attitudes to both the socialist world led by the USSR and to industrially and commercially developing countries. President Ford has himself shown some useful initiative in foreign affairs and his new Vice-President, Mr Rockefellor, is a man of far wider sympathies and experience than any in that office for several decades. As world's still easily leading industrial and commercial state the USA is vitally important to the rest of the world in the nature and quality of its leadership and legislature. The changes in Washington promise a less ponderous and sluggish time ahead.

In Europe, also there is a freshei sense of the need to deal with facts and cease complaining about them and squabbling together. The British are begining to realize that their continental partners are not really deeply concerned whether they remain within the Market or not. The West German press has been particularly plain spoken and the French are obviously indifferent whether Britain, Ireland or Denmark remain with them or not. The days have passed when the expansion of the six to nine was significant. Britain's deepening weakness is accepted as an abiding fact and the relatively prosperous Five—France and West Germany with the Benelux area—are more intent on west Asia and its money than on the ailing west and south of Europe. They have also to work out the new basis of commercial relations with east Europe as from this new year.

The Market Commission's Secretary, the Corsican M. Ortoli, is shortly to visit Moscow to talk matters over with the Comecon secretariat now that Market members will be making their trade agreement with bargainers from east Europe not individually, as hitherto, but collectively. It remains to be seen whether west European collectivity bears much resemblance to the east European type. The parties are uncertain of each other; there is no agenda for the talks and the Comecon officials have not even revealed what they would like to talk about. Since the Soviet Union already has some very useful longterm cooperation and trade agreements, particularly with West Germans, French and Italians, it is fairly certain to wait and see what the Market Commission has to offer before showing its own hand very clearly.

The most serious problem for west Europe is to restore more confidence to its public by begining to reduce domestic prices and to ensure rather more stability in jobs. It is becoming accepted that a far higher level of worklessness than has been known for years will have to be accepted generally, that a higher percentage of expenditure in employment relief must be tolerated and that the days of general prosperity are already a long way behind, Italy leads the unemyloyment stakes with some 1,200,000 out of work and almost constant strikes. West Germany comes second with already just about a million out of work. France and Britain both are approaching 700,000. These are the main areas: the lucky Dutch and Belgians both have fewer than 150,000 out of work and Scandinavia generally is busy. But the percentage rates are, on the whole, about twice last year and are likely to rise.

fears of unemployment

People such as the British and Italians take unemployment in their stride. the French grumble but, to the west Germans a million out of work appears a catastrophe. Worklessness has certainly a tragic history in this century in Germany but there is much inclination to exaggerate economic and social troubles in the Federal Republic. There is no social distress, law and order are very firmly in the saddle and short-time working and closing of some factories are little more than necessary adjustments of a boom-time expansion to a more normal profit-and-loss existence. Many thousands of "guest workers" have gone home from West Germany, Switzerland and Austria in the last yaar but anyone who saw the 11 miles long queue of cars driven by "guest-workers" going home to Greece, Turkey and Yugoslavia for the year-end holidays would have no illusion of any hard luck on their part. In fact, hard luck stories from Europe whether from workers or from the hard-hit bussinessmen should be taken at anything but face value. High prices or not, Xmas domestic sales were a record and, if the streets were rather darker to save energy, they were all crowded as ever with people spending freely.

It is only a few months since the banks were complaining that the Arabs and other oil-owners were reinvesting their earnings only in short term deposits, difficult to handle and unsettling to the share markets. If they would only put out their money in long term deposits, all might be well. In the meantime, west Asia has has been putting out its money on long term in west Europe to such an extent that the Sheikdom of Kuwait has bought a 14 per cent share of Daimler-Benz's share capital, there are very sizeable Arab and Iraniam purchases into West German chemical and engineering industries—Iran owns 25 per cent of Krupps steel works —and three large German banks have been helping throughout the year with sizeable Arab investments, especially from Kuwait and Qatar. The effect in West Germany has been to produce the usual shrill hysteria: a largely-circulated and very right-wing paper from Munich came out with banner headings "Are the Sheikhs buying up Germany?", the more respectable *Der Spiegel* asks very much the same thing more politely; the prestigious Sunday *Die Zeit* of Hamburg devoted most of last week's 30-page glossy issue in detail to Arab and Iranian purchases—on a sober and reasonable note—and Chancellor Schmidt has been obliged to tell his Parliament in Bonn that his government will not allow oil-rich countries to gain control over strategically essential German industrial firms.

By comparison, the French and the British have taken Arab purchases very much more in their stride but. in the USA. where Saudi Arabia now owns the mammoth Aramco oil concern, there is strenuous opposition to Arab attempts to buy heavily into the coal industry. The Arabs and others may well complain that if they invest short-term, they are accused of rocking the financial boat and if they invest long-term, of trying to buy up Europe. Not unnaturally, they are trying to make sure of complete control over their own oil industry's continued success by building tankers and buying sizeable blocks of shares in shipbuilding concerns, with some concentration at present on West German wharves.

The ten-month period of quiet for the new oil prices and the prospect of a world oil conference opened by the Ford—Estaing talks on Martinique should contribute to soothe European and, especially, West German nervousness. The quiet beneficiary of it all, with current deliveries of 23.8 billion cubic metres of natural gas to east and west Europe annually and a swelling oil trade is the Soviet Union. For the first time west Europe finds itself looking east and south—east for its essential energy at terms they decide. With this prospect unchanged for 1975, gas prices up four-fold and oil dearer, they have excuse for some unhappiness.

BOOKS BRIEFLY

Reviewed by
Academicus

The problem of numbers

Management and Population—A Systems View and Review of Family Planning Programme In India : N. V. R. Ram: D. K. Publishing House, Delhi; Pp 130; Price Rs 25.

Short-Term Investment Forecasting : Samuel Paul and C. Rangarajan; Macmillan India; Pp. 207; Price Rs 50.

Regional Profile of Indian Agriculture : Edited by Vadilal Dagli; Vora and Co Publishers Private Limited, Bombay; Pp 311; Price Rs 50.

Labour-Management Relations—New Perspectives and Prospects : Dr. V. R. Rao; D. K. Publishing House; Pp 136; Price Rs 25.

Planning, Development and Economic Policy in India : V. S. Mahajan; Kalyani Publishers, Delhi; Pp 340; Price Rs 30.

PL. 480 and India's Food Problem : B. R Shenoy; Affiliated East-West Press Pvt. Ltd; New Delhi; Pp. 342; Price Rs 60.

HAVING RECOGNISED the urgency of the problem of population. India has been trying to deal with it in its own way. It has evolved a programme and a system to deal with the problem of overpopulation. Since 1951 the machinery of family planning organisation has expanded considerably with substantial growth in the number of its personnel and variety of administrative units at different levels. The management of this programme appears to be facing various difficulties and problems. N. V. R. Ram in his *Management And Population—A Systems View and Review of Family Planning Programmes in India* has made an attempt to examine "the management aspects of the family planning programmes subjecting the same to systems approach. Through this approach, operations are examined from the broad standpoint of programme policy, its success and results." The author's idea behind writing the book is "to promote a debate and discussion on the subject matter of management and population from the angle of programme management rather than from the viewpoint of medicine management, demography and numbers."

pertinent issues

The author has raised some very pertinent issues while writing about the environment in which the family planning programme has to operate in India. The family planning has to operate in India under the following constraints.

One of the criteria for allocating central grants and funds to states is the total population of the state. This naturally conflicts will the family planning programme as it would not be in the interest of the states to reduce population, if they want more finances from the central government. Similarly the number of seats for a state in Parliament is decided on the basis of population of the state. This again is a sort of disincentive for a state to reduce its population. Also in a democracy like that in India, the strength of a community lies in its numbers. There is thus fear that some communities may multiply faster and increase their political strength as opposed to other communities who adopt family planning as a way of life. And finally, family planning is a centrally sponsored and financed programme and the states have no stake in the success of the programme.

programming of planning

As regards the programming of family planning, the author has stressed the point that in India family planning is a subsystem of its health system and has itself many subsystems. Thus the central government has fixed 156,000 as the number of technical personnel required for family planning programme. At present about 100,000 persons are employed. These personnel are spread over central government, state and district family planning bureaus, training institutes, and at the local level, the primary family welfare planning centres. The personnel is thus spread over different levels of government. Also many appointments are of purely temporary nature. Would such a system contribute to efficient execution of the family planning programme? The author also finds fault with the training system which is not directed at those levels where it would be most effective. There is no systematic training programme; at every stage there is *ad hocism*. The author is also dissatisfied about 'Information subsystem'. At present there is hardly any rapid feedback of data on programme progress and control mechanism to rectify deviations in path. The information subsystem therefore requires improvement and further development.

In the light of his system analysis, the author has made a number of recommendations to improve the system and make the family planning programme more effective.

reforming the education

A primary health centre covering the population ranging between 80,000 and 100,000 is not a viable unit of health administration at present. The physician-in-chief is not a managerial physician. The author is of the view that to train the medical doctor to become manager-physician cannot be achieved in isolation. This is possible only through reformation of the medical education in India. The policy should aim at incorporation of family planning management as a speciality in medical education for those doctors who are interested in family planning programmes and are seeking jobs there. The acquiring of knowledge and expertise in techniques should not make a person a natural claimant for its management. This must be realised by all professions including the medical profession and those not interested in management should serve as pure technicians in primary family planning centres. This means the selection for management posts should be carefully done and to attract right talent, recruitment from outside the medical field may be resorted to, if need arises. It must be kept in mind that family planning involves serious programme management with extensive social, political and economic implications and it cannot be the prerogative of either the civil servants or medical men to man these vital posts.

The author is also of the opinion that considering the results achieved by the family planning services, the system is top heavy and 'ill-designed for an efficient programme management'. A thorough organisational analysis from the central level to the local level is necessary at this stage of programme development. At present, no body seems to be responsible for achieving the results. There is a primary need to fix the responsibillity for programme achievement on an agency other than the combined ministry of Health and Family Planning. If the states view it as part of their developmental programme and conceive that the best way to achieve it, for example, is through the district collector's leadership and responsibility, the pattern of organisation at the top and at the state secretariat will have to be suitably modified.

The author has rightly pointed out that there are too many conferences, seminars, workshops and symposiums on family planning and the fact that money has been easily available has lent itself to "the creation of positions, departments, agencies and high-level conferences all leading to a gigantic research-oriented, group-concentrated, bureaucratic-intellectual complex". Only the management part of family planning programme and population control which in a sense are the most important part remain mostly neglected with the consequence that the programme so far has produced only marginal results.

Organisation has never been our strong point and one reason for our failure on the implementation side has been inadequate and faulty organisation we set up to implement our programmes. The author has very ably pointed out the inadequacies and deficiencies of management in the field of family planning. If the government is serious about this vital and crucial issues, sooner it pays attention to the organisational aspect along the lines suggested by the author, better will it be for all. Systems analysis has been attracting attention in India only in recent years and the author has done well to study the problem with reference to the family planning programme in India.

Investment Forecasting

The industrial recession of 1967 attracted the attention of the authors and like, many, economists, managers and public leaders they were wondering whether the crisis could not have been anticipated. It is this awareness which has resulted into an exploratory effort the findings of which have come to be emboded in *Short-Term Investment Forecasting*.

It is an accepted fact that economic forecasting is an important element in the process of formulation of national plans. Thus in India long-term forecasting has provided a broad framework within which various five-year Plans were formulated. Since the fourth Plan Indian planners have devoted increasing attention to annul Plans and this calls for proper assessment of the short-term outlook for the Indian economy. It is however no exaggeration, according to the authors, to state that "systematic forecasting which is a prerequisite for assessing the national economic outlook for the next six months or a year has seldom been attempted in India." Some government departments such as the ministry of Finance do make their own assessment of short-term outlook for the Indian economy and its different constitutent parts; but these are informal assessments which remain mostly unpublished so that the public discussion of their assumptions, framework of analysis and sources of data etc. is completely ruled out.

short-term predictions

The author has used the term 'short-term forecasting' to denote predictions for a period not exceeding two years. There are two main reasons which are advanced in India for the lack of short-term forecasting. These are data difficulties and secondly extreme uncertainties due especially to natural hazards. These may hovever be considered as occupational hazards and one must not give up the attempt at short-term forecasting because of thesis difficulties. It must be realised that short-term forecasting is of great significance not only at the national level but also at the industry and firm levels.

The first step towards the building up of a comprehensive model for short-term forecasting is to learn more about the parts that make up the total economic system. The authors' aim in this book is to examine only one such component of the national forecasting model, namely investment and to identify the types and sources of data required to perform the task of short-term forecasting. Investment is one of the most important determinants of the level of economic activity in the economy and hence the authors have concentrated their attention on short-term forecasting of investment activity, though they are quite aware that other variables and sectors of the economy must be covered for comprehensive short-term forecasting for the economy as a whole.

The authors have arrived at some interesting findings. In respect of plant and equipment component of investment, the study has revealed that there is a reasonable and steady relationship between the orders for and deliveries of goods. Factors such as shortages of raw materials and technological changes in the short-run may disturb the stability in the order-delivery relationship. But the authors do not think that the impact of these extraneous factors would be so strong as to render short-run forecasting of investment impossible. A cross-section analysis of the order-delivery relationship for a sample firm confirmed the extremely significant role of new orders in determining deliveries and hence in forecasting investment in plants and equipment of the firm.

major finding

But unlike in the case of plant and equipment, the authors have not been in a position to demonstrate the usefulness of anticipatory data in the field of construction. Their major finding on construction forecasting has been that municipalities and panchayats could be a valuable source of information on investment intentions in the construction sector. Local government bodies could generate advance signals of trends in residential, industrial and governmental construction, provided their data collection and reporting systems are appropriately reformed. Though a wealth of data is available with these bodies, no attempt has been made to shift and process them for forecasting purposes.

This study has also demonstrated the feasibility of using the project data with the leading term-lending institutions for purposes of forecasting private corporate investment. From the point of short-run forecasting, the most relevant data are those pertaining to the time phasing of capital expenditure on the projects. By aggregating this information one may be in a position at the beginning of any year to anticipate the capital expenditure likely to be incurred in the course of that year on all projects which received assistance from the term-lending institutions.

An important finding of the budget study is the superior-predictive perfor mance of central government budgets in respect of both consumption and industrial development. This is also true in the case of state budgets where the predictive ability is generally greater

in respect of construction than in respect of industrial development.

On the basis of their analysis, the authors have made some recommendations to facilitate the making of more accurate short-term forecasting in the field of corporate investment in India.

Since the existing data was found inadequate for the purpose of short-term forecasting, the authors have recommended that "a comprehensive series on new orders and unfulfilled orders for and deliveries of plant and equipment be developed in India to facilitate investment forecasting" The series should cover plant and equipment expenditure in both private and public sectors.

As regards construction which is a very important sector of the economy especially from the investment point of view, since the authors did not find any useful anticipatory data, they have recommended that steps be taken to generate data on all-India basis in respect of both building permits and building contracts. Municipal and local bodies should be required to collect data pertaining to construction. To get complete data on construction, the central government and state governments should also furnish the required information to the local bodies concerned for the record.

Though the data on phasing of capital expenditure of projects is available with long-term lending institutions, they are never updated and hence lose anticipatory value. Also the reliability and comprehensiveness of the data at the level of state financial institutions leave much to be desired. In view of the important role which these institutions are playing in providing finance to industries it is important that the quality and coverage of their data be improved.

useful exercise

The authors are also of the opinion that if budgetary documents are prepared on a common basis and are made readily available to researchers, forecasters in several industries and government agencies are likely to find them very useful. The authors believe that if these data stand the test of time they will not only be of value to investment forecaster but would also provide better understanding of the behaviour and relationships underlaying the complex and comprehensive forecasting model for the entire economy.

In these days of violent changes and fluctuations, the importance of short-term forecasting cannot be over-emphasised. It will show the path which the economy is traversing and it is easier to set the economy on right path if the deviation is detected earlier than later. In view of this importance of short-term forecasting, the authors' attempt to probe this new field in spite of the overwhelming odds which they had to face is highly commendable. It must however be admitted that this exploratory attempt of the authors is extremely sketchy and tentative. The merit of the book lies in this that though the authors have not kept before the forecasters any comprehensive model for short-term forecasting, they have certainly succeeded in pointing out the vast gaps that lie in the way of successfully attempting short-term forecasting in India. Though the authors' contribution is mainly negative, it is nonetheless very important and of vital significance.

Farming Perspective

Regional Profile of Indian Agriculture gives an integrated picture of the agricultural development in individual states of the Indian union since independence. Care has been taken to see that detailed information regarding area, population agricultural inputs, mechanisation, agricultural marketing, flood control measures, impact of planning and land reform measures etc. is provided on a uniform basis to facilitate comparison between states in regard to agricultural development.

It is observed that the Indian agriculture has been running a chequered career during the post-independence period. However, despite the ups and downs, there is a steady upward trend in agricultural production. Since independence agricultural growth rate is about 2.9 per cent per annum compared with ½ per cent during the first half of the 20th century. There is no doubt that there is this historic qualitative change. But if we achieve the target of 5 per cent annual growth, that would probably make all the differenee between poverty and prosperity.

We get excellent information and analysis of the so-called green revolution, a phrase which was very popular a couple of years ago but not heard of these days. A good part of economists' energy was spent in a naive debate as to whether or not green revolution took place in the country!

Those who were convinced that green revolution took place pointed out to the sharp increase during recent years in the use of current and capital inputs such as fertilisers, pesticides, tractors, electric pumps and seeds of high-yielding varieties (HYV). The opponents pointed out that on the basis of growth in output there appears to be no evidence of green revolution. Agricultural growth rate which was 3.2 per cent per annum up to 1960-61 dropped to 2.6 per cent per annum during the subsequent decade instead of showing any rise. There is no doubt that there is no evidence of any acceleration of the growth rate of the agricultural production; on the contrary there is a distinct deceleration of the agricultural growth rate.

It would be seen that it is only in respect of nine crops—rubber, wheat, coffee, bajra, maize, ginger, rapeseed and mustard, sesamum and barley that one notices an increase in the growth rates of production during 1965-70. On the other hand the remaining 19 crops accounting for 81 per cent of the total weights recorded either fall in the rates of increase or stagnation.

Why did the green revolution just fail to take off? From the analysis in this book it appears that some of the important reasons for the failure were factors such as failure of the Indian scientist to develop miracle seeds in the case of many crops, particularly non-food crops, availability of irrigational facilities for only 22 per cent of the sown area, inadequate supply of chemical fertilisers, failure to develop a truly effective nation-wide extension system, failure of land reforms and continuance of tenancy and rack-renting and most important, the failure to develop motivation among the overwhelming majority of farmers, particularly the vast number of poor farmers who continued to be exploited as before.

significant facts

As regards the regional dimensions of agricultural developments, the book has brought out some very significant facts to notice. If poverty is to be eliminated from the country, special efforts will have to be directed at those regions which are relatively more backward. Here all-India measures will not achieve the desired results. The policies and programmes at the implementation level will have to be developed for specific regions taking into account their specific features and problems. Of course, proper lessons can be drawn from the experience of progressive states such as Punjab and Haryana.

The diversities in agricultural deve lopment at state levels are very great For example, the figure for net incom per hectare in terms of rupees varie from Rs 2716 for Kerala to Rs 583 in the case of Maharashtra and Rs 467 only in the case of Rajasthan. Similarly in regard to productivity of agricultural workers, it is noticed that the highest is in the case of Punjab (Rs 3195) while the lowest is in the case of Nagaland (Rs 409) the all-India average being Rs 1213.

Very important and relevant lessons can be drawn from the experience of relatively successful states such as Punjab and Haryana. The experience of Punjab emphasises the importance of hard-working and intellectual farming population, successful implementation of land reforms, provision of social and economic overheads, availability of irrigation facilities, provision of adequate electric power or any other source of energy, discovering of proper varieties of seeds and the key role of extension work in the agricultural field.

The terrible food crisis of 1972 and 1973 served as a reminder that the country must become agriculturally self-sufficient and agriculture must progress substantially if more than 10 crores of people or about one-fifth of our population who eke out a precarious existence on the border of hunger in rural India are to be provided with better living standards. This excellent volume which highlights agricultural development in all the states of the Indian union not only provides reliable and cogent information about various aspects of agricultural development but also provides indirectly the lessons which backward states can draw from the progressive ones. This book is certainly an excellent addition to the growing literature on the Indian agriculture.

Labour-Management Relations

In view of the urgent need for stepping up production for which it is necessary that all the factors of production work in full cooperation, Dr. Rao in his *Labour Management Relations—New Perspectives And Prospects* feels that there is an urgent need to study labour-management problems in their proper perspective. Since the traditional approach of dealing with labour-management problems has failed to give India the necessary industrial peace, the author has fervently advocated that unless the employers act according to the Gandhian concepts of trusteeship of wealth and make employees partners in production the problem of labour-management relations will continue to disturb and disrupt the industrial sector of the Indian economy.

The author has analysed the prevailing conditions of labour unrest in India and the manner in which the central government is trying to tackle this complex problem. The author is of the opinion that the present attitude of the government of appeasing the extremist elements indulging in violent agitations appears to have placed a premium on intimidation and intransigence. The author feels that the central government has not yet been able to evolve a credible approach to this problem of combining firmness with flexibility in right proportions for restraining politically oriented labour leaders from creating further economic dislocations by precipitating strikes and paralysing production. What should cause concern is the increasing tendency on the part of workers acting under political instigation to damage equipment and indulge in violence to reinforce their demands for higher wages and better living conditions. The state governments are especially finding it difficult to deal with this sort of lawlessness for fear of being dubbed as lackeys of capitalists by their own radical members. Government is mostly trying to play safe by siding with labour irrespective of the merits of their demands as a short of manifestation of their own commitment to socialism.

working less and less

The author is of the opinion that a very serious feature of the present-day labour indiscipline is the tendency among workers to do less and less both among the public sector and and private sector enterprises and to demand more and more wages, allowances and concessions. The enormous number of working days lost through strikes and lockouts, slackness and lack of interest have been partly responsible for the present industrial stagnation. The government is unimaginative and is pampering labour too much. The author has warned that government will have to act with firmness and no section of the community must be allowed to hold the country to ransom.

The author maintains that his approach is practical and that the book is on his experience gained while conducting courses and seminars on subject of labour-management relations. Unfortunately the author has failed to take a comprehensive look at the problem and study it from various angles. For example, some researchers have come to the conclusion that the wage rates are not keeping pace with increase in labour productivity while there is another school which equally emphatically maintains that wage burden which has become disproportionate to labour productivity has been eating into the profits resulting in industrial stagnation and unemployment. There is no doubt that that has been the case in some of the industries e.g. the printing press industry in Maharashtra. The government of India appears to have no labour policy and seems to be moving aimlessly according to pressures, though they appear to have taken a firm stand in recent loco and pilots' strikes. The author has failed to look at all these issues comprehensively. And after referring to the Gandhian approach to labour-management problem in the introduction, the author has just left it at that without making any effort to work out its implications. Labour-management problems in India deserve more careful and comprehensive study.

Planning and Economic Development

Since 1951 the government of India has been trying to modernise the Indian economy by using various techniques in the fields of agriculture, industry, management, finance and transport. An attempt has been made by V.S. Mahajan in his book *Planning, Development and Economic Policy in India* to make a critical assessment of the achievements and failures in our efforts to rebuild the economy.

The author has pointed out that during the sixties and seventies there has definitely been significant advance in capital accumulation in various sectors of the Indian economy. But he feels that such accumulation of assets has not followed a well thought out path with the result that the economy has been facing the problem of unbalanced growth. This, according to the author, appears to be the most important single factor which has stood in the path of India reaching the goal of self-sustained growth. It also appears doubtful if the country can reach this goal in the near future. The author's prophecy is that "Any country which fails to reach the goal of self-sustained growth, within a period of two decades during the third quarter of the twentieth century, would have to bo treated as a hopeless one." To some readers this may appear to be an extreme view; but unfortunately that has also been the conclusion which the World Bank has come to about India in its latest report.

The author has pointed out how agricultural gains have been neutralised by explosion in India's population. Also consumer and capital goods industries have failed to meet the challenge of rising demand because of government's rigid stand on the expansion of factory Industries and also because of the difficult situation of inputs and lags in capacity creation by basic industries, especially

steel. Of course, the biggest constraint on the industrial growth has been the state of health of the Indian agriculture which has been none too good. And there cannot be more rapid development in the agricultural sector unless the policy instruments and their implementation create confidence and enthusiasm among the rural households.

As regards industrial development, the author feels that though India has made rapid strides in the field of large industries, the position is still far from satisfactory. It is no use establishing new units or adding capacity to existing ones, when the country is not able to make optimal use of such capacity. The country must also be less dependent on the imported equipment and give an opportunity to her own technicians to manufacture such equipment using indigenous inputs.

attack on basic defects

The author is of the opinion that there is need of vigorous attack on the basic defects in small-scale industries which government is trying to encourage. The author wants that in order to raise the competitive power of small units, a more satisfactory way would be to offer liberal subsidies and fiscal and transport concessions rather than put curbs on the growth of large units depriving the country from obtaining cheap goods from alternative sources. Mere reservation of markets would not solve the problems of small-scale industries; instead, it would only result in scarcities of various types of goods. The author has drawn pointed attention to the fact that public financial institutions are found hesitant in providing credit facilities to small industries. Even the state financial corporations which are primarily meant to promote regional industrial growth have tended to concentrate their resources on large industries. The author has therefore recommended the establishment of the small industries financial corporation in each state, with the objective of looking exclusively to the financial requirements of small industries. Of course the author is aware that finance is not all and that government should also provide basic infrastructure facilities which cater for the specific needs of small industries. As in most other fields, in the field of small industries also the basic framework drawn by the government of India appears to be fairly sound which implies that if this sector has also stagnated, the failure is mainly on the implementation front.

As regards the industrial finance, though the overall impression is that these financial institutions have done a fairly good job, they have hardly made an attack on the problem of decentralised growth of industrial activity. The author has recommended the setting up of technical consultancy service at different places in the country to provide the necessary framework for tackling the problems of regional industrial growth on a more rational basis.

Looking ahead, what are the prospects for the seventies and early eighties? The author is of the opinion that one cannot be too certain about the near future. "The approach Paper lets out so much intellectual steam—computer programming, redistribution of consumption in favour of the downtrodden to the exact digit, resource matrix. . . that the man in the street finds himself puzzled."

The future will depend upon the steps which will be taken to mobilise resources. Will the government act according to a comprehensive tax reform drawn on the basis of the Wanchoo report and the Raj report? Or will it just pick up a bit here and a bit there from each, using recommendations of the one to neutralise the recommendations of the other? Will the government set up a definite programme and procedure for settling management-labour problems, especially in the public sector so that we do not have to import steel worth Rs. 200 crores annually because we lose two million man-hours in our steel plants? Will the government prosecute some of the high ups for corruption and remove many of the unnecessary controls which are the breeding ground of corruption? Or will it just stop with the prosecution of a small time sewage inspector? What will the government do about conspicuous consumption of which so much is being talked about? After all most of the goods that we see in city markets are being produced for only about 10 per cent of the Indian population. Maruti Enterprise which is scheduled to produce 50,000 cars a year by 1975-76 catering for the needs of the top one per cent of the people in India may well be the test case!

These and similar questions haunt a serious student of the Indian economy. Are there men of resourcefulness and vision to tackle the stupendous problems which India is facing? And above all men of honesty? How many are there? Even one? Where? Delhi? Patna?

PL 480 Food

Though the food deficit in India was never more than 10 per cent or so at the current rate of consumption, the problem has bedevilled the economists, policy-makers, administrators and all. *PL 480 And India's Food Problem* is a book by the eminent economist, B. R. Shenoy, who seems to be ploughing his lonely furrow all these years. As in the case of all his books and articles, one notices in this book also his rigorous logic which would take equally rigorous analysis to refute.

As is indicated in the title, the book deals with two interrelated parts, namely PL 480 and India's food problem.

The first part of the book deals with the US exports of agricultural surpluses under PL 480 and examines the economic effects of PL 480 imports and the monetary consequences of PL 480 finance on India.

adverse effect

The author has made a very strong case that "the PL 480 policy objective of self-help by PL 480 aid recipients calls for the limitation of food imports to the market deficit, the deficit in supplies in relation to demand. But wheat imports into India far exceeded market deficits and repressed wheat prices. This impinged adversely on the domestic production of wheat." To prove his argument the author has shown that when in 1960s PL 480 imports declined for all practical purposes to market deficits, the domestic production of food led by wheat registered rising trends,

Having examined the inflationary impact of PL 480 finance, the author has come to the conclusion that the inflationary effects ceased with the phased termination of the rupee payments for PL 480 imports in terms of the 1966 amendment to PL 480. But the expansionary effects of the expenditure from the unspent rupee balance of the USA still continue. According to Shenoy, the Rupee Settlement Agreement of February 1974 has "added to this hangover-inflation by providing for the monetization of the long-term rupee debt (both PL 480 and non-PL 480) held by the USA."

According to the author, India's food problem is basically the problem of nutrition deficits and of persistent market deficits. The nutrition deficit, a part of the problem of mass poverty, is very closely linked with the problem of general economic development of the country. On the other hand, the market deficit, though accounting for only about 3-4 per cent of the Gross Domestic Product and though the modernisation of agriculture can easily bring 8 to 12 times the national average yield at least in respect of wheat and rice, has been defying solution all these years.

Why could the market deficit not be

made up all these years? According to the author this was due to capital starvation of agriculture which was the direct consequence of the appropriation by the public sector of 60-65 per cent of the total investment resources. The author is emphatic that it is not possible to modernise agriculture without restructuring the overall pattern of resource allocation in such a manner that the agricultural sector gets its due share of credit and capital which have so far been denied to it. This capital starvation of agriculture has also resulted in the retardation of the general economic development of the country as agriculture accounts for nearly one-half of the Indian national product and provides a living to over 70 per cent of the Indian population.

clear implications

The policy implications of the above analysis are very clear. The author is of the opinion that to tackle both the food problem and the problem of poverty, we must first scale down drastically public sector outlays; secondly, we must limit the pace of industrialisation with due deference to the principle of comparative costs, and thirdly we must remove legislative and other hurdles in the way of farm finance. All these reforms are aimed at correcting capital misdirection that has been taking place and on the other hand restoring the creditworthiness of farmers and relative attractiveness of the business of farm finance. India's food problem is not as much the problem of devising and then taking new agricultural techniques to the Indian farmers but is rather a problem of the farmers being unable owing to credit and capital shortages to apply to farming the known technology with which many farmers are already familiar or can easily become familiar.

The author has supplemented his above main thesis by analysing recent policy measures—the decision of January 1972 to forego concessional wheat imports, the resulting pressure on the public distribution system, nationalisation of wholesale trade in wheat in 1973, the partial reversal of the nationalisation policy in 1974, the harsh incidence of these measures on wheat farmers, the consequent shift of land from wheat to other crops and operation deboarding in UP and some other states. The author is convinced that the chaos on the food front is apt to deteriorate further in 1974 and after, unless we soon correct the credit and capital starvation of the Indian agriculture. Pending these drastic measures there appears no cscape from a return to PL 480 consessional food imports as adequate commercial imports are just beyond our paying capacity. The recent agreement on PL 480 has confirmed the author's worst fears and we appear to be back in square number one.

There is no doubt that there is a certain amount of validity in what Shenoy has to say. But the trouble with some of the senior economists is that by training and habit they have come to take certain positions from which they are not prepared to resile. Shenoy has discussed the food problem in India only in terms of a few variables such as price incentives and capital inputs to the entire neglect of others. If for example it were only repressed prices and capital starvation of agriculture that are responsible for the extremely tardy growth of Indian agriculture, how does he explain the fact that though about Rs 1200 crore were made available to agriculture in Maharashtra, it has failed to record any worthwhile progress during the last two decades and continues to be one of the agriculturally backward states in India, whatever the claims of V. P. Naik in this behalf? The main reason is that land reforms in Maharashtra have remained reforms only on paper and that the credit and capital have gone down the political drain. This means that agricultural revolution in India is not merely a matter of providing price incentives and credit and capital as the author seems to believe. The food problem in India has in addition moral, political and administrative dimensions of which the author is either unaware or does not think much about. Granted that there is resource misdirection by the planners, where however is the guarantee that credit and capital directed to agriculture would automatically ensure their optimal use?

The case of agriculture in Maharashtra is refutation of B. R. Shenoy's thesis. How one wishes that agricultural reconstruction in India were only a matter of price incentive and availability of credit and capital!

And has Shenoy tried to work out the implications and consequences of a developing country such as India adhering to the principle of comparative cost in the sphere of industries? The classical theories have been discarded long ago and the author must realise that the problem of developing countries in 1970s can niether be adequately analysed nor successfully solved within the classical framework which the author learnt in early 1930s and beyond which he is not prepared to go in 1970s.

