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The next issue will be published on August 9, 1975

On the march

IN THE LAST few weeks the world has been witnessing with admi- ion and respect the great movement of national resurgence in our country. Everywhere there are signs of our people entering a new era. Government clerks are attending office punctually while deputy secretaries have begun pushing files vigorously so much so liaison officers of business houses are complaining that the tempo of life has suddenly become too fast for them. Trains are not yet running to time but they will undoubtedly be doing so soon. Meanwhile the right to travel without a ticket, cherished by some of us, is fast becoming a vanishing liberty. Counter clerks in nationalized banks, the Life Insurance Corporation, post offices and the railway booking offices seem to have resolved to go down in the country's history as the ones who, like Abou Ben Adhem, loved their fellow-men. It is true that it still takes a month for an outstation cheque to be realized and considerably more time for the LIC to start working out how much is due to you on your policy which had matured some time ago, but even in these places, things will start moving sooner rather than later. Meanwhile Mr M.S. Oberoi is helping to stabilise the economy by lowering the price of *Chapaties* in his five-star hotels.

The Delhi Municipal Corporation is rounding up stray cattle caring a damn for the bellowed protests of the affected beasts against this abridgement of their civil liberties. The New Delhi Municipal Committee is breaking up the concrete around pavement trees so that they may breathe the heady air of freedom in India's capital city. Bogus ration cards are being surrendered by the thousands in the two Delhis and, should this fashion catch on in other cities, the Food Corporation of India may soon be asking farmers in Haryana and the Punjab to help solve the national warehousing problem by holding a little more grain a little longer in their granaries. Quite obviously, Mrs Indira Gandhi's exhortation to the nation to practise the twin virtues of discipline and dedicated hard work has transformed the attitudes of our fellow-citizens. Gone are the fatalism and cynicism, the apathy and inertia. Our people now realize that they have already wasted too much of their precious years of freedom and that they should not waste any more of it. They have regained confidence in themselves and in what they can do for their country. They need no Kennedy to remind them of their obligations to the land of their birth. Who lives if India dies? This is the spirit in which this ancient country, under the history-making direction of Mrs Gandhi, is now marching towards whatever destiny may be in store for it. It has no doubt at all in its mind that it will be rewarded according to its deserts.

—Editor

COMMISSIONER OF TAMIL NADU
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Haves and have-nots

THE RECENT visit to this country of Mr H.J. Wischnewski, the West German minister of state in the Foreign ministry, was reported to have resulted in fruitful discussions with Mr Y.B. Chavan, the minister for External Affairs, and Mr G. Parthasarathy, chairman of the Policy Planning Committee, on economic co-operation between the developed and developing countries. In Paris an attempt was made in April this year to hammer out solutions to some of the difficult problems facing the developing countries, especially those relating to the energy crisis and the prices of raw materials but this meeting between the haves and the have-nots had to be adjourned without agreeing to even the agenda for exchange of views at the forthcoming world conference on these questions. After the failure of this French effort at Paris, the Federal Republic of Germany continued its efforts on behalf of the European Economic Community to determine the areas on which agreement could be had. In pursuance of this objective, Mr Wischnewski had already been to Algeria and Zaire and had plans to visit Iran, Saudi Arabia and Venezuela.

The West German government had on its part taken active interest in the economic development of our country. Since 1957, it had contributed about six billion marks (about Rs 1800 crores) by way of aid to our economy. Roughly, one-third of the official bilateral loans and 10 per cent of the technical assistance of West Germany had come to this country and the West German government had held out assurances of further assistance not only to our country but also to all the developing countries. Only a month ago, a special cabinet session of the Bonn government had outlined guidelines for co-operation with the developing countries. Broadly, they reiterated the policies pursued by the West German government so far and sought the assistance of the newly-rich oil countries in tackling the problems of the third world countries. The guidelines urged the Organization of Petroleum Exporting Countries (OPEC) to broaden the concept of development policy and to lay down criteria for granting aid that were comparable to those of the industrial countries. However, these guidelines fell far short of the demands of the developing countries.

For instance, the developing countries had urged the developed countries to let their share of world industrial production rise from seven per cent as at present to 25 per cent at the end of the current century. While the industrialised nations including West Germany had not objected to the raising of the share of the developing countries in industrial production, they were not keen to specify the figure. The major demands of the developing countries of the world were: (a) tying of the prices of raw materials to a price index for industrial manufactures. (One of the suggestions was to link them with the price of crude oil); (b) voluntary giving up by industrialised countries of production of goods which can be manufactured cheaply by developing countries; (c) formation of cartels of raw materials and a ban on the breaking of these cartels by the consuming countries; (d) control of investments linked with the right of developing countries to dispossess foreign investors without international norms being specified for compensation; (e) formation of a fund to promote industrial development in the third world; and (f) removal of the remaining trade barriers for produce of developing countries.

It was undeniable that after the success of the OPEC in raising the price of crude oil and in bringing about a huge shift in the ownership of liquid financial reserves in the world, the developing countries had started thinking of a new economic order in the world. Some of the developed countries, though helpful in giving assistance to the developing countries, were finding it hard to give up the advantages which had continued to accrue to them even after the termination of colonial rule. In some quarters, this was being construed as a confrontation between the haves and the have-nots.

While pleading to seek harmonization of interests, President Walter Scheel of West Germany was reported to have said recently in Washington: "It would be politically meaningless and economically impossible just to transfer our assets and our social achievements to others as some developing countries would like it". This interpretation of the demands of the developing countries was rather far-fetched, especially when they had kept doors open for compromise on all points at issue.

As stated earlier, West Germany had gone a long way in rendering sizeable economic and technical assistance to a large number of developing countries including our country. All that was needed was a continuation of this programme of assistance to the poor countries of the world and in the same spirit of cooperation. Surely, the demands of the developing countries could be modified so as to reconcile with the sharply conflicting interests of nations. However, the steps taken so far by the developed countries in raising the export-earnings of developing countries (such as the Generalised System of Preferences) had not been highly successful. And there was no dearth of imaginative leaders in the industrialised world who had seen that the poor of the world could not be allowed to remain poor for ever.

Mr Harold Wilson, for example, put forth some helpful suggestions at the Commonwealth Prime Ministers' Conference held in May in Jamaica so as to meet the developing countries half-way. Mr Wilson urged that new producer-consumer associations could be set up if it was felt that the old ones under the commodity agreements had not functioned effectively. He suggested the setting up of buffer stocks for commodities to reduce the violent fluctuations in prices, and stabilisation of the export earnings of the developing countries through schemes drawn up on the same lines as the Lome Convention between the European Economic Community and 46 African, Caribbean and Pacific states. Mr Wilson also recommended that the possibilities of index-linking of commodity prices to the prices of manufactures should be examined.

The final communique at Kingston (Jamaica) underlined, among other things, the necessity of taking measures to transfer real resources from developed to developing countries through co-operation in the field of international trade in primary commodities with particular reference to the integrated commodities programme recommended by the secretary-general of UNCTAD, the current proposal for buffer stocks, indexation and other proposals for a general agreement on commodities. Also, it was suggested that international institutions concerned with the management of international trade and finance should be restructured and means should be found to increase the effective share of the developing countries in the decision-making process of the major international financial institutions.

While discussions on this subject would continue at various forums round the world, one thing which was emerging from these dialogues was that the industrialised countries were very keen to associate the oil-exporting countries in the scheme for bettering the lot of the poor developing countries. The initiative shown by the British prime minister, Mr Harold Wilson, had been appreciated by the US Secretary of State, Dr Henry Kissinger and he had made it known that the USA was ready to participate in the creation of $ 1,000 million a year international fund for agricultural development which had been proposed by the oil-exporting countries. Even Britain had shown its willingness to take part in such a fund created by the OPEC.

Thus, the industrialised world was throwing the onus on the oil-exporting countries to resolve the problems of the developing countries though, through the Organisation for Economic Cooperation and Development (OECD), it had agreed "to pursue the dialogue with the developing countries in all appropriate forms, in particular the forthcoming seventh special session of the United Nations General Assembly". The industrialised countries continued to use such vague phrases as "balanced and equitable structure of international economic relations" but did not fail to pick holes in the concrete suggestions designed to assist the developing countries.

Lower lending rates?

THE METHOD of borrowing by the central and state governments, state electricity boards and statutory financial corporations has become so streamlined, since the nationalisation of major banks, that the Reserve Bank has only to assess broadly what will be the investible resources of the banking system, the Life Insurance Corporation and other institutions and make the necessary allocation. In view of the larger needs of the state governments and the public bodies, the central government preferred to fix a lower target for net borrowing in 1975-76. It was thus estimated that the gross amount mobilised should be Rs 532 crores and allowing for repayment of the maturing 4½ per cent 1975 loan, outstanding for Rs 207.12 crores, net borrowing would be Rs 324.88 crores. In 1974-75 gross borrowing was Rs 696.44 crores and net borrowing Rs 494.80 crores.

The recent developments in the money market, however have been more favourable for floating open market loans and it was decided by the Reserve Bank that the statutory financial corporations should be helped to raise additionally Rs 50 crores through issues of bonds in order to enable them to sanction liberal assistance for implementing new and expansion schemes of industrial units in the private and cooperative sectors. The state governments too may seek to raise a large amount through their loans especially as the floatation of new loans can be suitably timed, there being no maturing loans on the present occasion. It was for a time felt that the central government might not be in a position to raise a larger net amount through new loans. In view, however, of the more impressive growth in deposits of scheduled commercial banks in recent weeks and the less keen demand for funds, an increase in procurement credit could be effected without borrowing on a large scale from the central banking institution.

In the current slack season, deposits of member banks have risen by Rs 573.84 crores (between April 25 and July 11) against Rs 537.00 crores in the corresponding period in 1974. Even with an increase in aggregate advances by Rs 282.91 crores against Rs 261.80 crores, it was possible to reduce borrowings from the Reserve Bank by Rs 85.85 crores against an increase of Rs 6.08 crores previously. This was because the statutory liquidity ratio had been maintained at a satisfactory level and fresh additions to deposits could be used for reducing borrowing from RBI. It is also necessary to point out that the bigger increase in aggreate advances in the current slack season upto July 11 was due to expansion of food credit for Rs 201.26 crores against Rs 106.19 crores. Non-food credit rose by only Rs 81.65 crores against as much as Rs 155.61 crores previously.

In the fortnight ended July 11 there has actually been a contraction in advances with a drop in both food and non-food credit. With the reduction in sugar and grain stocks and an improvement in the offtake of textiles and ferilisers, it can be expected that there will be a contraction in credit by over Rs 250 crores in four months ending October even allowing for an increase in credits in some directions due to higher level of output and the marketing of raw jute in September/October.

It can also be anticipated that the growth in deposits in July-October will be nearly Rs 500 crores. With a drop in advances of the order indicated above, banks may have investible resources of about Rs 750 crores. There may be a desire on their part to utilise to a maximum extent possible these funds for augmenting gross incomes and reducing interests paid on borrowings. Even if the lending institutions consider it desirable to wipe out completely their borrowings from the Reserve Bank, the balance of Rs 600 crores will have to be disposed of mainly in the form of investments in government securities, bonds and treasury bills. The member banks alone can thus support new loans to the extent of Rs 400 crores while the LIC and provident funds may be in a position to take up a new security for Rs 200 crores if not more. The Reserve Bank may, therefore, attempt to intensify borrowing by the central and

state governments and public bodies before the onset of the next busy season.

The improved scope for raising larger amounts through new loans and bonds has perhaps encouraged the Reserve Bank to raise the target for net borrowing by central government. Otherwise, it would not have decided to fix a notified amount of Rs 400 crores for three new central loans, even with the first phase of the borrowing programme for 1975-76, in the full knowledge that they will be oversubscribed. This expectation has been justified and the net amount realised has been Rs 233 crores, after allowing for the outstanding amount of 4½ per cent 1975-Loan which was redeemed on July 26, 1975 and which was outstanding to the extent of Rs 207.12 crores. With the acceptance of subscriptions in excess of the notified amount upto 10 per cent, the central government has to raise only about Rs 92 crores for completing the target for the year. It can be easily reckoned that additionally Rs 250 crores can be raised in two stages after the state loans are out of the way taking the total for net borrowing to Rs 483 crores. Under helpful circumstances a sum of Rs 500 crores can be realised even after enabling the state governments and public bodies to secure larger amounts.

In view of the comfortable conditions in the money market the Reserve Bank need not have made the terms of new loans more attractive to the lenders. The adjustments in the terms of the latest loans have of course been made mainly with the objective of spacing suitably the maturing dates. In the process the lenders have been helped to secure higher redemption yields on their fresh investments, though these yields are marginally better than the returns available on existing loans. It cannot be said however that the dearer money policy has been made further dearer. Only it has been confirmed by the monetary authorities that the policy enunciated in the middle of last year will continue to be effective for some time and there will be no early reversal of the Bank Rate.

It may of course be argued that there is no integrated interest rate structure and with the wide divergence between the interest rates on loans and bonds, the bank rate and interest rates on advances of member banks, there can be a reduction in the latter two categories. The point to be emphasised is the fact that, even with the new terms, the government is borrowing on a privileged basis. The three new loans are different in character from those issued in November last year. The short-medium dated loan, 5¼ per cent—1982 has an issue price of Rs 99.40 against the four-year 1978 Loan issued on last occasion at par and carrying interest at 5¼ per cent. The long medium dated loan, 6¼ per cent—1993, has an issue price of Rs 98.50 against 6 per cent—1988 loan at par. The longer-long-dated loan, 6¼ per cent—2003 Loan has been offered at par against previous 6¼ per cent—1997 Loan at par.

What has really happened is the current yield has been raised by ¼ per cent for the extension of duration of loans and the redemption yields are only marginally higher than those available on analogous loans at current selling prices of RBI. The banking system will be welcoming the opportunity for securing an extra ¼ per cent on fresh investments, in terms of current incomes, on the disposition of fairly large amounts. The Reserve Bank too can claim that it is also inducing some measure of discipline in the use of funds by governments and public bodies. While, therefore, it can be expected that net borrowing by the central and state governments and public bodies will be constituting all-time records, the question is being asked in money market circles whether banks would be agreeable to reduce lending rates in view of the changed situation and effectiveness of credit planning.

Trends in tea export

IMPORTANT NEW trends in the export of tea are revealed in "Tea Statistics 1973-74", recently released by the Tea Board of India. It is shown that India has been making encouraging progress in promoting the export of tea bags, instant tea, packet tea, and green tea. The export of tea bags in 1973 amounted to 155,000 kgs valued at Rs 39 lakhs compared to 68,000 kgs worth Rs 14.58 lakhs in the preceding year. The higher exports of tea bags were mainly due to better demand in Czechoslovakia, Hungary, Bulgaria, East Germany, Iran, Kuwait, Saudi Arabia and Singapore. Tea bags are said to be gaining popularity in the USA, Canada, and West Europe. About 60 per cent of the total tea consumption in these countries is on account of tea bags while in the UK it is of the order of 25 per cent. India can earn more foreign exchange from the export of tea bags provided the production capacity is increased.

The export of instant tea from India increased from 230,796 kg in 1972 to 242,622 kg in 1973 valued at Rs 71 lakhs and Rs 76 lakhs respectively. The main markets were the UK and the USA, accounting for Rs 21 lakhs and Rs 54 lakhs respectively. However, the export of instant tea in 1973 was much lower than in 1970 when it amounted to 318,724 kgs valued at over one crore rupees. The unit value realised was Rs 32.95 per kg in 1970 compared to Rs 30.87 in 1972 and Rs 31.34 in 1973.

The export of green tea has also shown encouraging results. Afghanistan has been the traditional market for green tea but in recent years this item has been exported to new markets such as Japan, the USA and West Germany. But the total export of green tea in 1973 was slightly lower by 0.4 million kgs to 2.4 million kgs valued at Rs 1.76 crores mainly because of the reduced offtake by Afghanistan. The Tea Board says, that there exists "a great potential market" for green tea in Japan, Morocco, the USA, Canada, Algeria and Libya and suggests that India's capacity for production of tea suitable for these markets has to be expanded. But the Tea Board has not disclosed whether it is taking any steps in this direction.

As regards black tea, its export went down from 193.23 million kgs in 1972-73 valued at Rs 147.29 crores to 190.27 million kgs worth Rs 144.85 crores in 1973-74, the unit value in the latter year being Rs 7.61 per kg compared to Rs 7.62 in the preceding year. The Tea Board has said that "though exports in 1973-74 were only marginally lower by three million kgs as compared to 1972-73, the figure of 190 million kgs export during 1973-74 is admittedly substantially lower compared with our average annual export of about 200 million kgs". It has explained that the lower exports in 1973-74 were due to strikes and go-slow in warehouses and the Calcutta port, difficulties in getting shipping space, and the change in the system of recording of exports by the Customs Department. In 1974-75 however exports have shown an improvement. In the first three quarters of 1974-75 tea exports are estimated to have earned nearly Rs 160 crores against Rs 115 crores in the same period of the previous year. Nevertheless, the government of India and the industry should make more serious efforts to augment the earnings of foreign exchange from the export of tea.

Indian tea has been losing ground in many important markets because of shipping difficulties, competition from other countries and other beverages or for other reasons. For instance, exports to the UK in 1971-72 amounted to 71 million kgs but declined to 50 million kg in 1972-73 and 51 million kg in 1973-74. The Tea Board says that exports to the UK have to be considered together with those to Netherlands because large quantities of tea are shipped to the latter first and re-exported to Britain. Exports to the UK and the Netherlands in 1973-74 were higher by 1.7 million kgs but it is stated that the exports to the UK would have been still higher but for shipping difficulties. For the same reason, there was also a set-back in export to the Irish Republic from 5.8 million kgs in 1972-73 to 5.1 million kgs in 1973-74.

It is also important to note that in many countries it is Sri Lanka, not India, that is the major supplier of tea. For instance, in 1973-74 (year ending June 30) Australia imported 3.7 million kgs of tea from India compared to 10.8 million kgs from Sri Lanka. In 1972 Iraq imported 7.6 million kgs of tea from India against 13.4 million kgs from Sri Lanka. In 1973-74 (year ending March 21) Iran imported 4.6 million kgs of tea from Sri Lanka against 3.5 million kgs from India. It is however surprising to note that though Sri Lanka has been a major competitor to India, our Tea Board has not cared to equip itself with up-to-date data regarding Colombo's export performance. For instance, "Tea Statistics 1973-74" gives the figures of Sri Lanka's total earnings from tea exports from 1970 to 1973 but points out that the break-up of these figures is not available! It gives figures for the production and export of instant tea from Sri Lanka only from 1967 to 1970 and does not have any data beyond the latter year.

There has been in recent years a great deal of discussion under the auspices of the FAO regarding multidimensional approach to the problems of the tea industry especially with reference to a minimum export price arrangement, regulation of marketing, cooperation in global promotion, and rationalisation of marketing so as to achieve the most favourable prices. It has also been agreed that tea exporting countries should be provided with an independent market intelligence service so that they will have "up-to-date and regular information about marketing developments and future outlook for various types of tea". It is necessary that India's Tea Board should show greater interest and initiative in equipping itself with reliable data about all aspects of world's tea industry especially in regard to the activities of our competitors.

Indo-Bangla trade: why one—way?

THE GOVERNMENT of Bangladesh has recently reiterated its desire to develop trade and economic cooperation with India. Mr A.B.M. Golam Mustafa, Secretary of the Department of Industries of Bangladesh, told the Bengal National Chamber of Commerce and Industry in Calcutta on July 5, that the trade between India and Bangladesh should not be "a one-way traffic", as at present, and that both countries should take active measures to promote closer cooperation in various fields. In the last three years, Indo-Bangladesh trade did not develop rapidly because of the inexperience of public sector trading institutions as well as the inadequate infrastructure in both countries. The non-availability of adequate exportable surpluses in India and Bangladesh and the extensive smuggling operations across the border had also stood in the way of trade promotion. It was however expected that both countries would take effective steps to promote trade to higher levels in view of the geographical proximity, the complementary nature of the economies of the two countries, and their cordial political relations. But the volume of trade between them continues to be negligible.

The balanced trade and payment arrangement which came into force from September 28, 1973 envisaged exports from India of coal, unmanufactured tobacco, cement, raw cotton, cotton yarn, cotton textiles, chemicals, pharmaceuticals and some other items. The goods to be imported under this arrangement included raw jute, fish, newsprint, spices, and miscellaneous items. The trade was to be conducted mainly by the STC, MMTC, Cotton Corporation of India and the Cotton Textiles Export Promotion Council from India and by the Trading Corporation of Bangladesh. But this arrangement did not work smoothly.