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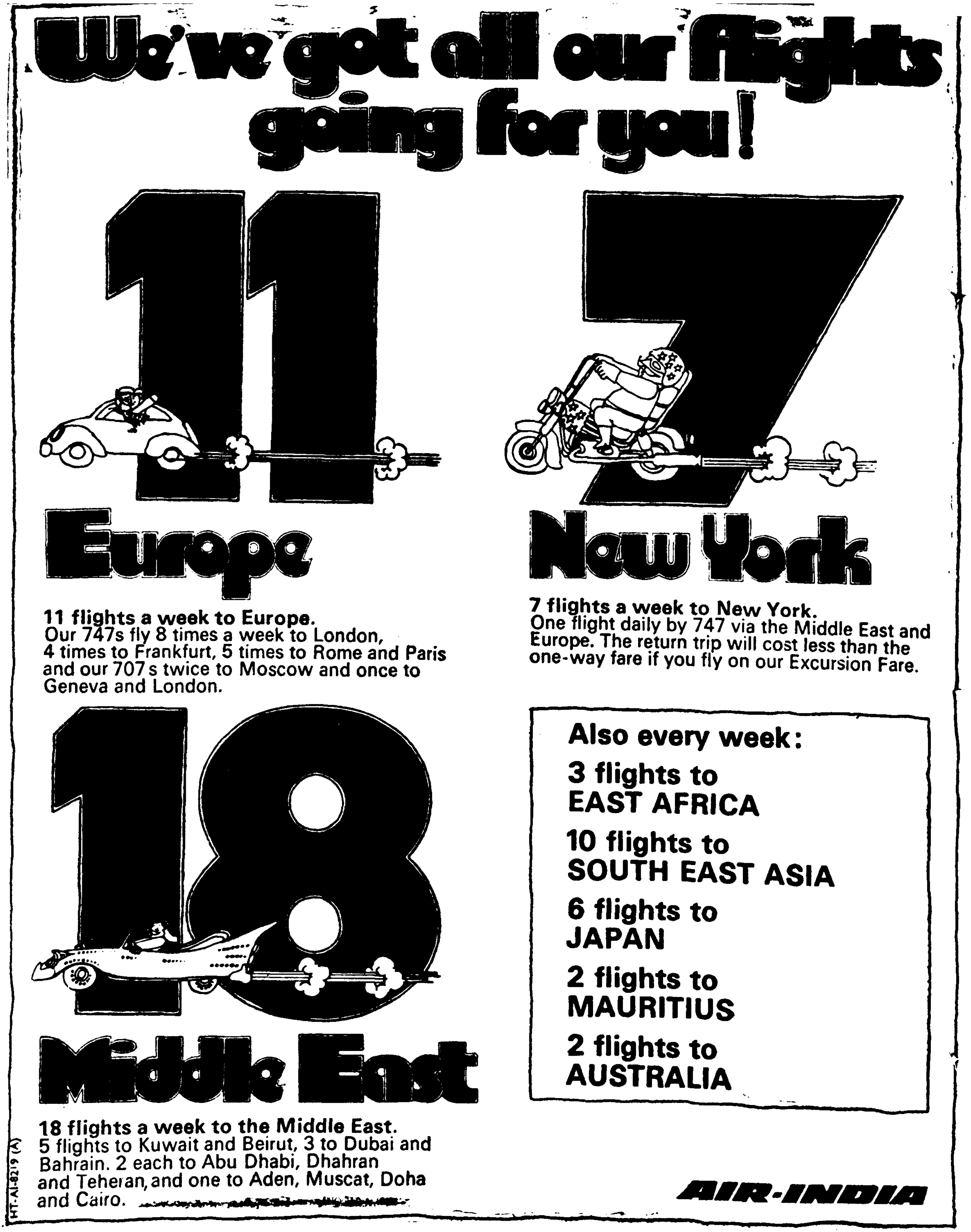

TRADE WINDS

Guidelines on Textiles

GUIDELINES HAVE now been formulated by the government for creation of additional spinning, weaving and processing capacities in the cotton textile industry during the fifth Plan period. According to a notification issued by the textile commissioner, new spinning units will be permitted in the public, cooperative, joint or private sectors in that order of preferences, excluding those attracted by the MRTP Act. Such units may be set up in the areas where there is an unsatisfied demand for yarn from handloom and powerloom weavers or in areas which have adequate supply of cotton but lack in processing capacity. Existing units will be allowed to expand beyond 25,000 spindles in suitable cases on the basis of availability of resources, past performances, and capacity to raise funds from financial institutions. Additional spindles required for correcting the imbalance between spinning and weaving capacity, including those required for loomage expansion will be allowed.

The expansion in spinning capacity will be subject to two conditions; (a) the units will have to supply their production in the hank or cone form, as advised by the textile commissioner and (b) 90 per cent of the new spinning production should be below 40S count. Existing composite mills will be allowed additional loomage with corresponding spindleage, provided they undertake to export not less than 30 per cent of the production of the looms in addition to the maintenance of past exports. Independent processing capacity, including expansion of existing units, will be permitted to cater to the group of producers of yarn or cloth who do not have their own processing facility, particularly those in the handloom and powerloom sectors. All those interested in expansion of capacity or putting up new units would have to apply to the ministry of Industry before February 15.

Duty on Cotton

The government has now decided to reduce the import duty on Pakistani cotton by 25 per cent. This has cleared the way for speedy finalisation of the deal. The duty reduction will be on all comparable varieties of cotton. The decision has been taken to overcome the practical difficulties involved in implementing the earlier measure to adjust import duty in a manner so that the price of cotton was on par with that of Indian cotton or slightly less.

Central Loan

The central loan for Rs 75 crores floated recently has fetched New Delhi a total subscription of Rs 78.10 crores. The second issue of 5.25 per cent 1978 loan attracted a subscription of Rs 17.64 crores and the six per cent 1988 loan Rs 60.46 crores. Earlier this year, New Delhi collected a net subscription of Rs 416 crores in two instalments from the market. The latest collection brings the total net borrowing from the market by the centre to Rs 494 crores. The budget for 1974-75 has taken credit for net market borrowing of Rs 498 crores.

Machine Tools Export

Machine tool exports from India will hereafter be channelised through a newly-floated subsidiary of the Hindustan Machine Tools, the HMT (International) Limited. The new company, the second institutional arrangement for exports, after the steel sector, will cover not only HMT machine tool products, including watches, but also the products of other companies in the same line. Giving details of the new company, the chairman of HMT, Mr S. M. Patil stated recently that the new organisation, together with other supporting measures, would push up the share of HMT's exports in its total turnover to nearly 25 per cent within the next five years. Dr Patil stated that in the next three years, HMT's exports were expected to increase three-fold to reach Rs 12 crores a year. While HMT's annual production would reach Rs 100 crores in the next five years. Its exports were expected to touch Rs 20 crores per annum. He added that HMT wanted to enter several new markets including those in Iran and Iraq. Several ECAFE countries such as Indonesia and Thailand, also offered scope for HMT exports. HMT (International) would take over the business now carried on under its exports division and by its foreign branches in Australia and Luxembourg. The objectives were two-fold—to earn more foreign exchanges for the company and use the export market to enrich the company's technological competence.

Crude from UAE

This country is understood to have approached the United Arab Emirates for the supply of crude oil over a fixed period. The UAE has agreed to consider the Indian request. This indication was available after discussions between the UAE minister for Petroleum and Industry Mr Mana Saeed Al-Otaiba and the union minister for Petroleum and Chemicals Mr K. D. Malaviya. During discussions UAE minister expressed a keen desire to cooperate with India on oil exploration, particularly in off-shore areas. Similar desire for cooperation in other fields was also expressed in talks between visting UAE ministers with their Indian counterparts.

Coal Output

Coal production is expected to rise to the record level of 100 million tonnes during 1975. Latest estimates available with the ministry of Energy have raised new hopes. According to these estimates, there would be an increase of 10 million tonnes in coal production during 1974, which would take coal production to 88 million tonnes. According to a spokesman of the ministry of Energy, the production during the first nine months of 1974 (April to December) was 5.67 million tonnes higher than the corresponding nine months of the last year. The increase in production has made it possible for the industry to switch over from furnace oil to coal. More than a million tonnes of coal has been diverted to consumers who had been using furnace oil.

Indo-US Panel

The three sub-commissions of the Indo-US joint commission set up during the recent visit of US Secretary of State, Dr Henry Kissinger, would hold their first meetings towards the end of this month. The joint commission itself held its first meeting during the visit of Dr Kissinger and the next meeting of the commission is expected to be held early this year in Washington. The union minister for External Affairs, Mr Y.B. Chavan, is expected to visit Washington for the meeting.

The economic and commercial sub-commission is meeting on January 20 and 21 in Washington. The Indian team for this sub-commission will be led by Mr M.G. Kaul, secretary in the economic affairs department. Mr Enders, economic and business affairs assistant secretary of state of the United States, will lead the American team. The Indian team for the science and technology sub-commission will be led by Dr Nag

Choudhury, Vice-Chancellor of Jawaharlal Nehru University and the American team for this sub-commission will be led by Dixie Lee Ray, assistant secretary of environment and science. This meeting is being held in Washington from January 27 to 29. The third sub-commission, with Mr G. Parthasarathy as the leader of the Indian team will meet in New Delhi from February 3 to 5. The American delegation for this commission will be led by Dr Robert Goheen, president of the Princeton University.

Indo-Pak Trade Pact

The union cabinet has approved the Indo-Pak Trade Agreement. The major item of import from Pakistan this year will be cotton. India is expected to export jute goods. This country is likely to buy for the present only 100,000 bales of cotton because of domestic good crop this year and the imports already concluded with other countries. The trade with Pakistan is, being resumed after nearly a decade. The trade agreement was concluded following the protocol signed in the end of November last.

Bank Take-over in Ethiopia

Ethiopia's military rulers have nationalised all banks and insurance companies. An announcement by the rulling provisional military council to this effect was read over radio Ethiopia. On December 20, the council stated that it would turn Ethiopia into a socialist state with a one-party system, direct government control over most of the economy, and collective farming on government land. The announcement stated all that shares in the banks which would come under the supervision of the national bank of Ethiopia, would be taken by the government. "Due compensation would be paid," the announcement added, but gave no further details.

US Bank Rate

The United States recently lowered its bank rate to 7.25 per cent from 7.75 per cent. The action, taken to prop up a weakening economy, became effective on January 6. The effect of the cut is to make borrowing by commercial banks from the federal reserve cheaper.

Leipzig Spring Fair

The accentuation of interesting display ranges of trade groups by means of Special Groups which was initiated in 1972, will be continued in the 1975 Leipzig Spring Fair. In next Spring Fair the "Automation Equipment and Techniques" Special Group, within the electrical engineering trade group, will exhibit the latest developments in the field. Leading manufacturers from 18 countries will exhibit their products. Instruments and equipment for all stages of a regulating circuit are the object of a Special Group. An international symposium "Pneumatic and Electronic Control for Automation Engineering" and a series of lectures on new products of automation engineering will provide the important scientific-technological information.

Gold Sale in the US

Gold bullion went on sale on January 1, 1975 in the United States for the first time in 41 years at world record prices. The yellow metal was sold at $203 an ounce for delivery in July 1975, breaking the $200 barrier which influences market confidence. New York Senator James Buckley bought two and a half ounces at $192 an ounce at a special ceremony in New York just after mid-night. New York is an hour ahead of Chicago in time and scored on the mid-American commodity exchange, which opened here one minute after midnight for a brief session. At the close of the session, which was in gold futures trading, gold for February delivery was priced at $195 an ounce, for March at $195.50, for May $201.50 and for July at a nominal $203.

In London gold was traded at around $173.00 an ounce on Saturday, January 4, 1975. This was a dramatic drop from a peak of $198.75 an ounce just before the fixing on Monday, December 30, 1974.

Money Supply

During the current busy season so far from October 25, to December 6, 1974, money supply has shown a smaller increase of Rs 139 crores (3.1 per cent) according to latest available official studies. The figure for the corresponding period of the 1973-74 busy season was Rs 174 crores (7.3 per cent).

The expansion in money supply at Rs 338 crores (3.1 per cent) during the current fiscal year (March 29 to December 6 1974) was much lower than that of Rs 690 crores (7.3 per cent) in the same period of the previous fiscal year. This was mainly attributable to smaller increases in net bank credit to government and bank credit to the commercial sector of Rs 689 crores and Rs 452 crores, as compared to Rs 1,092 crores and Rs 847 crores respectively in the preceding year.

Net foreign exchange assets of the banking sector have recorded a larger decline of Rs 225 crores as against only 47 crores in the last year. Over the year ended December 6, 1974, increase in money supply at Rs 1,071 crores (10.6 per cent) has also been lower than that of Rs 1,564 crores (18.3 per cent) over the preceding year.

Irano-Hind Shipping

Indo-Iranian trade is to be boosted up with floatation of a joint shipping company in Iran. The Irano-Hind shipping company, a joint venture of the Arya National Shipping Lines and the Shipping Corporation of India, will organise and operate "efficient shipping services between India and Iran" as well as to ports in the Far East and on other routes to be mutually agreed between the two promoting companies.

Vanaspati Decontrol

The union government has decided to lift statutory price control on vanaspati with immediate effect. The government's decision follows a marked improvement in the supply position of vanaspati and assurances by the manufacturers' association on behalf of the industry, to improve production and to take steps to ensure that prices charged by factories are kept under check, it was officially stated. The industry is being required also to restrict the usage of groundnut oil to the barest minimum (25 per cent for the time being to be progressively reduced further) and to depend more on non-traditional oils such as cottonseeds and rice bran oil.

Names in the News

Union Carbide India Limited, at its Board meeting on December 19, 1974, announced the appointment of **Mr P.C. Banerjea** as a whole-time Director of Finance of the Company, replacing Mr John Mc-Gee who is leaving this country. The Chairman, Mr Keshub Mahindra, announcing the appointment of Mr Banerjea as Chief Financial Officer, stated that out of 10,000 employees of Union Carbide India, the number of non-Indians has now been reduced to just three.

Mr S.Z. Varcie, Executive Director of the Tata Oil Mills Company Limited, has been elected Chairman of the Processed Food Export Promotion Council at their Annual General Meeting held on December 23, 1974 at Bangalore. Mr Varcie is the Chairman of International Fisheries Limited, a Director of UNITATA, which is a joint venture of the Tata Oil Mills Company in Malaysia.

Mr M.V. Subba Rao till recently General Manager of Andhra Bank Ltd has to taken over as Chairman-cum-Managing Director of the Export Credit and Guarantee Corporation Ltd.

Managing directors of the five nationalised banks who are to continue in their posts for another 15 months are also to function as chairmen of their respective boards of directors, according to official notifications issued recently. They are **Mr V.D. Thakkar**, Bank of Baroda, **Mr V.R. Desai** United Commercial Bank, **Mr K.K. Pai**, Syndicate Bank, **Mr P.F. Gutta**, Union Bank of India, and **Mr G. Lakshminarayana**, Indian Bank.

COMPANY AFFAIRS

Tax Concessions to Unit Holders

AN ORDINANCE was promulgated on January 7 granting additional concessions in income tax and wealth tax to holders of units of the Unit Trust of India. So far income of up to Rs 3,000 per year accuring from approved investments, including units, has been exempted from income tax. Under the present ordinance, an extra Rs 2,000 of income from units will be exempted. Wealth tax exemption will also be given to the extent of Rs 25,000 over and above existing limits for investments in units.

Circumstances have forced the government to announce these concessions. At present the units yield only about 8.5 per cent per year, which is very poor as compared to interest offered by reputed private companies or even banks, which offer 10 per cent on long-term fixed deposits. Recently thousands of unit holders have sold their holdings back to the Unit Trust, which has consequently suffered a severe cash drain. It is hoped that the new concessions will revive public interest in units.

Sakthi Sugars

Unless a suitable forward looking policy is evolved and a price of Rs 125 per tonne of cane for a basic recovery of 8.5 per cent for 1975-76 is announced early, planting on the required scale may not take place and there may even be a decline in the area under cane. The all-India production of sugar for 1975-76 may even fall sharply to 32 lakhs tonnes if an immediate decision on the lines suggested above is not taken. This observation was made by Mr N. Mahalingam, the Chairman of Sakthi Sugars Ltd. while addressing the annual general meeting of the company. In regard to excise duty rebate the chairman welcomed the present scheme of full excise duty rebate in October and November. However, the chairman felt that a more liberalised approach is essential to make the factories crush even in the low recovery months of June and July so that more sugar can be produced.

As Tamil Nadu is a surplus state, the mills have to sell sugar in Calcutta and other north Indian markets for which a transport charge of Rs 18 to 20 per quintal has to be incurred. Due to this factor, the free market realization of the south Indian sugar mills when compared to those of the north is lower by about Rs 20 per quintal. Hence the chairman felt that it will be an affective incentive if the Tamil Nadu government can give some concession in the purchase tax at least in respect of the sugar sold in the north Indian Markets.

The directors of Sakthi Sugars are fully aware of the new opportunities available to the industry and has already succeeded in developing a large-sized complex. With the completion of the 4000-tonne programme, it is possible to maximise crushing operations during the peak of the session and improve the recovery of sugar. Hence, the directors feel that in the current year the factory has to concentrate on improving this efficiency of the existing plant and machinery so that the management can be in a position to implement expansion to 5000 tonnes easily. The intension presently is to avoid crushing in the hot season when there will be a lower recovery and concentrate on crushing during the periods when maximum recovery can be secured. The preliminary work connected with the project for manufacturing furfural with foreign technical know-how, is in good progress. The details of this gaint project is now being worked out. All these activities will naturally result in the development of a huge integrated complex in the Sakthi Sugar area and lead to the effective use of the by-products.

Kothari Sugars

The incentives announced by the government for intensification of cane development and also for quantitative improvement in sugarcane production had the desired result as a large number of factories started crushing operations earlier than usual despite high costs of production. However, the excise duty rebate scheme announced by the government for the season 1974-75 is disappointing and may not result in any substantial increase in production. Under this scheme, seasons have been divided into two periods viz. early and main, and eligibility of consessions is based on the average production of the preceding five years during the corresponding periods. It might benefit the industry if this period of five years is reduced to three years and if the system of excise concessions are continued in future also with some adjustments in regard to the duration of the main season, which could further be divided into two viz. peak recovery period and low recovery period. The additional excise duty rebate should be extended to low recovery period also. These observations are contained in the Chairman, Mr. D. C. Kothari's annual statement circulated to the shareholders of Kothari Sugars and Chemicals Ltd.

The attention of the government, the chairman said, has been frequently drawn by the industry to the fixation of a remunerative price to the sugarcane grower in order that the production of sugar could be increased to achieve the target set by the government. Hence it is imperative that the price for cane should be commensurate with the level of prices obtained by the growers of other commercial crops. Even the recent revision in the basic price for cane announced by the government does not obtain a remunerative price for the sugarcane growers. The prices paid by the industry are much higher than these basic minimum prices fixed by the government. Another important factor that has to be given consideration by the government to give a boost to production of sugar, in the chairman's opinion is the fixation of a realistic and economic price for leavy sugar. It used to be the usual practice of the government, given up in the year 1969-70 onwards, to fix provisional levy price before the beginning of the season on the basis of an estimated recovery and cost of production of cane. The prices now prevailing for levy sugar are highly uneconomical which necessitates increase in price of free sugar to make up the loss.

Sugar industry again, is largely dependent on bank credit for financing its produetion. As there has been sharp rise in costs of raw materials and stores and as production is also expected to be higher. the credit requirements of the industry will be naturally higher this year than in the preceding year. Hence the chairman pleaded for considerable relaxation in credit curbs.

Madras Refineries

The Madras Refineries Ltd achieved a record crude throughput of 2.61 million tonnes during the year ended June 30, 1974. Production of 'Indane' gas (LPG), high speed diesel, lube base stocks and asphalts increased by 23.2 per cent, 8.6 per cent, 3.7 per cent and 5.3 per cent respectively over that of the previous year. The refinery fuel consumption was reduced by a further five per cent as compared to the last year, saving over Rs 1.3 crores at the current crude oil prices. This is indeed a significant achievement.

The refinery crossed the 10-million tonne mark in the manufacture of petroleum products in May 1974. The total value of sales during the year was Rs 13,937 lakhs as compared to Rs. 6,530 lakhs in 1972-73. During the year the company repaid a loan of $ 1.86 million to the foreign lending institutions and Rs 2.25 crores to the government of India. The outstanding dollar and rupee loans as on June 30, 1974 stood at $ 8.16 million out of $ 22.32 million and Rs 836.72 lakhs out of Rs 2025.31 lakhs. The net profit for the year was Rs 6.71 crores. After providing Rs 5 crores for development rebate reserve the directors have recommended a dividend of 12 per cent gross on the paid-up equity capital amounting to Rs 1.54 crores. A dividend of 12 per cent gross was paid for the year 1972-73 also.

The company has made tremendous progress since its inception. The ground breaking ceremony for the refinery and the fertiliser plant was performed by the Prime Minister Mrs Indira Gandhi in January, 1967. The years 1967 and 1968 were spent in setting up the refinery including the lube oil complex and after Initial trial runs the formal inauguration was performed by the President of India in September, 1969. During the five years since the commencement of production, its efforts on the physical side has been progressively towards maintaining and improving the installed crude processing capacity, increasing the production of high priced products, improving capacities of many plants by minor de-bottlenecking, reducing the refinery fuel and loss and developing new products. On the financial side, the company incurred a loss in the first of its operations and it was largely due to causes which were extraneous to its own operations. It was able to wipe out the loss and make a profit in the second year, and declare dividends for the three subsequent years in succession ending June 30, 1974.

Shaw Wallace

The Computer Services Division of Shaw Wallace started operating recently. The Division is housed in the Shaw Wallace premises, Madras and has the ICL 1901A Model with card reader, line printer, four tape decks and two disc drives. The necessary software facilities are available on a turnkey basis —punching of data cards, verification, validation, transcription on to magnetic tapes, processing of tapes, programming. The Computer Services Division can handle a total project—from a feasibility report to the actual implementation. The Division will undertake smaller jobs too like developing a computer system according to the clients specifications. Computer time can also be rented and the customer can use his own programmers and operators for clients in or around Madras, hardware and software facilities are available on a regular daily, weekly or monthly basis. In addition, the Computer Services Division offers a total consultancy service. All the computer services, including the consultancy service, are also offered to clients abroad. A major advantage is that both data preparation and processing and programming costs in this country are appreciably lower than those prevailing overseas. The Computer Services Division is available to government and private concerns, large hospitals, industrial units, educational institutions, etc.

Delhi cloth

Over the years the shortage in wage goods industries as much as in certain basic industries and in infra-structural facilities have occurred, primarily because management of both public and private sector undertakings is never allowed a free hand. While the former is hamstrung by bureaucratic regulations the latter is subjected to an unbelievable mix of ideology and regulations in detail with the result that the overall major objective of speeding up economic growth has not been achieved. Thus the country is faced today with a critical situation where two opposite forces are at work. On the one hand, the back of inflation has not yet been broken, and on the other there seems to be a beginning in the decline of economic activity which may develop into a recession. The anti-inflationary measures adopted by government even though they have caused some difficulties, it is generally felt were necessary. But the question is as to how long the government should stick to these measures, and whether some adjustments have to be made, if only to ensure that the measures do not become counter-productive and result in creating new problems like wide-spread unemployment, which would be very dangerous.

When dealing with two contrary trends, a delicate balance of course, has necessarily to be struck. Stability and growth represent two sides of the same coin. One cannot be pursued at the expense of the other. This is neither possible, nor desirable. What is called for, therefore, is the reorientation of policy on the principle that economy lies not so much in reducing expenditure, but in making wise expenditure decisions. Hence it is necessary that while retaining a certain amount of control over credit, the government must at the same time encourage investment in industries. To achieve the maximum benefit out of investment priorities for investment must be in agro-based-industries and wage-goods industries. The other important field of investment must be in power, since the country has lost a good deal of production due to the existing capacities not being fully utilised because of power shortage. These observations were made by Dr Bharat Ram the Chairman of Delhi Cloth and General Mills Co Ltd while addressing the annual general meeting of the Company.

The Companies (Temporary Restrictions and Dividends) Act according to the chairman, could have been conceived in a more imaginative manner. The provisions of this Act do not freeze dividend but in fact result in the reduction of dividend payment. It is, therefore, not comparable with Additional Emoluments (Compulsory Deposit) Act, which impounds additional payments, but does not prohibit such payments being made. While the minimum dividend sum involved is estimated at only Rs 50 crores and is not likely to have an excessive influence on the demand factor, its impact on investment sentiment has been disastrous. Even the stated objective of government could have been secured, the chairman stressed, if companies were allowed to pay dividends, as before the Act, but dividend in excess of that permitted by the present Act was to be compulsorily deposited in the company and made payable with adequate interest say, 2.5 per cent over and above the Bank rate, after a period of two years. This would have given the shareholders the satisfaction of having earned the dividends, and what is more important it would not have had a depressing influence on the new issue market. Similarly, the measure of credit squeeze was imposed rather illogically as it froze the borrowings of companies as on a particular date viz. October, 31, 1973. The result of this has been that those companies who had managed their affairs well on that particular date, suffered most. In addition, those companies who had large seasonal requirements like textiles, vanaspati and sugar, were put to great difficulties.

Punjab National Bank

Punjab National Bank has registered sizeable progress in almost all spheres of its activities, except in the field of deposit mobilisation. There was of course a general slackness in deposit growth in the entire banking system, but the impact on PNB was more pronounced. PNB's deposits rose to Rs 830 crores from Rs 741 crores — an increase of 12 per cent in 1974, as against a rise of 19 per cent in 1973, while in the case of the banking system as a whole the rate of growth in deposits decelerated from 20 per cent to about 15 per cent. The reasons for the slower growth in PNB's deposits last year, of course, are not far to seek. Deposits for this bank have traditionally been a "walk-in" buisness with little attempts being made to mobilise them. Secondly, as with its credit, PNB's deposits have suffered from seasonality, though contra-seasonally to credit. Moreover, PNB had been relying very heavily on savings and fixed deposits from farmers and fixed income groups whose contribution last year declined considerably. Further, the share of institutional deposits in the aggregate was very low. A drive has now been launched by the bank to arrest the declining trend in deposits. A full-fledged deposits division has been created to address itself exclusively to the task of deposit mobilisation. Steps are also being taken to introduce marketing approach to deposits with a definite branch-wise programme. Besides, a sustained effort is proposed to be made for securing institutional deposits.

The achievements of PNB on the credit front, on the other hand, are quite significant. There was further acceleration and diversification in the Bank's credit portfolio during the year. The credit shot up to Rs 500 crores, registering an expansion of 16 per cent over 1973, as compared to 14 per cent for the entire banking system. The credit provided to public sector enterprises too rose spectacularly to Rs 60 crores, recording an increase of 186 per cent over 1973. Priority credit, comprising advances to agriculture, small-scale industries, transports exports, etc. in which PNB had lagged behind the banking system as a whole, picked up reasonably well in 1974. This credit went up to Rs 165.5 crores, as an increase of as much as Rs 39.4 crores or 31 per cent over 1973. Excluding exports, priority credit rose by 29 per cent and accounted for 24 per cent of total credit. On the profits side, the bank has recovered its position. Provisionally the net profit for 1974 is put at Rs 3 crores, as against Rs 2.4 crores in 1973.

The PNB has budgeted to mobilise deposits to the order of Rs 960 crores during the current calendar year, as against Rs 830 crores last year. Credit is envisaged to be expanded to Rs 600 crores from Rs 500 crores at the end of December. Assistance to be provided to priority sectors is proposed to be increased from Rs 165 crores to Rs 230 crores. A target of opening 100 branches has been set for the year. This will raise the number of branches to 1200 in 1974. In 1973, 85 new branches were opened, of the new branches to be opened this year, 51 will be in the rural areas, while 17 will be in semi-urban centres. As many as 51 branches are proposed to be opened in unbanked centres.

Talking to newsmen while releasing the above facts and figures about the working of the Bank, the Chairman, Mr P.L. Tandon, expressed the view that the rate of growth in bank deposits in general last year had been affected significantly by the rush for public deposits by the corporate sector and the two compulsory deposit schemes launched by the government to contain inflationary pressures in the economy. He stressed the need for greater discipline by the traditional industrial sector so that its legitimate requirements of bank credit could be met reasonably.

News and Notes

An ambitious programme to flood Utter Pradesh with milk & milk products within a year is currently on under the aegis of *Pradeshik Coop. Dairy Fed. Ltd.*, the apex body of dairy cooperatives of the state. The Federations' major activity at present is the infant milk food factory at Dalpatpur, Set up at the cost of Rs 1.40 crores it started commercial production in January 1971 and today is working in three shifts to its full licensed capacity. The union government has now issued a letter of intent for increasing the present capacity of the factory from 1500 M.T. to 3500 M. T. per annum. The plant for the additional capacity will be installed next year at the cost of Rs one crore. The state government has already advanced Rs 22 lakhs for the expansion programme. Moreover the Federation has been entrusted with the implementation of the 'Operation flood scheme under the World Food Programme in eastern and western parts of Uttar Pradesh.

Under the scheme two new dairies at Meerut and Varanasi having a handling capacity of one lakh litres of milk per day and involving a outlay of Rs 1.975 crores and Rs 1.716 crores respectively are to be set up by the end of 1975. Simultaneously, two cattle feed factories are to be set up at Meerut and Varanasi. Various other programmes to increase milk production in the district under 'Operation Flood' are being undertaken at a cost of Rs one crore. Milk procurement and development activities had already been initiated in the Meerut region and would be taken up shortly in Varanasi region. The objeciive is creation of a pipe line by the time the dairy units goes into production.

New Issues

Tamil Nadu Chemicals Products Limited (TCP), a company jointly promoted by Tamil Nadu industrial Development Corporation (TIDCO) and Mr B. Ananthaswami, is setting up a unit for manufacture of 3300 tonnes per annum of sodium hydrosulphite—a chemical extensively used in the textile industry and also in other industries like sugar, etc. The project is being set up at Karaikudi, a declared backward area, and consequently the company will be entitled to central government subsidy of Rs 15 lakhs and also to several other benefits. The plant is expected to go on stream by Jauuary 1976. The total project cost is about Rs 4.5 crores out of which share capital is Rs 155 lakhs. The balance will be found by way of loans and central government subsidy. Out of the share capital, Rs 130 lakhs consist of equity and the balance Rs 25 lakhs in preference. Fifty-one per cent of the equity capital has been subscribed by the promotors. The remaining 49 per cent, namely Rs 63.70 lakhs and the entire preference shares of Rs 25 lakhs is now being offered to the public. The subscription lists openes on January 30. The entire public issue is underwritten.

The existing manufacturers of hydrosulphite are adopting what is known as the Zinc Process. The cost of production by this process is on the high side. The company the other hand has obtained an exclusive technology from Mitsubishi Corporation, Japan, by which the use of zinc as raw materials is avoided and sodium formate is used instead. Consequently the cost of production will be considerably cheaper than that of existing manufacurers. By reason of the new technology, the company will be saving nearly Rs 85 lakhs of foreign exchange every year on import of raw material. As against the total indigenous demand of 11.000 tonnes per annum of hydrosulphite which is expected to go up to 13,000 tonnes by 1976, the total production by the existmanufacturers. is only of the order of 8,000 tonnes per annum. Nearly 50 per cent of the company's production will be consumed in the state of Tamil Nadu, mainly by the handloom sector. Hence the company does not envisage any difficulty in marketing its products.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declare for Current year	Privious year
Higher dividend			
Navasari Cotton	December 31, 1973	15.0	10.0
Petlad Bulakhidas Mills	March 31, 1974	10·0	Nil
Rajkumar Mills	December 31, 1973	20.0	10.0
Tubes and Malleables	December 31, 1973	15.0	10.0
William Magor	December 31, 1973	12.0	10.0
Same Dividend			
Anil Synthetics	April 30, 1974	Nil	Nil
Bengal National Textiles	December 31, 1973	5.0	5.0
Textiles Ltd	March 31, 1974	Nil	Nil
Cawnpor Textiles	March 31, 1974	Nil	Nil
Birla Jute & Exports	March 31, 1974	Nil	Nil
New Rajpur Mills	March 31, 1974	Nil	Nil
Reduced Dividend			
Premier Auto Electric	June 30, 1974	10.0	12.0
T. Stanes & Co.	March 31, 1974	12.0	15.0
Deepak Insulated Cable	March 31, 1974	7.0	10.0
Hindoostan Spg.& Wvg.	March 31, 1974	12.0	20.0

RECORDS AND STATISTICS

Input-output economics: a classified bibliography

This bibliography has been prepared by Dr. Shrinath Sahai, University Deputy Librarian, Bihar University Library Muzaffarpur

THIS bibliography includes books, journals and reports relating to input output economics. The documents have been indexed in classified order and their entries arranged in alphabetical sequence by the names of the authors. In each section, the books precede the journals and reports, again arranged alphabetically.

The citation of the journal has been given in the order of: Title of the journal (abbreviated form); volume number; number of the issue; year of publication and page number/s. The abbreviated forms of the journals, used here, stand for as below:

AER—American Economic Review.

AER/S—American Economic Association Papers and Proceedings.

AHA—Annals Hitotsubashi Academy (Tokyo).

A J S—American Journal of Sociology.

Anvesak—Anvesak.

A V—Artha Vijnana.

C J E—Canadian Jonrnal of Economics and Political Science.

Ec—Economica.

Ec N.S.—Economica, New Series.

E E H—Explorations in Enterpreneurial History.

Em—Econometrica.

EPW—Economic and Political Weekly.

E R—Economic Record.

E W—Economic Weekly.

I E J—Indian Economic Journal.

I E R—Indian Economic Review.

J A S A—American Statistical Association Journal.

J F E—Journal of Farm Economic.

J M—Journal of Marketing.

J R S—Journal of Regional Science.

J R S S—Journal of Royal Statistical Society.

Met—Metroeconomica.

P E—Problems of Economics,

P E J—Pakistan Economic Journal.

Q B E Stat.—Quarterly Bulletin of Economics and Statistics.

Q J E—Quarterly Journal of Economics.

R E Stat.—Review of Economics and Statistics.

R E Stud—Review of Economic Studies.

R S E—Review of Social Economy.

Sankhya Sankhya.

S C B—Survey of Current Business.

S E J—Southern Economic Journal.

S I W—Studies in Income and Wealth.

S J P E—Scottish Journal of Political Economy.

S P N D - Studies Relating To Planning for National Development.

W A — Welwirtschaftiches Archiv.

Y B—Yorkshire Bulletin of Economic and Social Research.

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DON'T GO THE KAMARAJ WAY, PLEASE COME BACK.

Ganesh runs amuck

For the past many weeks the minister of state in the ministry of Petroleum and Chemicals, Mr K.R. Ganesh, who happens to be in immediate charge of government policy for the pharmaceutical industry, has been carrying on a not-so-subtle war of nerves against the organized sector in that industry and, in particular, against firms in which there is foreign equity. Currently a committee, under Mr Jaisukhlal Hathi, which had been appointed by the government to advise it on the suitable regulation and sound development of the pharmaceutical industry so that it could effectively serve the cause of medicines for the millions, is about to complete its labours. It submitted recently its interim recommendations and is expected to be ready with its final report next month. The minister concerned, it seems, is not only not prepared to wait for the committee to conclude its work but is keen on queering the pitch for it.

For those who have been watching the activities of Mr Ganesh in this context, the conclusion is hard to resist that he is using all the means available to him to build up a cold war atmosphere in which it might be easier for him to pursue objectives which are all too obvious. A number of so-called seminars had been got up in the recent past to make it appear that there was a considerable body of informed opinion which was becoming more and more uneasy about the alleged domination of the pharmaceutical industry by multinational firms. Nondescript champions of the 'Indian' sector vs the 'foreign' sector, the decentralized sector against the organized sector or the public sector against the private sector, had been put up to plead for more stringent control over firms having some foreign equity or management or even the larger, wholly Indian-owned firms, in order to ensure that their further growth was virtually stopped or perhaps even their present functioning curbed or disrupted. Meanwhile, the minister had been creating opportunities for himself in the press or parliament to hurl threats, both vague and not so vague, against the 'multinationals' or other 'undesirables' in the pharmaceutical industry. Reports in fact are being circulated in the press that the Hathi committee in its final report will be recommending by a majority view the nationalization of pharmaceutical firms with foreign participation in their equity or management.

Here it is necessary to emphasize the fact that the Hathi committee is no innovation of the present minister of state in charge of Pharmaceuticals, who arrived at that post only recently. It is therefore quite despicable on the part of Mr Ganesh to attempt to convert this committee into a creature of his. Rightly or wrongly an impression has already gone abroad that the minister has been taking an improper interest in the progress or course of the deliberations of this committee and that he has been using his political influence or official position to ensure that his own purposes, prejudices or preconceived notions are served. Quite clearly, this is an unfortunate situation which only a wildly irresponsible minister could have allowed to develop for, apart from anything else, the suspicions or apprehensions which have been aroused, must necessarily come in the way of the Hathi committee's recommendations being evaluated in a context free from misgivings about the motives that may have been at work.

It is a familiar fact of politics or government in our country that, from time to time, some particular industry is picked out for the predatory ministrations of demagogic forces. There were years, for instance, during which the cotton textile industry was singled out for attrition. The result was that, in a period when the Indian textile industry had great opportunities of expanding and modernizing itself into one of the world's great textile industries, both capital and enterprise were discouraged from labouring for and sustaining its growth. Similar vandalism was also suffered by the sugar industry and this very nearly brought it to the brink of financial and even physical collapse. It seems to us that today it is the turn of the pharmaceutical industry to be chosen for the pillory. Thanks to political accidents or errors of judgment, the one minister, who is most unsuited to have anything to do with policy-making for Pharma-

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ceuticals, has been placed in a position to play mischief or perhaps play havoc with this portfolio. Not surprisingly, then, avoidable and positively harmful tensions are being created in an industry which greatly needs a period of tranquil progress to be able to serve more adequately or effectively the millions of people who must have the benefit of modern medicine in steadily increasing measure. It is always open to the government to have dialogues with the industry or any of its individual parts on all issues of public interest arising out of its current operations or its plans for the future. In fact it is essential that a dialogue of this kind must be a continuous transaction and, if a body such as the Hathi committee could serve any useful purpose, it would be by helping to frame fruitful guidelines for this dialogue. It is therefore nothing short of tragic that a minister, whose political antecedents are far from reassuring and whose activities in the government or outside have always been a source of anxiety for many of his own party-men, should be enjoying so much freedom to pervert policy-making for the pharmaceutical industry at a critical point in its further growth in the service of the people.

It can of course be nobody's case that this industry should be immune to government regulation. On the contrary, the government will be failing in its duty if it does not watch over or enforce the public interest in increasing the availaility of a widening range of essential drugs or their formulations at reasonable prices and with sufficient guarantee as to their authenticity, safety and efficacy. This is a task tremendous in the two-fold sense of being tremendously difficult as well as tremendously important and it is only at the people's peril that the government may permit Machiavellian minds to meddle with it. There is ample room in the expanding pharmaceutical industry for all its legitimate constituents — legitimate in the sense that they have something to contribute to the people's need for proper medicines at fair prices—to play their respective roles with all the dynamism that each of them may be capable of. The government undoubtedly has a duty to see that there is fair competition within the industry, that all parts of it have access to the resources they need and can utilize for the progress of the industry and the good of the public and that nothing is allowed to be done to any part of the industry which may have the result of prejudicing the orderly expansion and diversification of production for drugs and pharmaceuticals according to internationally accepted standards of research, packaging, marketing, and quality control in all its aspects. The people's medicine is not for brewing in the witches' cauldron of political adventurism.

Role of big houses in West Bengal

In his inaugural address at the annual general meeting of the Bengal Chamber of Commerce and Industry, held in Calcutta on February 21, the West Bengal chief Minister, Mr Siddhartha Shankar Ray, strongly defended the role of big business houses in developing the state's economy and disclosed that he was taking a special interest in providing them with facilities and incentives in order to enable them to play their part. He declared that those who wanted to keep the monopoly houses completely out of the state's industrial activity were not being pragmatic. He said that the implementation of the Monopolies and Restrictive Trade Practices Act had affected West Bengal since this state had not been able to find any alternative entrepreneurship. Mr Ray further observed that when he talked to local entrepreneurs about investment of even Rs 10 crores, they "shake in their shoes". He, therefore, justified the steps that his government had taken in pressing New Delhi to exempt the big business houses from the provisions of the MRTP Act.

The chief minister revealed that in the last two years 29 companies, whose expansion programmes would have been restricted under the MRTP Act, had been granted licences and letters of intent. He added that he was taking care to ensure that these companies speedily implemented their projects. Mr Ray highlighted the industrial progress that West Bengal had achieved since his ministry came into existence. The state received in 1974 a record number of industrial licences and letters of intent aggregating to 106 and 93, respectively. Between January 1, 1966, and March 31, 1972, altogether 1,468 new companies were registered in West Bengal, but this figure rose to 1,472 bettween April 1, 1972, and December 31, 1974. In the latter period, 12 large and medium industrial projects with a capital of Rs 91.53 crores had been commissioned. The number of small-scale industries in the state also rose impressively from 18,490 in 1970 to 48,000 in 1974.

It is, of course, true that Mr Ray's ministry has been trying its best to accelerate West Bengal's industrial development. But many impediments and uncertainties continue to stand in the way. The fact that the chief minister has been able to secure a large number of licences and letters of intent will not by itself help to promote the growth of industries unless they are assured of adequate supply of power and other essential facilities. Mr Ray quoted statistics to show that power generation was improving. But there is still a great deal of anxiety among entrepreneurs that in the coming months the problem would assume serious proportions. The state has already incurred a heavy loss in production due to shortage of power. As Mr D.P. Goenka said in his presidential address at the above-mentioned meeting, "on account of unscheduled and extensive load-shedding, the loss of jute mill production in terms of value was Rs 18.1 crores from January to March, 1974, on top of the loss of more than Rs 40 crores in the preceding two years. Engineering units lost production valued at Rs 34 crores during the same period, over and above the loss of Rs 57 crores suffered in the previous year. The suffering of other manufacturing units was no less disquieting and it became increasingly difficult to keep the wheels of industry moving until power rationing was introduced in West Bengal".

Mr Goenka made some suggestions to solve the problem such as the timely implementation of power projects, construction of transmission lines and reduction in the gap between the rated capacity and the actual generation of existing units. He also stressed the need for substantially improving the performance of thermal stations by ensuring the availability of spares and components, better management, and adequate supplies of the required quantity and quality of coal. The Chamber's president also requested the chief minister to assist the Calcutta Electric Supply Corporation in expediting its expansion programme. Apart from these measures, the government of West Bengal should assess the state's power requirements on a long-term basis and take effective steps to plan for its generation. The Barman Commission, which recently enquired into the power situation in the state, is understood to have made many proposals for reorganising the power department and for augmenting production and distribution of power, but the state government continues to keep its report confidential. The state government and the Planning Board should have frank and frequent consultations with the chambers of commerce and other industrial associations and seek their advice and assistance in tackling the power problem.

Another impediment to West Bengal's industrial growth is the credit squeeze. Mr Goenka dwelt at length on this issue and pointed out some specific examples of industries suffering hardship due to the lack of credit. "The export-oriented jute industry which suffered from power cuts and prolonged uneconomic working," he said, "has been hard hit by the credit squeeze and has even experienced difficulty in buying raw jute for lack of funds; a number of engineering units have been forced to curtail production and cancel export orders owing to their inability to maintain a minimum raw material inventory because of a sharp reduction in their overdraft facilities; flour mills which have to pay in advance for the wheat allotted by the Food Corporation of India, the price of which has gone up by 140 per cent, are nonetheless required to hold stocks of finished products for long periods owing to delays in the lifting of flour by government permit-holders, which strains their cash flow position severely." It is true that the impact of credit restrictions is felt all over the country. But since West Bengal's economic development has considerably lagged behind other states, the government of India and the Reserve Bank should see to it that industries in this state are not hit hard due to the lack of credit.

Mr Goenka also referred to the obstructionist role of trade unions. He said that the jute strike had caused "incalculable harm" to industry and workers and avered that it was "extremely disturbing" that in spite of the existence of an elaborate industrial relations machinery, trade unions had chosen to strike at a time when the country was passing through an acute economic crisis. But strangely Mr Ray did not refer to the jute strike. He warned employers against encouraging inter-union and intra-union rivalry and asked chambers of commerce to use their influence to stop such practices. But the state government also should deal firmly with those who incite workers for political purposes and see to it that trade unions strictly observe the sanctity of agreements.

Mr Ray expressed his anger and annoyance at the conduct of certain employers who had neglected and even destroyed tea gardens in north Bengal in their anxiety to earn quick profits. It is certainly regrettable that some employers should be so indifferent as to cause damage to tea gardens. But is not government also responsible for creating this situation? It has been known for a long time that many tea gardens in north Bengal had fallen seriously sick due to various reasons but neither the central government nor the government of West Bengal has taken effective steps to deal with this problem. It is necessary to deal with their difficulties realistically and at the same time to take care that more tea gardens do not fall sick. It is true that the industry was able to secure better prices in 1974 but, as Mr Goenka said, "one year's favourable price factor however does not indicate the industry's long-term prosperity".

Mr Ray's speech at the Bengal Chamber's meeting showed a new awareness on the part of the state government of the urgency of tackling the state's problems of industrial development and it is hoped that in the coming months the chief minister will continue to make energetic efforts in cooperation with the private sector to impart a strong stimulus to the rapid revival of West Bengal's economy.

Search for entrepreneurs

The seminar on promoting entrepreneurship in the eastern region, which was held in Calcutta on February 1, made a number of recommendations for the development, diversification and dispersal of industries, but hardly any new points emerged from the discussion. The seminar emphasised the need for identifying prospective entrepreneurs, publicising the incentives offered for setting up new industries, improving the availability of power and infrastructure facilities, and bringing about effective cooperation between the large and the small units. It could have been more specific in its proposals especially in regard to the role to be played by the governments of the eastern region in promoting the spirit of entrepeneurship. The state governments, especially of West Bengal, have been persistently complaining about the indifference of the government of India towards the development of the eastern region. In fact, it has been even suggested that New Delhi has been deliberately discriminating against this region in sanctioning industrial licences, in locating public sector projects, in disbursing loans and grants, and in various other ways.

It is, of course, true that the centre has not given adequate attention to the problems of the eastern region, but how far have the state governments themselves taken the initiative in promoting the growth of entrepreneurship? The seminar complained that there were no reliable data about the potential of the eastern region and that new entrepreneurs in most cases were ignorant of the various facilities available for setting up new units. If, therefore, the spirit of entrepreneurship is to be seriously and systematically fostered in the eastern region, the state governments themselves ought to adopt a dynamic approach to this problem. It remains to be seen to what extent they will cooperate actively with the AIEI in working its scheme for promoting entrepreneurship.

The Entrepreneurship Development Service (EDS) of the AIEI will offer two kinds of facilities. First, it will help entrepreneurs to prepare feasibility studies and project reports in the form required to obtain quick technical and financial approvals. Secondly, it will assist in processing project reports with banks and other financial institutions. Besides, the EDS will offer guidance in conducting market surveys and on production processes. The EDS, indeed, is well equipped for performing these tasks since the membership of the AIEI at present covers practically all the major engineering units in the country both in the private and the public sectors.

The speech of Mr K. Hartley, chairman of the AIEI (eastern region), at the inauguration of the seminar, highlighted the important role played by the entrepreneur in the economic development of a country. He said, "The growth of entrepreneurship is one of the most essential elements in promoting the process of industrial growth. Modern economists who have studied the staggering rate of growth achieved in the advanced industrial countries in the course of the last half century or so have characterised the entrepreneur as the hero of the industrial process and have referred to his function of introducing innovations". He pointed out that there was "a marked lack of entrepreneurship" in the eastern region and suggested that industry and government must join hands in actively trying to promote it. Mr Hartley further observed that the large units in the IEAI were fully aware of their responsibilities in assisting the development of the small-scale sector and that they were keen on doing all they could in this sphere. But they can succeed in this task only if the official policies become truly production-oriented.

For the past several years, the large industries in the eastern region have been passing through a critical phase because of the severe power shortage, scarcity of essential materials, lack of demand for their products, and other causes. Even the wagon industry on whose prosperity depends a large number of small industries is not being allowed to function in a healthy condition. This industry continues to operate with considerable idle capacity due to uncertain orders and unremunerative prices. The automobile industry is also unable to play its part in promoting the growth of ancillary industries because of lack of demand for its products. Dr Zainal Abedin, West Bengal's minister for Cottage and Small Industries and Public Undertakings, who inaugurated the seminar, said that it was the duty of the large and medium-scale industries to look after the small-scale entrepreneurs by giving them adequate orders in the matter of supply of components and ancillaries. But what are the large units to do when they themselves languish for want of orders?

Dr Abedin told the seminar that though the share of industrial licences issued to the eastern India states declined from 27.45 per cent in 1966 to 16.23 per cent in 1972, there was some improvement in 1974. In that year the number of licences issued to West Bengal was 106 compared to 45 in the preceding year. But it is not known how many of these licences have been effectively utilised. In any case, there is vast scope and urgent need to promote investment in the eastern region both in the public sector and in the private sector.

The establishment of a shipyard in Haldia will, of course, contribute a great deal to the growth of small industries. Mr Hartley said that "practically everything is available in this state which is needed for building a shipyard and a ship". Similar claims have been made by many other states also. But since the economy of the eastern region has suffered greatly due to prolonged stagnation and the problem of unemployment has assumed alarming proportions, New Delhi should favourably consider West Bengal's case for locating a shipyard in Haldia. The setting up of a free export processing zone at Dum Dum will also help to promote the growth of new industries. The AIEI and other industrial organisations in Calcutta have been urging New Delhi to expedite a decision on this project but there seems to be no indication of its coming into existence in the near future.

The seminar laid considerable emphasis on the need for the reform of education with a view to promoting the growth of entrepreneurship. Mr Hartley pleaded for "a reorientation in the system of education, making it an instrument that will prepare the youth to be self-reliant, to be prepared to take risks and to exploit the opportunities that the modern industrial system opens out". Many speakers at the symposium criticised the system of technical education prevailing in the country and suggested the need for greater coordination between the training institutes and the industrial units. It was stressed that fresh graduates from engineering colleges and technical schools should be provided with extensive practical training.

These suggestions need to be properly implemented but at the same time it is equally important to convince the educated young men that, in their own interest as well as of the country, they should take to self-employment rather than rush after jobs in commercial firms and government offices. The banks and the other financial institutions have been offering advice and assistance to those who wish to become self-employed in various fields. But these schemes seem to have made very little impact on the eastern region because of the lack of proper publicity and the failure of these institutions to display enthusiasm and initiative in promoting self-employment.

Among the other suggestions made at the seminar were the need to prepare an industrial map indicating the items which were required to be manufactured in the eastern region, wide publicity of success stories of self-employment, extension of the central incentive schemes for backward districts to more areas, and setting up in each state an information office where the prospective entrepreneurs would obtain authoritative guidance. Some of these suggestions are indeed useful and should be carried out. But ultimately the spirit of entrepreneurship can grow rapidly, whether in the eastern region or elsewhere, only when the government's economic policies become pragmatic and succeed in creating a climate of confidence conducive to the vigorous growth of the economy.

FROM THE CAPITAL'S CORRIDORS

R. C. Ummat

Budget Debate • Engineering Goods Exports • Alloy and Special Steels • Power Symposium

EVEN THOUGH the taxation proposals of the union Finance minister, presented to Parliament on February 28, have come in for a good deal of criticism at the hands of opposition members on the score that at least several of them would cast a fairly large burden on the nation, Mr C. Subramaniam has maintained that, by and large, they are non-inflationary. Replying to the general debate on the next year's budget in the Lok Sabha last week, he reiterated the resolve of the government to contain the prices spiral and asserted that it would continue its three-pronged attack on prices in the form of curtailing non-Plan expenditure of both the states and the centre, regulating bank credit and checking private consumption financed by "illegitimate money". Significantly enough, he revealed that the government would consider the demands for payment of further instalments of dearness allowance to its employees and a higher price for rabi foodgrains taking into consideration the impact they were likely to have on the price level.

forthright statement

Characteristic of his forthrightness was Subramaniam's observation that if wage earners and government employees were to be called upon to make sacrifices, the producers of grains also would have to make matching sacrifices. He asserted that one could not ask for wheat prices to be raised to Rs 125-140 a quintal and at the same time tell government employees and wage-earners not to seek higher dearness allowance. The Finance minister warned that if the increases like the above were conceded, the deficit in the central budget next year was bound to go up much beyond the level of Rs 225 crores envisaged by him in his budget speech.

Referring to economy in governmental expenditure, Mr Subramaniam observed that the government had taken all measures to cut non-Plan expenditure. The Plan expenditure, he added, had to be increased to cater for the pressing requirements of the priority sectors, particularly agriculture and energy. The next year's Plan outlays on these two sectors, he revealed, had been stepped up by 39.3 and 55.4 per cent, respectively, compared to this year's outlays. This was despite the fact that the overall outlay on the next year's Plan programmes was bing raised by only 23 per cent. Stoutly defending his budget proposals, Mr Subramaniam claimed credit for making the tax structure "discriminatory". Articles of essential consumption, he emphasised, had been left out from additional levies.

incentive scheme

The Finance minister also justified the incentives he has given to the corporate sector for raising output, especially in the chosen four or five priority sectors the resources requirements of which were quite large. These, he stressed, were warranted in the overall interest of the economy. Mr Subramaniam repeated his warning that although prices of late had shown a downward trend, the government could not take a complacent view of this. Unless care was taken, inflationary tendencies could reassert themselves. Incentives for production, he urged, ought to be considered against this background.

The Finance minister derived a good deal of satisfaction from the appreciation in the external value of the rupee in the past six months by one per cent against the major currencies and by as much as four per cent against the US dollar. He read in this success of the ant-inflationary measures adopted by the government.

Mr Subramaniam did not rule out some concessions in his taxation proposals. Referring to the clamour for relief to the bidi industry, powerloom, and yarn and khandsari manufacturers, he indicated that proposals for concessions could be considered at the time of discussion on the Finance Bill. Another significant observation made by him was in regard to demonetisation of the rupee. Asked by Mr Indrajit Gupta (CPI) whether the government would consider demonetisation as a step towards unearthing black money, Mr Subramaniam cryptically remarked: "demonetisation is not talked about; when it comes, it comes".

Referring to external assistance, the Finance minister stated amid cheers: "We are not going to be beggers. The country could and should produce her own requirements." Self-reliance, he therefore added, had to be fostered.

In reply to the criticism from some members that the promises made by the Congress during the last general election had not yet been fulfilled, Mr Subramaniam pointed out that the Bangladesh war, the successive droughts and the spurt in fuel prices had resulted in a situation of galloping inflation. All efforts, therefore, had to be directed towards containing inflation; the old priorities had to be altered.

* *

Encouraged by nearly 38 per cent increase in the exports of engineering goods this year, to approximately Rs 275 crores, which exceeded the target for the year by about Rs 15 crores, the union ministry of Commerce wants the engineering industry to set its sights next year much higher than proposed by the outgoing Chiarman of the Engineering Export Promotion Council (EEPC), Dr B.V. Bhoota.

As against the target of Rs 300 crores suggested by Dr Bhoota, the Commerce minister, Prof D.P. Chattopadhyaya, desired, while addressing the annual general meeting of the EEPC here last week, that the target should be stepped up to Rs 350 crores, so that it should be possible to generate foreign exchange earnings from engineering goods exports to the extent of Rs 500 crores per annum by the end of the current Plan period, i.e. by 1978-79. The Export Production secretary in the ministry of Commerce, Mr S.G. Bose Mullick, even went further in his luncheon address to the above meet and expressed the view that the target should be fixed as high as Rs 450 crores — 10 per cent of the current annual production of the engineering industry, including the small-scale sector, which is Rs 4,500 crores.

Against the over-optimism of the ministry, the outgoing EEPC president, however, thinks that exports of engineering goods next year may not grow at the same pace as they grew this year. The international situation, according to Dr. Bhoota is not now as promising as it had been till lately. He expected not more than 10 per cent growth in exports of engineering goods in 1975-76, primarily because the orders on hand and at the end of the current financial year were likely to be just about half of those at the beginning of this year (nearly Rs 300 crores). Even for achieving a target of Rs 300 crores, he emphasised that every concerted effort would have to be made to book new orders.

The above diversity of opinion apart, the union government is stated to be prepared to help the industry in stepping up exports to the maximum even if the added value criterion needs to be modified further. Recently, in the case of some products, it reduced the added value stipulation from 25 per cent to 10 per cent. Mr Bose Mullick indicated in his luncheon address that, if necessary, the above stipulation could be diluted further as the steel supply situation next year was expected to be quite easy. Prof Chattopadhyaya revealed in his address that attempts were being made to improve export credit. He also admitted that there was need to streamline procedures. The decision on cash assistance for selected exports, the minister indicated, would be announced soon. It is generally felt that our industry can take up turn-key projects abroad in a big way either on its own or through securing subcontracts from foreign parties.

* *

Not only the domestic output of mild steel is expected to show a marked improvement during the current calendar year — in view of which, the secretary to the Steel ministry, Mr Wadood Khan, indicated recently that steel imports this year would be reduced by nearly one-third — the availability of alloy and special steels from indigenous sources too is anticipated to register substantial improvement We produced in 1974 about 400,000 tonnes of alloy and special steels. The output this year is expected to go up to 500,000 tonnes. It will broadly match the anticipated requirements.

The radical change that has taken place on the alloy and special steels front is attributed by Dr B.C. Jain, Managing Director, Bihar Alloy Steels Limited, Ranchi, to two factors — (i) very encouraging improvement in production at the existing manufacturing units, and (ii) the coming on stream of Bihar Alloy Steels. Of the aggregate anticipated output of 500,000 tonnes this year, nearly 40 per cent will be of high alloy categories at the Durgapur Alloy Steel Plant, the Bhadravati works, Mahindra Ugine, Bihar Alloy Steels and Firth India. The remainder 60 per cent will be the production of low alloy and carbon constructional steels at Rourkela, Bhilai, Durgapur and Jamshedpur integrated steelworks, GKW, Globe Steel, Mukand Iron and Steelworks and several "mini" plants. All the existing units, according to Dr Jain, are now working to 80-85 per cent capacity. The Bihar Alloy Steels, which went into production recently, would be producing this year nearly 25,000 tonnes of high grade alloy steel. Production to full capacity — 40,000 tonnes — will follow next year.

In view to the above, the plea of the alloy and special steels industry for a ban on imports of those categories of steel which will be produced within the country in adequate quantities, does not appear to be misplaced. In fact, if the automobile industry continues to suffer from recession, we might have some surplus alloy and special steels which would have to be exported. Owing to the recent decline in the international prices of steel — both mild and alloy — some incentives may have to thought of, in the interest of exporting the surpluses, in the form of duty drawbacks on ferro-alloys and also to compensate for the high cost of power — an essential input for the alloy steels industry. The cost of power alone is said to have nearly quadrupled during the last two years from about six paise per unit to as much as 24 paise per unit. Significant incentives for exports would be necessary for nearly 70 per cent of the higher cost alloy steels. In the case of the lower grade alloy and special steels, they may not have to be large as our cost of production of these steels is not much out of tune with the international prices; in some cases, it is even lower than the global prices.

* *

As a result of several steps taken by the union ministry of Energy to improve the performance of thermal power stations, generation of electricity by these units, specially in the DVC area, has shown significant rise during the current financial year. Between April and January, the improvement over the corresponding period of last year was about five per cent. The improvement was particularly marked between September and January — approximately 13 per cent. It is intended to generate nearly 6,000 KWH per KW capacity. The steps which have already been taken include: (i) setting up of a cell in the ministry of Railways to keep a close watch over the movement of coal; (ii) checking the quality of coal both at the despatch and the consuming ends; (iii) establishment of a training institute at Delhi, in addition to the two already working at Neyveli and Durgapur, (another institute is proposed to be set up soon at Nagpur); (iv) creation of a spares and services division by Bharat Heavy Electricals Ltd for stocking critical spares and components for maintenance job all over the country; and (v) availing of the services of consultants who have been visiting the various power stations and assisting the authorities there, particularly in preventive maintenance. A standing committee has also been set up in order to exchange views between the indigenous manufacturers and their customers with the purpose of identifying improvements which can be effected in equipment designing, particularly taking into consideration the qualities of coal available.

other recommendations

Several other recommendations have been made by a symposium held in New Delhi recently. Feeling that there was considerable scope for improvement in operation techniques and maintenance procedures at the power plants and appreciating the difficult oil situation following the hike in crude oil prices during the past two years, the symposium recommended among other things: (i) need to economise the use of oil; (ii) amending of the Boilers Act to reduce the frequency of statutory inspection in the case of large utility boilers; (iii) imposition of a penalty for non-confirmity of coal supplies to power stations to the given specifications and quality; (iv) development and use of erosion resistance materials for parts particularly subject to erosion; (v) delegation of both administrative and financial powers in an adequate manner to the authorities incharge of construction/operation of power stations consistent with the responsibilities they are called upon to discharge; (vi) provision of suitable incentives to operational and maintenance staff; and (vii) setting up pithead superstations to overcome the difficulties in wagon availability for transportation of coal. These recommendations are understood to be being vigorously following up by the ministry of Energy. Decisions on several of them are expected to be taken at an early date.

POINTS OF VIEW

ESCAP in Delhi: when neighbours meet

Hardev Singh

THE 10-DAY session of the UN Economic and Social Commission for Asia and the Pacific concluded in New Delhi on March 7, after adopting a comprehensive report on its deliberations. The 38-member UN body representing more than half of the world's population, bulk of it economically backward, will hold its next annual session in Jakarta, Indonesia, in February, 1976.

The executive secretary of the ESCAP, Mr J.B.P. Maramis, stressed that the attention of his secretariat will now be focussed on the implementation of the resolutions adopted at the New Delhi session, which among other things, proposed the setting up of a centre for the welfare of women, to be located in Iran. A draft resolution on the role of women sponsored by ten nations of the region, including India, Pakistan, Afghanistan and Iran, proposed that the centre could assist governments and non-governmental organisations in developing policies, strategies and programmes to strengthen the role of women in national development, especially among the deprived sections of the society. This resolution has been adopted, appropriately enough, in the International Women's Year. The Commission urged member governments to include in their development plans and programmes projects designed to train and equip women to make increased contribution to the social and economic development of the nation. It was suggested that the Asian plan for the association of women in the development process be integrated with the global plan of action which would be discussed and approved at the World Conference of International Women's Year at Mexico, towards the middle of this year.

transfer of technology

The ESCAP reiterated the need to set up a centre for the transfer of technology. The offer of India to provide host facilities for the proposed centre was welcomed and it was proposed that a group of experts from the ESCAP region should prepare a plan for the establishment of the centre. This plan might be ready for submission to the next year's session of ESCAP at Jakarta.

Though the countries of the ESCAP region are marked by cultural and political diversity, there is considerable similarity in their economies. Consequently developing countries have to depend increasingly on technologies which have been evolved in the region, and are suited to their needs and domestic natural resources. These technologies can be shared with one another and can promote the collective self-reliance of the developing world as a whole. This can come about only when the customary process of what can be called 'trading in technology', by which developing countries have to acquire technology from the highly industrialized ones, is replaced by a process of genuine 'technological cooperation' among developing countries.

self-reliant growth

The Commission stressed that the adaptation of modern technology and the indigenous development of products and processes suitable for indgenous resources were vital to self-reliant growth. The uncritical use of imported technologies, with high costs of know-how licensing and patents had raised the cost of development. Research undertaken in certain developing countries has already given indications that an 'intermediate technology' suited to their existing stage of development could emerge out of traditional and modern methods.

Several delegates expressed grave concern over the slowing down in the growth of industrialisation that had been caused mainly by sharp price increases and shortages in the supply of raw materials, diminishing availability of adequate foreign exchange and restrictions on the transfer of technology In the light of this situation, it was urged that there was a greater need to reinforce the efforts to share the existing technology in the region.

The resolution on the centre for agricultural machinery was sponsored by Japan, Philippines and Thailand. Under the provisions of this resolution, immediate measures are to be taken to establish an institution to be known as the Asian Coordination Centre for Agricultural Machinery (ACCAM). This is regarded as the first concrete step towards what may usher in an agricultural revolution in Asia and the Pacific.

necessary mechanization

Mechanization is often adopted in large agricultural operations, such as land reclamation, earth-moving and soil improvement. It is also found necessary in areas where expensive inputs can be used and multiple-cropping can be achieved. In these areas, it can even enlarge employment opportunities by increasing the intensity of farming through a package of equipment for ploughing, seed-bed preparation, disease control, harvesting, threshing and drying. It can also facilitate multiple cropping through cutting the time of operations.

With the spread of mechanization, there has to be provision for adequate servicing and spare parts facilities. This task will be simplified if equipment used is standardized and the number of models is reduced. Careful screening of imports, after pre-testing of the models under local conditions, can also help. In developing ESCAP countries, much greater innovative design, adaptation and improvement of the existing types of equipment, machines and implements are necessary. The proposed centre is likely to prove useful in this direction too.

Another resolution regarding research and training was directed primarily towards the four institutes already affiliated to the ESCAP. Three of these are the Asian Institute for Economic Development and Planning (AIEDP), based in Bangkok, Thailand; Asian Statistical Institute (ASI), based in Tokyo, Japan; and Asian Centre for Development Administration (ACDA) based in Kuala Lumpur, Malaysia. The fourth is in the process of establishment, and is to be known as the Asian Centre for Training and Research in Social Welfare and Development, to be located in Manila.

The Asian Institute for Economic Development and Planning, Bangkok, was established in 1964 and is the oldest regional institute in Asia. With a life-span of 11 years, the Institute has trained participants from practically all member and associate member countries of ESCAP. Almost every yearly it has managed to organize a regular six-month course (progressively reduced to three months) on development planning, in addition to specialized courses of shorter duration. It has among its staff some of the most capable social scientists in the region. Over the years, the Institute has tried to adapt its training courses and programmes to changing needs and the present director intends to further strengthen his professional staff capacity gradually.

extensive consultations

The Commission expressed its satisfaction that the Asian Institute for Economic Development and Planning had undertaken extensive consultations with the governments and national and international institutions in developing its guidelines. Such consultations had laid bare some problems of importance to the developing countries which included income generation for the poorer sections of the people in the rural and urban areas, lessening of the inequalities in personal income distribution, the special handicaps of the least developed countries, including the land-locked countries and the smaller island countries, and the need to harmonize the development plans of groups of countries.

The Commission noted with appreciation the government of Thailand's offer to extend host facilities to the Institute on a permanent basis, and to provide a piece of land in Bangkok and contribute 20 per cent towards the cost of the building for the Institute. By a resolution it has been renamed as Asian Development Institute.