With effect from the January 1, 1975 both countries agreed to conduct trade on the basis of freely convertible currencies in accordance with the import, export and foreign exchange regulations as may be in force in each country from time to time. But even under this system, Indo-Bangladesh trade has shown no indications of signicant expansion. According to the latest annual report of the union Commerce ministry, India's exports to Bangladesh were valued at Rs 168.24 crores in 1972-73 but declined to Rs 58.73 crores in 1973-74. In April-September 1973 these exports amounted to Rs 21.31 crores but fell to

Rs 18.22 crores in the similar period of 1974. The report has not given figures regarding the value of imports from Bangladesh into India.

Mr Golam Mustafa stated that there was a large "communication gap" between the two countries about the possibilities for promoting trade and economic cooperation. The existence of such a gap about three years ago could be understood but it seems strange that this should persist even now. It appears that neither Dacca nor New Delhi is taking sufficient interest and initiative in promoting this trade. What is more surprising is that even the chambers of commerce and other trade and industrial associations in West Bengal have remained largely indifferent to the development of this trade. One would have expected at least the government of West Bengal to show a lively interest in this matter since Bangladesh can provide a ready market for many of the goods produced in this state.

A large number of industries in West Bengal continue to work with considerable idle capacity due to lack of demand and some of them could have found a market for their products in Bangladesh. But unless the government of West Bengal as well as the commercial organisations in Calcutta carefully and continuously study the pattern of the foreign trade of Bangladesh with special reference to the sources of its imports and the prices at which they are obtained, it will not be possible for this trade to develop rapidly. Dacca also should realise that it will be to its advantage to get its requirements from India as far as possible. Industrial production in India is rapidly picking up and export promotion is also receiving greater attention from New Delhi. The time is therefore propitious for giving a new impetus to the growth of Indo-Bangladesh trade.

Bangladesh has offered to supply to India not only traditional items such as coal and jute but also other products—copper cables, wires, rayon and shellac. It is not known to what extent Bangladesh will be able to supply these and other products at competitive prices. Mr Golam Mustafa has regretted that Indian wagons are returning practically empty from Bangladesh. But Dacca should also examine why this situation prevails and how it can step up its exports to our country. Meanwhile, the Bengal National Chamber of Commerce and Industry has made a number of suggestions for promoting trade such as direct dialling facilities between Dacca and Calcutta, multiple visa system to facilitate freer travel, facilities for Indian traders to pay in rupee in Bangladesh hotels, prompt return of wagons by Bangladesh railways, and opportunities to coal suppliers in the private sector in India to participate in Bangladesh trade. New Delhi and Dacca should consider these suggestions favourably and create suitable conditions for the substantial expansion of Indo-Bangladesh trade.

Dacca has also shown interest in inviting Indian capital and technical know-how to invest in Bangladesh. It has been clarified that the government of Bangladesh will welcome foreign participation especially in those industries where technical know-how is not locally available, the technology involved is complicated, the capital outlay is large and the production is mainly export-oriented. The government has assured that there will be no nationalisation of industries for a period of 15 years and that in the event of nationalisation, prompt and adequate compensation will be paid. As the economy of Bangladesh is now poised for rapid development, it will be worthwhile for Indian entrepreneurs to explore the possibility of setting up joint ventures.

The implementation of the five-year Plan (1973-74 to 1977-78) of Bangladesh is expected to give an impetus to the growth of agriculture, industry, transport and communications. It envisages a substantial increase in the production of wheat, oilseeds, cotton, engineering goods, steel, fertilisers, paper and leather while a moderate increase is proposed in some industries such as jute and tea. The total outlay in the plan is estimated at Tk 4455 crores of which Tk3952 crores is for the public sector and Tk 503 crores for the private sector. The implementation of the plan is expected to create new opportunities for expanding trade and economic cooperation in various forms between the two countries. There is no reason why the pattern of the present "one-way traffic" cannot be changed suitably and substantially for the mutual benefit of both India and Bangladesh.

Eastern Economist 30 Years Ago

AUGUST 3, 1945

Before the war, the indigenous production of copper could satisfy only a fifth part of the country's requirements. Aluminium was first produced in 1943. We have, thus, been dependent in the main on imports for our requirements of non-ferrous metals and alloys and their manufactures. Added to this what scrap of these valuable metals were to be had were largely exported to Germany and Japan for there was no refinery industry of any considerable size or importance. While production of virgin metals was thus almost completely absent, there was no manufacture of finished articles such as rods, sheets, wires, bearing metals, etc. to any appreciable extent except in the case of brass sheets, even in the case of which indigenous production could meet only 40 per cent of the country's requirements. The average annual imports for 5 years before the war were 16,000 tonnes of brass sheets worth Rs 90 lakhs about 10,000 tonnes of copper sheets worth Rs. 60 lakhs. Tin base bearing metal of all kinds required by the railways and heavy industries, and wires of different non-ferrous metals have been imported. Some semi-manufactures of copper, brass, bronze, lead aluminium etc., in the forms of rods, wire, sheet, tube, etc., have also been imported. Thus while the available scrap was exported for refinery and re-conditioning, our requirements of the manufactures of these metals have been met almost solely by imports.

Annual Results –31st December, 1974
Provisional Results –30th June, 1975

punjab national bank

CHANGE : PNB, towards the end of 1972, had a new Board of Management under the Nationalisation Act, representing technical and professional interests, workers and officers. It was also the year when we undertook a major change involving a new organisation structure, new systems, an operational philosophy and culture. It would be well therefore in looking at the year 1974 to see the progress we have made. The heart of the change we introduced was the system of planning, budgeting and appraisal, which the Board could use both as an instrument of its policy and of its implementation.

The figures in the statement below show highlights of our growth.

HIGHLIGHTS

		1972 Actual	1973 Actual	1974 Actual	1975 (Half year) Provisional
Aggregate Deposits	Rs. Cr.	600 100%	713	793	839 140%
Credit—total, of which	"	327 100%	430	484	677 177%
—Priority Sector*	"	75 100%	126	151	160 213%
—Public Sector**	"	Negligible	21	50	55
Personnel trained	Number	349 100%	1089	3271	1724 623%
Branches—Total	"	907 100%	1015	1101	1125 122%
—Losing	%	48.3 100%	40.5	29.8	28.4 59%
Credit-Deposit Ratio	%	54.5 100%	60.1	61.0	68.6 126%
Profit	Rs. Cr.	2.5 100%	2.4	3.0 120%	—

*Exports, Agriculture, Small Industry, Transport, Self-Employed, Professionals, Small Business and Retail Trade.
**Excluding advances to Food Corporation of India.

TASKS : In our Budget for 1974, we spelled out our task as a kind of Panchsheel: maximisation of deposits; maximisation of credit; maximisation of priority sector credit; maximisation of profits; minimisation of expenditure.

1974 for PNB was a good year all round.

DEPOSITS : in consonance with the general trend in banking, deposits rose at a lower rate than the previous year due to the general slackness in the economy, and particularly in agriculture, during 1973-74. Current prospects however look good and the year 1975 should show a healthy rise. In fact our 1975 first half year's provisional results support our optimism. We have traditionally lagged behind the system's deposit growth and though we managed almost to catch up in 1973, in 1974 we slipped again, and this weakness we must remove.

CREDIT : The excellent progress during 1974 has continued through the first half year of 1975. There is an expansion, a diversification, a reduction in seasonality and particularly a healthy rise in our share in the priority and public sectors.

PROFITABILITY AND COST CONTROL: Happily expenditure is now well under control and profitability is rising healthily. The 4% drop in profits in 1973 was amply made up by a 26% rise during 1974, and the trend continues stronger through 1975. We set up a new Expenditure Control & Financial Management Division to make concrete the economy drive suggested by the Government, and create a general consciousness of the need to curtail avoidable and wasteful expenditure and practices. The results are promising.

LOSING BRANCHES : Losing branches declined from 48.3% in 1972 to 28.4% by mid-1975. It usually takes 2 to 3 years for a new branch to break even. Excluding 218 branches opened after 1972, the percentage of losing branches in mid-1975 comes to 9% of the total.

OVERTIME : This was another rapidly growing problem that we tackled with the cooperation of all—staff, officers and managers, and the high 22.1% rise in 1973 decelerated to a mere 1.6% in 1974. Actually there was a fall in the overtime hours, and the small rise in the amount by 1.6% was due to the impact of the very steep rise in dearness allowance, which went up by 57% (Rs. 3.17 crores) during 1974.

DELAYS : We have devoted much attention to our own internal delays and outstandings, so that we could give speedier attention to our customers' loan proposals, and to the issues raised by branches and regions with head office, and so tone up the system all along the line.

TRAINING : We intensified training activities by setting up of five new Zonal Training Centres and enlarging the Staff Training College at Delhi. The training programmes were geared to meet our needs in the context of the change from traditional to development banking. Where in 1972 only 349 (all officers and no clerks) were put through training, in 1974 a total of 3,271 (1,314 officers and 1,957 clerks) were trained. The Courses covered a variety of subjects : general management and banking and there were special seminars on agricultural financing.

MANAGEMENT STYLE : And now we come to perhaps the most important issue of all. Our Bank with its over 1,100 branches is a widely scattered operation, entirely different in nature from industry where operations are concentrated in a few production units. Each branch, from Peo our northern most border town, to Trivandrum in the extreme south is an 'island unto itself', but no 'part of a main'; each often a small group of men who have to plan and exercise their initiative locally. We have therefore been looking for a new style of management that would combine a sense of institutional belonging with entity and initiative, and came to the conclusion that only through a style of participation can this be achieved.

Early in 1974 we therefore opened dialogues with the staff union and officers' association and held two exploratory preliminary seminars. It has been a long haul for all concerned, but earlier this year a Steering Group was formed to organise a convention to plan for a participative and consultative management.

We quote from a Joint Declaration published by the Steering Group, as they see their task:

"The Group is entrusted with the specific task to improve upon Bank's working and its main objective is to involve employees irrespective of cadre or status. Any developmental effort to be successful would require the active participation of the individuals who are responsible for executing the development plans. This means cooperation on the part of each one of us. It is, therefore, hoped that all sections of the employees will put forth their participative and constructive effort to improve the performance of the Bank, working for its growth and development and also take keen interest in making our team work a success."

The convention was successfully held recently and now we are going ahead in formulating a plan of action.