The Asian Statistical Institute, located in Tokyo, was established as a UNDP project in 1970 as a result of an agreement entered into between UNDP and the government of Japan. The functions of ASI include training for professional statisticians for government services within the area. Over the years, the Institute has organised a series of general courses of ten months' duration for participants from all over the ESCAP region. The duration of the course was proposed to be reduced to six months, partly because a ten-month course absorbed too much professional time. This step is likely to enable the faculty of the Institute to participate in more advanced courses and research activities. It was suggested that the Institute should lay more emphasis on training of trainers and preparation of training material so that member-countries could acquire the requisite expertise to organise their own individual training programmes.

Kuala Lumpur is the seat of the Asian Centre for Development Administration, (ACDA), which started in October, 1973. It is, perhaps, too early to assess its activities. Member governments are expecting ACDA to take the initiative in organising meaningful training programmes in different ways and at different levels. There may be senior-level or middle-level resident courses on specific problems of development administration or country courses on general or specific problem areas.

The Asian Centre for Training and Research in Social Welfare and Development is yet to be established. The resolution adopted at the 1974 session of ESCAP recommending the establishment of the Centre, expressed growing concern among member countries about the social consequences of development and the need for well-designed programmes of action. The centre is likely to evolve measures to assist the underprivileged and deprived groups to become more

productive and self-reliant.

An important project which attracted attention of the delegates at New Delhi session was the Asian Highway. The Commission reviewed the progress made on the Asian Highway and appreciated the approval by UNDP of phase II of the project, which would last until the end of 1975. This phase is expected to consolidate the work already completed and includes the readjustment of alignment, data collection on roads, traffic and need for upgrading and improvement, and determination of the Asian Highway standards. The Asian Highway guidebook regarding the section between Vientiane and Singapore covering 3,000 kms., has been distributed on a world-wide basis and another map of the highway from the Turkey-Iran border to Pakistan-India border covering 4,000 kms., is ready for circulation. It is hoped that every effort will be made to prepare similar maps for the rest of the Asian Highway, such as the zone comprising Burma, India, Bangladesh and Nepal.

There was consensus among the delegations that the ESCAP was meeting at a crucial time in which prolonged world economic crisis as expressed in food shortage, sharp increase in oil prices and wide fluctuation of raw material prices have created enormous dislocations in most developing countries. There was, however, considerable determination among delegations to follow up with action-oriented programmes on the urgent problems of food shortages, population, industrial development, as well as economic cooperation.

Eastern Economist 30 Years Ago

MAR. 23, 1945

Despite the laboured attempts by the Supply Department to prove to the world through subsidized and sponsored investigations that the war has accelerated Indian industrial development rapidly, the truth is slowly reaching the public that there has been very little progress. First, came the utterance of Dr John Matthai who pointed out that expansion took place only in a few existing industries which were working double and treble shifts and had exploited and used up their assets. Now comes the affirmation of Sir Jehangir Ghandy in respect of an important industry. Denying that the war had given a fillip to the iron and steel industry, Sir Jehangir said that, if the coal and transportation problems were normal and the various dilatory government controls were not in operation, both their production and profits would have been substantially higher than they were now. This statement from one entitled to speak with full authority should dispel all illusions of our vast industrial expansion. No one argues that a few industries have not expanded during the war. But the contention has been that the expansion was largely confined to existing industries that the expansion was pitifully inadequate, that the government woefully neglected and failed in their task of furthering war effort and, finally, that no steps were taken to establish new industries of a type which would have served the country both at war and later at peace.

Yugoslavia: pragmatism and progress

London

Jossleyn Hennessy

I

Socialism Exploits the Market Mechanism

President: Marshal Josip Tito

Population: 21 Million

Exchange Rate: £=40.29 New Dinars

YUGOSLAVIA HAS come an extraordinary distance since World War II — from a heavily damaged, underdeveloped peasant country to a rapidly industrialising nation with one of Europe's fastest growth rates. Through pragmatism and a willingness to experiment, Yogoslavia has evolved a balance between central authority and decentralised initiative that reflects its unique economic and social character.

For centuries Yogoslavia has served as

WINDOW ON THE WORLD

a bridge between eastern and western civilisations, and its people consequently have diverse cultural and historical roots. Politically, it is a socialist country with a communist government, but it favours a non-aligned course in world affairs. The economy operates like a free enterprise system — but without capitalists. The workers "own" the means of production through institutions of self-management, but the government actively encourages private foreign investment in joint ventures.

The inflow of foreign investment will continue to grow steadily in the years ahead. Cooperation with foreign enterprises through capital investment and transfer of technology will be important in the continuation of rapid economic growth. Provided that economic and political institutions go on evolving with the pragmatic flexibility that has prevailed for the past 25 years, Yugoslavia should continue to enjoy a steadily rising living standard in a uniquely structured economy. A major facet of the economy — workers self-management — will attract increasing study by other nations, as the issue of worker's participation receives greater attention throughout the world.

Yugoslavia was created as a nation in 1918 from parts of the Austro-Hungarian and Ottoman empires, along with Serbia which had already gained independence from Turkey. For centuries, the lands that are now Yugoslavia were dominated by foreign powers. This history has contributed to the nation's diversity, but it has at the same time strengthened national unity, for struggle against foreign domination has been the major force in modern Yugoslavia. During World War II, the forces under Marshal Tito succeeded in freeing the country from German occupation and thus created the foundation for their post-war political authority. The acceptance of the Yugoslav system by its people today derives in large part from the fact that national independence has been maintained.

Yugoslavia suffered massive property damage and population losses in World War II, and reconstruction was an urgent post-war necessity. The new leaders' socialist ideology favoured nationalisation, with close state control and supervision of economic development.

By 1948, state control of the economy —except agriculture — was complete. A Soviet-model plan of rapid industriali sation was launched, concentrated o heavy industry under highly centralise control. Every enterprise was assigned a production target and told where to buy its inputs and where to sell its output. I addition to its innate weaknesses, thi system was at odds with the high priority given to unifying Yugoslavia's divers peoples. The central planning directive conflicted with the constituent republics desires to participate in decisions; ye attempts to allow for these desires withi the central planning system led t bureaucratic sprawl and paralysis — an still left local initiative stifled.

A change began in 1950. Evolution o the economic system since then has sough to balance centralised control with decen tralised initiative. An overall social pla specified broad guidelines and nationa goals, but vital decision-making is dis persed and the market mechanism is fos tered. Within the guidelines, enterprise are free to decide quantity, quality an price, to choose suppliers and market to compete, and to fix policies on the dis tribution and reinvestment of net profit Workers' self-management is central t this system of enterprise decision-mal ing, and has proved one of this century' most interesting developments in labo relations.

II

Workers' Self-Management

Workers' self-management was insl tuted to counteract over-centralis bureaucratic socialism. Workers' council elected in every enterprise by secret ballo are vested with the right to use the ente prise's fixed capital "on behalf of society The directors and managing boards firms, who supervise operations, are r ponsible to the workers' councils. T councils also control working conditio and decide how to allocate net prof The councils' rights are narrower th those of private ownership, but extensi nonetheless. An enterprise, for instan cannot sell its fixed capital to private p sons, but it can and does plan how to e pand its capital stock. And it can und take to merge with another firm in the interests of efficiency.

All is not smooth sailing. Yugoslavia's system constantly faces the problem of balancing workers' control and participation with improved management. Similar problems exist throughout the industrialised world, but the need for good management is particularly critical in Yugoslavia because it is the key to badly needed productivity growth—and thus to achieving the much desired growth of output and of income per head.

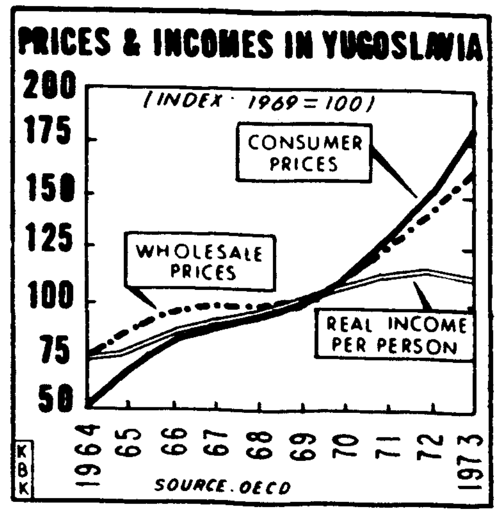
Workers' councils are expected to take account not only of their own workers' interests but also of society's, and conflicts do arise. Workers' self-management tends to maximise income per worker, by limiting investment out of retaining earnings or by limiting the number of workers. This puts the emphasis on short-run income rather than long-run growth and improved productivity. Management has nonetheless been able to increase investment because the supply of credit has been relatively elastic. But because, the government has had only limited control over investment credit and over wages, chronic inflation has plagued Yugoslavia. Currently, a system of "social agreements" is being introduced in an attempt to create a viable income policy.

III

Economic Achievements

The self-management system has worked tolerably and has proved compatible with rapid economic progress. Over the past two decades, Yugoslavia's real growth has averaged seven per cent per year — one of the fastest rates in Europe — and real income per head has trebled. Primary emphasis has been on developing industry, notably chemicals, electrical goods, and petroleum. Agriculture's share of total output has dropped from 38 per cent in 1953 to 19 per cent, but non-agricultural jobs have not been created fast enough to absorb surplus rural labour, and agricultural productivity remains low. To ease the pressure of domestic unemployment, Yugoslavs have been allowed to work in western Europe. But this is only a temporary solution. The big problem, as yet unsolved, is how to provide enough jobs to employ surplus rural workers productively, and to lure expatriate Yugoslav workers home. Measures to improve agricultural output are also urgently needed.

Various reforms in the past decade have strengthened decentralisation and the market system — which the Yugoslav authorities consider necessary if self-management is to work. These reforms are slowly building up a more rational economic structure. Growth of output has become increasingly attuned to demand, both at home and abroad. However, inflation remains a problem, and the high priority given to rapid growth means that it will persist. Rapid inflation during past expansion periods has played havoc with the balance of payment and led to recurring devaluations and severe anti-inflationary measures.



However, provided that fiscal and monetary policies become more sophisticated and effective in controlling inflation, while letting market forces operate, continued rapid growth is probable. GNP in real terms may probably expand at an average six per cent per year during this decade.

Yugoslavia's fertile plains should support a growing and increasingly modern feed-livestock economy. But agricultural progress will be difficult in the less fertile regions, where there will continue to be a sizeable pool of surplus rural labour. Yugoslavia has a substantial resource base. Reserves of metal are large, hydro-electric power potential is second only to Norway's, timber is abundant, and coal reserves are greater than those of the seven bordering countries combined.

Yugoslavia will continue to need foreign capital for development, and joint ventures with western firms will be increasingly important. But the country intends to continue to seek non-alignment, and flows of capital from the World Bank, the oil-exporting countries, and the other socialist countries will become more important when in the past. The future viability of Yugoslavia's system will depend on both political and economic stability. If pragmatic evolution continues, the economic structure is certain to remain distinctly Yogoslav and not quite like any other country's.

The new constitution, now approved combines federalisation and decentralisation in the economic field. The President's aim has been to stabilise the longer term future of the country by steering a middle course between the conflicting pressures from the east and the west. This has entailed the firm imposition of communist orthodoxy in domestic affairs. Economic policy in 1975 aims to continue along the generally expansionist lines in the last half of 1973. Particular attention will be paid to raw materials production, fuel resources and agriculture. Greater sensitivity to the development needs of the regions has been shown in several ways. Differential rates of profits tax according to regions have been introduced, republics that are rich in potential energy resources are being encouraged to supply economically developed republics such as Slovenia and Croatia which lack them, and finally the development of tourist activity is to be shifted to the interior.

spectacular growth rate

The Economy : The overall rate of six per cent belies the more spectacular industrial growth rate which is currently rising by an annual rate of 11.6 per cent but is offset by a three per cent growth rate in the agricultural sector. The best performances, comparing the first five months of 1974 with those of 1973, have been in intermediate goods (10.3 per cent), industrial consumer goods (9.5 per cent) and equipment (7.2 per cent). However, such performances have often been maintained by industries stockpiling and this is partly responsible for the growing trade gap, because Yugoslavia is still consuming too large a proportion of its own production. The government's stabilisation programme, aimed at the development of primary industries as part of an import substitution policy, entails an increase in the production of so-called strategic raw materials; this Yogoslavia is well placed to do since it enjoys sizeable reserves of lead, zinc, copper and aluminium.

Despite a record wheat harvest of 6,271,000 tonnes in 1974, agriculture is still ailing in many ways. The growth rate for 1974 did not meet the 3.5 per cent annual average required by the current five-year plan and the government is seeking long-term remedial measures to overcome this difficulty. This year, the incentives under the Green Plan for the development of agriculture from 1973 to 1975 are be used to encourage small and medium fiarms to concentrate on intensive farming while larger farms concentrate on bulk crops and cattle breeding. The new constitution promulgates a dual policy of stimulating the private sector, which accounts for 85 per cent of Yugoslavia's arable land to increase productivity while emphasising the need for greater cooperation between the private and socialist sector.

IV

Inflation

Persisting inflation is Yugoslavia's biggest headache. Prices at the end of June had risen 25.5 per cent over the past twelve months, ranging from seven per cent for food to 30 per cent for industrial products. This heavy inflation is partly due to trends in world markets amplified by previous under-investment in the primary sector resulting in the need to buy energy (at the estimated increase of $300 million in the oil bill), steel and agricultural goods at high prices on world markets. The workers have voted themselves large wage increases during recent months which have contributed to inflation but have left most workers no better off than they were eighteen months ago. Inflation has also created liquidity problems. The government's counter-inflation policy has tended to rely less on restrictive demand control and more on increasing the rate of economic growth which will have short term inflationary effects especially since the emphasis has shifted away from direct price control.

Energy : The petroleum crisis, which hit Yugoslavia sharply in its early stages, has become less serious. The Yogoslav market was well supplied with petroleum products during the summer, apparently from Libya, Algeria and Iraq. In fact, no significant price rises are foreseen in the near future and the Yugoslav authorities have expressed willingness to run down foreign exchange reserves standing at $1,249 million to pay the existing extra oil bill rather than restrict economic growth. However, the oil situation may prove disruptive to demand indirectly as it affects Yugoslavia's major trading partners; the OECD countries, for example, account for 50 per cent of Yugoslavia's import and export trade, of which 25 per cent is accounted for by West Germany and Italy alone.

The substantial energy shortages during 1974 were due to national grid problems and the need to achieve a geographical balance of supply. Capacity problems will, it is hoped, be solved in the medium and long-term by building new stations financed by foreign funds, which will increase capacity by 78,000 million kWh by 1980.

Foreign Trade : In October, 1974, Yugoslavia devalued the dinar by seven per cent largely in response to the 40,483 million dinars trade deficit for the first eight months of 1974, which is more than double that of the corresponding period in 1973. The root cause was that the prices of imports rose substantially more than those of exports, an imbalance which could not be offset by the rise in exports' volume. Foreign trade is also being limited by moves such as the Common Market's decision to restrict imports of beef. In August, Yugoslavia introduced several temporary measures to curb imports. Fiftyfive items, chiefly consumer goods, can be imported only with special permission. A deposit equal to five per cent of the value of the goods has also been introduced for all imports of consumer goods. A deposit of 30 per cent has been introduced for imports of equipment, though it was expected that purchases of equipment for the construction of power plants would be permitted without deposit. Further savings on imports should result from the longer term domestic production programmes which are being launched; for example, $70.1 million is to be invested in expanding output of cement with an estimated annual saving of $15 million in foreign exchange.

Exports totalled $2,852.6 million, while imports aggregated to $4,511.1 million in 1973. The table below shows the pattern of foreign trade in the first eight months of 1974:

Yugoslavia's Foreign Trade

	Export		Import	
	Million Dinars	% Total	Million Dinars	% Total
Asia	5,124	12.0	9,307	11.2
Africa	1,600	3.7	3,364	4.1
N. America	3,766	8.8	5,976	7.2
S. America	443	1.	2,436	2.9
Europe	31,724	74.3	60,362	72.6
Oceania	40	Neg.	1,735	2.0
Total	42,697		83,180	

Exports rose by 45 per cent, while imports were up by 78 per cent during the first eight months of 1974 compared with the corresponding period in the previous year. The products principally responsible for the increase in exports were processed goods, which accounted for 32 per cent of the country's total exports and rose by 67 per cent. Exports of chemical products rose even more steeply, by 107 per cent, but this sector accounts for only 10 per cent of the country's total exports. The steep increase in imports arose from raw materials, fuel and lubricants, which climbed 146 per cent and accounted for 26 per cent of the country's total imports. Imports of food, drink and tobacco rose by 109 per cent, but they account for only 11 per cent of the country's imports.

Yugoslavia's fear of a 25 per cent reduction on the $630 million earned from tourism in 1973 proved unfounded. Events in Cyprus and political uncertainty in Greece, an increase in late bookings due to bad weather in northern Europe and the fact that fuel problems were not as serious as expected, relieved the situation. In contrast with a drop of 22 per cent in the number of visitors and a 13 per cent reduction in the number of nights spent by tourists for the first five months of 1974 compared with the same period in 1973, capacity bookings were reported for October and November last. Since tourism may have reached a plateau, the Yugoslavs are turning their attention to diversifying and consolidating the present range of activities. There are programmes to attract a wider variety of tourists, as well as to develop the off-season trade with conference and incentive travel. Three Yugoslav airlines are integrating in hopes that the Yugoslav tourist industry will then depend less on foreign airlines for charters.

foreign investment

Foreign investment in Yugoslavia has been hampered by institutional barriers. Only 17 per cent of the $354 million invested in the form of joint ventures comes from foreign partners. Several steps have been taken to remedy this situation, and the UK investment in Yugoslavia has recently become eligible for insurance against non-commercial risks through the offices of the Export Credits Guarantee department. The level of profits tax, in the case of joint ventures, is reduced according to the amount invested. For instance, if more than 50 per cent of the total earnings are reinvested for more than ten years the tax goes down to [illegible]2 per cent. The Yugoslav authorities consider that the proportion of loan to equity in the financing of joint ventures is too high, so they are likely to place an upper limit on the amount of loan finance allowed in a venture and may abolish some facilities at present available for loans, such as the exemption from payment of dinar deposits which joint venture foreign loan financing enjoys.

The nearest approach to convertibility is the twice weekly meeting of the inter-bank foreign exchange market. Since July, 1974, the dinar has floated though it remains subject to National Bank intervention. With 60 per cent of foreign trade now liberalised, the inter-bank market is a significant step towards full convertibility although it may be some time before this is achieved.

Sources and acknowledgements: The foregoing summarises reports issued by the Chase Manhattan Bank (New York 10015) in its *Business in Brief* and by Barclays Bank Group International (54 Lombard Street, London EC3P: 3AH), but neither bank is responsible for the emphasis of my summary nor for my interspersed comments based on a variety of sources.

Mrs Gandhi is at it

again. In an interview to an American news agency she has reiterated her familiar assertion that she is living in daily dread of assassination. It would be difficult to deny, of course, that, throughout history, prophets, priests or kings have always run the risk of violent death. For some of them this risk has been more real than for others but, even so, it is a statistical fact that only very few public figures have had their life-span fatally interfered with by assassins, political or other. In other words, while politicians, or public figures generally must reckon with something like a professional hazard to their lives, this risk is still an easily and relatively inexpensively insurable one in the case of most of such personalities. I have no doubt at all that, so far as Mrs Gandhi herself is concerned, the Life Insurance Corporation of India will be only too ready to issue her cover against assassination for a nominal premium.

This is for the simple reason that, although lots and lots of people in this country do disagree with the prime minister's political attitudes or economic policies, they do not feel a sense of public outrage — let alone entertain a feeling of private resentment — so savage that they would want her killed. Those of us who may believe that this country could have been governed better or its economy managed more efficiently are also normally disposed to refrain from harbouring very high expectations of politicians. There is therefore no question of any great number of us suffering from homicidal tendencies born of a sense of betrayal where Mrs Gandhi is concerned. We are of course disappointed and sad that she has not been able to measure up to her responsibilities. But this only makes us regard her as a failure, in which case it is not anger that we may feel against her but pity. It is possible of course that the rampant corruption in politics and administration has aroused strong feelings in the community, but the sense of grievance that the public may have in a situation of this kind is not of a nature to arouse in individuals or conspiratorial groups murderous passions against a particular individual simply because he or she happens to be the head of the government.

Mrs. Gandhi's thesis no doubt is that there are in our country 'fascist' forces which, whether functioning with a certain amount of 'foreign' inspiration or influence, or not, may desire to get rid of her since, in her view, she and the party she leads have come to symbolize the philosophical goal or political system of democratic socialism. Now, this is a free country and nobody can stop the prime minister or anybody else from believing or even alleging that wicked men are out to get rid of her or her government by violent means.

It is, however, pertinent to ask whether the prime minister or any of her party men (who may be in the government or may not) has knowledge of conspiratorial men or groups at work in the manner alleged. If she or he has this information or even ground for suspicion, there is certainly enough scope in the extraordinary laws of the land to round up potential assassins or their organizations and put them behind bars even without having to bring them to trial before a court of law where hard proof will be demanded. Indeed it is possible that there are some individuals among hundreds of political detenus in the country who may have been put behind bars precisely because the government has reason to believe that they or their activities suggest violent intentions on their part. If this is so, then, Mrs Gandhi should at least be able to resist the temptation to reply to stock questions put to her by sensation-mongering foreign journalists with melodamatic affirmations of her life being in constant danger.

The Durga Ratan awards

for excellence in journalism, although so recently instituted, are already in some danger of stultifying themselves as 'pats on the back', so to say, for professionally departing journalistic souls. Mr S. Mulgaokar, Editor-in-Chief of *Indian Express*, for instance, has been given one of the awards this time as "the columnist whose writings over the year marked him out as the most outstanding analyst and commentator of the year." If the members of the advisory committee, which has recommended these awards, would really believe this citation, they should be capable of believing anything. Mr Mulgaokar is an outstanding journalist, no doubt, but virtually all of his brilliance as a columnist belongs clearly to the past. His best years in this respect were those during which he wrote his column "National Affairs" for *The Hindustan Times* of which he was the editor at the time. His "Editor's Notebook" in *Indian Express* of which he is now the Editor-in-Chief is not only not in that class but is not in any class at all.

Such of us as are aware of Mr Mulgaokar's performance as a columnist in his journalistic prime could of course rejoice in the notion that the award which has been given to him now is really in the nature of a salute to that past, but the citation itself must be dismissed as of no worth since it does not even seem to care to know what it is talking about. We have seen other honours, such as the Sangeet Natak Akademi awards, being given in many cases without any relevance to the current work or worth of the recipients. Is it to be assumed that bad practices must always prove infectious?

Incidentally, those who claim to be in the know say that Mr Mulgaokar is about to leave *Indian Express* for *The Statesman*. Both papers, it so happens, are having problems. In the case of *The Statesman* the problem is overdrafts and, in the case of *Indian Express*, it is falling circulation. Mr Ramnath Goenka, it is reported, has lately been applying his mind to perking up the reader-appeal of his newspapers. Mr Kuldip Nayar's recent installation in a senior editorial position on the staff of *Indian Express* is said to be a part of the Goenka prescription for face-lift to *Indian Express*. Mr Ajit Bhattacharjea, who cannot be fully employed as the editor of *Everyman's*, will probably take over from Mr Mulgaokar when the latter leaves for *The Statesman*. It is an interesting coincidence that three of the four national dailies — which are being published from New Delhi—I am having *The Hindustan Times* also in mind — must all be having domestic problems of one kind or the other at one and the same time. Mr Inder Gujral, I suppose, is entitled to his satisfaction.

VB

MOVING FINGER

BOOKS BRIEFLY

Reviewed by
Academicus

Human factor in entrepreneurship

ocio-Psychological Factors Influencing the Adoption of the Innovation of Starting Small Industry Unit—A Research Study : Small Industry Extension Training Institute, Hyderabad; Pp 109; Price Rs 10.

conomic Blocs and US Foreign Policy: Ernest H. Preeg; National Planning Association, Washington; Pp 202; Price $3.50.

conomic and Social Change in India: S.L.N. Simha; Institute for Financial Management and Research, Madras; Pp 159; Price Rs 35.

volution of Cooperative Thought: K.K. Saxena; Somaiya Publications Pvt Ltd; Pp 159; Price Rs 35.

redit Planning and Policy: Edited by S.L.N. Simha and A. Raman; Institute for Financial Management and Research, Madras; Pp 199; Price Rs 30.

Richer Harvest—New Horizons for Developing Countries: Sudhir Sen; Tata McGraw-Hill Publishing Co., New Delhi; Pp 573; Price Rs 51.

Socio-Psychological Factors Influencing he Adoption of the Innovation of Starting small Industry Unit—A Research Study an excellent analysis mainly concerned ith some aspects of the human factor hich influence the growth of small instry unit. This research study makes n attempt to analyse on the basis of empirical data collected during 1964-67 in lyderabad and Secunderabad (i) the iological, economic and psychological ackground of the entrepreneurs, (ii) the nfluence of sociological and psychological factors, (iii) the encouraging and iscouraging factors which have their imact on such entrepreneurs, (iv) the stages n the process of adoption of innovation n starting small industry units, and v) the influences of environment as well s organisational assistance.

inancial aid

While the government is forthcoming o give financial and other assistance to ntrepreneurs interested in starting a mall industry unit, no attempt has been nade so far to find out who these ntrepreneurs taking advantage of such ssistance programme are and the various ociological and psychological factors onsidered as favourable and unfavourable for launching such small industry nits. Since this study makes such an ttempt, one would very much be interested in knowing some of the important findings of this study.

Sixty-one small units in Hyderabad and ecunderabad from among those regisered with the Directorate of Industries, ndhra Pradesh were selected for this tudy. It was found that 41 per cent f the respondents had college degrees and 33 per cent had passed high school examination. It was seen that 61 per cent of the respondents had experience in industry, while another eight per cent were engaged in business dealing with items similar to what they manufactured later on in small industry units. Why did entrepreneurs enter this field? It appears that for most, economic gain was the most important reason for entering the small industry units; the second most important reason was ambition; the third and fourth reasons were social prestige and social responsibility, respectively. The study reveals that the level of education did not influence the respondents in their starting small industry units, nor did income of respondents had any influence in this regard. Similarly risk-taking ability does not seem to have influenced the respondents in their reasons for starting small industrial units; nor need for achievement had any influence on their decision.

demand factor

For all the 61 respondents taken together, high demand for product was seen to be the most encouraging factor in starting industrial units, the second most encouraging factor in this regard being 'experience in the line', followed by encouragement by friends and families, respectively. For all the 61 respondents taken together, capital shortage and governmental red-tape were seen as the most discouraging factors in starting their industrial units; the next two discouraging factors being non-availability of raw materials and scarcity of skilled labour

Six stages, namely awareness, interest, preparation, trial and evaluation were noticed to occur during the process of adoption. The survey found that all the 61 respondents did not pass through all the above stages nor was the sequence of the above six stages constant for all the respondents.

An interesting finding of this study is that "Younger age, formal education, urban background, experience in industry, level of aspiration and risk-taking were associated with the majority of respondents. "It is also interesting to note from this study that technical education, high monthly income, contacts with influentials etc. were not associated with the majority of the respondents.

service institutes

The study has revealed that 47 per cent of the respondents were already working in industries at the time of awareness; 33 per cent were engaged in commerce and 10 per cent employed in service, private and government. Majority of respondents seem to have received assistance of one sort or another from the office of the Directorate of Industries and the Small Industries Service Institute.

In India there has been a phenomenal growth of the small-scale industry sector during the period of the five-year Plans. From the negligible amount of financial allocation in the first five-year Plan, the public and private sector investment in the fourth five-year Plan for village and small industries went up to Rs 694 crores The importance of small industry sector assumes great significance when viewed from the point of provision of employment, use of local resources, regional balance and need of quick results by way of production.

While socio-economic virtues of the small industry sector have been well recognised, it appears that there is need for a fuller knowledge of the problems of growth of new small industry units not only in the economic sense but perhaps more importantly in the social and psychological milieu which acquires tremendous importance. Small industry units do not just come into existence but they have to be brought into existence by someone. It is unfortunate that while all these

years the discussion and analysis of small industry sector are being carried on in terms of financial provisions, targets and expenditures, no study was carried on about the man who is expected to enter this field.

From where did the small-scale industrialist first get the idea of starting the type of industrial unit that he now has? After getting the idea, did he start the unit overnight? What role did governmental and non-governmental agencies play in the process of establishing the unit? Answers to these and similar questions are of great significance for individuals and organisations working to accelerate the development of small industry sector in the country. As this study makes an attempt to answer some of the above questions, it is of great significance and should help government and other organisations working in this field in framing suitable policies for the promotion and rapid development of small-scale industries in the country.

Economic Blocs

To a critical observer of the international scene, it would appear that the postwar international economic system which provided the framework for an unprecedented quarter century of expansion of world income and trade appears to be gradually crumbling. It is noticed that over the past several years, the international monetary arrangements have been racked by successive crises culminating in the abandonment of the International Monetary Fund system. Also trading rules of GATT seem to be continually violated by various member-countries under one guise or another while protectionist sentiment is gradually spreading; and political-economic role of international investment has been provoking as many controversies as there are sovereign states.

The Bretton Woods system was based on three central concepts: universality (where all the nations participate on the basis of equal treatment with essentially identical and non-discriminatory obligations and privileges); minimum and ultimately no barriers to international flow of goods and services; and third, currency convertibility under normal conditions of fixed exchange rates.

The current situation is trypified more by the breach than by the observance of the above Bretton Woods concepts. As for the concept of universality, the communist countries do not participate in the system and developing countries are eligible for preferential access to markets of developed countries while themselves carrying out their GATT and IMF obligations in a very limited way as it suits the convenience of their national developmental strategies. The multilateral convertability/fixed exchange rate system long under duress practically ceased to exist so that by 1973 a *de facto* arrangement of 'managed floating rates' was generally in effect. The monetary breakdown stemmed from the lack of an adequate adjustment mechanism for both long-term or 'fundamental' disequilibrium and short-term cyclical disequilibrium complicated by the difficulty of distinguishing one from the other.

The author of *Economic Blocs and US Foreign Policy* is of the opinion that "the declining relevance of the Bretton Woods principles to the actual conduct of international economic relations had produced a dangerous void in conceptual thinking upon which to base national strategies for dealing with these matters' "The difficulties appear to be compounded by recent developments that seem to be changing the basic context of the international economy such as the external consequences of evolving domestic policies to achieve the optimum balance between inflation and resource utilisation, emergence of multinational enterprise, natural resource depletion, environmental controls and the apparent broadening of economic relations between centrally planned communist countries and market-oriented economies of the west. An economic system based on universal rules, never a reality, may in fact be highly unrealistic in a contemporary world of some 130 nations ranging in annual per capita income from $ 5,000 to $ 60. The author believes that, if not by choice, perhaps by necessity, the international economy may have to be based only in part on multilateral rules while the remainder is subject to more or less selective arrangements.

evolving system

The purpose of this study is to assess the evolving international economic system largely in terms of multilateral rules versus more limited economic arrangements among particular groups of countries. The author seeks an answer to the problem of finding the least common feasible denominator of multilateral foundation which ought to be supplemented by a more selective superstructure of rules applicable to many of the developing countries.

The author has analysed the various aspects of the dominant international economic relationship at the present time and the elements of possible economic policy framework for the coming decade (again with the primary emphasis on the significance of multilateral versus more limited geographical groupings of countries). The auhor concludes with a brief prognostication of the most likely course of the world economy through the mid-1980s.

The author has arrived at the following conclusions regarding the possible future trends.

According to the author, there is tripolar drift in economic relations among the advanced industrialised countries with a high and growing interdependence within western Europe and between the USA and Canada, compared with a much lower relative degree of economic interdependence among the three centres of western Europe, North America and Japan.

policy implications

The policy implications of the above trend towards economic tripolarization is for a more closely knit and specified policy framework within Europe and between the two North American industrialised countries and a more loosely defined relationship among the three centres. At present, the most important area of policy in this respect is the balance-of-payments adjustment process which includes more than exchange-rate policy, extending to the degree of coordination of internal policies and possible spillover to certain related trade and investment policies as well.

According to the author, the polarizing effect of the three industrialised centres on other countries is less clear, and will depend in large part on the policies pursued by the industrialised countries. Many important areas from south Asia, Australia to Indonesia, most of Latin America and Africa are not overwhelmingly linked to any major economic power; nor need they be, if the industrialised countries follow appropriate policies.

The international economic system, according to the author, that will evolve over the coming decade will probably have far less emphasis on specific legalistic rules and commitments and more emphasis on practical arrangements and procedures for ensuring a continued open and cooperative world trade and monetary system. As regards broader aspects of foreign policy, the author opines that a more flexible economic system of this kind should facilitate an economic rapprochement between east and west as well as improved relations between developed and developing countries.

This is an excellent study which gives

readers a peep into the future in the fields of international trade and currency arrangements. The nations of the world are entering a period of major negotiations for reforms in the fields of international trade and monetary and other economic relationships that will require several years to complete. It is necessary, as the author has pointed out, that "during these years of important negotiations, a variety of studies be made that can improve knowledge about the basic economic trends and their interrelationships and deepen understanding of the implications of these actual and prospective developments for the nations whose policy choices play significant roles in determining the system's future benefits and costs." This study by Ernest H. Preeg definitely makes a substantial contribution towards meeting that need.

Social Change

Economic and Social Change in India is a commemorative volume published on the occasion of the silver jubilee of India's republican constitution. It attempts to portray the various economic and social changes which have taken place in the country since independence or rather since the adoption of the republican constitution by India. Quarter century in the history of a nation is a convenient watershed where one can stop and look back to see whether the country is moving in the right direction and at appropriate pace. Very often claim is made that a traditional Indian society is being rapidly transformed into a modern society with its new scale of values and modes of living and thinking. It is certainly worth critically examining the pace and direction of change taking place in the Indian subcontinent since independence.

Vast and significant developments have taken place on the international scene since India became independent. The explosion of the hydrogen bomb, the landing of man on the moon, the growing detente between USSR and the USA, the assassination of Kennedy and resignation of Nixon, devaluation of the US dollar, sharp rise in the price of gold, fourfold increase in the price of crude oil, the birth of international money in the form of special drawing rights, wars between India and China and India and Pakistan, splitting of the Indian National Congress, the ascendancy of the linguistic states and birth of Bangladesh — have been some of the most significant developments in India and abroad. Further, while the world economy has recorded a substantial expansion during the last 25 years, the economies of developing countries have not performed so well as developed countries with the result that the yawning gap between the two has been widening. It is also noticed that there has been, according to the author, "a very marked falling off in standards of public and private conduct. Every society is becoming more and more permissive. What is noticed is that while the developed countries are looking for philosophical and spiritual panacea for social and economic ills, developing countries are moving away in several cases from their traditional values and ways of life and are rapidly imitating the western pattern of life. Everywhere cultures seem to be rapidly undergoing transformation."

During these 25 years, the Indian scene has also undergone tremendous economic and social changes. Though in relative terms, one may be dissatisfied about India's economic growth, the author is of the opinion that in absolute terms, the picture of India's econome development looks much better, though because of continued high growth of population, the average standard of living has not gone up to any perceptible extent. During the last 25 years, the developments in the sphere of manufacturing are certainly remarkable; but what according to the author is more significant is the change in the attitude of people which is truly revolutionary.

urge for improvement

Instead of resigning one-self to one's fate, there is a marked desire on the part of people to improve standards of living. Also growth in industrial entrepreneurship both in the private as also public sector is truly remarkable. The way in which ministers and civil servants have acquired expertise in intricate technical, managerial and financial matters is truly astonishing. Though jubilation over the green revolution might be premature, the fact remains that the phenomenon of green revolution has at any rate shown the way of winning the fateful race between food and population.

Since independence some tremendous changes in the social sphere have also taken place in India. According to the author, these social changes may be seen broadly in every aspect of our daily living — food, dress, social habits, travel, education and employment.

And yet according to the author, the pace of modernisation is still very slow and a massive effort on the part of the country will be required to successfully tackle the country's numerous economic and social problems. Otherwise it will be impossible to cross the poverty line. The author has warned that a lead must come from our ministers and politicians assisted by civil servants. Also our intellectuals have an important role and duty to perform in mobilising public support "for a course of action that would lead the country surely and swiftly to the path of economic prosperity and social justice."

The author has given in this book a mere objective and factual account of the changes which have been taking place in India since independence, rather the republican constitution was adopted. Unfortunately the author has concentrated his attention only on the quantitative aspect of these changes. He does not propose to sit in judgment on the quality of changes in various fields that have been taking place, and it is this qualitative aspect that is worrying our social and political reformers. For example, how firmly have we laid the foundations of our democratic regime aiming at socialistic pattern of society? Many would think that we have only adopted the facade and trappings of democracy while the content is mostly lacking. And what about the massive corruption that has been eating into the very vitals of our society? What about the quality of our leadership? How many are there merely because of their caste? What about the increasing disruptive tendencies that are being strengthened since independence? What about the student world? Does the present generation of the students inspire confidence in the future of our country? Standards have been falling everywhere and moral deterioration especially among our leaders seems to have brought the country to the brink of ruination. It is not so much the speed with which we are going that matters as the direction and therefore when we take a critical look at the changes that have been taking place in India, without distracting from the achievements, one is likely to feel extremely apprehensive about the shape of things to come. About all this the author unfortunately has said very little or nothing, which fact considerably reduces the value of the book for a serious student of Indian affairs.

Scissors and Paste

Evolution of Cooperative Thought is based on the adaptation from the author's thesis on the same subject for the award of the D. Litt. degree in commerce of the Lucknow university.

The author has made an attempt in this book to trace the evolution of cooperative thought, beginning with the origin of cooperative thought which goes much beyond the name of Rochdale. The author has made an attempt to trace the role of early cooperators and social reformers who propagated cooperative thought. We meet here the figures like Robert Owen, Mudie, Combe, Thompson, Dr. William King, Charles Fourier, Louis Blanc, Saint-Simon and Cuchez

and of course Schulze and Raiffeisen and a host of other cooperators who have over centuries contributed to the development of theory and practice of cooperation.

The author has pointed out that at one time it was felt that religious and political neutrality should be the aim and avowed principle of cooperation. But today it is found that cooperation cannot keep itself aloof from political thinking and at times cooperators owe a duty to give shape to the national policies and political ideas of the governments of various countries. Under the new circumstances therefore a fresh look at the development of cooperative thought becomes necessary.

not yet arrived

The author is of the opinion that "the age of cooperation has not yet arrived. Cooperation, it may be said, as yet is not at the 'take-off' stage. "This follows from the fact that as yet cooperative system has not been in a position to evolve uniform principles. As soon as permanent values are developed, the cooperation, according to the author, will be able to proclaim with confidence the era of cooperation.

According to Dr Saxena, the future cooperators will face the problem of mutual inter-relationships amongst them. The secondary organisations of cooperatives variously termed as unions, federations and central associations have to continue to play their role in building up cooperative economy. The secondary organisations should not halt at the national level; they should go beyond national business. Unless international cooperation among cooperatives grows and many more institutions like the Scandinavian Wholesale Society, the International Cooperative Petroleum Association, Scottish Cooperative Wholesale Society etc., come into existence, "the dawn of the age of Cooperation will simply be delayed."

The idea of 'Cooperative Economy', according to the author, has to be pursued more vigorously. It would necessitate not only greater loyalty and devotion among members, but closer and more active liaison between different types of cooperatives at different levels. The author has predicted that cooperation is destined to play a decisive and effective role in the world economy of tomorrow."

The tendency among cooperators is to raise cooperation to the status of a religion and invest the movement not only with business considerations but with high degree of moral overtones. Once this is done and cooperation ceases to be just one of the forms of business organisation suitable to only certain activities and succeeding only under certain conditions, the tendency develops among cooperators to shut eyes to all the evils that may and do erode the cooperative movement. This is evident from the fact that the cooperative movement in India has been exhibiting all the defects of capitalism and socialism without their redeeming virtues as is convincingly illustrated by cooperative sugar factories in Maharashtra. Cooperative movement in India has developed as many vested interests as the capitalist sector in the country and is equally exploitative. All this can be remedied and cooperation can be made to play its due role if cooperation is considered as just one of the forms of business organisation and put in its proper place. Cooperators must stop spelling cooperation with capital 'C'.

Dr Saxena's style is exasperating. The book is mainly made up of strings of quotings from scores of authors on the subject joined by conjunctive clauses. This makes the reading of the book utterly incoherent and unintelligible. The reader hardly gets a comprehensive picture of the cooperative thought and movement. It is not said in vain that majority of doctoral theses of the Indian scholars is mainly a matter of scissors and paste.

Credit Planning

A few years ago one hardly heard of 'credit planning'; today one wonders whether physical planning can ever succeed without credit planning. Of course planners have learnt this by experience. But unfortunately one hardly comes across any worthwhile book or treatise on the principles and policy of credit planning. It was therefore a matter of pleasure when one read the title of credit planning and policy on a book appropriately published by the Institute for Financial Management and Research of Madras.

Credit Planning and Policy contains a set of 12 articles and a postscript and in this brief review attention can be drawn only to the important features in some of the articles.

A. Raman maintains that there are macro and micro aspects of credit planning. The macro aspect has to take into account the overall volume of credit expansion to meet the requirements of the economy. Credit planning in the macro sense would involve the preparation of a monetary budget which should indicate the likely tolerable order of increase in money supply in relation to likely increase in real output. According to the author, with the preparation of monetary budget and the size of the credit expansion of the commercial sector broadly determined, the responsibility of further allocation of credit among various competing sectors shifts to individual banks. This involves at an individual bank's level the preparation of credit budget. Credit deployment among various sectors has to be determined in the light of the real resource position. According to the author, the credit authorisation scheme of the Reserve Bank of India should be viewed from this point of view. Against this theoretical background of credit planning and its necessity, A. Raman has also analysed in detail the recent credit policy of the Reserve Bank of India and has shown how the Reserve Bank is taking steps to meet credit needs of some of the important sectors such as production and movement of goods and exports.

selective controls

H.B. Shivamaggi has analysed in detail selective credit controls of the Reservice Bank of India. He has shown the steps which the Reserve Bank has been taking to provide production incentives, encouragement to industries, small loans, loans for procurement and distribution, concessions to backward areas, export incentives, and assistance to industries in rural and backward areas. The author has explained very clearly how selective credit controls can be used effectively as weapons or tools of credit planning.

The credit authorisation scheme of the Reserve Bank of India forms or should form an integral part of credit planning and from that point of view A.K. Buchar's article on 'Credit Authorisation Scheme' is worth reading. The fund of technical details provided by the author gives readers a very clear understanding of the scheme.

The credit guarantee scheme of the Reserve Bank of India as also financing of agriculture by commercial banks by R. Vijayaraghavan and P.K. Khanna respectively make extremely instructive reading. The analysis of the various problems faced by commercial banks while providing finance to agriculture brings out the enormity of the problems as also various complexities involved.

There is no doubt that since its establishment in 1935, the Reserve Bank of India has made great advance in controlling the quantity and use of credit for which it has evolved or adopted various weapons which it has learnt to use more and more efficiently with the lapse of time and acquisition of experience. Various articles in this volume deal with this regulatory mechanism of the Reserve Bank of

India. But does this amount to credit planning? Credit planning is something that goes beyond mere credit regulation both in its quantitative as well as qualitative aspects. Nowhere in the book do we get an explanation of the concept of credit planning and its underlying principles which one is left to infer from what the Reserve Bank of India has been doing. While therefore readers learn a great deal that is really useful about the various operations of the Reserve Bank of India and the way it is regulating and making more effective use of credit, it cannot be said that they get a clear and comprehensive idea about credit planning.

Weakness of Development Programmes

Sudhir Sen has been busy for decades studying and thinking about "what has long been and remains more than ever before the world's number one problem —the problem of poverty."

A Richer Harvest — New Horizons for Developing Countries has been planned as a trilogy. In the first part the author begins with a critical analysis of the kind of job the United Nations placed between the aid-givers and aid-receivers, has been doing as aid-administering agency. The author out of his experience with the United Nations development programmes, has rightly come to the conclusion that "The besetting weaknesses of its programmes are three: they are not production-oriented; they are indifferent to, if not callous about, priorities; they show no understanding of the principle of complementaries." The author is convinced that the failure of the United Nations to grasp this leadership firmly and imaginatively has deprived it of what could have been powerful instrument to strengthen its own foundations, to build up its moral prestige and thereby to improve its prospects of tackling some of the more intractable political problems," despite the rift of ideologies and the chill of cold war."

The second part of the trilogy looks at the problem from the point of view of the aid-receiving countries. The author has examined the question of how to plan and implement high-quality country-programmes to secure the best possible use of both domestic and external resources, and thereby to make the maximum possible contribution to raise the living standard of the vast masses of people.

In this connection Sudhir Sen has emphasised that a well-conceived country-programme must have agriculture as its hard core. The author is of the opinion that accelerating green revolution, provided its benefits are widely diffused, can help dampen population growth far beyond what even the best family planning programme can by itself achieve in a developing country. The author has examined how to make the green revolution a success. The development planning naturally must concern itself mainly with this question, for if the green revolution succeeds, a great many other things will automatically fall into their proper places and will lift the entire economy to a higher level of development. "If it fails, it will not only drag down everything else, but will put the nation's very existence into jeopardy. The reward of success is extraordinarily high; so is also the penalty of failure."

The author naturally has devoted much of his attention to India where problems of poverty are vast, complex and acute and "where awesome drama of food-and-population race has entered the climacteric phase." If the problem of poverty can be solved in India, as the author believes it can be, it can certainly be solved in most other countries of the world within reasonable time. India can serve as a model to these countries.

right technology

The third part of the trilogy has considered certain aspects of the relations between the rich and poor nations as also between the rich and the poor within a developing country. The author has emphasised that development economics must centre primarily on the development of physical resources, especially land and water. In doing so it must choose the right kind of technology to suit each specific situation. In most cases it must concentrate heavily on the production of food. It must give high priority to the development of suitably located market-towns to serve as nuclei for urbanisation and with network of all-weather rural roads linking farmers to markets. It must provide for massive expansion of production credit—'green revolution credit' — to finance the production and marketing of new varieties, along with the supporting services and facilities. It must come to grips with the long-slighted problems of land reforms" to free agriculture from the stranglehold of feudalism, which in most developing countries has outlived colonialism. "And it must lay emphasis more than hitherto on development-oriented education and health-cum-family planning as indispenable tools of both economic progress and social welfare.

Economic development so far in poor countries has been heart-breakingly slow for which the blame must go to all—planners and economists, aid-givers and aid-administrators. However, the author is extremely optimistic that the development of poor countries can be easily speeded up here and now and with resources they have at their disposal. According to the author, "The biggest push in that direction will come when agriculture based on high-yielding varieties of crops is combined with high-yielding economics based above all on resource development with intelligent use of the miracles of science our age has been saturated with." When this happens, the poor nations will begin to stride swiftly the route from age-old poverty to the age of plenty.

A Richer Harvest is truly a remarkable book, easily one of the best on the problem of agriculture and poverty in India. What is especially notable is that unlike most other books on poverty which are filled with innumerable statistical tables, technical jargon and heavy footnotes, this book is written in a manner that would satisfy at once both the layman and the sophisticated. The arguments in this book are so persuasive that one begins to wonder how our planners never thought of these approaches before so much so that one often begins to wonder whether the planning commission was filled with ignoramuses all these years. And what is possibly the most remarkable thing about the book is that it succeeds in creating hope in the minds of readers that all is not yet lost and removal of poverty and progress is just round the corner, provided we have the wisdom and will to pursue the right path, instead of getting enmeshed in sterile ideological controversies.

Books Received

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New Concepts in Press Freedom: Chanchal Sarkar; Press Institute of India, Sapru House Annexe, Barakhamba Road, New Delhi; Pp. 17; Price Rs. 4.00.

India's Strategy for Industrial Growth—An Appraisal: H.K. Paranjape; Gokhale Institute of Politics and Economics, Poona 411004; Pp. 40; Price Rs 5.

Art for Living: Published by Career Study Centre, Central Institute for Research and Training in Employment Service (D.G.E. & T), Ministry of Labour and Rehabilitation, Government of India, Pusa, New Delhi-110012; Pp. 90; Price 0.75.

Mathematics for a Career: Published by Career Study Centre, Govt. of India; Pp. 32; Price Rs 0.35.

Tax Policy: Some Aspects of Theory and Indian Experience: T. Mathew; Kalyani Publishers, 1/1 Rajinder Nagar, Ludhiana; Pp. 183; Price Rs 30.

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An *Eastern Economist* Feature

PRIVATE SECTOR BANKS

A dynamic force in nation's banking

WITH THE nationalisation of the 14 major commercial banks on July 17, 1969, the share of the private sector banks in the banking activities of our country became very small. The banks which were not taken over by the state were of three categories: (a) scheduled commercial banks with deposits less than Rs 50 crores each; (b) non-scheduled banks; and (c) foreign banks operating in India. The foreign banks stood in a class apart as they were not taken over primarily because it was feared that it might have an unfavourable impact on the country's foreign trade. The other two categories together accounted for an extremely small fraction of the total banking operations in the country and were left out because their sphere of activities was, relatively speaking, too small to be of any significance.

However, during the last five years, some of these private sector scheduled banks have given a good account of themselves. Their rapid expansion has demonstrated that banking is first and foremost a service and the client would patronise a bank irrespective of the fact whether it was run by the state or the private sector provided he got efficient service. Six of these banks at the end of 1974 had deposits exceeding Rs 50 crores each.

In 1969, all banks having deposits of more than Rs 50 croses were taken over by the government. Currently the government had no intention, as stated by the union Finance minister, Mr C. Subramaniam, in the Rajya Sabha on February 25, 1975, of nationalising either Indian or foreign banks whose deposits had crossed the Rs 50-crore mark.

Mr Subramaniam listed the banks whose deposits on the last Friday of December, 1974, were more than Rs 50 crores each. They were : (1) Andhra Bank; (2) The New Bank of India; (3) The Vijay Bank; (4) The Punjab and Sind Bank; (5) The Oriental Bank; and (6) Corporation Bank Ltd.

The reason advanced by Mr C. Subramaniam for not nationalising the private sector commercial banks was that the Reserve Bank through its extensive powers could closely watch and supervise their functioning. He also said that the nature and the extent of control over the private banking corporations was a matter which was constantly reviewed.

With 84 per cent of the deposits with the nationalised banks, the share of the private sector banks including those in the foreign sector was no more than 16 per cent. Even then, it was a fact that these private sector commercial banks were being patronised by the clients because of the quality of service which they received from them. This was also a rather sad commentary on the working of the nationalised banks where salaries of the employees had increased sharply but service to the clients had deteriorated almost in inverse proportion to the salaries and the allowances drawn by the bank employees.

It was no secret that the

TABLE I

Purpose-wise distribution of developmental loans of the public and private sector banks

(Amount in lakhs of rupes)

Purpose	Public sector banks		Private sector banks	
	Amount outstanding	Percentage to total	Amount outstanding	Percentage to total
Minor irrigation	8674.37	53.8	181.70	12.8
Tractors and agricultural implements and machinery.	4466.98	27.8	480.75	33.9
Reclamation and land development schemes	750.14	4.7	173.00	12.2
Plantations	1076.63	6.7	405.22	28.6
Others	1131.24	7.0	177.85	12.5
Total :	16099.36	100.0	1418.52	100.0

Source : Reserve Bank of India Bulletin, August 1974, Page 1431.

decision to nationalise 14 major banks in 1969 was taken for political considerations though the economic rationale, however unconvincing, for this step was also presented later on. Mr C. Subramaniam, the union Finance minister, justified the decision to encourage the private sector in banking in these words: "India is experimenting with mixed economy. So long as this policy remains there is no need to nationalise the remaining banks. Moreover this practice promotes healthy competition and banks in both sectors are vying with one another to provide the best possible service to the people." Surely, the private sector banks have scored over the nationalised banks in service to the clients. They are likely to march ahead at a brisk pace in the coming years and it would not be a surprise if a couple of them scored over some of the nationalised banks in the next five years.

Faster increase

Strangely enough the rate of increase in deposits of scheduled commercial banks in the private sector was much faster than was the case with banks of all the other categories. Between July 18, 1969, and June 30, 1974, the deposits of the State Bank Group rose by 139 per cent while those of the nationalised banks rose by 126 per cent; the private sector commercial banks increased their deposits by as much as 235 per cent. This in itself was proof positive of the dynamic character of the operations in the private sector banks. Many of the efficient bankers left the public sector banks to take up challenging tasks in the private sector banks; also they found that these banks had, after takeover by the state, lost their ability to respond promptly to the needs of the clients. Even though they were given only marginal facilities such as the slightly increased rates of interest to be offered for deposits, yet they had been able to attract increased percentages of deposits through personalised, aggressive salesmenship.

All these banks were governed by the central banking authority and were required to fall in line with the policies chalked out for the banking sector. For example, in recent years all banks whether in the public sector or the private sector were asked to accord topmost priority in the matter of advances to agriculture, exports, small-scale industries and the self-employed. The Reserve Bank of India in one of its recent studies has analysed the development loans provided by both the public and the private sector banks for agriculture. As Table I, (p. 696) shows, the private sector banks have participated in all major agricultural activities such as minor irrigation, tractors and agricultural implements and machinery, reclamation and land development schemes and plantations. The states where the private sector banks have given the largest assistance for agricultural purposes are Tamil Nadu, Andhra Pradesh, Karnataka, Punjab and Uttar Pradesh. Bulk of this assistance ha been given to agricultural holdings below 10 acres (Table II below). While nearly one-half o the loans of the private secto have been made to agricultura holdings below 2,5 acres, the public sector banks have provided only one-fourth of their short-term loans to holdings of less than 2.5 acres. In other words, the private sector banks have tended to assist the smal-

TABLE III

Profits of Scheduled Commercial Banks
(Bank group wise)

(Rs crores)

		1970	1971	1972
1,	State Bank of India	2.70	3.78 (40.0)	3.85 (1.9)
2.	Subsidiaries of the SBI	0.53	0.51 (—3.8)	0.51 (—)
	Total of 1 and 2	3.23	4.29 (32.8)	4.36 (1.6)
3.	14 Nationalised banks	6.90	8.46 (32.6)	7.58 (—10.4)
4.	Other Indian Scheduled Commercial Banks	1.14	1.67 (46.5)	1.37 (—18.0)
5.	Foreign Banks	2.63	2.78 (5.7)	3.90 (40.3)
	Total:	13.90	17.20 (23.7)	17.21 (0.06)

Note: Figures in brackets denote percentage variations over the previous year.
Source: Reserve Bank of India Bulletin, January 1974, Page 131.

TABLE II

Short-term Loans of the Public and Private Sector Banks Classified According to Size of Holdings

(Rs lakhs)

Size of holdings	Public sector banks		Private sector banks		Total	
	No. of Accounts	Amount outstanding	No. of Accounts	Amount outstanding	No. of Accounts	Amount outstanding
Up to 2.5 acres	254115 (45.0)	1885.67 (24.0)	175273 (75.3)	790.69 (49.0)	429388 (53.9)	2646.36 (28.3)
Above 2.5 acres up to 5 acres	135445 (24.0)	1605.00 (20.70)	29380 (12.6)	223.17 (13.8)	164825 (20.7)	1828.17 (19.6)
Above 5 acres up to 10 acres	91458 (16.2)	1614.94 (20.9)	17824 (7.7)	205.30 (12.7)	109282 (13.7)	1820.24 (19.5)
Above 10 acres	83278 (14.8)	2656.65 (34.4)	10270 (4.4)	395.71 (24.5)	93548 (11.7)	3052.36 (32.6)
Total:	564296 (100.0)	7732.26 (100.0)	232747 (100.0)	1614.87 (100.0)	797043 (100.0)	9347.13 (100.0)

Source: Reserve Bank of India Bulletin, August 1974, Page 1430.

ler farmer more—in percentage terms—than has been the case with the public sector banks.

While the deposits of the private sector banks have raced ahead at a faster speed than that of the public sector banks, they have not tended to increase their profits at the same pace. This may be due to the developmental expenditure involved which is bound to increase when the branches are opened in unbanked areas. From 1970 to 1972, the yearly profit ruled between Rs 1.14 crores and Rs 1.67 crores (Table IV).

The figures regarding the working of the banks both in the public and the private sectors for 1974 are indeed revealing. Separate data in regard to both the categories of banks are not available at the time of writing but there is a clear indication that 1974 was a year when most of the banks in the public sector were not able to maintain the rate of growth in their deposits which had been seen in the earlier four years. On the other hand, the year 1974 turned out to be a much better one for the private sector banks which continued to scale new heights in regard to mobilisation of deposits.

TABLE IV

Income, Expenditure and profits of 39 other Indian Scheduled Commercial Banks (Rs lnkhs)

	1970	1971	1972	Variation during			
				1971 over 1970		1972 over 1971	
				Amount	per cent change	Amount	percent change
Income							
1. Interest and Discount	28,15	37,11	48,35	+ 8,96	+31.8	+11,24	+30.3
2. Commision, Exchange and Brokerage	3,12	3,83	4,86	+ 71	+22.8	+ 1,03	+26.9
3. Other Earnings	1,60	1.83	2,24	+ 23	+14.4	+ 41	+22.4
Total (1+2+3)	32,87	42,77	55,45	+ 9,90	+30.1	+12,68	+29.6
Expenditure							
4. Interest paid on Deposits, etc.	16,01	20,94	28,14	+ 4,93	+30.8	+ 7,20	+34.3
5. Salaries, Allowances and Provident Fund	11,72	14,78	18,92	+ 3,06	+26.1	+ 4,14	+28.0
6. Other Expenditure	4,00	5,38	7,02	+ 1,38	+34.5	+ 1,64	+30.4
Total (4+5+6)	31,73	41,10	54,08	+ 9,37	+29.5	+12,98	+31.6
7. Balance of Profit	1,14	1,67	1,37	+53	+46.5	—30	—18.0

Source : Reserve Bank of India Bulletin, January 1974, Page 135.

Foreign banks, a constructive presence

WITH THE expansion of banking activities in our country, foreign banks had also gained in stature. This was evident from the rate of growth in deposits. In 1960-61, the 15 foreign banks in this country had total deposits of the order of Rs 217.85 crores; by 1970-71, they had more than doubled to Rs 552.07 crores. In the last week of October 1974, the deposits (time+demand) had risen to Rs 810.73 crores though the number of banks had fallen to 13 only. But the total deposits of all scheduled commercial banks in this country in the last week of October 1974 were as high as Rs 10,395.50 crores. The foreign banks' deposits thus were a little less than eight per cent of the total deposits.

RBI supervision

Like all other scheduled banks, their working operations were also governed by the Reserve Bank of India. It means that they had also to fulfil the minimum conditions laid down by the central banking authority. For example, the investments in government securities as a percentage of aggregate deposits in the case of foreign banks at 32.49 per cent (on October 25, 1974) was higher than the corresponding percentage at 23.70 for all scheduled commercial banks taken together. Similarly, the bank credit as a percentage of total deposits was higher in the case of foreign banks than was the case with all commercial banks (77.23 per cent for foreign banks as against 68.10 per cent for all commercial banks). Herein lay the speciality of the foreign banks. Included in bank credit were "bills purchased and discounted both within the country and abroad". In relation to aggregate deposits, the business relating to the purchasing and discounting of foreign bills for foreign banks was higher than that of all commercial banks. While the deposits of foreign banks constituted one-thirteenth of all the commercial banks, the foreign bills discounted were one-third of the total. It was because of this predominant factor that the foreign banks had not been nationalised five years ago. The government of India genuinely believed that such a measure would have an evil effect on the foreign bill market which, in turn, would hurt foreign trade.

Slower growth

That the rate of growth in deposits of foreign banks was slower than that of both the nationalised and non-nationalised banks was a well-known fact. The reason for this lay in the fact that foreign banks were not as a rule permitted to open new branches in areas which could be very well served by Indian banks. This was indeed understandable. Hence the growth in deposits in the case of foreign banks became a function of the work-load which the existing branches could sustain.

An interesting element in the working results of foreign banks was that due to their ability to offer highly efficient and personalised service, they were able to show handsome profits every year. For example, profits of foreign banks in 1972 at Rs 3.90 crores were a shade better than the profits of the State Bank of India even though the disposits of the foreign banks were less than half of that of the State Bank. This in itself was a measure of the improved performance of foreign banks.

Some of the foreign banks had in recent years shown quite a vigorous rate of growth in their operations. Some of them had even taken upon themselves the responsibility of advising foreign clients in regard to possibilities of investments in our country. Their popularity was on the increase also because of these specialised services which they were able to offer.

Merchant banking

Some of the foreign banks are building for themselves a leading position in merchant banking in this country. They are also running investment advisory services for their clients in other countries who may wish to do business in India, as well as for their clients in this country. The Finance ministry and the Reserve Bank could, therefore, with advantage adopt an inaginatively responsive policy towards them so that they may serve as a channel for the flow of foreign capital into our economy. Right now the great banking institutions of the west are being sought after by oil-exporting countries in need of investment outlets for their oil revenue. Our government, acting solely in our country's interests, would be well advised to seek to interest these ban in exploring investment pos bilities in our economy f some of the petro-dollars han led by them.

Mulish ignorance

It is of course far too al surd for our government to g on mulishly ignoring opport nities for developing one c more international financi centres in our country. Eve our country's foreign exchang difficulties or its strict exchang control are not enough t themselves to justify the gc vernment's reluctance to tak the initiative in this matte Other countries too have ba lance of payments problem: but this has not made it neces sary for them to restrict art ficially the activities of foreig banks in their countries or o their own banks abroad. As matter of fact, the building u of a two-way traffic in bankin across national frontiers coul in itself be helpful towards miti gating a country's balance o payments difficulties. In an case, in the current context o the scope that exists for inter national banking to activate the flow of capital across na tional frontiers, it would be a wholly justifiable enterprise or the part of the government of India to frame a policy which encourages both foreign banks operating in our country, and our own banks which would go out into the world to play their role in international banking.

Foreign Banks—Business in India

(Amount in lakhs of rupees)

Last Friday/Friday	Number of reporting banks	Aggregate Deposits (5+10)	Demand and time liabilities: Demand: Total	Demand: Deposits: Inter-bank	Demand: Deposits: Others	Demand: Borrowings from banks	Demand: Others	Time: Total	Time: Deposits: Inter-banks	Time: Deposits: Others	Time: Borrowings from banks	Time: Other
	1	2	3	4	5	6	7	8	9	10	11	12
1960-61	15	217,85	116,72	7,62	96,25	7,72	5,13	131,52	3,04	121,60	4.48	[illegible]
1965-66	15	342,42	162,72	2,67	137,42	15,68	6,96	228,01	43	212,01	13.20	2,38
1969-70	15	491,39	201,32	3,99	169,41	14,64	13,28	330,47	82	321.99	4,00	3,67
1970-71	15	552,07	226,38	3,96	194,14	10,50	17,78	372,43	37	357,93	40	13,73
1971-72	14	627,67	244,18	4,31	214,26	5,66	19,96	424,72	14	413,41	—	11,17
1972-73	13	690,63	265,70	4,09	226,93	8,61	25,17	475,08	67	463,70	20	10,51
1973-74	13	769,79	317,35	6,12	263,98	7,29	39,97	517,02	13	505,81	--	11,07
October 25, 1974	13	810,73	329,27	8,17	271,72	10,29	39,09	549,96	13	539,01	15	10.66

Last Friday/Friday	Borrowings from Reserve Bank: Total	Against usance bills and/or promissory notes	Others	Borrowings from State Bank and/or a notified bank: Total	Demand	Time	Cash in hand and balances with Reserve Bank: Total	Cash in hand	Balances with Reserve Bank	Balances with other banks in current account	Investments in Government securities	Money at call and short notice
	13	14	15	16	17	18	19	20	21	22	23	24
1960-61	22,77	21,67	1,10	86	86	—	12,18	2,42	9,76	1,40	40,46	12,[illegible]
1965-66	1,14	10	1,04	11,19	5	11,14	16,36	3,55	12,80	2,56	94,27	15,51
1969-70	13,40	1,19	12,21	8,86	14	8,72	20,39	5,16	15,22	3,91	126,10	11,06
1970-71	30,67	1,98	28,69	8,14	10	8,04	24,40	5,52	18,88	6,01	152,61	8,99
1971-72	14,43	—	14,43	9,29	—	9,29	27,05	6,13	20,93	7,11	171,45	15,94
1972-73	2,30	40	1,90	10,29	76	9,53	28,96	6,89	22,07	8,92	199,20	31,78
1973-74	39,29	5,47	33,82	12,87	4,68	8,19	—	7,31	—	8,18	234,70	6,91
October 25, 1974	421,10	10,50	10,60	9,59	1,49	8,11	—	8,48	—	10,38	263,40	5,77

Last Friday/Friday	Assets: Bank Credit: Total (26+28+29)	Advances: Loans, cash credits and overdrafts	Advances: Due from banks	Bills Purchased and discounted: Inland	Bills Purchased and discounted: Foreign	As percentage of aggregate deposits: 19	23	25
	25	26	27	28	29	30	31	32
1960-61	233,95	189,32	19	25,17	19,47	5,59	18.57	107.39
1965-66	281,54	251,34	1,77	17,60	12,60	4,68	26.98	80.57
1969-70	410,32	333,70	2,30	25,44	51,18	4,15	25.66	83.50
1970-71	463,68	367,96	2,25	35,84	59,88	4,42	27.64	83.99
1971-72	497,47	373,64	1,38	63,99	59,84	4.31	27.31	79.26
1972-73	510,78	352,97	1,52	80,96	76,85	4.19	28.84	73.96
1973-74	577,13	429,28	2,07	63,46	84,39		30.49	74.97
October 25, 1974	626,13	450,57	2,26	80,72	94,83		32.49	77.23

Banks and personalised service

An interview with Mr J. Krishnatrey, Chairman, the Narang Bank of India Ltd.

Q. Do you think that since 1969 the private sector banks have progressed at a much faster pace than the nationalised banks? If so, what are the basic reasons for this improved performance?

A. Yes. It is true that the banks in the private sector have progressed at a much faster pace than the nationalised banks. The deposit mobilisation by the private sector banks since 1969 has, in percentage terms, been far better than that of nationalised banks. There are a number of reasons for it and the most important of them, in my view, is the personalised service which the private sector banks are in a position to render to the public. This in turn is made possible by better management of the banks' affairs by their boards.