If PNB has made good progress, it has yet and a lot more to achieve, which it no doubt will, with its 80 years' history of struggle and of what it faced and how well it survived. And lastly, most importantly, Board thanks all in the Bank, the men and women, who are really the Bank.

BOARD OF DIRECTORS:
M. ASDULLA, I. S. AHLUWALIA, SATYENDRA NATH BHARGAVA, D. P. CHADHA, A. K. DUTT, B. M. GOGTE, V. M. JAKHADE, DR. A. S. KAHLON, V. N. KAK, MADAN MOHAN MAHAJAN, BIMAL NARAIN MEHROTRA, PRAKASH TANDON, *Chairman*

B. K. VORA, *General Manager*
O. P. GUPTA, *Deputy General Manager*

Capital's Corridors

R. C. Ummat

1975-76 plan • Supplementary demands • Guidelines for industries • Export obligations

THE INCREASE in the Plan outlay for the centre, states and union territories this year to Rs 5,973 crores from Rs 4,844 crores last year — approximately 23 per cent step-up — should go some way in fostering the growth of the economy. Since every effort is proposed to be made to contain deficit financing and the sectoral allocations of this year's Plan are heavily weighted in favour of such critical areas as irrigation and power, production of fertilizers, coal and oil and fuller utilisation of the existing capacities, the increase in the Plan outlay should as well, have a salutary effect on the priceline.

In the interest of holding the priceline, the distribution aspect of mass consumption goods is also proposed to be attended to under the current Plan programmes in a much more concerted manner than has been the case hitherto.

critical areas

Another significant fact about this year's Plan is the added emphasis being placed on accelerating some projects in the critical areas so that they can fructify within the next two years. New starts are being allowed only in areas of critical importance. New programmes of relatively less importance are being deferred.

Within the constraint of resources, provisions have been made to the extent possible to expand programmes especially for the benefit of the weaker sections of the community and the backward areas.

Much greater reliance is being placed than hitherto on the domestic budgetary resources in financing the current year's Plan. These resources are expected to show a marked expansion due to full year's yield from the measures adopted for raising additional resources in 1974-75 and further measures adopted already or proposed to be adopted during the current financial year. It is estimated that nearly 82 per cent of this year's Plan outlay would be financed from such resources, as against 79 per cent in the case of the last year's Plan. The external assistance is expected to provide this year a little over 10 per cent of the total resources for Plan programmes and the oil credits another four per cent. The remaining four per cent of the requirements are proposed to be met by deficit financing.

* *

The first instalment of supplementary demands for grants of the central government for the current financial year (excluding railways), which was presented to Parliament last week, reveals that not only the cost of some public sector projects has gone up in the recent past than what was envisaged at the time of drawing up this year's budget, but also larger budgetary support has to be provided to straighten out the complications that have arisen in the textiles and fertilizer industries. Spread over 10 heads, the demands aggregate to Rs 285.76 crores — Rs 23.10 crores on revenue account, Rs 21 crores on capital account and Rs 241.66 crores for disbursement of loans and advances. Taking into account the related receipts and recoveries, the net outgo on the 10 demands, however, is estimated at Rs 260.46 crores. Unless economies are effected in governmental expenditure, the tax and other revenues of the government show an increase over the estimates presented on February 28, and some of the loans provided for a short duration are repaid by the loanees according to the terms governing them, the central deficit this year should go up by the above extent.

Of the Rs 285.76 crores 10 demands for grants, four are on account of assistance to state governments. They aggregate to Rs 160 crores. An additional sum of Rs 75 crores — over and above the budget provision of Rs 100 crores — is to be made available to the state governments as advance Plan assistance for investment in the core sectors of irrigation and power. The other three heads under assistance to state governments relate to non-Plan expenditure. A sum of Rs 36 crores is to be provided as short-term loans to state governments for increasing the consumption of fertilisers and to offset the impact of the recent declaration of moratorium on the recovery of loans advanced to small and marginal farmers for the purchase of fertilisers and other farm inputs. Part of the above increase in expenditure has also been caused by the higher prices of fertilisers than envisaged earlier. To some extent, this outgo however, can be expected to be mitigated as a result of the downward revision effected in the prices of fertilizers with effect from July 18.

Another sum of Rs 5 crores is being made available as loans to the state governments of Karnataka, Kerala, Andhra Pradesh and Tamil Nadu to enable them to purchase the heavy stocks that have accumulated in the recent months in the handloom sector. Ways and means advances to the extent of additional Rs 50 crores — a provision of Rs 100 crores had been made for this purpose in the current year's budget — are to be provided to some state governments on a temporary basis.

increased assistance

Assistance to some public sector enterprises is now estimated to go up from the budgeted figure by Rs 125.76 crores. Of this, Rs 74 crores are accounted for by increased investment costs of some governmental projects or higher working capital requirements of some public sector enterprises. The investments costs have increased by Rs 10 crores in the case of the Neyveli Lignite Corporation (purchase of some specialised mining equipment), by Rs 15 crores in the case of the Indian Oil Corporation's Salaya-Viramgam-Koyali pipeline complex, by Rs 20 crores in the case of the IBRD/IDA assisted projects of the Agricultural Refinance Corporation and by Rs 29 crores in the case of the Korba plant of the Fertilizer Corporation of India.

The working capital requirements have gone up in the case of the Indian Drugs and Pharmaceutical Ltd (Rs 2 crores), the National Textile Corporation (Rs 23.71 crores) and the Indo-Burma Petroleum Co (Rs 45 lakhs). The budgetary support of meeting the losses of the three public sector coal mining companies — the Coal Mines Authority, the Bharat Coking Coal Ltd, and the Singareni Collieries — has been increased by Rs 25 crores. The Unit Trust of India has been provided Rs 60 lakhs for enabling it to maintain its dividend rate at 8.5 per cent.

* *

The new edition of the "Guidelines for Industries", which has been brought out by the union ministry of Industries and Civil Supplies a few days ago, suggests that there is some scope for additions to the installed capacities in 44 industries. The present capacities of these industries are either not sufficient for meeting the domestic requirements or for fully exloiting the export potential. These industries are: (i) heavy duty automotive castings; (ii) malleable iron castings; (iii) S.G. iron castings; (iv) special types of electric motors; (v) electronic teaching aids; (vi) programmable calculators; (vii) electronic cash registers and electronic accounting and invoicing machines; (viii) peripherals; (ix) electronic process control instruments and components; (x) medical electronics; (xi) electronic instrumentation; (xii) passive components; (xiii) professional grade trimmers; (xiv) magnetic heads; (xv) professional grade printed circuit boards; (xvi) scooters; (xvii) ancillaries for fishing trawlers; (xviii) certain specialised and sophisticated equipment of industrial machinery; (xix) chemical duty pumps of higher volume and pressure range; (xx) engineers' steel files and rasps; (xxi) tungsten carbide tips and tipped tools; (xxii) specialised items of precision measuring instruments; (xxiii) industrial sewing machines; (xxiv) fertilizers (except single superphosphate and granulated fertilizers); (xxv) sulphuric acid; (xxvi) synthetic cryolite and aluminium fluoride based on fluorine recovery from phosphate rock; (xxvii) polysulphate rubber; (xxviii) zinc sulphate; (xxix) activated carbon; (xxx) electrolytic manganese dioxide; (xxxi) disperse dyes; (xxxii) optical whitening agents; (xxxiii) drugs and pharmaceuticals; (xxxiv) newsprint; (xxxv) rayon grade pulp; (xxxvi) canned fruit and vegetable products; (xxxvii) milk powder; (xxxviii) infant milk foods; (xxxix) cotton seed oil; (xl) refractories; (xli) sanitaryware; (xlii) porcelain crockery; (xliii) cement; and (xliv) pesticides.

no scope

The ministry does not think that taking into consideration the existing capacities, the present domestic demand as well as export prospects, there is any scope for fresh licensing or registration with technical authorities of capacities in another 33 industries. These industries include: (i) mild steel castings; (ii) welded steel pipes and tubes; (iii) bright bars; (iv) tin containers; (v) nuts and bolts (including high tensile); (vi) cold rolled steel strips; (vii) steel ingots/low alloy steel ingots; (viii) storage batteries; (ix) dry cells; (x) midget electrodes; (xi) T.V. picture tubes; (xii) calcium carbide; (xiii) caustic soda; (xiv) formaldehyde; (xv) acetylene black; (xvi) acetic acid; (xvii) P.V.C. resins; (xviii) polyester fibre; (xix) polyester filament; (xx) synthetic detergents; (xxi) carbon black; (xxii) tyres and tubes; (xxiii) cigarettes; (xxiv) road rollers; (xxv) circuit breakers; (xxvi) GLS lamps; (xxvii) AAC/ACSR conductors; (xxviii) television receivers; (xxix) tape recorders; (xxx) passenger cars; (xxxi) agricultural tractors; (xxxii) earthmoving equipment, and (xxxiii) forged hand tools.

The entrepreneurs seeking either to set up new industrial units in the above 33 industries or to enlarge their existing capacities to any substantial extent, therefore, have been asked not to press their claims during the current financial year; these are not to be entertained.

In the case of the 44 industries in which scope exists for capacity accretion, the applications for setting up new units or expansion of the existing units can be made both by the existing entrepreneurs as well as new ones. The applications from new, small and medium scale entrepreneurs are proposed to be accorded preferential treatment in the grant of licences.

The latest edition of the "Guidelines for Industries—1975-76" contains, besides the above information, all the relevant information on industrial approval procedures.

* *

The exports obligation scheme for industry has been liberalised through a notification issued by the Chief Controller of Imports and Exports last week. The notification says that in the event of nonfulfilment of export obligations by those who give legal agreements in lieu of bank guarantees for a specified quantum of exports for importing raw materials, capital goods, etc., or for the approval of foreign collaboration arrangements, grant of advance import licences/release orders under the import policy for registered exporters, etc., the parties concerned shall henceforth be required to hand over to the State Trading Corporation or such other agencies as the government (including the CCI&E, New Delhi) may nominate, only the shortfalls between the stipulated annual export obligations and the actual exports (in addition to liquidated damages), instead of twice the shortfalls as stipulated in the Import Trade Control Hand Book of Rules and Procedures for the current financial year. The step is understood to have been taken in view of the recession in the world market which has made the export of several industrial products somewhat difficult.

The Gwalior Rayon Silk Mfg. (Wvg.) Co. Ltd.