Management by objectives

It is widely known that the principle of management by objectives is being more effectively observed by the boards of the private sector banks than the boards of nationalised banks. The nationalised banks have certainly not been able to set the pattern of conducting management by objectives, as stated above, which is so vital for promotional purposes. That is why it has not been possible for them to show better results and render better public service, etc. I give highest importance to the personalised service which has helped private sector banks to grow and this has been my personal experience too.

As you are aware, I took over the chairmanship of the Narang Bank of India Ltd., in November last year. Earlier to this, for some period of time I was with Reserve Bank of India, where during a period of three to four months, numerous complaints about the working of the nationalised banks, involving

> Mr S.P. Chopra, Senior Assistant Editor, *Eastern Economist*, interviewed Mr Krishnatrey on February 26, 1975.

a variety of issues such as disregard of the instructions of the customers and the quality of services, etc. came to my knowledge.

Also, the private sector banks have put up an improved performance because of the special facilities which they are able to offer to the clientele. For example, special incentive schemes for the customers and the staff have been formulated by most of the private sector banks. Moreover, the private sector banks are permitted to offer a better rate of interest on deposits—1/4 per cent to 1/2 per cent above those offered by the nationalised banks under the differential interest rate scheme of the Reserve Bank of India, which was introduced in the past, suspended for a while and re-introduced recently. Obviously, the Reserve Bank of India has found that smaller banks find it difficult to compete with medium size and big banks in attracting deposits because of higher rate of interests. The scheme benefits the private sector banks only and that has been so in the past also, since the nationalisation of 14 commercial banks.

Q. Is this 1/4 to 1/2 per cent premium a big enough incentive?

A. Yes, but that is not all, although it is certainly a big incentive for the customers. For example, during the past four months, the deposit growth-rate of the Narang Bank of India Ltd. has been 8 to 9 per cent and the differential rate scheme has much to do with this impressive rate of deposit mobilisation. Then the private sector banks do offer special facilities to the clients such as payment of interest on their long-term deposits on monthly basis; easy loan facilities in case of need, etc.

Q. What kind of incentives are provided to the staff? Is'nt a small bank in the C category paying lower emoluments to a worker in relation to an A category bank?

A. In a 'C' class bank, the basic wage may be lower than that of an 'A' Class bank but the rate of dearness allowance is the same as it is linked with the consumer price index. In the Narang Bank of India Ltd., incentive schemes are still to be evolved but in another private sector banks in Uttar Pradesh which I managed for about five years, some incentive schemes were mooted. In some of the banks, I understand, merit certificates are given to outstanding workers. The workers are also given lumpsum payments for mobilisation of deposits in approved proportions.

Q. Both the public and private banks are governed by the Reserve Bank of India in regard to advances. Do the private banks get any preferential treatments in this regard?

A. No. Certainly not. But the banks in private sector are in a position to take quick decisions on matters concerning advances. A company which came to me for accommodation up to Rs 15 lakhs, preferred to deal with a small bank even though it had its regular banking in a nationalised bank with Head Office in Calcutta. This bank would need minimum of five to six weeks to give its decision. While I gave my decision within half-an-hour's-time. Herein lies the superiority of the private sector banks. Even in the case of a nationalised bank with head office in Delhi, red tap would delay the decision unduly.

Prompt service

It is because of this promptness in service that this small bank is getting some of the most sought after accounts in this city.

Let me recount to you another incident from my personal experience. In a town in Uttar Pradesh where I was General Manager of a private sector bank, there were three branches of public sector banks and our bank in the same block of buildings. Both in regard to deposits and advances, this private sector bank scored over all the three branches of public sector banks. This has mainly been due to, as I observed a little while ago, efficient handling of various portfolios of the bank.

Q. This is indeed very encouraging. Is it your daily experience?

A. Yes. Here is another application from another business firm of repute for accommodation up to five lakhs of rupees. Clearance in this regard has been given within five minutes. If the same party had gone to the public sector bank, who would have even bothered about the need of the customer?

Q. You have experience of the working of both the public and private sector banks. Do you think, the management of private sector banks is more economical?

A. Yes. Private sector banks minimise wastage through control on expenditure and other measures such as devoting personal attention to explore the possibilities of cutting down avoidable and wastfull expenditure. For example this bank has four branches and for each one of them, ceiling on expenditure has been fixed. I wonder if such a step could possibly be taken by any nationalised bank in the country.

Q. What are the total deposits of this bank?

A. At the end of 1974, the total deposits were Rs 86 lakhs.

Q. Why have you been sent by the Reserve Bank to manage this bank?

A. To give it a professional look. The board of directors has been changed and it is now being run in a business-like manner.

Q. Are you also under compulsion to advance funds to priority sectors as is the case with the public sector banks?

A. Yes, we also have our allocation to these priority sectors. We abide by the Reserve Bank directives in this behalf.

Q. Do you think the private sector banks have a part to play in our economy and that they should not have been nationalised?

A. Yes. I think there should be competition between the two sets of banks. Only in this way banking can expand in this country in a healthy manner. In fact it would be no exaggeration if I say that the banks in the private sector have/had been having a better regional/area approach and have been/and are very useful to the community they are serving. Thus, a man in the street is being looked after and cared for in a much better way by the private sector banks than nationalised banks.

Q. Supposing in another five years, these private sector banks overtake some of the public sector banks in deposits. What happens then?

A. I think, the other day the union Finance minister, Mr C. Subramaniam, made it clear in Parliament that the government had no intention of nationalising them. This is indeed a very healthy decision. Nationalising all the banks is not going to serve any useful purpose. 84 per cent of all the bank deposits are already nationalised. Of the balance, 11 per cent is commanded by the foreign banks. So the share of the private Indian banks is certainly very small.

Q. What is the future of these private sector banks?

A. Very good future. If I am not divulging any secret, most of the people in the banking circle feel that it may not be good to eliminate the private sector banks and no worthwhile purpose would be served, if that is done.

From time to time much thought has been given to the question of merger of smaller banks with the bigger one. But it is felt that so long as these banks are run according to the directions of the central banking authority and in consonence with national objectives, their seperate existenc should continue and will b helpful to the nation and thi is my personal view too.

Q. In the light of your ex perience in banking, will yo suggest that the number o private banks should be increas ed or should be stay put?

A. As it is, there is n possibility of increasing th number of private secto banks. At best, there is som scope for consolidation. Fo example, there are many uni banks—banks which hav only one operating office There are about five or si such banks. They could cer tainly be merged with othe banks. Similarly, the non scheduled banks should b merged with other banks Th unit banks—a majority o them—are not viable.

Then there was a proposal to merge the private secto banks operating in UP. I appeared to be a good pro posal though for some un known reasons it did no come through. Personally, I am in favour of consolidation.

Private sector banks: vigorous growth

Jacob Kalliath, B.A. B.L.
Chairman, South Indian Bank Ltd

)RE than five years have psed since the 14 major nks in the country have en nationalised. More than per cent of the organised)anking is now in the nationalised sector. There has been great deal of discussion on he working of the nationalised)anks and it is good to find :hat nationalised banks have een able to keep up the tempo of growth during the past five years. It would appear, however, that the services rendered by the banks in the non-nationalised sector are not being properly highlighted. The banks in the non-nationalised sector are also showing vigorous life and substantial progress. The table alongside indicates the trend of growth of banks in the private sector as compared to banks in the other sectors.

It is apparent from the above statement that these non-nationalised banks are also forging ahead at a rate even faster than those of the nationalised banks.

What is actually the difference between nationalised and non-nationalised banks? Non-nationalised banks are stated to be in the private sector, but their activities are, to a very large extent, controlled, directed and guided by the central banking authority. In fact, it is not correct to call them banks in the private sector. The rate of interest the banks can allow on deposits are fixed, the rate of interest they can charge on advances also are to some extent restricted. The nature and type of advances these banks could make are defined; similar is the case with the securities they could accept, the extent to which they could grant advances to particular sectors, and the limits that could be sanctioned—are all regulated from time to time. The emoluments payable to those working in banks are also regulated by awards and agreements. If the idea of leaving certain banks in the private sector was to make a comparative study of the banks in the public and private

Trend of growth of Banks

(in crores)

	Deposits on 18-7-1969	Deposits on 30-6-1974
State Bank Group	1259.60	3007.80
Nationalised banks	2627.40	5927.00
Other scheduled banks*	274.10	919.30
Foreign banks	469.20	796.50
	4630.30	10650.60
Non-scheduled banks		17.67

* Does not include deposits of 6 banks which have become scheduled banks subsequent to 18-7-1969.

sectors, these restritions which make the activities of the private sector banks very much restricted leave little room or scope for such comparative study.

When legislation is brought in, taking into account all-India consideration, government financial policy, etc. the interests of the individual banks are sometimes sacrificed. It is very often forgotten that all the big banks now functioning in the country, under the nationalised sector, have been at a time very small banks with small resources. It has been possible for those banks to develop and grow into formidable financial institutions of the country because they were able to direct the activities of those institutions more or less freely, changing its policies according to its individual requirments and without jeopardising the larger interests of the country.

When general regulations and legislations are brought in, individual banks with comparatively small resources find it very difficult to adjust their activities in such a manner as to enable them to grow fast. Regulations and restrictions may be necessary in a controlled economy. But these regulations and restrictions should be imposed in such a manner that the smaller institutions are allowed to live and prosper. Greater consideration will have to be shown to the smaller institutions while general policies are enunciated. It is not proposed here to discuss in detail the specific problems facing the bank I represent or the banks in general. But when private sector banks are allowed to function, they should be given some amount of freedom to frame their own policies as long as they are not detrimental to the general interests of the country as a whole.

Vijaya Bank Ltd

Established during the year 1931 in Mangalore as a small bank by a few enthusiastic and enterprising farmers of South Kanara District of Karnataka state, the growth of the Vijaya Bank was very slow for 30 years. Till 1944, the area of operation was limited mainly to one district of Karnataka state i.e., South Kanara. The first branch outside the state was opened during 1944 at Bombay. The total deposits of the bank stood at Rs. 1·44 crores at the end of 1961 and total number of branches was only 21. The years 1959, 1960 and 1961 were the critical years for the Bank. It was even suggested at that time that the bank should be merged with some other bigger bank.

After the present chairman, Mr. M. Sunder Ram Shetty, became Honorary Chairman in May, 1962, the Bank gathered strength and momentum. Mr Shetty successfully negotiated the merger of Devanga Bank in 1963. Later, a series of mergers of eight more banks took place during the period 1963-67. By the end of 1969, the bank had progressed in all directions taking its total deposits to Rs. 13·2 crores and providing additional employment to more than 800 persons.

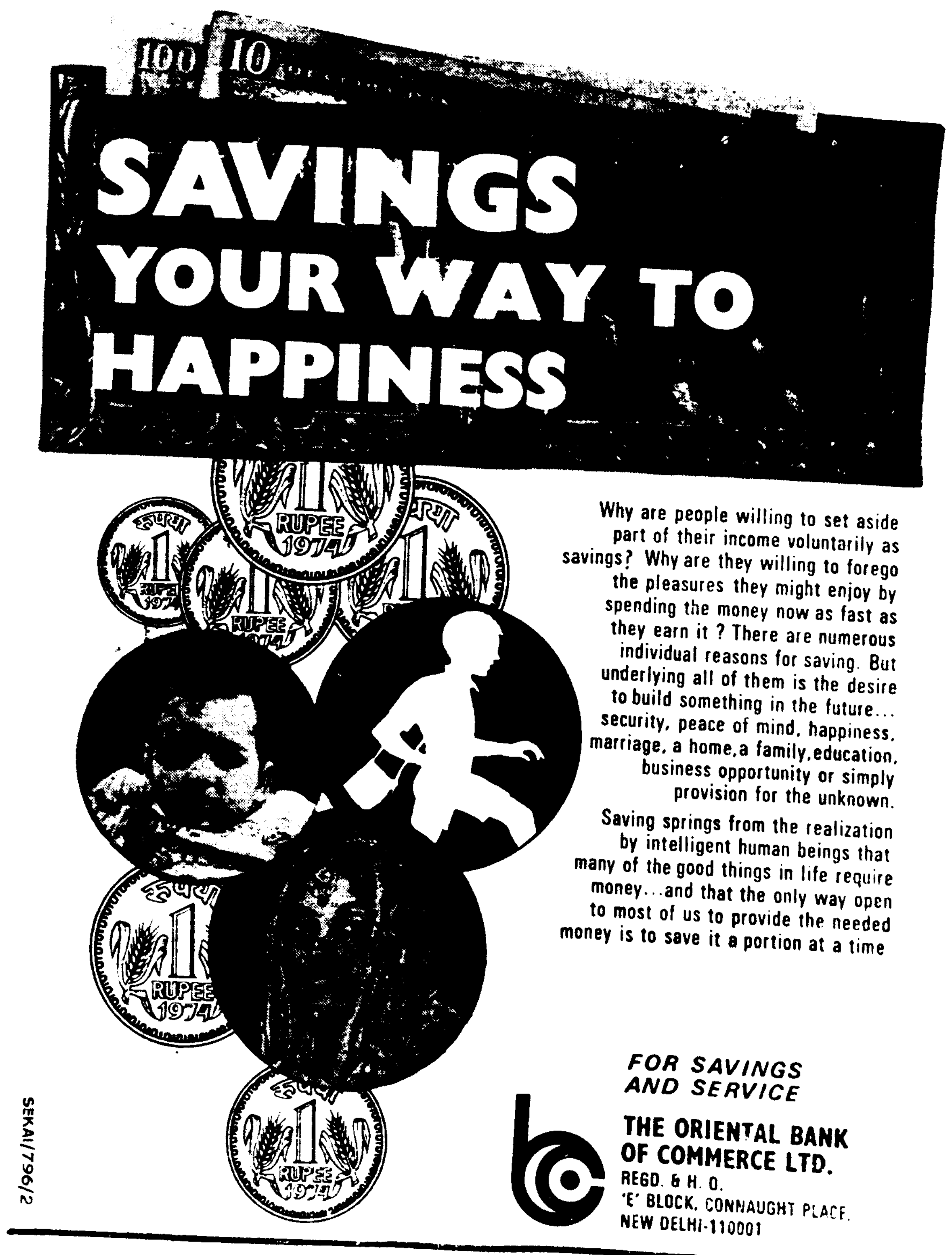
During the year 1969, when Mr Shetty became full-time Chairman, the banks were brought under social control by the overnment. The Bank's Administrative Office was shifted to Bangalore. During the course of these five years i.e., from 1969 to 1973 the deposits have increased by about 515% i.e, from Rs. 13·2 crores to Rs. 81·13 crores. Total deposits of the bank at the end of November 1974 was Rs. 90·35 crores.

The bank obtained a licence to deal in foreign currencies in the year 1971. It has already established account relationship and agency arrangements with correspondents abroad and is now fully equipped to deal in all kinds of foreign exchange business.

Progress At a Glance

(Rupees in lakhs)

Year	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Capital	9·1	9·1	9·2	10·8	11·0	11·1	13·8	13·8	20·2	43·8	43·9	59·6	65·3
Reserves	3·1	3·2	3·4	3·8	4·0	5·0	6·0	7·0	8·0	16·0	26·0	36·0	45·0
Deposits	144	181	233	397	566	843	1206	1321	1871	2752	4364	5886	8113
Advances	98	114	154	246	373	550	804	882	1301	1754	2584	3610	5244
Net profits	0·3	1·6	0·8	0·9	1·7	1·7	1·8	1·9	4·6	8·5	14·9	17·2	14·6
Dividend	2%	5%	5%	5%	6%	6%	6%	6%	8%	10%	12%	12%	12%
Number of branches	21	21	26	52	55	63	87	89	114	126	141	184	247
Number of employees	161	176	222	421	503	689	919	982	1160	1462	1896	2506	3246



Towards social objectives

R. C. Suneja
Assistant General Manager, Oriental Bank of Commerce Ltd.

UNDER THE impact of national economic problems private sector banking is undergoing a process of transformation in all dimensions of operation thereby strengthening the banking system. In fact, there was full awareness on the part of policy makers of bank nationalisation that stubborn and enormous national economic problems such as concentration of economic power and skewed income distribution, unemployment, regional imbalances, inflation and production stagnation cannot be solved by public sector banks all on their own. Bank nationalisation merely aimed at harnessing the resources of banking system for the purpose of development with social justice. Even at the time of nationalisation, the response of the banks in private sector to the multifarious economic needs of the community were not found to be halting or fitful. While spelling out the priorities and objectives of nationalisation the authors were aware of the leading role that the private sector banks could play and had in mind what was expected of them and had the policy frame-work within which the private sector banks could operate with the following background.

At the time of nationalisation in 1969, out of 89 commercial banks 73 were scheduled and sixteen were non-scheduled. Of the 73 scheduled commercial banks, fifteen were foreign banks i.e. banks which were incorporated outside India, of these thirteen are operating.

Advances to Agriculture and other Hitherto Neglected Sectors by Public Sector Banks

	June 1969		June 1974	
	No. of A/cs.	Amount Outstanding	No. of A/cs.	Amount Outstanding
		Rs crores		Rs crores
1. *Agriculture* :				
(a) Direct Finance*	160020	40.20 (1.4)	1630127	391.58 (6,0)
(b) Indirect Finance	4461	122.09 (4.1)	208651	193.10 (2.9)
2. Small scale industres**	50850	251.10 (8.5)	201409	868.33 (13.2)
3. Road transport operators	2324	5.49 (0.2)	63470	83.89 (1.3)
4. Retail trade and small business	33241	19.37 (0.6)	320700	117.68 (1.8)
5. Professional and self-employed persons	7769	1.91 (0.1)	180173	29.74 (0.5)
6. Education	1477	0.80 (—)	11733	3.49 (0.1)
Total (1 to 6)	260162	440.96 (14.9)	2616263	1687.31 (25.7)
Total advances by these banks		3016.76		2563.00

* Excludəs advances to plantations other than developmental finance.

** No. of units.

Note : Figures within brackets indicate the percentage to total advances of these banks.

On July 19, 1969 Indian scheduled banks with deposits of Rs 50 crores and above were nationalised. With this the public sector banks consist of the State Bank of India and its seven subsidiaries and fourteen nationalised banks. About 83 per cent of aggregate deposits and credit and 80 per cent of the number of offices are in the hands of the government. In the private sector there are 36 Indian scheduled banks which account for about 6 per cent of total deposits. Foreign banks are mostly concentrated in four metropolitan cities namely, Bombay, Calcutta, Delhi and Madras.

Six years are certainly a short period for judging the performance of banks in regard to the objectives of bank nationalisation and of private sector banks. However, the structure of the banking system as it exists today as a result of collaboration of private sector and public sector banks can be said as truly great.

The followiug performance review of the public/private sector banks would be of interest to all concerned.

The principal objectives of agricultural development in India's successive five-year plans have been to achieve self-sufficiency in foodgrains, to increase agricultural production to meet the needs of industry and export, to diversify the rural economy with stress on animal husbandry, dairying and fisheries and to improve the levels of living of the farming community who form the bulk of the population.

Planning for agriculture itself is extremely difficult even if sizable financial resourc are made available and sound organisational set-u is created. This is mainl because of our country's vas ness and the spread of farmei over 5,67,000 villages alon with their small and scattere holdings.

Apart from the direct finar ce, the commercial banks hav found it possible to help agr culture by providing financ to electricity boards to enabl them to help energisation c minor irrigation sourc (Rs 83.81 crores), by finar cing distribution of fertilisei (Rs 43.83 crores) and othe agencies concerned with th development of agricultur (Rs 33.83 crores) in addition t financing cooperatives to th extent of Rs 16.64 crores i

The New Bank of India Ltd

The year 1974 was a year of cred table achievements for the Ne Bank of India Ltd., as it crossed i deposit target of Rs. 100 crore The Bank reported all-round progre in almost all spheres of its activiti exceeding the previous year's recoı performance.

The deposits reached Rs. 109·8 crores at the end of 1974, again Rs. 84·46 crores at the end of 197: This represented a growth of 30·0 per cent which compared very fav urably with the all-India average.

Advances at Rs. 60·46 cror represented an increase of about 1 per cent over the preceding year.

At the end of 1974, the New Ban of India Ltd., was the second large bank among the non-nationalise banks in the country.

During 1974, the Bank issue right shares at par in the ratio nf for 2, thus raising the paid-up capit from Rs 33·57 lakhs to Rs. 50·3 lakhs. Reserves and carry forwar stood at Rs. 74·64 lakhs to whic provisions out of the profits for 197 were still to be added.

The Bank now serves its const tuents through its network of 17 branches spread all over Indi During 1975 the Bank expects t raise the number of its branches t 200.

among banks both private sector and public sector to identify bankable propositions and formulate them into viable schemes which could help weaker sections of society.

The public sector banks have been designated as Lead Banks for various districts in the country. For the private sector banks there may not be lead regions under the scheme but they are equally enthusiastic about developing their business in the districts in the national interest and have contributed their effort in activating the District Consultative Committees where the role of each financial and non-financial institution is determined. The task of implementing the District Credit Plans is no doubt gigantic, yet the private sector banks have a coordinated approach in implementating them on the basis of mutual understanding.

Banking has come of age

To sum up, the Indian banking system has come of age. We have State Bank of India group, nationalised banks, other scheduled commercial banks, foreign banks, non-scheduled banks all with 17333 branches in addition to 25 state cooperative banks. To many of our friends abroad, accustomed to a few similar, highly centralised and controlled institutions or banking systems it may appear a hodge-podge. On the contrary we have a remarkably smooth, silent, efficient flow of banking business and interchange of information. We have welded our banking system in such a way that public pays little attention and actually knows little of many types and kinds of banks which make up our system. They know only that it functions and functions well.

TRADE WINDS

National Commission on Agriculture

THE NATIONAL Commission on Agriculture has submitted two interim reports to the union government on (i) Agricultural Price Policy, and (ii) certain important aspects of Marketing and Prices of Cotton, Jute, Groundnut and Tobacco. The Commission had earlier submitted 21 interim reports covering different aspects of agricultural development. With the submission now of two more reports, the series of interim reports is complete. The Commission is now engaged in drafting its final report. The more important recommendations made by the Commission in those two interim reports are briefly given below.

The Commission, in its interim report on Agricultural Price Policy, has indicated its approach to price policy for both food and commercial crops and the entire package of support price, procurement/purchase price, procurement and distribution of cereals and such aspects of food policy as are relevant to price policy. The report also deals with the arrangements for advising the government in the matter of agricultural price policy. The Commission has emphasised the need for assuring remunerative prices to the farmers with a view to encouraging investment in agriculture and adoption of modern technology. At the same time, it has stressed, the price policy should facilitate growth with stability and should be formulated keeping in view its impact on the economy as a whole.

In the other interim report, the Commission has made a broad assessment of some aspects of the marketing structure for four important commodities, Cotton, Jute, Groundnut and Tobacco, in the light of likely trends in production and demand over the coming years and the prevailing patterns of market arrivals.

The Commission has noted that these commodities are subject to considerable year to year fluctuations in production and prices, which are harmful to sustained production effort, and that the middlemen through their hold on the market mechanism continue to exploit the farmers. It has suggested various measures to facilitate marketing of these commodities and to stabilise their prices, so that, on the one hand, the cultivators are assured of reasonable returns on their investment and, on the other, the economy benefits from stable prices and supply.

The Commission has suggested that the Agricultural Commodity Corporation of India, the establishment of which has been proposed in the interim report on Agricultural Price Policy, should deal with the marketing aspects of oilseeds. It has also recommended that the proposed Tobacco Board should be entrusted with the responsibility of stabilising the prices of various grades of tobacco. The Commission has emphasised that all the commodity corporations (i.e. Cotton Corporation, Jute Corporation, Tobacco Board and Agricultural Commodity Corporation) should be equipped with adequate financial and physical resources to enable them to gain a commanding position in the respective commodity markets.

Aluminium Distribution

The government imposed on March 16, a statutory control on the distribution of all varieties of aluminium metal. There was earlier price control on aluminium and informal distribution control on EC grade aluminium only. A special controller has now been appointed in the Department of Mines and Metals to ensure effective distribution of the metal under the Essential Commodities Act. The controller will look after the distribution of both EC and CG grades of aluminium. He has been asked to ensure that producers supply the metal to allottees according to priorities laid down by the government. Aluminium metal has been in shortage for some time now. The government had issued the Aluminium Control Order in 1970. In spite of this the problem of effective distribution, according to priorities could not be ensured.

The union government has also decided to look into the alleged widespread bypassing of the regulation concerning the manufacture of EC grade aluminium. Although the industry as a whole is required to produce EC grade aluminium at least to the extent of 50 per cent of the total production, some of the manufacturers in their individual capacity are said to be not complying with this regulation. This leads to a shortfall in the supply of EC grade aluminium, which at a time when the total production has gone down sharply owing to severe power cuts, upsets the production schedules of aluminium processing industries. The government expects the aluminium output during the next financial year to increase to 175,000 tonnes from the current year's figure of 127,000 tonnes. The share of EC grade aluminium will be about 87,500 tonnes. Minimum requirements of EC grade are however, for about 120,000 tonnes.

Chemical Prices

The State Trading Corporation has come out with a substantial reduction in the prices of six more items of chemicals in order to liquidate its large stocks. The items are beta naphthol, VA monomer, LDPE, polypropylene, titanium dioxide and aniline oil. The cut in the prices ranges between Rs 1,000 and Rs 5,000 per tonne. Beta naphthol is now priced at Rs 37,644 against Rs 43,350, VA monomer at Rs 17,370 against Rs 26,417, titanium dioxide at Rs 19,000 against Rs 21,529 and aniline oil at Rs 20,318 against Rs 21,220 per tonne. The revised prices come into effect from March 15 and they are operative till March 31, 1975. The situation would be reviewed afresh thereafter in the light of consumers' demand and the availability of stocks. STC will offer these chemicals to the holders of release orders on first come first served basis. Those allottees who have already lifted the chemicals in the past against their release orders are not liable for fresh supply.

UK Business Team

A British business mission sponsored by the Birmingham Chamber of Industry and Commerce (BCIC) arrived in New Delhi recently for a 12-day tour of India. The mission is led by Mr J.R. Stewart-Smith, Divisional Director and Steel Marketing Manager of Balfour Darwins Ltd, who manufacture hand tools, high-speed steels, alloy and carbon tool steels. With its wide diversity of light and heavy industries, the Midlands is regarded as Britain's 'workshop', with Birmingham as the capital.

The members of the mission represent firms supplying a wide range of capital goods. These Are: B & S Massey Ltd, who make mechanical forging presses, trimming presses, die and free forging hammers represented by their Export Manager, Mr C.N. Massey; The Vapormatic Co. Ltd., who make replacement parts and accessories for agricultural tractors and implements — represented by their Sales Manager, Mr D.B.

Mitchell; Bell & Howell Ltd., who make tranaducers for aerospace, marine and industrial uses, analogue tape recorders and UV recorders — represented by their Export Sales Manager, Mr D. Newton-Smith; Charles Openshaw & Sons (Manchester) Ltd., who make "Openbrig" rubber offset printing blankets, damper covers, cylinder packings and pressroom chemicals — represented by Mr M.K. Olive, Export Sales Director; Inductotherm Europe Ltd., who make electric melting furnaces — represented by their Director and General Manager, Mr J.S. Perks; and Brookee (Oldbury) Ltd., who produce tube-making and working machines, drawbenches, and cutting, handling, tapering, bore polishing and slitting machines — represented by Mr A.R. Teasdale, Export Sales Executive.

Indo-French Technical Cooperation

The second meeting of the Indo-French Study Group on Economic and Techical Cooperation was held recently. The French delegation was led by M. Larrera De Morel, Head of the Department of External Economic Relations in the French ministry of Economy and Finance and the Indian delegation was headed by Mr M.G. Kaul, Secretary, Department of Economic Affairs in the ministry of Finance.

The group noted the growing economic links between the two countries, both in the matters of trade as also industrial collaborations. The group considered a number of suggestions received from both sides for strengthening economic and technical cooperation between the two countries and identified several areas in which it was felt that further cooperation between the two countries would be fruitful. These are: (1) Technical and industrial cooperation in exploration and production of oil and gas, particularly in off-shore areas; (2) Fertilizers, petrochemicals and pesticides; (3) Power generation and trahsmission; (4) Certain specific areas in the mining and utilisation of coal; (5) Transport industry including production of heavy vehicles and underground railway systems; (6) Telecommunications and electronics including data processing; (7) Technological and applied research in several fields.

The group also discussed at length and agreed that there was a good scope for Indo-French cooperation in the execution of industrial projects as also major public work programmes and other infra structures in third countries. It was decided that both the governments would take steps to facilitate cooperation between industrial enterprises of the two countries in undertaking such joint projects.

Indo-Sri Lanka Agreement

An agreement on Cooperation in the fields of Science & Technology between India and Sri Lanka was signed recently by Mr V.C. Shukla, minister of state for Planning, India and Mr T.B. Subasinghe, minister of Industries and Scientific Affairs, Sri Lanka. The agreement provides for exchange of scientific and tehnical delegations, exchange of scientists, research workers, specialists and lecturers, exchange of technical documentation and information and arrangement of scientific and technical seminars on problems of common interest. It also includes joint identification of scientific and technical problems and examination and approval of joint research programmes leading to application in industrial and agricultural production, public health, housing, transportation and communication. Joint introduction of various technological processes in industry, agriculture and other fields is also provided for in the agreement.

The cooperation between the two countries will be realised under this agreement on the basis of the implementation programmes which will specify the range, subject and forms of cooperation including financial terms and conditions. Some of the areas to be considered for cooperation under this agreement include Coconut and Tea Research, Rubber and Polymers, Natural Products, Essential Oils, Pulping of Indigenous Woods for Paper and other uses. Cooperation in the fields of Bleaching Techniques, Purification and Upgrading of Graphite, Mica, Ilmenite, Kaplin, Rice Bran Oil Technology and Natural Vegetable Fibres will also be considered.

Trade Delegation to Moscow

A trade delegation led by the Commerce Secretary, Mr Y.T. Shah, left for Moscow on March 14, 1975 for talks with the Soviet authorities regarding the perspectives of the long-term trade plan and a general review of Indo-Soviet trade. The current long-term trade plan for 1971-75 will expire in December 1975 and a new long-term plan for the next quinquenium, 1976-80, has to be negotiated in the course of this year. Preliminary discussions on the subject were initiated some time ago. However, these Indo-Soviet talks mark the beginning of the intensive phase of these negotiations. It is expected that after one or two more rounds of duscussions in the course of the next three to four months, the long-term trade plan will be finalised. It may be recalled that Mr M.S. Patolichev, Soviet minister of Foreign Trade had recently invited Prof D.P. Chattopadhyaya, union Commerce minister, to visit Moscow this year for signing the trade and payment agreement. Prof Chattopadhyaya had tentatively accepted the invitation. During his visit to Moscow, Mr Y.T. Shah is having discussions with the Soviet authorities in the ministry of Foreign Trade, GOSPLAN, and other state organisations.

India's trade with the USSR has increased significantly during the last five years. The total trade turn over between the two countries increased from Rs 300 crores in 1971 to Rs 618 crores in 1974. The trade protocol for 1975 envisages a turn over of around Rs 750 crores. It may be recalled that in November 1973, when Mr Brezhnev visited this country, the leaders of the two countries had envisaged a target of doubling the trade turnover between the two countries in real terms by 1980.

Electrical Equipment Industry

The union government has decided to extend the special facility of diversification to the electrical equipment industries covered under the Scheduled Industry No. "5-Equipment-(1) Equipment for generation, transmission and distribution of electricity including transformers and (2) Electrical Motors". Any industrial undertaking currently holding a licence for the manufacture of one or more items falling under the above scheduled industry, will now be eligible to undertake the manufacture of any other item falling under the same sub-schedule, within the overal licensed capacity for such items. However, this is subject to the following exceptions: (a) power generation equipment; (b) transformers (including CTs and PTs) and switchgears in the higher ranges above 220 KV; and (c) electric motors in the range above 1000 HP. For availing this facility, interested parties may submit five copies of the application in form IL to the Additional Secretary, Department of Heavy Industry, Udyog Bhavan, New Delhi.

It will no longer be necessary to go through the usual procedure for industrial approval. The Additional Secretary in-charge of Electrical Equipment Industry in the Department of Heavy Industry has been authorised to receive applications for such diversification and also to accord necessary approval to such proposals. The ministry of Industry and Civil Supplies has issued instructions that applications for diversification should by dealt with speedily and the final disposal should be communicated to the applicant within two months.

It may be recalled that in the context of government's policy to promote fuller utilisation of existing capacity, the Ministry of Industry and Civil Supplies had announced, in March, 1974, special procedure for diversification in machinery industries, taking into account their distinctive features and potentials. This facility had been extended later to the machine tool industry as well in October, 1974.

Export of Tyres and Tubes

The export earnings from India-manufactured tyres and tubes went up from Rs 5.74 crores in 1972-73 to Rs 7.49 crores in 1973-74. Tyres and tubes manufacturing techology in India has come to a stage of satisfying the rapidly changing demands of tyres and tubes required for the most modern type of automobiles. In the total export earnings during 1973-74, tyres earned as much as Rs 6.52 crores while the share of tubes was of the order of Rs 0.96 crores. Tyres for trucks and buses particularly, were in keen demand in overseas markets during the year having earned maximum foreign exchange valued at Rs 3.6 crores.