Regd. Office:

BIRLAGRAM, NAGDA (M.P.)

NOTICE

NOTICE is hereby given that the Twentyeighth Annual General Meeting of the Shareholders of the Company will be held at GRASIM CLUB, Birlagram, Nagda on Friday the 22nd August, 1975 at 4.15 P.M. (S.T.) to transact the Ordinary and Special business mentioned in the Notice dated the 26th July, 1975 accompanying the Annual Report and Accounts for the year ended 31st March, 1975, separately posted to the Shareholders of the Company individually at their Registered Addresses.

The explanatory statement as required under Section 173 of the Companies Act, 1956, relating to the special business is annexed to the Notice.

NOTE:

A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

Shareholders are requested to intimate to the Company change in their registered addresses, if any.

By Order of the Board
B.N. PURANMALKA
Secretary

July 28, 1975.

POINT OF VIEW

Return on capital to the pharmaceutical industry

U. Pancras

RECENTLY AN expert body, namely, Hathi Committee submitted a report on the working of drugs and pharmaceutical industry to the government of India. The report, *inter alia*, is reported to have recommended 12 to 14 per cent post tax return on networth for the bulk drugs and 10 to 12.5 per cent post tax return on networth for the drugs and pharmaceuticals, the average being 13 per cent for former and 11 per cent for the latter. The range for the drugs and pharmaceutical compares favourably from the national point of view with the profits earned on the networth by the industry during the past four years as given below:

Year	% of profits	Source
1970-71	16.5	Average for the industry: RBI Bulletin Oct, 1974
1971-72	16.0	
1972-73	15.5	
1973-74	12.0	Average of the 5 leading concerns: *The Economic Times*, March 24 & 31, 1975

Elements making up the recommended 10 to 12.5 per cent are not known as the report has not been published yet. The purpose of this article is to study the main elements that go into the return so that a general formula for all industries could be arrived at. An attempt has been made to reconcile the needs and requirements of different groups i.e. the employees, the investors and the organisation in computing the formula. While the general method is still being developed, the fair return to the pharmaceutical industry is also discussed and computed.

It is needless to emphasise that the main objective of a private industrial organisation is to obtain maximum return for the money invested. The private industry, given a free hand, would try to obtain the maximum return. When the government wants to regulate this aspect, the rate of return becomes one of the crucial and controversial elements that make up the selling price.

The Supreme Court in its judgement on the Car Prices fixed 16 per cent on capital employed to cover items given below:

1. Actual interest on borrowings
2. Minimum bonus
3. Other financial charges
4. Warranty charges
5. Dividends on the preference shares, if any
6. Tax liability
7. Return of 10 per cent on equity share capital.

fixed rate

The government later fixed a lower rate of 14 per cent on capital employed for trucks but recently for cement industry government rightly considered 16 per cent return, awarded by the Supreme Court to three car manufacturers.

To appreciate the proposed method, it is essential to understand the objectives and functions of the earnings and return the organisation is expected to make.

The earnings of the organisation after paying the taxes should be sufficient for the following purposes:

(i) Paying adequate dividend to the investors both to attract new investors and to retain the old one;

(ii) Paying the employees reasonable emoluments by way of wages supplemented by annual bonus;

(iii) Allow sufficient funds to be left for utilisation within the organisation for strengthening its financial position and for providing funds for growth.

As the bonus is the starting point of the formula or method evolved it is discussed first. In fact any formula to compute the fair return to the organisation in the Indian context should logically start with bonus.

Adequate emoluments to the employees is the prime responsibility of any industrial or commercial enterprise. The emoluments are divided into regular and monthly income and the annual bonus which supplements the employees earnings for meeting the annual expenditures of the family. The monthly wages to the employees is part of the cost of operation but the bonus is part of the return. The return allowed to the industry should enable it to pay to the lowest paid major group of employees enough to lead a reasonable living standard. This proposition is connected with the different concepts of wages i.e. living wages, sustenance wages, fair wages etc. It is not proposed to deal with this aspect here. Specific rate of bonus allowable to the industry will have to be fixed with an eye on basic wage structure in the industry, the living conditions or standards in the area and the required and recommended standard of living. The fair rate of return has been computed for two levels of bonus payments to the employees, i.e. minimum of 8⅓ per cent and maximum of 20 per cent.

the main aim

The main aim of a private enterprise is to obtain good returns so as to retain the existing investors and also to attract fresh investors whenever necessary.

The Economic Times publishes every Monday in its investors guide the dividends paid by the firms, the market prices of their shares the yield percentage etc. Different yield rates for the pharmaceutical and other industries have been worked out from this source. The day is chosen at random and the results are given in Table I.

The average of the top half of the list in each industry is taken to represent the rate of return to induce outsiders to invest in the company. The percentage of 8.32 per cent for the pharmaceuticals industry compares favourably with the percentages of return for other industries. This may be also compared with the rates of companies whose recent capital issues had been oversubscribibed.

Provision of return for the reserves is a controversial one. Reserves represents part of past earnings not distributed as dividend. Had it been distributed the rate of dividend could have been more and it is reasonable to assume that the market price of the share would have been high. Thus the yield percentage may have been kept same for the industry. On the other hand it is logical to argue that with more retained earnings, the market price may have gone up with anticipated higher future earnings and also due to increased financial strength. It is very difficult to quantify the differences between anticipated higher earnings due to this factor and the current earnings. Thus return for the reserves is not only controversial but also nebulous. However the Bonus Act provides six per cent allowance for the reserves which should be considered adequate for the purpose.

TABLE I

Yield Rates for Pharmaceutical Industry

Industry	Yield: dividend as per cent on market price of share		
	Average	Highest	Average of top half
Pharmaceuticals	6.58	11.25	8.32
Textiles	5.74	12.35	7.90
Steel, Metal & Alloys	6.05	10.91	7.24
Chemicals	4.70	11.67	7.00
Electrical Goods	7.72	12.82	10.94

Where the bonus formula has been the basis of the calculation of fair rate, the balance of the available surplus i.e. 40 per cent of the available surplus in the bonus computation also becomes an element of the return. This is available for distribution of extra dividend over and above the dividend allowance made in the Bonus Act, of course, subject to the current restrictions of dividend for retention as reserves within the organisation.

Interest has been provided in the overall rate of return allowed by the supreme court for the car manufacturers. By allowing a post tax rate of return, the Hathi Committee has presumably allowed the actual interest for the loans for the parmaceutical industry. Each method has got its advanat ges and demerits. In the latter method, the impact of the loan capital on the return has been eliminated by allowing the actual interest paid.

The rate of return computed is the post tax return. The mandatory reserves as per the recent amendment of the Companies Act, which is yet to be specified is not considered. Once the quantum of reserves is known it can be included in the calculations.

The basic data for the computation of fair return are taken from RBI study of medium and large public limited companies (supplement to RBI Bulletin Oct. 1974) as relating to drugs and pharmaceuticals industry for 1972-73.

	(Rs lakhs)
Salaries, wages and bonus	3,547
Wages and bonus (estimated to be ⅓)	1,773
Less Bonus (estimated to be 1/6)	295
Wages only	1,478
Ordinary share capital	4,197
Reserves	4,686
Networth	8,883

With the above basic data the Fair Rate of Return has been computed in Table II below with minimum and maximum bonus for drugs and pharmaceuticals group.

The following conclusions could be arrived at from this:

(i) The fair rate of return from all points of view for the drugs and pharmaceutical industry is within the range of eight per cent to 11.5 per cent on the networth of the organisation.

(ii) The same rate should normally apply to bulk manufacture of chemicals for the pharmaceutical industry. Many of the top firms in the industry produce bulk chemicals for the industry. The rate of return for the industrial chemical group is actually lower than that of the drugs and pharmaceutical industry. However as the exact details of the firms included in the group are not available no definite working of fair rate of return could be made.

(iii) Special rate of return within the range should be fixed on the basis of the general pay structure of the organisation, the cost of living in the area and also the desired standard of living for the employees.

(iv) The extra earnings allowed over and above the allowance for share capital should not be allowed to be frittered away as additional dividend as the shareholders interest has already been adequately covered.

TABLE II

Fair Rate of Returns

		(Rs lakhs)		(Rs lakhs)	
Bonus		(max)	295	(min)	123
Return on share capital					
provided in Bonus Act	4197 @ 6 %		252		252
Additional	4197 & 2.3%		97		97
Return on reserves as per Bonus Act	4686 & 6%		281		281
Available surplus $\left(295\times\frac{100}{60}\times\frac{40}{100}\right)$		197		82	
Less Additional Return on Share Capital		97	100	97	(—)15
			1025		738
Percentage on Networth			11.5		8.3

Note: The wages are estimated. However any error in the estimate will only marginally affect the rate of return as it is found that 10 per cent error will influence only about 0.5 per cent in the maximum rate and much less in the lower rate.

Iran Today—VII

Much to do with each other

V. Balasubramanian

IN THE preceding two articles I surveyed in some detail the political and economic relations which Iran has been developing with the rest of the world. It is in the perspective of the foreign policy and the foreign economic policy thus pursued by Tehran that the outlook for our own country's political and economic relations with Iran can most profitably be viewed. As I had tried to bring out in my discussions so far, that country and its government are greatly preoccupied with problems of external security and territorial integrity in the context of the geo-political situation in the Persian Gulf region. As a result of this concern Tehran has committed itself to a high degree of defence preparedness and military build-up. There does not seem to be much likelihood of the government of Iran substantially revising or reconsidering its attitude in this matter. Whether India likes it or not, it will have to learn to live with the fact that Iran has resolved to make itself the strongest military power in an area of the world where India's own strategic interests are by no means insignificant.

military build-up

Secondly Iran seems determined to achieve for itself a position of special responsibility for preserving security and stability in the Persian Gulf region. Apart from viewing its military build-up as an instrument for this purpose, Iran is also sedulously cultivating political relations and bonds with a number of countries, particularly the United States and Turkey and Pakistan which are its fellow-members in the CENTO as part and parcel of its policy of developing a position of strength and influence in the Persian Gulf region. It follows that Iran is placing a high premium on its political understanding or ties with Pakistan and that it regards the political stability and military strength of that country as extremely relevant and helpful to its own strategic interests and purposes. This is also a factor which policy-makers in India's ministry of External Affairs should fully take into account.

Within the framework of its political and strategic concepts as indicated just now, Iran seems to be generally anxious to develop friendly political relations and fruitful economic bonds with our country. There is of course the delicate matter of Iran's ambitions or aspirations in the Indian Ocean region. Both New Delhi and Tehran seem to be in agreement on the basic issue that the Indian Ocean region should not become an area of big power rivalry and that it should be kept as a "nuclear-free" peace zone.

adequate punch

The Iranian government however has been suggesting from time to time, that in the course of the discharge of its responsibilities in the Persian Gulf region, it may have to develop sufficient air and naval power to protect, as it puts it, the sea lanes of the Indian Ocean and keep them open to world shipping and peaceful commerce among nations. There have also been indications that Iran expects Pakistan to play some part in this scheme of benign policing of certain parts of the Indian Ocean. It is possible that, if and when Iran's intentions or designs in this regard take more definite shape, New Delhi may have to make its own assessment of the implications of developments of that kind. Meanwhile there has been reassuring evidence of Iran's own friendly interest in the political stability and economic progress of the Indian subcontinent as a whole. In particular, the Shah of Iran and the prime minister of India have been able to arrive at a broad understanding regarding friendly cooperation between the two countries, particularly in the economic field.

For about two years now both India and Iran have been taking several steps to explore and cultivate areas of economic cooperation. The results so far have been promising, but at this point of time it should be useful to attempt a realistic appraisal of possibilities. In the first place there should be no exaggerated expectation in this country of bilateral aid flow from Iran. It is true that Iran has been a major donor of development assistance in the OPEC but it is equally true that, more than any other member of the OPEC, Iran is both able and willing to employ its oil revenues for its own purposes. In particular, it has resolutely been ploughing enormous chunks of its oil revenues into its defence preparedness and industrialization or other development of its economy. Again, although Iran's aid commitments for the year beginning March 1975 are expected to total $2.6 billion, the declining trend in its oil exports and consequently oil revenues has precipitated discussion about the possible scaling down of its development assistance programmes.

aid commitments

While Iran will probably stick to its commitments vis-a-vis multilateral agencies, such as the IMF oil facility, it may decide to go slow in respect of bilateral undertakings. In any case it is important from the point of view of India for the fact, to be appreciated that the lion's share of Iran's bilateral aid has gone to Pakistan (over $570 million) and Egypt (over $ one billion). So far as our country is concerned, Iran would appear to be interested mainly in transactions of an essentially commercial nature which would involve Iranian credits for the establishment in India of production facilities for commodities or materials which Iran might find profitable to import for meeting the expanding requirements of its fast-developing economy. The line of credit extended by Tehran last year to finance the import of two million tonnes of crude from that country by India in the wake of the hike in oil prices was no doubt an extremely valuable measure of assistance, but it is not very likely that transactions of this kind will be many in number.

On the contrary, Iran's main interest in its economic relations with our country is likely to be shown in other ways. Currently, Indo-Iranian negotiations on the Kudremukh iron ore deal are nearing the finalisation of details. While agreeing to provide a long-term loan of the order of about US $300 million for the establishment of mining operations and connected transport facilities, Iran has undertaken to purchase a total of 150 million tonnes of concentrated iron ore over a 20-year period from 1978 at an annual rate of 7.5 million tonnes for use in Iran's expanding steel industry. The essence of this agreement is that Iran would be advancing the finance required for the exploitation of the Kudremukh mines and the transportation of the iron ore through a pipeline to the new port built at Mangalore. There have also been preliminary discussions on the Iranian government investing in the new paper plants in India for the production of a total of 200,000 tonnes of paper annually. It has also been indicated that Iran, which already has shared in the Madras fertilizer factory functioning in the Indian public sector, would cooperate in the establishment of another fertilizer factory with a capacity of one million tonnes a year. Arrangements are also being discussed for an alumina plant to be built in Gujarat with Iranian assistance. In this case the agreement is expected to provide for Iran importing 300,000 tonnes of alumina per year from India to feed its developing aluminium industry.

development assistance

It has been suggested rather vaguely that Iran may be extending development assistance of the order of US$600 million to our country. It is however difficult to identify the precise nature of this assistance. This is because both sides have been extremely cagey about particulars. For instance, very little has been publicly said about the terms on which India has received a line of credit for the import of crude oil from Iran. Neither the price at which the crude has been contracted for (and therefore the size of the Iranian credit), nor the terms of repayment have been revealed, except that this loan is on "soft" terms. It is possible that the two sides may be more forthcoming about the financial details of the Kudremukh transaction. Right now it would seem to be the case that the deal is primarily financial in nature in that it will provide the government of India with much-needed capital for developing the mines. There is here no question of India importing know-how or technology. This is interesting in view of the oft-repeated declaration by New Delhi that, where foreign investment is concerned, it has little interest in it as a "capital resource." This approach, evidently, applies only to investments of foreign private capital and not to the provision of capital funds by foreign governments.

shipping venture

Meanwhile an Indo-Iranian joint shipping compaay (called Irano-Hind Shipping Company Limited) has started functioning. This venture was registered in March this year as an Iranian company and share capital has been contributed to the extent of 51 per cent by the Arya National Shipping lines of Iran and 49 per cent by the Shipping Corporation of India Limited. The joint company will acquire tonnage with financial assistance from the Iranian side. The Shipping Corporation's contribution to the equity capital of the joint company has been about half a million US dollars and, in return for this investment, the Corporation will become owner to the extent of 49 per cent in the tonnage acquired by the joint company besides sharing, again to the extent of 49 per cent, in the distributable profits of the joint company which will accrue in foreign exchange. This joint venture is also expected to provide employment opportunities to Indian expertise in shipping.

The main object of the venture is stated to be to give support to the growing trade between India and Iran and ensure enough shipping for the transport of bulk cargoes particularly from India to Iran since the latter is expected to import from the former large quantities of cement and sugar besides steel and rice. Moreover, when the shipping of Kudremukh ore to Iran starts, the traffic on this route will naturally increase to a considerable extent. A point which is not quite clear right now is whether this shipping facility will in any way be able to reduce or eliminate the difficulty which Indo-Iranian trade is facing in terms of comparative freight rates. The prevailing shipping freight structures are such that freight costs from India to Iran are considerably more than freight costs from European ports to Iran. This has placed India's trade with Iran at a considerable disadvantage vis-a-vis Europe's trade with that country. There is also the fact that, even in absolute terms, freight charges have proved quite prohibitive in respect of potential Indian exports to Iran. Thus India could not successfully bid for a large order for scooters because the freight charges from the Indian to the Iranian ports worked out to as high a figure as Rs 700 per unit. It remains to be seen whether the Indo-Iranian shipping venture will be able to function in such a way that this constraint on Indo-Iranian trade is removed.

In the recent past, with Indo-Iranian economic cooperation having become a live issue, possibilities of Indian businessmen starting joint industrial ventures in Iran have been engaging a certain amount of attention in our country. I personally believe that optimism in this regard would be misplaced. There have so far been a few stray ventures on the part of Indian businessmen to establish manufacturing facilities in Iran in cooperation with native parties. Generally speaking, these attempts have not been successful, having proved to be more misadventures than adventures. As a matter of fact, the failure of some of them has left a bad taste in the mouth, particularly in Iranian mouths. The Industrial and Mining Development Bank of Iran which is the principal agency for financing joint ventures in that country, does not seem to take a hopeful view of possible Indian performance in this field.

economic cooperation

There is a great deal of talk in our country of Indian collaborators being able to offer intermediate technology to Iranian industry. The plain fact, however, is that Iranian industry just does not want or seek intermediate technology. On the contrary, it is strongly biassed towards sophisticated know-how and manufacturing processes. Since Iran has a shortage of trained manpower, it sees no advantage in encouraging labour-intensive techniques of production. It is therefore opting for a high degree of mechanization or even automatization in its factories. Since Iran is in a position to shop across the length and breadth of the wide world for precisely the kind of technology it feels it must have, there is absolutely no reason why it should settle for the kind of intermediate technology our government or some of our industrialists may think that India can offer and Iran should go in for. I am not saying that this rules out completely any kind of Indian technical collaboration with Iranian industry, but I do suggest that so far as general technical collaboration is concerned, it could only be applicable to small and medium enterprises in a few industries of a kind which is not going to amount to very much either from the Indian angle or from the Iranian. I would add however that where

technical consultancy services are concerned, some of the leading establishments in this field could certainly register their presence on the Iranian industrialisation scene.

Iran however does need semi-skilled or skilled technical personnel. It is experiencing shortages of architects, town planners, and civil engineers, electrical and electronic engineers, mechanical engineers, chemical, mining and metallurgical engineers, medical and paramedical personnel, educational personnel, technicians, skilled and semi-skilled industrial workers and skilled construction workers. To cope with these shortages Iran is undertaking large-scale recruitment of needed manpower in several countries, particularly South Korea, the Philippines and India. Recently an Iranian delegation visited the Philippines and our country and hired a total of 5,000 specialists in such fields as medicine, engineering, electric power generation, construction and transport.

Recruitment in our country was mostly of medical and paramedical personnel. The recruits have been offered one-year contracts, which may be extended to two or three additional years. In the case of medical personnel, most of whom will be required to work in Iran's rural areas, the minimum and maximum salaries offered to general practitioners are 45,000 and 90,000 rials a month, and to medical specialists 70,000 rials and 120,000 rials a month (7.5 rials=1 rupee). In addition, almost every international flight that leaves Indian airports on journeys with a halt at Mehrabad airport in Tehran carries some Indian engineers or technicians with job contracts in their pockets for working at Iranian port facilities, oil installations or town planning or construction jobs.

inexhaustible appetite

As of now, Iran's appetite for imported technical manpower seems inexhaustible, but it will be a mistake to think that this hunger will remain for ever. On the contrary, Iran is taking highly imaginative and very energetic steps to educate and train its own manpower in various professional and technical skills. Earlier this year the Iranian government concluded an agreement under the auspices of the International Labour Organisation providing for the training of 2,000 Iranians in a number of American industrial plants. Another plan involving a cost of $10 million provides for the training of a large number of instructors and managers at the ILO's International Centre for Advanced Technical and Vocational Training in Turin, Italy. In addition, Tehran has concluded some spectacular arrangements with US educational institutions such as the MIT and the Stanford University for advanced technical and business education for large numbers of Iranian students in the United States. These schemes for educational training abroad are supplemented and supported by programmes located in Iran itself and organised with the participation of industrially advanced countries. In these circumstances Iran should be able to reduce its dependence on imported skilled manpower in the course of the coming years. But this dependence will be substantial for some time and this is the situation which countries such as India ought to avail themselves of for finding profitable employment opportunities for such surplus resources as they may have in skilled or trained manpower.

equity participation

In discussions of possibilities of Indian joint ventures in Iran, there is a general tendency to overlook the fact that, although Iran is flush with oil money, it is still the government's policy to insist on foreigners, who wish to set up enterprises in Iran with Iranian nationals, contributing their share to the equity capital or investment. Although there is a general rule that the amounts of foreign investments in joint ventures should not be in excess of from 20 to 30 per cent of the total capital, substantial significance is also attached to the corollary that there ought to be *some* equity participation. Beside the Iranian government, Iranian businessmen certainly are keen on foreign collaborators committing to a financial stake in the joint venture. Broadly speaking, Iranian parties have enough and to spare where money for projects is concerned and, although the government generally requires that the managing director of a joint venture should be an Iranian, Iranian investors themselves are not awfully interested in assuming management responsibilities. However, since they are willing to let a foreign partner run the business although his may be only minority participation in the capital of the company, they show a keen interest in ensuring that the foreign partner does put *some* money of his own into the enterprise.