Yugoslavia constituted the topmost buyer during the year having imports worth Rs 0.97 crore. Iraq, the second significant buyer, bought worth Rs 0.48 crore followed by Czechoslovakia Rs 0.35 crore, the USSR Rs 0.25 crore, Iran Rs 0.22 crore. Kuwait Rs 0.2 crore, German Democratic Republic Rs. 0.18 crore and the UK Rs0.15 crore. Among others, Federal Republic of Germany, New Zealand, Qatar, Ethiopia, Czechoslovakia and Nepal were significant. Apart from this main variety, off the road vehicle tyres earned Rs 0.9 crore, cycle tyres Rs 0.63 crore, tyres for motor cars Rs 0.4 crore, tyre flaps Rs 0.1 crore and tyres for other vehicles Rs 0.8 crore. Bangladesh, USA, Ghana and Rumania were the major markets for cycle tyres while Iran and Iraq were the principal importers of motor car tyres.

Relaxation in Excise Duty

The union government has announced certain relaxations of the one per cent levy under the Finance Bill, 1975. The levy has been imposed on "all other goods not elsewhere specified" manufactured in a factory as defined in the Factories Act, 1948. Though the tariff item covers all manufactured goods not specified elsewhere in the Central Excise Tariff, by executive notification, the levy is confined to goods produced in factories which employ more than 49 workers in case of power operated factories and more than 99 workers in case of non-power operated factories. The following goods are exempted from the whole excise duty leviable thereon under this tariff item: 1. All kinds of food products and food preparations, including (i) meat and meat products; (ii) dairy products; (iii) fruit and vegetable products (iv) fish and sea foods; and (v) bakery products. 2. Electric light and power. 3. Goods falling under this items, which are used in the same factory as intermediate goods or component parts for manufacture of other goods.

It has also been decided that factories falling under the exempted sector need not be subjected to the licensing formalities. As this item cover all types of factories, some procedural relaxations had been granted in order to enable the factories to adjust themselves to the levy and also to ensure that production and clearance of goods are not disrupted during the transition period. Goods may be allowed to be cleared on presentation of application for Central Excise Licence and on payment of duty and on fulfilling other relevant conditions without insisting on prior furnishing of ground plan and execution of bond; clearance of goods can be taken after submitting classification lists without waiting for approval.

Vulcanising Workshop

The first workshop for vulcanising conveyor belting in India will be set up this year for Neyveli Lignite Corporation Limited. The workshop will be supplied, and its erection and commissioning supervised, by Wagener & Co. of West Germany, represented in India by Larsen & Toubro Limited. The corporation, operates extensive belt conveyors in its mines. Currently replacement cost of worn out belting is estimated to be in the region of Rs 2 crores per annum.

The workshop under supply will drastically reduce this cost, in foreign exhange, by stretching the life of the conveyor belts through reconditioning and vulcanising. The workshop will be able to restore the used conveyor belts to 100 per cent efficiency at least twice over in the case of nylon and textile corded belting and three times over in the case of steel corded belting.

Sugar Output

Inaugurating the annual general meeting of the National Federation of Co-operative Sugar Factories recently, the minister for Agriculture and Irrigation, Mr Jagjivan Ram, stated that the production of sugar this year was expected to be 4.4 to 4.5 million tonnes. He complemented the sugar industry on having reached "expectations of all-time high production" and appealed to the industry to ensure "that our high expectations are not belied".

The minister was happy to note that the importance of sugar exports to the national economy had been recognised by the industry. The country needed not only the foreign exchange accruing from such exports, but also the excess rupee realisations available through it. As much as 400,000 tonnes of sugar had been exported during the first two months of this year.

Regarding fixation of minimum cane price the minister said that the scheme of partial control on sugar provided a mechanism to ensure a price for cane higher than the prescribed minimum. He said that the recommendations of the Agricultural Prices Commission for fixing the minimum cane price for 1975-76 had been received and the decision would be announced shortly.

Names in the News

Mr Vasant J. Sheth, Chairman of the Great Eastern Shipping Co. Ltd. has been elected President of the Bombay Chamber of Commerce & Industry for 1975-76. He was elected Vice-President of the Chamber in 1974. Mr Sheth is a Founder Director and at present Chairman of the Great Eastern Shipping Co. Ltd. which is the second largest private sector shipping company.

Mr Raj Mohan Bhandari has recently been appointed Deputy Managing Director, Dunlop India Limited. Mr Bhandari is the first Indian to take charge of the Company's production facilities as Deputy Managing Director (Works).

Mr M.L. Capoor, who is responsible for Dunlop India's purchasing activities, has recently been appointed a whole-time director of the company. Mr Capoor is a past President of the Materials Management Association of India (1970-72) and was elected Treasurer of the Asian Regional Purchasing Association at the First Asian Congress on Purchasing at Manila in 1971.

Mr Harish Mahindra has been unanimously elected as the President of the Federation of Indian Chambers of Commerce and Industry for the year 1975-76. His predominant interest is steel and he is the Chairman of Mahindra Ugine Steel Co. Ltd.

Mr B. Himatsingka, Managing Director, India Carbon Limited has been declared re-elected unanimously as President of the National Alliance of Young Entrepreneurs (NAYE) for a two year term ending March 31, 1977. Mr Himatsingka is also President of the Indian Chemical Manufacturers Association

COMPANY AFFAIRS

Dull Trading

SHARES MOVED in a narrow range in dull trading in Stock markets last week. Shares, in general, drifted downward on stray disinvestments and lack of support even at lower levels attempts at rally proved short-lived as operators were inclined to book profits at improved levels. In the absence of any clear indication about the amendment to Dividend Act. better corporate reports failed to impress the market. The stock market's real problem, of course, is altogether different.

It is the higher interest rate structure which has undermined the cult of equity. No one, of course will go in for equities when savings can be invested more profitably without any risk whatsoever elsewhere say, company deposits. There is little chance of any reduction in interest rates in the near future. Hence no easy time for the stock market.

Equities fluctuated both ways with a restricted turnover, on the Bombay Stock Exchange last week. Opening on a subdued note prices of leading equities further eased on bull liquidation in the first part of the week but prices of selected scrips improved modestly on replacement buying and renewed short-covering. The week concluded on a hopeful note. Share values moved both ways in an irregular fashion in Lyons Range giving an impression that the operators were being forced to resort to trading despite their reluctance. No doubt they were hesitant to extend their commitments and as such the turnover was comparatively small. There was little change in the general trading pattern in the Madras Stock Exchange during the week. Enquiries were few and the turnover was thin.

Bombay Dyeing

Despite power cut and strike in the early part of 1974 Bombay Dyeing and Manufacturing Company has fared extremely well on all fronts during the year, its sales, profits and exports exceeding the previous year's performance by considerable margins. Its turnover crossed the Rs 50-crore mark and touched the peak figure of Rs 51.32 crores, thereby recording a handsome gain of Rs 6.36 crores, over 1973. Its exports too shot up to Rs 15.25 crores, registering a phenomenal rise of about 69 per cent over the preceding year. Gross profit was also substantially higher at Rs 4.29 crores as compared to Rs 3.65 crores in the earlier year,

The directors have proposed a final dividend of Rs 2 per share, which together with the interim of one rupee per share, makes a total of Rs 3 per share or 12 per cent as against 20 per cent paid for 1973. In the event of the Dividend Act being modified or amended before the annual general meeting scheduled for April 2, 1975 it is the intention of the board to recommend a final dividend at the permissible rate but not exceeding 12 per cent. In the current year with power cut, slack export demand and domestic prices being 20 per cent below the higher levels of 1974, the Chairman Mr Neville N. Wadia has predicted that the company's profits in 1975 will be substantially below 1974. To arrest the decline in profits, the company is making an all out effor to improve its efficiency, economise wherever feasible and postpone any further capital expenditure.

Standard and Chartered Banking

For several years the standard and chartered Banking Group has been actively pursuing a policy of selective expansion in Europe. This has resulted in the establishment of branches in Paris and Milan, representative offices in Madrid and Frankfurt and the acquisition of a bank in the Netherlands. Further branches and offices are to be opened during 1975 and of these, a representative office was opened recently in Copenhagen. Following Denmark's entry into the European Economic Community and the consequent relaxation of rules governing the operations of foreign banks, a small number of foreign banks have applied to establish a branch in Copenhagen. In the case of Standard and Chartered, however, it has been thought preferable to open a representative office in the first instance and a decision concerning the opening of a branch will be taken shortly.

In the meantime, Mr Tarben Friis, the groups first representative will be actively engaged in marketing the services of the Group in Denmark and will extend his area of representation to cover Norway, Finland and Sweden. Although the Scandinavian countries trade principally between themselves and the rest of Europe an increasing proportion of trade is taking place with African and Far Eastern countries as well as the provision of important aid programmes in these areas. However, since it has been the policy of all the Scandinavian governments to discourage domestic banks from operating abroad, only a few overseas branches exist and the bulk of foreign trade finance is handled through correspondent banks and associated companies. Thus there will be scope in this field of business for Standard and Chartered Banking Group with its extensive network and experience of local conditions and, indeed, the Group in London has been approached by several Danish companies.

The Representative will be able to offer advice and assistance to overseas companies engaged in or contemplating business in Scandinavia, although the office will not itself undertake banking transactions.

Warner Hindustan

Warner Hindustan has reported higher sales, profits and exports during the year ended November 30, 1974. Its net sales shot up to Rs 8.34 crores from 6.39 crores from earlier period of 11 months while gross profit jumped to Rs 145.71 lakhs from Rs 122.69 lakhs in the previous year. The directors have recommended an equity dividend of 11 percent on the enlarged capital resulting from the three for ten bonus issue. In 1972-73 the company paid an equity dividend of 18 per cent. The company has made remarkable progress on the export front, its exports during the year being significantly higher at Rs 46.53 lakhs as compared to a mere Rs 9.31 lakhs in the preceding year. The substantial improvement in exports has been largely due to sizeable despatches of its products to Bhutan, Nepal and Sikkim.

The directors have enhanced all allocations to reserves. The appropriation to depreciation reserve was stepped up from Rs 21.89 lakhs to Rs 23.75 lakhs, to development rebate reserve from Rs 3.13 lakhs to Rs 3.86 lakhs and to taxation from Rs 60.51 lakhs to Rs 74.00 lakhs. The net profit after all these provisions amounted to Rs 44.10 lakhs as against Rs 37.16 lakhs in 1972-73. The proposed equity dividend will absorb Rs 14.01 lakhs.

Larsen & Toubro

The Board of Directors of Larsen & Toubro Limited has decided to offer rights shares to shareholders in the ratio of one equity share for every four equity shares held. The rights shares will be issued at a premium of Rs 6 each over the nominal value of Rs 10 per share. An amount of Rs 8 per share (Rs 5 towards the capital and Rs 3 towards the premium) is payable on application in June 1975, and the balance of Rs 8 is payable before December 31, 1975. All 14,90,679 shares proposed to be issued as rights will qualify for full dividend for the year ending March 31, 1976. Further, in order to facilitate payment for the rights, the directors are considering the declaration of an interim dividend for the year ended March 31, 1975 subject to the sanction of the government of India. The books of the company will be closed from April 2 to April 19, 1975.

Mahindra and Mahindra

Mahindra and Mahindra has suffered a setback in its working during the year ended October 31, 1974. Although its turnover has improved by about 13 per cent from Rs 49.71 crores to Rs 56.18 crores, gross profit has recorded a sharp decline by about 30 per cent to Rs 2.93 crores from Rs 4.19 crores in 1972-73. Out of the gross profit, the directors have appropriated a sum of Rs 113 lakhs to depreciation reserve, Rs 4 lakhs to contingency reserve, and Rs 30 lakhs for taxation as against Rs 122 lakhs, Rs 11 lakhs and Rs 108 lakhs provided respectively in 1972-73. This leaves a net profit of Rs 1.46 crores as compared to Rs 1.78 crores in the previous year. The directors have recommended an equity dividend of nine per cent for 1973-74 as against 14 per cent paid for the previous year.

Several factors combined to make the operations of the automotive division difficult. Budgetary contraction both at union and state levels, aggravated by substantial increase in excise levies and inflation pushing up production costs at all levels, resulted in a perceptible fall in demand for vehicles. On top of it, the sharp increase in the cost of petrol substantially increased operating costs. All this inevitably took its toll in a general lowering of demand, thereby compelling the division to curtail production during the year. Despite the spiralling cost of bought-out components and raw materials, there was no corresponding increase in the selling prices of vehicles for virtually three quarters of the year, as it was only in August 1974, that government withdrew its earlier restrictions on adjustment of selling prices. All these factors were responsible for the drop in the gross profit of the company.

Due to fall in demand for petrol driven vehicles, production had to be curtailed from 14,216 vehicles in the previous year to 12,259 vehicles during the year under review. The operation of the steel division continued to be successful in all the three sectors of its activities, i.e. sale of alloy and special steel, import of critical categories of steel materials which are domestically in short supply and handling of steel materials both of imported and indigenous origin from the steelyard at Calcutta.

The instrumentation division ended the year with a 44 per cent growth in income. Although construction of the new factory of the electronics division at Nasik has been completed, production was delayed due to late receipt of import licences. The machine tool division, too, had a satisfactory year. The company's export performance showed further growth from Rs 233 lakhs to Rs 360 lakhs.

News and Notes

Owing to power difficulties, **Rathi Gases** has decided to shift its plant from Ghaziabad (U.P.) to Alwar, an industrially declared backward area in Rajasthan. After working out details of the sources of funds, the company has arranged for term loans of Rs 28.50 lakhs and Rs 12 lakhs respectively from the Rajasthan Finance Corporation and State Bank of Bikaner and Jaipur. The Rajasthan State Industrial and Mineral Development Corporation has also agreed to subscribe to 11 per cent cumulative redeemable preference shares worth Rs 2.50 lakhs and the promoters have been asked to pay a shortfall of Rs 1.50 lakhs towards the shortfall as an unsecured loans at a very nominal interest rate.

Voltas has received a Contract valued at approximately US $1 million from the Ground Water Development Administration, Ministry of Agriculture & Agrarian Reforms, Baghdad, Iraq, for the supply of 10 Nos. VOLLAM Waterwell Drilling Rigs along with other operating accessories and equipment. This contract was awarded to India on a global tender and against intense competition from the USA, Europe and the USSR.

Scindia Steam Navigation Company Ltd. will be shortly catering to the trade from East Coast of India to East African Ports. The trade will be regularly covered for our exports to Kenya, Tanzania and Mozambique. The service has been introduced in collaboration with Bank Line who have been solely covering the trade heretofor. Henceforth there will be regular sailing in alternate months from Scindia's and Bank Line. Scindia's, will be the first to sail to this area by end March 1975 from Calcutta.

The Asiatic Society, the premier institute for research and knowledge for nealy two centuries, has awarded the Durga Prasad Khaitan Memorial Gold Medal to Mr V. R. Desai, Chairman, United Commercial Bank, for his significant contribution in the development of industries and society through the agency of banking. Mr Desai received the award at the Society's annual meeting held recently at Asiatic Society Hall, Calcutta. At the function Dr H. N. Sethna, Chairman, Atomic Energy Commission, with, among others, to receive other Asiatic Society awards.

New Issues

In order to meet the increased demand, **Gangappa Cables Ltd** has embarked upon a Rs 76 lakh expansion scheme to enhance its licensed capacity from 900 tonnes to 1500 tonnes per annum of super enamelled copper wires and paper covered wires and strips. To meet a part of the cost of the expansion the company is offering 171,750 equity shares of Rs 10 each and 7,500 (11 per cent) redeemable cumulative preference shares of Rs 100 each for cash at par to the public for subscription. The subscription list opened on March 19 and will close on March 29 or earlier but not before March 22.

The capital outlay on the expansion scheme, including working capital requirements is estimated at Rs 76.11 lakhs. It will be financed by the present public issue of Rs 24.681 lakhs, term loans of Rs 34 lakhs from financial institutions and internal cash accruals and public deposits of Rs 17.43 lakhs. The company has consistently maintained its record in respect of sales and profits. It declared a dividend of 12 per cent for the year ended June 30, 1974 and is confident of declaring a reasonable dividend on the enlarged capital in the coming year. It hopes to issue bonus shares in about two to three years.

Upper India Trading Co. (P) Ltd. a pioneer in automobile spares and accessories, was founded in 1920. By the late fifties Upper India had gained a very comfortable position in the automotive trade. By 1956 the management had the foresight and vision of entering into the manufacturing field. In 1958 a new company styled Upper India Bearings Pvt. Ltd. was started and a plant was erected at the Guindy Industrial Estate, Madras. With a nucleus thus created, things started moving fast. Collaboration agreements were signed with a reputed West German Organisation, and the plant went on stream in early 1960.

Initially Upper India were manufacturing thick-walled bearings using the centrifugal casting process. With demand outstripping its production, a second plant was set up at Thoraipakkam, near Madras. After the termination of the technical collaboration in 1968, Upper India launched a thin-walled bearings and split bushings with 100 per cent indigenous know-how. It is now enlarging its capital in order to expand its manufacturing operations. It has already received an industrial licence for manufacturing 30 lakhs bearings and bushings. The new plant will be located at SIPCOT Industrial complex, Ranipet, Tamil Nadu and the company will be entering the capital market shortly for raising resources for implementation of the project. According to estimates there will be a gap of 150 lakh bearings and bushings between demand and supply by 1978-79. Upper India who will by then will be operating at the full rated capacity of 30 lakhs bearings and bushings expects no difficulties in marketing its products.

Union Home Products, Mangalore, Karnataka State, founded in 1972 will soon be entering the capital market to raise Rs 25 lakhs out of Rs 90 lakhs required by it for establishing a modern unit for the manufacture of detergent products. Headed by Mr Vasant M. Pai, considered as one of the top experts in the country in the soap and detergent products manufacturing techniques, this unit is being sponsored by well known business house of "Kasturi" in Mangalore who have been in the soap manufacturing line for more than 25 years. The company has been licensed further to manufacture 10,000 tonnes of detergent products. It is interesting to note, however, that the letter of intent was given to UHP in April 1974 and the plant is expected to go into production in May 1975, that is, within one year.

UHP has been marketing Boon, the detergent washing cake, in Tamil Nadu and Karnataka since 1972. With the increased capacity, UHP will serve the needs of the consumer market more fully in the South. UHP's manufacturing programme already includes manufacture of ZEN, the detergent washing powder, and ZIG, the cleaning powder, which are already in the market. More consumer products such as body talcum powder, a range of shaving creams and tooth paste are also in the manufacturing programme.

Mindia Chemicals promoted by Monsanto Co of the USA, will be entering the capital market by the end of May to raise 1.86 crores in equity shares of Rs 10 each to meet a part of cost of its Rs 9.40-crore project for the manufacture of rubber chemicals. The company's plant to be located in the trans-Thana Creek industrial area near Bombay is likely to go on stream early in 1976. The company has been granted an industrial licence for manufacturing annually 3,300 tonnes of rubber chemicals and 3,400 tonnes of intermediates from basic raw materials. The two basic types of rubber chemicals to be manufactured by the company are antioxidants and accelerators which are used principally in the manufacture of tyres as also by other rubber and rubber products manufacturers. The technical know-how and collaboration for the plant will be provided by Monstanto Co. of the USA.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Equity dividend declared for: Previous year
Higher Dividend			
Thanjavur Textile	March 31, 1974	15.0*	12.0
Porritts and Spencer	Sept 30, 1974	11.0**	Nil
Same Dividend			
Rohit Pulp and Paper Mills	March 31, 1974	12.0	12.0
S.B. Joshi	June 30, 1974	Nil	Nil
Shah Construction	June 30, 1974	Nil	Nil
Reduced Dividend			
Jeypore Sugar	June 30, 1974	12.0	20.0
Rustam Jehangir Vakil	March 31, 1974	12.0	24.0
T. Maneklal Mfg.	May 31, 1974	12.0	20.0
Ugar Sugar Works	June 30, 1974	Nil	15.0
Ralliwolf	August 31, 1974	5.0	20.0
South India Steel & Sugars	June 30, 1974	Nil	12.0

*On increased capital.
**Maiden dividend.

RECORDS AND STATISTICS

ESCAP's New Delhi declaration

AT ITS 31st session, which was held in New Delhi from February 26 to March 7, the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) adopted a declaration calling upon *the member-countries to "display the necessary political* will" to accord the highest priority to production of food and economic and social development of the most disadvantaged. Known as the New Delhi declaration, it was adopted at a plenary session attended by 39 countries.

The declaration stressed the need for the maximum utilisation of regional skills, capabilities and expertise so that regional cooperation could be strengthened. It also recommended cooperative effort among or between countries of the region to solve the fundamental problems relating to the commodities and raw materials as related to their trade, transit facilities and development as appropriate." The following is the full text of the declaration.

Recalling General Assembly resolutions 3201 (S-VI) and 3202 (S-VI) on the Declaration and Programme of Action for the Establishment of a New International Economic Order as adopted;

Further recalling Commission resolution 140 (XXX) containing the Colombo Declaration to intansify action in the identified priority areas, to work towards an integrated approach to economic and social development, and to assist sub-regional and other forms of joint efforts within the overall framework of regional cooperation;

Convinced that the progress made in implementing the decisions of the Commission at its last session and in securing a cohesive and multi-disciplinary approach to the developmental problems of the region, particularly through an action-oriented programme of work, will further the estab*lishment of a new international* economic order;

Aware of the importance of the thirty-first session of the Commission which is being held at the mid-point of the Second United Nations Development Decade and that this session provides the first opportunity to formulate the regional contribution to the establishment of a new international economic order;

Having reviewed the progress made during the Second United Nations Development Decade;

Concerned at the substantial shortfall in the attainment of the objectives of the strategy, the unsatisfactory pace of development, and in particular, lagging agricultural production and continuing food shortages, low levels of industrial growth, a deterioration in the terms of trade and balance of payments problems, falling prices of some commodities and rising import costs, all of which affect most developing countries of the region;

Aware that these problems are often due to or aggravated by historical circumstances including alien and colonial domination and neo-colonialism in all its forms, and by imbalances in the distribution of food and raw materials, periodic natural disasters, global inflation along with recession in some major industrial countries, recurrent instability of the international monetary systems, and high prices and global shortages of essential goods and inputs, and rapid rates of population growth;

Mindful of the need to give special attention to the poorest people within developing countries and the least developed including the land-locked and island countries and the most seriously affected countries;

Reaffirming the ardent wish of the peoples of the region to continue to develop their national economies in accordance with the principles of independance and self-reliance, and to promote international cooperation on the basis of equality and mutual benefit;

***Recognizing** that a high rate* of economic growth is in itself not sufficient and that it is the distribution of wealth between regions and peoples and its impact on the environment and quality of life that determine the welfare of the people;

Motivated by the common determination to end poverty in the region and to provide to its people a richer and fuller life;

Further recognizing the imperative need for intensifying regional cooperation in all sectors of economic and social activities with the objective of promoting increasing self reliance individually and jointly among the developing countries of the region;

Having considered the report of the Regional Post-World Population Conference Consultation, which placed emphasis on population as an important factor in the integrated development planning;

Also having considered General Assembly resolution 3344 (XXIX) stressing the importance of population policies and programmes;

Conscious of the significant role of technology in the development of the national economies of the region and its immediate relevance to all sectors of economic activity;

Believing that the resources of the earth need to be conserved and utilized in the most efficient manner;

Appeals to the international community and member-states of the region to rededicate themselves to and display the necessary political will for the attainment of the objectives of the Development Decade and growth with social justice; that the highest priority should be given to production of food and economic and social development of the most disadvantaged;

Calls upon member-countries to intensify their effort for stepping up food output, particularly through co-operative measures, with a view to achieving self-sufficiency in food through production and effective *utilization of agricultural inputs, improvements* of the required infrastructure and full utilization of potential of rain-fed areas for food production with emphasis on improvement of well-being of small farmers and agricultural labourers, through *inter-alia* appropriate land reforms, and also calls upon the international community to privide all possible assistance to the developing countries to enable them to achieve this objective

Recommends to the developing member-countries to accelerate the implementation of programmes for providing education, health, housing and other social services to the common man and bring about rural development through active participation of the people in the planning and implementation process;

Invites member countries to continue their efforts to effectively solving the continuing and critical balance of payments difficulties with the fullest cooperation and assistance of developed countries and others who have the resource at the same time appreciating the steps taken by the International Community to find solutions to those difficulties;

Recommends that the developing countries, whenever and wherever appropriate increasingly utilize the technologies developed by them suited to their needs and their domestic natural resources through genuine technological cooperation;

Further recommends co-operative effort among or between countries of the region to solve the fundamental problems relating to the commodities and raw materials as related to their trade, transit facilities and development as appropriate;

Invites member-countries to explore possibilities for intensifying regional cooperation for the development of shipping and ports;

Urges the maximum utilization of regional skills, capabilities and expertise in the activities of the Commission particularly in the implementation of the intergrated programme of work, especially in the priority areas;

Declares that the countries of the region should approach their various problems in spirit of expanding sub-regional and regional understanding and growing international cooperation and that the deliberations of the session of the Commission should constitute a contribution to the early establishment of a new international economic order and to a new development strategy by focussing special attention on the common people, improvement in their quality of life and condition of their living through growth with social justice.

Drugs and pharmaceutical industry

THE UNION ministry of Petroleum and Chemicals constituted early last year a committee under the Chairmanship of Mr Jaisukhlal Hathi to suggest ways and means of ensuring adequate availability of essential drugs and common household medicines at reasonable prices, particularly in the rural areas, and also to recommend guidelines for a rapid growth of the drugs and pharmaceuticals industry during the fifth five-year Plan. Reproduced below is the report of this Committee concerning the former issue. The repcrt was submitted to the government recently.

The Committee on Drugs and Pharmaceuticals Industry was constituted by the ministry of Petroleum and Chemicals by the resolution dated February 8, 1974 (annexure C) to examine the varions aspects of the drugs industry. One of the terms of reference was "to recommend measures for providing essential drugs and common household remedies to the general public especially in rural areas."

The committee during the course of their discussions, particularly on the availability of essential medicines in larger quantities, felt that although the question of substitution of brand names of the medicines marketed by the industry by generic names was not a specific term of reference for this Committee, the subject follows clearly from the other terms of references, such as reduction/rationalisation of prices of formulations for the consumers, making the essential drugs available to the general public, attainment of leadership role by the public sector, promoting the growth of the Indian sector etc.

Important Facets

Besides, the question was also directly linked with many important facets of the industry such as drug patents, irrational practice of medicines, excessive use of ingredients in multi-drug formulations, proliferation of such preparations and beneful influence on the medical profession etc. of medicines marketed under brand names. Keeping the above aspects in view, the Committee decided that this question should also be looked into by the Committee. The Committee also felt that the view of eminent medical personnel from the different parts of the country should be obtained in this regard. Accordingly, a panel was set up with the following members:

Dt Ranen Sen, Member of Parliament.; Mr P. S. Ramachandran. Drugs Controller (India) DGHS, New Delhi. Dr B. Shah, Deputy Director General (DGTD), New Delhi.; Dr A. B. Chowdhury, M.B., Ph. D., F.A M.S., F.N.A., Director, Calcutta School of Tropical Medicine, Chittranjan Avenue, Calcutta—17.; Dr B. Ray Chaudhury, M.D. (Cal) FRCP, Ph. D. (Edin), Associate Professor of Medicine, Institute of Post Graduate Medical Education and Research, 22-Lower Circular Road, Calcutta—17.; Dr K.L. Wig, M.B.B.S. (Pun.) FRCP (London) MRCS (England) D. T. M. & H. (London) FAMS—79, Sundar Nagar, New Delhi.; Dr S. Padmavati, Director, Principal Maulana-Azad Medical College, New Delhi.; Dr K. G. Nair, MD (Bombay) Ph. D. (Chicago) FACC (USA) FICA (USA). Director-Professor of Medicine, Head of the Deptt. Cardiology and Radio-Isotope Unit, K.E.M. Hospital and Seth G.S. Medical College, Bombay.

Dr B. J. Vakil, Hony, Professor Gastroenterology, Grant Medical College, Hospital, Bombay.; Dr K.V. Thiruvengadam, B.Sc., MD, FAMS, Professer of Medicine and Vice Principal, Stanley Medical College Physician, Government Stanley Hospital, Madras.; Dr B.B. Gaitonde, M.D. M.S.C. (Med), F.A.Sc. Director, Haffkine Institute, Bombay..........Convenor.; Dr P.R. Gupta, Adviser (Drugs) in the ministry of Petroleum & Chemicals was also associated with this Panel.

The terms of reference for this Panel were as follows:

To recommend measures for providing essential drugs and common hosehold remedies to the general public especially in the rural areas, and Whether it would be in the national interest to substitute brand name by generic names and if so, the manner and extent to which be done.

Dr K.L. Wig, regretted his inability to work on this Panel, because of his preoccuption with other assignments. Dr B. Shah also informed his inability to join this Panel as he was proceeding on leave.

The Panel met in Bombay on June 8 and 9, 1974, at the Haffkine Institute, and submitted its report on June 29, 1974, to the chairman of the Committee. A copy of the Panel's report is attached (annexure D).

The Committee on Drugs and Pharmaceuticals Industry at its meetings/on July, 25, 1974, and January 21 and 22, 1975, considered the Report of the Medical Pannel and adopted the same with some modifications.

Supply of Essential Drugs

Keeping in view the essentiality of the medicines their need and the availability of the concerned bulk drugs/active ingredients, the Committee, after due consideration, drew up a revised list (Annexure A) of medicines which in its opinion are extensively used in medical practice, both in urban and rural areas. In order to make these essential drugs available at a reasonably low price thorughtout the country, the Committee recommends the following measures:

(i) Production of the drugs/medicines as identified in Annexure A, should be given top priority for the manufacture of the relevent bulk drugs/active ingredients.

(ii) The ministry of Petoleum and Chemicals should take all such measures, which will increase the production of these drugs expeditiously. Special assistance, priority for power supply, other incentive schemes etc. may be given to entrepreneurs, preferably Indian, who come forward to undertake production of these essential drugs. In short, if there are any impediments, these should be immediately looked into and removed.

(iii) In case of some drugs, the technical know-how is already available, but there is a production shortfall. More entrepreneurs should be encouraged to take to production of such drugs. In case of those drugs for which technical know-how is not available in the country, special incentives may be given to National Laboratories to develop the know-how on a time-bound basis. If necessary, the foreign technical know-how may also be obtained immediately.

(iv) To make these drugs available in rural areas, the distribution system must be rationalised and decentralised in regard to household remedies and commonly used medicines which do not require the prescription of doctors. For this, assistance should be sought from the postal department, Indian Oil Company depots, kerosene depots. Cooperative societies should be encouraged for the distribution of drugs in rural areas. Packaging details should be looked into. Tablets should be supplied in strip packings. Liquid preparations should be supplied in bottles fitted with pilfer proof closures. Export of the bulk drugs required for the production of medicines mentioned in (Annexure A), as well as their formulations should be so regulated that there is no shortage of these essential drugs in the country at any time.

(v) At present, there are a number of difficulties, especially in small towns and rural areas, to establish pharmacies for dispensing of drugs. One of the major difficulties is the non-avilability of trained pharmacists. According to the Drugs Act, those who possess a Diploma in Pharmacy can only be licensed as dispensers. The diploma course is quite lengthy and the remuneration paid to the dispenser is not attractive. It was considered that a short-term need-oriented course, after matriculation, may be instituted for young people, who could take up the job of distribution of these medicines in the rural areas and other remoter parts of the country. The Committee recommends that steps should be taken to revise the present syllabus of training of the pharmacists. The Pharmacy Council should be approached to tailor the course to suit the needs of the country. An intensive, need oriented course of a short duration should be instituted for training of dispensers, who then could be licensed to establish pharmacies and drug stores in smaller towns and rural areas.

(vi) Primary Health Centres should be given adequate financial assistance for purchase of drugs, so that rural populatioa also gets the same quality drugs in adequate amounts as in urban areas.

Indianisation in Drugs

The question of substitution of brand names by generic names was extensively discussed. All facets of the problem, such as Indianisation of brand names, impact on drug prices, bio-availability, quality of drugs, enforcement of drug control, multiple ingredient preparations, export of drugs, labelling difficulties, impact on small-scale industry, patent rights, distribution system, acceptance by the medical profession, role of distributors and pharmacists, effect on the growth of pharmaceutical industry, difficulties and inconveniance in the use of tongue-twisting generic names etc., were discussed in detail.

The Committee also met the representatives of various organisations such as Indian medical Associatian (IMA), Organisation of Pharmaceutical Producers of India (OPPI), Indian Drug Manufacturers Association (IDMA), All India Manufacturer's Organisation (AIMO), members of the Development Council for Drugs and Pharmaceuticals, etc., to elicit opinion on this very important question of far reaching significance. The committee also considered the memoranda submitted by various state governments, public sector and others including small-scale sector undertakings and different associations mentioned above.

The Committee had before it the report of the medical panel recommending the abolition of brand names in a phased manner starting with specific drugs identified by the panel.

Generic names Worldwide

Throughout the world, and in our country as well, a medical student receives his training on drugs under generic names. In fact, in all text books of therapeutics as well as pharmacology, drugs are mentioned by generic names always. In the interest of rational practice of medicine, therefore, it is in the fitness of things that medical practitioners should continue to use prescribe a drug under generic name, so that they are fully conscious of the type of therapy prescribed for their patients. More often, the practising physcian is likely to be unaware of the active ingredients of a drug prescribed under brand name. Two branded products containing the same or similar active ingredients may be prescribed to patients resulting in overdose, and consequent toxicity/damage to the patient's health.

Further, many brand names are phonetically similar creating confusion, which can be seen from the following examples:

Cornil and Corlin: Codogin and Codopin; Detazone and Deltazyne: Diaginol and Dianabol: Dicazine and Dicarzen: Etadryl and Metagyl; Methicol, Methiscol, Methiolin, Methionine etc.

To bring about uniformity in names, the WHO issues periodically a list of non-proprietary names with the recommendation that these be adopted by national organizations. The intention here is to prevent confusion and chaos in the field of prescribing medicines. It is also necessary to point out that all national formularies including the Indian National Formulary, prepared by the most eminent leaders of medical profession in this country, list all drugs and formulations under generic names or pharmacopoeial names. Further, a large number of very important and potent drugs such as insulin, sera, vaccines, antibiotics, digitalis glycosides are mostly marketed under generic names without any difficulty or disaster.

It has often been alleged that the branded products containing the same ingredients differ to a very great extent in their prices and the products bearing generic names are decidedly cheaper. Several examples have been cited such as aspirin and aspro, paracetamol and metacin etc. It is reasonable to accept that promotional efforts and expenses incurred by the manufacturers to establish their brand names are commensurate with higher prices. In fact, in the larger context, this is not in the best interest either of the manufacturer or the patient. If the same money is spent on better standardization, quality control and research and development, the national gains will be substantial.

Two Categories

The drugs which are sold under brand names fall under two categories: (i) those which contain a single ingredient, and (ii) those which contain multiple ingredients.

A large number of single ingredient drugs are pharmacopoeial but are still being marketed under brand names. Since there is no control over the numcer of brand names that can be given to a single drug formulation, we have a state of confusion with respect to brand names. Thus, a single drug, such as asprin, paracetamol or nikethamide, is being marketed separately in this country under several brand names. This is not i the best interest of either th medical profession or of th patient, who is often led t believe that one branded dru is different from the other an possesses superior values. I affect, this is not the case an the pat'ent is unwilingly mad to pay higher prices for hi treatment.

Dominance of Drug Market

In the case of multi-ingre dient preparations, the situ ation is still worse. Bran names have been responsibl for putting up a large numbe of unnecessary and ofte irrational formulations in th market. In fact, the organise sector has maintained domi nance over the drug marke principally through their bran ded products containing mul tiple ingredients. Many exam ples can be given to illustrat this point. This has resulte in excessive use of drug particularly under the nam 'tonics' containing vitamin in evcessive quantities. Multi ple drug combinations i amounts far in excess of wha is required result in colossa national wastage of drugs This could be substantiall reduced if the brand name are eliminated. In this respect it is to be emphasised that th entire British Health Servic runs on the British Nationa Formulary preparations, whicl are by and large, single ingre dient drugs, rather than mul tiple ingredient preparations

The Food and Drug Ad ministration of the Unite States(FDA) appointed a com mittee of experts drawn fron National Research Counci (NRC) and National Aca demy of Sciences (NAS to evaluate the efficacy o over 3,000 preparations mar keted in the United States It was proved that a majorit of these do not possess thera peutic efficacy and wer directed to be either with drawn or to provide furthe evidence of their effectiveness There is thus a case for cont rolling multiple ingredien branded products, markete in this country, particularly b the organised sector, an promoted rigorously. This, i itself, will serve to loosen the hold of the organised sector on the pharmaceutical industry to a great extent.

The medical profession has acquired the habit of prescribing branded products. This has unfortunately come out of tradition of several years and not by virtue of training in medical colleges. At no stage brand names are introduced in the medical curriculum. The brand names have a corrupting influence on the profession. A doctor more often patron ses branded product and, unwittingly therefore, makes his patient pay more than necessary. This is a matter which the medical profession should think over very seriously.

Two-fold Effect

A number of new drugs are being introduced in this country under brand names. This has a two-fold effect. A company with aggressive sales promotion establishes its new product under a brand name and reaps the benefits during the period the patent is valid.

After the patent period is over, having established the brand name, it continues to reap this harvest much to the disadvantage of other enterpreneurs. Thus, in spite of the modification of the Patents Act, the disadvantage to the Indian enterpreneur continues in a large measure. Many examples of this can be given. Chloram-phenicol is marketed under the brand name of chloromycetin and nikethamide is marketed under the brand name of coramine. In both these cases, the process patents have expired. However, the concerned pharmaceutical firms manufacturing these drugs continue to derive benefits by virtue of their established brand names.

It is often argued that the quality of a product is assured because of its brand name and substitution of brand name by generic name will result in lowering of standards. Maintenance of quality is the responsibility of the manufacturer and it does not go with the brand name.

Brand names misbranded

Scrutiny of the total number of sub-standard, misbranded and spurious products reported by various drug control organisations and the drug testing laboratory of the government of India at Calcutta will reveal that there are more instances of branded products being misbranded or, therefore, spurious. There have been no instances where a product marketed under generic name has ever been reported to be spurious. Thus, branding of products promotes a tendency to prepare misbranded or spurious products.

Quality must be maintained and every effort must be made to see that all drugs introduced in the market conform to pharmacopoeial or prescribed standards. Very often, it is stated that the branded products of certain firms have standards higher than those prescribed by the pharmacopoeia. Pharmacopoeial standards are adequate enough to protect the interests of the patient. If higher standards are going to result in higher pricing, which, is said to be the case with respect to some branded products marketed by a few firms in the organised sector, there is no advantage to be gained. However, as long as the quality control organisation is properly strengthened, there is no reason to fear that a sub-standard product will be marketed. It is, therefore, absolutely essential to achieve high standards of quality control throughout the length and breadth of the country, irrespective of whether the drugs are going to be marketed under generic or brand names.

It is often argued that bioavailability is an important factor in the efficacy of a drug. The WHO technical series report on bioavailability has highlighted different facets of this problem, particularly the fact that as yet there are no established and accepted methods for evaluation of bioavailability of different brands of drugs. A drug manufactured by a firm, may differ from batch to batch in its bioavailability. Bioavailability is particularly important in the case of oral preparations and that too with respect to only a very few drugs. It cannot be denied, that in case of drugs like digoxin, phenytoin etc. bioavailability is important, but this has nothing to do with brand or generic names. The drug control authorities will have to exercise effective control over the standards of such drugs which will need bioavailability studies as per recommendations of the WHO whether these drugs are introduced under generic or brand names.

In view of all the above considerations, it is clear that there is a strong case for substitutions of brand names by generic names. In the considered opinion of the committee it may not, however, be advisable to accomplish this change immediately. The medical profession has been traditionally used to prescribing drugs under brand names and a sudden shift may result in considerable confusion and difficulties for prescribing doctors. A sudden change may also affect the present distributions system. The manufacturers will also be faced with some difficulties with respect of labelling etc., if a sudden change is brought about. Steps will have to be taken to strengthen Drug Control organisations in various states in order to enable them to exercise vary rigorous control over the quality of drugs.

Change in Phased Manner

The Committee, therefore, is of the view that this change over from brand names to generic names should be brought about in a phased manner as recommended by the medical panel. In view of all the above considerations and taking into account the intricate facets of the problem, the following recommendations are being made:

(a) Brand names should be abolished in a phased manner.

(b) A beginning should be made for a change-over to generic names starting with the drugs mentioned in the Annexure B to this report. Mostly these drugs are already being marketed under generic names and their generic names are quite elegant.

(c) Drugs which are exported may be allowed to bear brand names.

(d) All supplies of single ingredient drugs and drugs included in Indian Pharacopoeia for central and state government institutions and local bodies should be tendered and supplies made under generic names. At present, drugs, though tendered under generic names, are supplied under brand names, and this should be discouraged.

(e) All drugs other than those listed in the Annexure B should bear labels displaying prominently the generic names. Brand names may be shown on labels in a less conspicious manner.

(f) The Drug Controller should, while granting permissions, be requested not to give recognition to brand names of new drugs. New drugs should not be allowed to be marketed under brand names, when first introduced into this country.

(g) Multiple drugs combinations often containing drugs, particularly vitamins, in amounts far in excess of what is required are presently marketed in India. The majority of such combinations are irrational. There is a colossal national wastage of drugs because of such combinations. The Drug Control Administration should immediately go into the various drug combinations and take prompt measures to eliminate irrational drug combinations. No firm should be allowed to incorporate excessive quantities of any drug over and above what is required to go into the formulations for therapeutic and prophylactic purposes. Multiple-ingredient preparations. New types or multi ingredient preparations should not be allowed to be marketed hereafter unless they are mentioned in the National Formulary or pharmacopoeia and approved by the Drug Controller of India. If any amendment of the Drugs and Cosmetics Act and Rules is considered necessary for this purpose, this should be carried out.

(h) Non-proprietory names as recommended by WHO from time to time should be adopted.

(i) Bioavailability studies are important in cases of a few drugs, although this factor has recently been overplayed not always on rational basis. Facilities should be created in different parts of the country, so that the industry, both large and small-scale, can take advantage of such facilities to plan and conduct bioavailability and pharmacokinetic studies.

(j) In order to keep the medical profession, particularly the general practitioners, well-informed about new drugs and also to popularise the generic names, it is essential to take steps immediately.

(i) To revise the Indian National Formulary and make it up-to-date,

(ii) To publish journals on the lines of the Priscriber's Journals, U K. Medical Letter, USA, or Formulary Notes of Sri Lanka. Such publications will have to be under the control of an editorial board comprising leaders of the medical profession in the country consituted by the ministry of Health, government of India.

The Committee is of the view that from legal point of view there should be no difficulty in abolishing the brand names. Abolishing of brand names will entail first the amendment of the Trade and Merchandise Marks Act, 1958, and subsequently the Drugs and Cosmetics Rules.

Periodic Review

A periodic review of the impact of this step on the drug industry price and availability of medicines is necessary etc. so as to take suitable corrective measures, if required.

Apart from emphasising the needs for ensuring more rigid and uniform quality control throghout the country, the Committee also recommends to the govt. for early implementation of the recommendations made with regard to measures for providing essential drugs and common thousehold remedies especially in the rural areas.

While making the above recommendations, the Committee would emphasise that the recommendation regarding the change over from brand names to generic names has to be implemented cautiously and on a phased manner ensuring simultaneously the necessity of enforcing quality control on drugs and in particular the concerned recommendations made in the Interim report of the committee on 'Quality Control of Drugs'

The committee in concluding this report would like to place on record its deep and warm appreciation of the quick and excellent work done by the eminent doctors of the panel and in particular by Dr. B. B. Gaitonde, Director, Haffkine Institute, Bombay, who took special interest in this complex problem and finalised the Report in a very shorttime.

Annexure A

Tablets and Capsules (Granules included)

Name of the Product	Bulk Drug involved
Capsule Chloramphenicol—250 mg.	Chloramphenicol
Capsule Tetracycline Hydrochloride —250 mg.	Tetracycline, Hyd-rochloride
Tablet Iodochlorhydroxy Quinoline—250 mg.	Iodochlorhydroxy Quinoline.
Tab. Nitrofurantion—50 mg.	Nitrofurantion
Tablet Chlorpheniramine—4 mg.	Chlorpheniramine
Tablet Ferrous Sulphate—200 mg.	Ferrous Sulphate
Tablet Folic Acid—5 mg.	Folic Acid
Tablet Digoxin—0.25 mg.	Digoxin
Tablet Aspirin—300 mg.	Acetyl Salicylic Acid
Tablet Phenobarbitone—30 mg, 60 mg.	Phenobarbitone
Tablet Chlorpromazine—10 mg.	Chlorpromazine
Tablet Prednisolone—5 mg,	Prednisolone
Hexa Vitamin Capsules and Tablets	
(Each tablet or capsule contains):	
Vit. A—5000 I.U.	Vitamin A. Calciferol—
Vit. D—400 I.U.	—(vitamin D2/Vit. D3
Vit. B—2 mg	Thiamine Hydrochloride
Vit. B3—3 mg.	(Vit. B1), Riboflavine
Nicotinamide—20 mg.	(Vit. B2), Nicotinamide
Vit. C—75 mg.	Ascorbic Acid (Vit. C)
Tablet Vitamin B-complex, Prophylactic N.F.I.	
Vit. B. 1—2 mg	Vit. B. 1, Vit. B. 2,
Vit. B2—2 mg.	Vit. B 6—(Pyridoxine Hydrochloride),
Vit. B. 6—0.5 mg. Nicotinamide—25 mg. Calcium Pantothenate—1 mg. Yeast—100 mg.	Nicotinamide, Calcium-Pantothenate, Yeast
Tab Vitamin B-complex with Folic Acid and Vitamin—C, therapeutic N.F.I.	
For Therapeutic Use	
Vitamin B-1=10 mg.	Vit. B-1, Vit. B2, Vit B 6:
Vitamin B-2=10 mg.	Cal. Pantothenate, Niacinamide, Folic Acid, Viiamin-C.
Vitauin B-6=2.5 mg.	
Cal. Pantothenate=5 mg.	
Niacinamide=100 mg.	
Folic Acid=1.5 mg.	
Vit. c=150 mg.	
Tab. Vitamin C—50 mg. 100 mg. and 500 mg.	Ascorbic Acid
Tab. Sulphadimidine—500 mg.	Sulphadimidine (synonym) —Sulphamethazine
Tab. Metronidazole—200 mg.	Metronidazole
Tab. Hydrochlorthiazide—25 mg. 50 mg.	Hydrochlorthiazide.
Tab. Reserpine—0.25 mg.	Reserpine.
Tab. Glyceryl trinitrate 0.5 mg.	Glyceryltrinitrate.
Tab. Analgin 500 mg.	Analgin
Tab. Antacid	Al. Hydroxide,
Dried Al. Hydroxide—120 mg. gel.	Mag. Trisilicate, Peppermint Oil.
Peppermit Oil—0.003 ml.	
Mg. Trisilicate=250 mg.	
Tab. Piperazine Citrate 300 mg.	Piperazine Citrate.

Name of the Product:	Bulk Drug involved:
Cap. Tetrachloroethylene 1 cap. contain 1 ml. of the drug.	Tetrachloroethylene.
Tab. Tolbutamide 500 mg.	Tolbutamide
Tab. Thiacetazone (50 mg.) and Isoniazid (100 mg.)	Thiacetazone and INH
PAS/Sodium PAS/ Granules Tablets=500 mg.	Para-amino Salicylic Acid/ Sodium para-amino Salicylate.
Granules contain 80 per cent of PAS/Sod. PAS	
Tab. INH 100 mg. tab.	Isonicotinic Hydrazide.
Tab. Dapsone 100 mg. tab.	Dapsone
Tab. Chloroquine Phosphate 250 mg.	Chloroquine Phosphate.
Tab. Primaquine phosphate 2.5 mg. of base and 7.5 mg. of base.	Primaquine Phosphate.
Tab. Diethyl carbamazine citrate—50 mg. tab	Diethylcarbamazine Citrate
Tab. Anti-asthmatic:	Ephedrine Hcl. Phenobarbitone.
Ephedrine Hcl—10 mg.	Theophylline.
Phenobarbitone—7.5 mg.	
Theophylline—125 mg.	
Tab. Alkaloids of Ergot: 150 mg.	Prepared Ergot
Tab. of Vitamin A 6000 I.U. and Vitamin D(1000 I.U.)	Vitamin A and Vitamin D
Tab. Vitamin A 50,000 I.U.	Vitamin A
Tab. Vitamin D 50,000 I.U.	Vitamin D (Calciferol)
Tab. Milk of Magnesia 300 mg.	Magnesium Hydroxide
Tab. Paracetamol 500 mg.	Paracetamol
Tab. Quinine Sulphate 0.3 g.	Quinine Bisulphate
Tab. Phthalyl Sulphathiazole—500 mg.	Phthalyl Sulphathiazole.
Oral Contraceptives	
(a) Ethynodiol Diacetate—1 mg; Ethinyl Oestradiol—0.05 mg.	Ethynodiol Diacetate, Ethinyl Oestradiol, Norgestrol.
(b) Norgestrol—0.25 mg. Ethinyl Oestradiol—0.05 mg.	
Injections	
Penicillin	
(a) Benzyl Penicillin Injection =500,000 units	
(b) Procaine Benzyl Penicillin Injection=250,000 units/ml.	
(c) Fortified Benzyl Penicillin Injection— =Procaine Benzyl Penicillin—300,000 units+Benzyl Penicillin 100,000 units/ml	Penicillin G
Injection Streptomycin Sulphate 1 gm.	Streptomycin
Inj. Emetine Hydrochloride—60 mg. of Emetine Hydrochloride/ml.	Emetine Hcl.
Inj. Atropine Sulphate 0.5 mg./ml.	Atropine Sulphate
Inj. Adrenaline Tartrate/Malate Contains equivalent of Adrenaline 1 in 1000	Adrenaline Tartrate Adrenaline Malate
Inj. Nor-Adrenaline Acid. Tartrate 1 mg./ml	Nor Adrenaline Acid—Tartrate
Inj. Dextrose Saline =5 per cent w/v =10 per cent w/v =25 per cent w/v =50 per w/v	Dextrose
Inj. Frusemide	Frusemide

Name of the Product	Bulk Drug involved
20 mg./ml. of Frusemide/2ml. of water.	
Inj. Morphine Sulphate 10 mg./ml	Morphine Sulphate
Inj. Pethidine Hydrochloride 50 mg./ml.	Pethidine Hydrochloride
Inj. Paraldehyde	Paraldehyde
Inj. Prednisolone Sodium Phosphate 20 mg./ml.	Prednisolone Sodium Phohate.
Inj. Tetanus Antitoxin 1500 I.U., 10.000 I.U., 50,000 I.U.	Tetanus Antitoxin
Inj. Methyl Ergometrine Maleate 0.2 mg./ml.	Methyl Ergometrine Maleate.
Inj. Chlorphoniramide Maleate 10 mg./ml.	Chlorphoniramine Maleate
Inj. Aminophylline 250 mg./10 ml ampoule	Aminophylline
Inj. Oxytocin 6 units/ml.	Oxytocin
Inj. Chlorpromazine Hcl. 25 mg./ml.	Chlorpromazine Hcl.
Antivenom Serum (Polyvalent Crotaline Antivenine)	
Rehydration Fluid Dextrose in Sod. Chloride injection 25 per cent W/V	Dextrose and Sod.Chloride
Injection Glucose Containg 5 per cent W/V	Glucose
Water for Injection	—
Inj. Phenobarbitone 200 mg./ml.	Phenobarbitone Sodium.
Inj. Mephonteramine Sulphate 15 mg./ml.	Mephonteramine Sulphate
Diphtheria-Pertussis-Tetanus Vaccine I.P.	Diphtheria Toxoid, Tetanus Toxoid, Pertusis-vaccine
Inj. Tetanus Toxoid I.P.	Tetanus Toxoid
Inj. Diphtheria Toxoid I.P.	Diphtheria Toxoid
Inj. Diphtheria Antitoxin 10,000, 20,000 Units	Diphtheria Antitoxin
Oral Polio Vaccine	Aqueous suspension suitable live-attenuated strains of poliomyelities virus type-I, II and III.
Inj. Insulin 20, 40 or 80 units/ml.	Insulin
Inj. Thiopentone Sodium 500 mg., 1 gm	Thiopenthal
Inj. Succinyl Choline Chloride 50 mg./ml.	Succinyl Choline Chloride
Inj. Lignocaine 0.5 per cent, 1 per cent and 2 per cent.	Lignocaine Hydrochloride
Inj. Vitamin B-complex N.F.I. Each ml: Vit. B1—10 mg. Vit. B2—2 mg. Vit. B6—2 mg. Niacinamide—2 mg. Vit. B12—10 mg. Panthenol—2 mg.	B1, B2, B6. Niainamide Cal. Pantothenate. B12
Inj. Thiamine Hydrochloride 25 mg/ml.	Vit. B1 (Thiamine Hydrochloride)
Inj. Cyanocobalamin 100 mcg and 500 mcg/ml.	Cyanocobalamin
Typhoid-paratyphoid A and B Vaccine I.P.	
Cholera Vaccine	
Each ml. contains not less than 8,000 million of Vibro Cholerae.	
Small Pox Vaccine (Freeze dried) (Vaccine Lymph)	

Name of the Product	Bulk drug involved
Miscellaneous	
Sulphacetamide Eye drops 10 per cent, 20 per cent, 30 per cent.	Sulphacetamide Sodium
Homatropine Eye drops: Homatropine Hydrobromide O.1 G Sodium Chloride 28.0 mg. Solution for Eye drops. 5.0 ml.	Homatropine Hydrobromide.
Esserine Sulfate Eye drops Physostigmine Salicylate 25.0 mg. Sodium Chloride 40.0 mg. Sodium Metabisulphite 2.0 mg. Solution for Eye-Drops 5.0 ml.	Physostigmine Salicylate.
Benzyl Benzoate Emulsion 25 per cent	Benzyl Benzoate.
Acid Carbolic Lotion (25 per cent)	Phenol.
Lysol: 50 per cent Cresol V/V in a Saponaceous Solvent.	Cresol
Tr. Iodine Solution (Aqueous) Iodine—1.25 g. Potasium Iodide—2.5 g.	
Tincture Iodine. Iodine—2.5 g. Potassium Iodide—1.5 g. Purified Water—2.5 ml. Alcohol—2 5 ml.	Iodine.
Tr. Benzoin. Benzoin Crushed—100g. Alcohol—90 per cent upto 1000 ml.	Benzoin
Syrup Piperazine (500 mg. of Piperazine Citrate/5 ml.)	Piperazine Citrate.
Extract Bellodonna I.P,	Belladonna Root Powder
Chloramphenicol Suspension 125 mg./5 ml.	Chloramphenicol Palmitate
Syrup Paracetamol 125 mg /5 ml.	Paracetamol.
Tetracycline Hydrochloride Eye Ointment 1 per cent W/W Tetracycline.	Tetracycline Hydrochloride
Gripe mixture. Oil Anethi—0.0016 ml. Oil Anisi—0.0016 ml. Oil Caraway—0.0062 ml. Sod. Bicarbonate—290 mg. Alcohol 90 per cent—3 ml. Distilled Water—30 ml.	Oil Anethi, Oil Anisi, Oil Caraway, Sod. Dicarbonate 90 per cent Alcohol, Distilled Water.
Noscapine Linctus B.P.C. 15 mg./5 ml.	Noscapine.
Whitfields Ointment Benzoic Acid—60 per cent Salicylic Acid—3 per cent	Benzoic Acid Salicylic acid.
Nitrofurazone Ointment Nitrofurazone—0.5 per cent	Nitrofurazone
Petroleum Jelly	
Potassium Permanganate Solution:—(O. 1 per cent)	Potassium Permanganate
Anaesthetic Ether.	
Cetrimide Lotion (1 per cent	Cetrimide
Plaster of Paris Bandage	Calcium Sulphate, hemihydrate
Adhesive Plaster	Zinc Oxide
Ethyl Chloride Spray	Ethylchloride.
Boroglycerine Eye-Drops (2 per cent)	Boric Acid. Glycerine
Bleaching Powder	Calciumhypochlorite
Phenyl	Cresol, Caustic Soda.

Name of the Product	Bulk drug involved
Epsom Salts	Magnessium Sulphate.
Health Salts Sod. Chloride—10 per cent	Sod. Chloride, Sod. Sulphate
Sod. Sulphate—2 per cent	Pot Chloride, Pot. Sulphate.
Pot. Chloride—1 per cent	Citric Acid, Pot. Iodide.
Pot. Sulphate—5.5 per cent	Mag. Sulphate
Citric Acid—1.5 per cent	
Pot. Iodide—0.001 per cent	
Mag. Sulphate to—100 per cent	
Iodine Ointment: Methyl Salicylate—5 per cent	Iodine
Iodine—5 per cent	Methyl Salicylate
Sprain Ointment; Methyl Salicylate	
Ointment: Methyl Salicylate—500 per cent g.	Methyl Salicylate.
White Beeswax—200 g.	
Wool Fat—105 g. Menthol—100 g. Water—45 g. Cajuput Oil—25 g. Eucalyptol—25 g.	White Bees wax. Wool Fat, Menthol, Cajuput Oil Eucalyptol.
Cough Syrup	
Ammoniated Mercury Ointment	Ammoniated Mercury,
Ammoniated Mercury—5 g.	
Liquid Paraffin—3 g.	Liquid Paraffin—White.
White Ointment—92 g,	
Pain Balm. Clove Oil 1 per cent, Oil of Eucalyptus 8 per cent, Camphor 5 per cent, Menthol 3 per cent, Thymol 2 per cent, Menthyl Salicylate 6 per cent.	

Household Remedies

Tablet Iodochlorhydroxy Quinoline—250mg.; Tablet Ferrous Sulphate—200 mg.; Tablet Aspirin 300mg.; Hexa Vitamin Capsules and Tablets.:—(Each tablet or Capsule contains).—Vit. A—5000 I.U., Vit. D—400 I.U., Vit. Bl—2 mg., Vit. B2—3 mg., Nicotinamide—20 mg., Vit. C—75 mg.; Tablet Vitamin B-Complex, Prophylactic N.F.I.: (Vit. B1—2 mg., Vit. B2—2 mg., Vit. B6—0.5 mg., Nicotinamide—25 mg., Calcium Pantothenate—1 mg., Yeast—100 mg.)

Tab. Vitamin B-complex with Folic Acid and Vitamin-C, therapeutic N.F.I.; For therapeutic use:—

Vitamin B-1—10 mg., Vitamin B2—10 mg., Vitamin B6—2.5 mg.: Cal. Pantothenate—5 mg., Niacinamide—100 mg., Folic Acid—1.5 mg.. Vit. C—150 mg.; Tab. Vitamin C—50 mg., 100 mg. and 500 mg.; Tab. Antacid Dried Al. Hydroxide—120 mg.; gel. Peppermintoil—0.0003 ml.; Mg. Trisilicate—250 mg.,; Tabl. Milk of Magnesia—300 mg.; Tab. Quinine Sulphate—0.3 Mg.; Sulphacetamide Eye Drops 10 per cent, 20 per cent, 30 per cent: Benzyl Benzoate Emulsion 25 per cent.; Acid Carbolic Lotion (25 per cent).

Lysol:—50 per cent (Cresol V/V in a Saponaceous Solvent.; Tr. Iodine solution (Aqueous) Iodine—2.25 g., Potassium Iodide—2.5 g.; Tincture Iodine.—Iodine—2.5 g., Potassium Iodide—1.5 g., Purified Water—2.5 mg., Alcohol—90 per cent up to 25ml.; Tr. Benzoin.: Benzoine Crushed—100 g., Alcohol—90 per cent, up to—250 ml.; Gripe mixture.: Oil Anethi—0.0016 ml., Oil Anisi—0.0016 ml., Oil Caraway—0.0062 ml., Sod. Bicarbonate—290 mg., Alcohol 90 per cent—3 ml., Distilled Water—30 ml.; Noscapine Linctus B.P.C. 15 mg./5 ml.; Whitfields Ointment.; Benic Acid—60%, Salicylic Acid 3%; Nitrofurazane ointent Nitrofurazone—0.5%; Potassium Permanganate Solution:—(0.1 per cent).; Cetride Lotion (1%). Adhesive Plaster.: Boroglycerine Eye-drops (1 per cent).; Bleaching Powder.: Phenyl.; Epsom Salts.; Health Salts; Sod. Chloride—10 per cent, Sod. Sulphate—2 per cent, Pot. Chloride—1 per cent, Pot. Sulphate—5.5 per cent, Citric Acid—1.5 per cent, Pot. Iodide—0.001 per cent, Mag. Sulphate to—100 per cent;

Annexure B

Generic Names

All single ingredient dosage forms of the following drugs should be marketed under generic names.

Chloramphenical and its esters such as palmitate, monstearoy glycollate, succinate and stearate.; Tetracycline, Oxytetracycline, Chlorotetracycline, Demethylchlor tetracyclines, 5 Dioxy Oxytetracycline; Ferrous Sulphate; Aspirin (Acetyl Salicylic acid); Chlorpromazine; Reserpine; Tolbutamide: Analgin; Pipeazine and all its salts such as adipate, citrate and phosphate,; Crystalline Penicillin G such as Procaine, long acting benzathine penicillin, including semisynthetic penicillins.; Streptomycin; INH; Combination of INH-Thiacetozone.

Annexure C

Constitution of the Committee on the Drugs and Pharmaceuticals Industry

In the context of the large-scale expansion of the drugs and pharmaceuticals industry envisaged during the fifth five year Plan, with a view to ensuring the regulated and rapid growth to drug manufacture, and further with a view to ensuring that all essential drugs are made available to the consumers at reasonable prices, government have decided to constitute a Committee with following membership;

Mr Jaisukhlal Hathi M.P.—Chairman; Mr Yashpal Kapur, M.P.—Member; Mr Vasant Sathe, M.P.—Member; Dr Ranen Sen, M.P.—Member; Mr K.S. Chavda, M.P.—Member: Mr C. M. Stephen, M.P.—Member; Dr M. L. Dhar, Director, Central Drugs Research Institute, Lucknow—Member; Dr B. D. Tilak, Director, National Chemical Laboratory, Poona—Member; Mr S. S. Marathe, Chairman, Bureau of Industrial Costs & Prices—Member; Mr Vinod Kumar, Joint Secretary, Ministry of Petroleum & Chemicals—Member: Mr P.S. Ramachandran, Drugs Controller DGHS.—Member: Dr B. Shah, Dy. Director General, D.G.T.D.—Member; Dr B. V. Ranga Rao, Centre for Studies in Science Policy, Jawaharlal Nehru University.—Member; Mr M. K. Rangnekar, Commissioner, Food and Drug Administration, Government of Maharashtra, Bombay.—Member; Dr P. R. Gupta, Adviser (Drugs), Ministry of Petroleum & Chemicals.—Member Secretary.

Coopted by the Committee

Dr B.B. Gaitonde, Director Haffkine Institute, Parel, Bombay Member;—Dr S.S. Gothoskar, Drug Controller (I) DGHS (on the retirement of Mr P.S. Ramachandran) Member;

The Committee will examine and report upon the following matters:

(i) To enquire into the progress made by the industry and the status achieved by it; (ii) To recommend measures necessary for ensuring that the public sector attains a leadership role in the manufacture of basic drugs and formulation and in research and development.; (iii) To make recommendations for promoting the rapid growth of the drugs industry and, particularly, of the Indian and small scale industries' sector. In making its recommendations the Committee will keep in view the need for a balanced regional dispersal of the Industry; (iv) To examine the present arrangements for the flow of new technology into the industry, and make recommendations therefore; (v) To recommend measures for effective quality control of drugs, and for rendering assistance to small scale units in this regard.; (vi) To examine the measures taken so far to reduce the prices of drugs for the consumer, and to recommend such further measures as may be necessary to rationalise the prices of basic drugs and formulations.; (vii) To recommend measures for providing essential drugs and common household remedies to the general public, especially in the rural areas.; (viii) To recommend institutional and other arrangements to ensure equitable distribution of basic drug and raw materials especially to the Small Scale Sector.

The Committee will ascertain and take into consideration the views of the state governments and other interests concerned, as may be found necessary.

The Committee's headquarters will be at New Delhi.

All secretariat assistance required by the Committee will be provided by the ministry of Petroleum & Chemicals.

The Committee will meet as often as may be considered necessary by the chairman and shall submit its final report to government within six months The Committee may also, at its discretion, submit interim reports on specific matters from time to time.

Annexure D

Report of the Panel Constituted by the Committee on Drugs and Pharmaceuticals, Ministry of Petroleum and Chemicals, Government of India

The Panel met on June 8 and 9, 1974, at the Haffkine Institute, Bombay. The following were present: Dr Ranen Sen, Dr A. B. Chowdhury, Dr S. Padmavati, Dr B. Ray Chaudhari Dr K. V. Thiruvengadam Mr P.S. Ramachandran, Dr K. G. Nair, Dr B. J. Vakil, Dr P. R. Gupta, Dr B. B. Gaitonde—Convenor Mr M. K. Ranganekar attended by special invtaion.

The Committee discussed in detail the following:

(i) Measures for providing essential drugs and common house hold remedies, especially in rural areas: and

(ii) Whether it would be in the national interest to substitute brand names by generic* names and, if so, the manner and the extent to which it should be done.

With regard to the first term of reference, it was felt that a list of essential drugs, particularly those, which are used extensively in medical practice in both urban and rural areas, will have to be prepared. Accordingly, the lists of essential drugs prepared by the Committee on Essential Drugs, 1967, as well as those prepared by Prof. Padmavati and the Drugs Controller (India) were scrutinised and a new list (Appendix I) was prepared. In the opinion of the Committee, drugs mentioned in the attached list are extensively used and are essential for medical practice. In order to make these essential drugs available at a reasonably low price throughout the country, the Committee recommends the following measures:

(i) Production of these drugs should be stepped up immediately giving top priority for the manufacture of the relevant basic drugs.

(ii) The Ministry of Petroleum and Chemicals should take all such measures, which will increase the production of these drugs expeditiously. Special assistance, priority for power supply, other incentive schemes etc. may be given to entrepreneurs, pre-

*The term "generic" denotes "non-proprietary".

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