The government of India's policy, however is not to allow cash remittances for Indian investments in joint enterprises abroad but permit Indian participation only in the form of indigenous machinery, equipment and technical know-how required for the venture. There is therefore not much scope for Indian industrialists going into joint ventures in Iran. As I had explained earlier, both the Iranian government and Iranian business are particular about importing and employing sophisticated machinery and processes and generally speaking, they see little point in getting themselves tied in advance to the purchase of plant and equipment from a particular source, especially when that source does not happen to be one of the industrially advanced countries and has not yet established any great local reputation for its products.

While the scope for Indian joint ventures in Iran is, in my view, negligible, there seem to be large possibilities of promoting Iranian joint ventures in India. What I mean is that it may pay our government and businessmen to explore with their counterparts in Iran the scope for Iranian private capital being invested in industrial projects in our country with emphasis, perhaps, on those projects which could manufacture the goods required by Iran itself. To put it differently, there is no reason why a very large number of medium or large industrial projects should not be initiated in the Indian private sector with financial participation by Iranian official agencies or private businessmen.

concerted efforts

It is of course true that so far as Iranian private industrialists are concerned, they could expect higher returns on capital investments in their own country than from investments in India, but due to physical and other constraints the rate at which investment opportunities may be generated in Iran for private investors may not be sufficient to absorb all of their investible resources. In any case the possibilities seem worth exploring but here there will be need for devising suitable institutional agencies or arrangements involving, perhaps, collaboration between Indian, Iranian, and international banks or other financial institutions. This seems to be a more promising line of activity than the feeble attempts which are or may be sporadically made to set up Indian joint ventures in Iran.

It is not irrelevant to point out here that Iran is in business in a big way to attract industrial projects from the big firms, multinational or other, in the West or Japan. Here I may mention that immediately after his return from a crowded and busy foreign tour in May, the Shah himself received leading executives of the Swiss firm, Brown Boveri and discussed with them proposals for the Swiss company manufacturing electrical equipment in Iran. So it would not be very realistic to expect that Indian ambitions in setting up joint ventures in Iran will be taken very seriously in Tehran. When it comes to foreign participation in the industrialization of Iran, not only the Shah and his ministers but also most Iranian businessmen would only talk in the language of multimillion dollars. It follows that, instead of trying to interest Iranians in Indian joint ventures in Iran, our government and our business community may try talking to them more about Iranian investments, both government and private, in Indian industrial projects many of which could be related to Iran's import requirements.

two-way process

India's brightest possibilities of economic intercourse with Iran would appear to lie in the area of trade. When we talk of trade with Iran, however, many of us may be inclined to think only of exports. While it is true that our main interest in trading with Iran will be tied to market prospects for our goods in that country, we must realise that if our exports to Iran are to expand on a suitable basis, we should also try to facilitate Iran's own export trade with our country. It is not generally realised that the Iranian government is extremely keen on promoting exports of both non-traditional and traditional goods from Iran. As the manufacturing sector in Iran is expanding and diversifying, Tehran has been taking steps to establish markets for Iran's industrial production in all those countries with which it is developing economic or business relations.

In this context Iran is attaching great importance to setting itself up as a leading exporter of industrial goods to countries in West Asia and Africa as well as its neighbours in the Gulf region. It is also writing into its trade agreements with the countries of Europe and Japan provisions for exports of Iranian manufacturers to those countries. In a talk with me, the deputy minister of Commerce, Mr Memarzade, made it clear that Iran was interested in trade as a two-way traffic. This means that, while that country's import needs are large and growing, its export capacities are also expanding and they therefore need to be taken care of in Iran's trade relations with other countries. Our Commerce ministry and our chambers of commerce should therefore start giving serious attention to the possibilities of India covering a part of some of its import requirements from Iranian sources. It is no doubt true that our import of crude oil from Iran is of a considerable order. All the same, that country would certainly appreciate India showing more interest in "non-oil" imports as well.

India is in a fairly strong position with regard to its export of traditional goods to Iran. It may look forward to expanding trade in tea as the population of Iran increases and the standard of living of its people goes up. Even in the case of jute manufactures, although Iran is bound to develop the production of synthetic substitutes fairly fast, the growth of the Iranian economy should provide a considerable market. Presently Iran seems to be buying a good part of its requirements of these materials or commodities from traders in northern India rather than from the main manufacturers or exporters. Perhaps in the future contacts of a more direct nature would prosper. This will particularly be the case if the shipping link with Iran is strengthened. Statistics recently released reveal that Iran has emerged as the largest importer of engineering goods from India during 1973-74 when these imports were of the value of $18 million or about 35 per cent of India's total engineering goods exports. It is clear that these exports have been successfully related to some of the more rapidly expanding growth sectors in the Iranian economy. A sensible export strategy for India with regard to Iran would thus seem to call for the strengthening of this relationship.

spurt in traffic

There is for instance the large and rapid programme which Iran has undertaken for expanding port facilities at Khorramshahr and Bandar Shahpour. The former is known as the "mother port" of Iran but its facilities have grievously failed to cope with the spurt in traffic. It is not an uncommon experience at this port for the most chaotic conditions of congestion to be witnessed, whether in respect of ships waiting to unload their cargoes or of piles of imported goods lying around on the docks and waiting to be moved inland. Although heroic efforts are being made to deal with this problem and some success has attended these attempts, it still remains true that there has to be massive planning of expansion of the ports simultaneously with the modernization or rationalisation of traffic-handling. Quite clearly, India's export trade could profit from exploring possibilities of supplying machinery or other materials needed for these port expansion programmes.

Iran's power development also seems to offer a large market for Indian engineering goods. There has already been some Indian activity in this area but more could be aimed at. The Iranian ministry of Energy is to spend about $491 million for power generation and the expansion of the transmission network during the year ending March 20, 1976. Indian firms, which have been supplying equipment to Iran for its latest electricity develobment, particularly power transmission, will no doubt be vigilant about new opportunities, but it is desirable that more and more Indian firms should enter this field.

building boom

Construction, whether it is road-building, housing or the erection of schools and hospitals, is another large area of activity in the Iranian economy at the present time. This is a sector of development which makes large demands on imports, since Iran is currently short of almost every item of construction equipment or material in relation to the fast-growing demand. As was noted in earlier discussions, many European countries are taking up huge housing or other construction contracts in Iran. Given the scale of this activity, only consortiums of Indian construction firms could enter this field in any strength. It may however be useful for Indian parties to explore opportunities for subcontracts. One great advantage that could accrue from Indian construction firms breaking into this field is that they could act as vehicles for the export to Iran of various constuction materials from this country.

Meanwhile India's export trade should exploit fully the initiatives that have already been taken in establishing markets in Iran for structural or other steel, transport equipment, cement, and sugar. It has been estimated that India should be able to export to Iran annually 130,000 tonnes of steel, some 600,000 tonnes of cement, 300,000 tonnes of sugar and 50,000 tonnes of rice. For quite some years to come Iran is likely to be a substantial importer of steel. In the case of sugar an attempt is being made to develop home production substantially and it has been announced, for instance, that work on what will be Iran's biggest sugar mill, with a capacity of 5,000 tonnes a day, will start soon in Khuzestan. Simultaneously Iran is trying to boost the output of sugar beet in the country. Similarly, in the case of cement,

production is expected to go up to over six million tonnes by the end of March 1976; and yet the government estimates that there will be a shortage of cement of the order of 2.3 million tonnes this year. In the future short period, at any rate, Iran will remain a considerable importer of cement, and perhaps for a longer period it will need to import substantial quantities of sugar. So far as rice or food articles generally are concerned, Iran may need imports to a greater or less extent for years to come. Cattle and poultry feed are another promising line. It is in the perspective of these possibilities that India should plan its export trade with Iran in these goods or commodities.

Considering the size of the Iranian market India's exports of chemicals or industrial machinery or even transport equipment are truly marginal. Here is an area where some vigorous promotion work could pay rich dividends. Again, the Iranian government has a policy of regulating its imports in such a way as to stabilize domestic supplies or prices. For instance, imports of textiles were liberalized recently when prices in the domestic market tended to go up. The government plainly told traders that imports would be used as a means of bringing down prices and keeping them down. Flexibility thus is a feature of Iran's import policy and this means that exporters or would-be exporters in this country should make adequate arrangements in Iran for securing instant market intelligence. This is particularly important since quite often import liberalizations are for short periods, their purpose being to bring about a balance between supply and demand in the home market as early as possible.

Many Indian businessmen, when they go to Iran for enquiring about joint ventures or for trade, complain of demands for various kinds of payments, many of them being illegitimate or unauthorized. It is not that those who complain in this manner are doing so primarily on moral grounds. Very often the grievance seems to be that the Reserve Bank's restrictions come in the way of their trying to do business along these lines. Quite frequently there is a complaint too that the payments expected or demanded are on a scale which only big western corporations can afford. The Iranian government, of course, cannot be unaware of the situation since firms of most countries doing business with Iran have been experiencing embarrassments or difficulties and have not aways been keeping quiet about it. Recently there have been several disclosures in the US Congress or the US press about big American corporations making enormous under-the-counter payments to influence pedlars or business brokers in some Persian Gulf countries. Against this background it is interesting to find that the Iranian government has just decided to come down with a heavy hand on malpractices.

It has been officially announced in Tehran that foreign companies engaging in services with the government or any of its agencies would in future be required to sign a sworn affidavit testifying to the non-paymenst of "any fees, commissions, bonuses, gratuities or other payments" to brokers or agents in connection with the award of a contract or its execution "other than those that appear on the affidavit." It is explained that this measure is aimed at preventing unlawful and unethical business practices. Any violations of the affidavit's provisions would render the signatory liable to prosecution for criminal offence, including perjury, and may entail termination of the business and assessment of punitive damages against the company concerned. The Shah's government, evidently, is determined to live up to its reputation for acting tough once it decides that something has to be done.

Recent developments may well strengthen the trends towards the understanding and cooperation that are being developed between Tehran and New Delhi. It was not only in the 19th century that trade followed the flag. A stable political framework is necessary even today for the development of trade or other economic relations between countries. It seems to me that in the case of Iran and India this condition may be easier of fulfilment now than ever before. Already the Shah has given expression to his friendly feelings towards the government of India with which he seems to think that he now has a lot in common,

(concluded)

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Chemicals : a growth industry-I

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I

E.E.C. Produces 25 Percent of World Output

EUROPEAN CHEMICAL companies play a major role in world chemical production; those of the EEC account for about a quarter of world output. Because their products find their way into virtually all manufacturing sectors, the chemical industry's growth depends largely on the general health of the economy. Nevertheless, the industry's growth rate is well above general industry's norm, largely thanks to the ability of chemical-based materials to win markets from traditional materials such as timber, steel and natural fibres. The European chemical industry has been doubling itself every eight years or so; its growth at an average 9.3 per cent has been about twice that for the GNP between 1968 and 1973.

Not only is the industry a growth leader, it is also one of the most important sectors in manufacturing. European chemicals account for about 10 per cent of industrial output and are rated second in size to engineering in the industrial league table. In West Germany, the strongest European chemical country, turnover last year reached about £15,000 million, a 30 per cent increase on 1973 which pushed the chemicals sector into first place ahead of the machinery and electrical industries.

a wide range

The industry gains strength from its size and its diversity covering a wide range from pharmaceuticals and agricultural products to bulk fertilisers and plastic. It can afford to build world-scale plants, using the most technically-advanced processes from any part of the world, and employing the services of process plant contractors who similarly work on a grand, multinational scale.

The development of the EEC has helped to speed the growth of the western European chemical industry and to give it a more cohesive market. In terms of potential consumers, the EEC has now overtaken the USA — some 256 millions live in the EEC compared with 212 million in the USA.

But each EEC country likes to have its own strong chemical industry. In the UK ICI carries the banner; in West Germany it is a threesome — Hoechst, BASF and Bayer; in Switzerland, Ciba-Geigy, Hoffman-La Roche and Sandoz. In 1974 the French industry took steps to strengthen and rationalise its company structures. So, through two separate agreements, Pechiney Ugine Kuhlmann, Rhone-Poulenc and the state-owned CdF Chimie, unravelled the tangle of joint ventures which had resulted from multiple mergers (Table I).

In Italy there have been more frantic attempts at rationalisation, involving Montedison, ENI and Societa Italiana Resina (SIR). The talks revolve around access to state investment funds, market shares and product sectors. The drama was heightened towards the end of 1974 by the news that an unnamed Italian group had purchased more than 11 per cent of Montedison's shares. At the time of writing the mystery buyer is still not known.

Although the future structure of the Italian industry remains obscure one set of proposals which has been mooted involves the hiving off of ENI's chemical operations. The picture is likely to be complicated this year, for Montedison, after a more successful trading period, is likely to find its old plants depressing its cash flow below that of its competitors which have a more modern base, thanks to their past heavy investment programme.

In the Netherlands, too, there have been attempts to bring together the chemical interests of Philips with Akzo. There has been one notable exception from this nationalism shown by EEC countries. That was the acquisition of the leading French pharmaceutical group, Roussel-Uclaf, by West Germany's Hoechst. It was a severe jolt to national pride.

This nationalism shows up in the pattern of investment. In the UK, for example, 80 per cent of the market is held by UK companies. With the exception of Belgium and the Netherlands, a high proportion of each home market is owned by companies of the national country: West Germany companies own the most outside their own countries—20 per cent of assets in the case of Belgium and the Netherlands—*but clearly there is a long* way to go before the EEC can claim to have attracted a solid base from which

TABLE I

Largest Chemical Companies in Western Europe (1973)

($ million)

Company	Country	Net sales	Net sales†	Net Profits	Capital spending	No of employees
Hoechs	German	5,784	(4,251)	196.0	406.4	155,450
Bayer	German	5,528	(4,018)	150.4	457.3	63,692
BASF	German	5,375	(4,276)	193.8	441.1	107,539
ICI	UK	5,328	(4,218)	511.4	295.4	199.000
Montedison	Italy	4,639	(3,611)	98.5	583.9	—
Pechiney-Ugine-Kuhlmann	France	3,606	(2,707)	82.1	315.0	95,000
Akzo	Netherlands	3,382	(2,542)	104.5	197.1	105,000
Rhone-Poulenc	France	3,295	(2,531)	113.4	380.0	116,531
Ciba-Geigy	Switzerland	2,577	(2,113)	35.7	208.0	73,286
Royal Dutch Shell*	UK/Dutch	2,049	(1,643)	—	182.0	
DSM	Netherlands	1,659	(1,062)	50.6	103.4	29,000

* Figures are for chemicals only † 1972.

Source: Chemical Age.



it can export to the rest of the world (Table II).

II

Increased Inter-European Trade

Exporting is the forerunner of investment. Exports lead to investment in a particular territory which in turn stimulates more exports. It is clear that European companies are treating other EEC countries as a major export market. In every case exports to others in the EEC have been increasing rapidly in the past ten years whereas exports to the rest of the world have been dropping. In 1973, for example, the Benelux companies were exporting some 65 per cent of their exports to other EEC countries while France had a 50:50 split between the EEC and the rest of the world.

If this export trade is not supplemented by local manufacture, the chemical industry's potential development is likely to be constrained. European companies must take a more European, as opposed to a national approach: this is important at a time when US companies — operating in a large home market — are now treating Europe as another large, single market.

US companies foresee markets in Europe for petrochemicals and their derivatives offering more expansion opportunities over the next five years than in the USA. The reasoning is based on the greater maturity of the US markets compared to Europe.

A few years ago this forecast might have had an ominous ring about it. Trends in the financial performance of US and west European chemical companies have suggested that European companies are weaker. American groups have gained from their vast home market and availability of feedstock. Comparisons of the 1973 results, for instance, show that the top ten chemical companies on a profits-per-employee basis are all American. But European companies have been improving, particularly Britain's Imperial Chemical Industries (ICI), which has shown major gains in all the departments: net profit up 101.1 per cent; sales per employee up 27.9 per cent. Ten years ago ICI's sales per employee were only a third of the US average; the ICI figure is now about 60 per cent of the average of US companies.

The improvement of ICI, against trends in the USA, West Germany and the Netherlands for instance, is particularly marked for the ratio of after-tax returns on equity. Table III indicates the general improvement of the industry, but especially that of the UK company.

European giants

Twelve of the world's top 20 chemical companies are European based. In general their profitability continued to improve in 1974 although the boom market conditions petered out as the year progressed. This year will be much more difficult for the industry, as the number of plant closures or reduced operations in January and February indicated. The picture has been blurred by destocking on the part of the chemical industry's customers. The current inflation and uncertain demand mean that companies cannot afford to carry expensive stocks. But there is every indication that demand for plastics will pick up about now and the synthetic fibres become firmer towards the end of the year. Some sectors, such as pharmaceuticals and agriculture products, have been little affected by the economic recession, which justifies the policy of most chemical groups to have a diversified range of interests.

TABLE II

Estimate of Cross-Ownership of Assets
(Percentages*)

Owned by	UK	W. Germany	France	Italy	Belgium	Netherlands
UK	80	2	1	1	1	2
W. Germany	1	75	1	1	2	5
France	1	6	75	2	3	2
Italy	1	8	1	75	5	1
Belgium	5	20	10	5	40	8
Netherlands	5	20	7	1	10	45

(Percentages—the figures do not add up to 100 because of the effects of imports from non-European countries).

Note: The horizontal line for the UK shows that W. German companies own assets in the UK which supply about two per cent of the UK market. The vertical line for the UK shows that UK companies own assets in W. Germany which supply about one per cent of the W. German market.

TABLE III

After-Tax Returns on Equity*

(percentages)

	1971	1972	1973
US Chemical Industry	8.7	10.0	13.7
Hoechst (German)	8.7	8.9	12.8
Bayer (German)	7.8	10.5	12.8
BASF (German)	8.5	10.5	12.2
ICI (British)	10.6	11.4	18.5
Akzo (Dutch)	7.0	7.1	8.9

*Figures are taken from published accounts with no adjustments made.

Although the present economic and investment climate presents problems, companies are less pessimistic than they might have been in a similar situation a few years ago. The lessons of past mistakes seem to have been learned—and it is worth interjecting here some of the past experiences which are now influencing management decisions.

III

The Problems of Growth

The chemical companies almost succeeded in ruining themselves a few years ago. They had continued to extrapolate their past growth record too long. In 1970 they suffered a shock. Almost every country in the world experienced a slowing down of economic growth. Cost inflation accelerated and the chemical industry was coming to the conclusion that the potential for keeping down costs by building even larger plants was beginning to be exhausted. The result was a substantial surplus of capacity — more than £1,000 million worth of plastics manufacturing plant and ancillary upstream facilities were left lying idle. Profits dropped alarmingly, and in consequence, further investment was restrained. In fact, few

new investment decisions taken between 1970 and 1973 were aimed mainly at reducing costs. Much of the trouble in those black years of 1970 and 1971 stemmed from the industry's attitude to pricing. In order to stimulate sales they cut prices —a move which must inevitably prompt a domino reaction.

The companies made two particular resolutions following that experience. First, they were determined not to rush headlong into new investment, oblivious of the intentions of their competitors. Second, they did not want to be caught again in another vicious price-cutting war.

On the first point, progress is being made through the auspices of CEFIC, the European Council of Chemical Industries Association, which is collecting information to help the industry as a whole with its investment decisions. So far, however, the US companies in Europe have been reticent to participate, mainly because of their fear of violating anti-trust laws. They might be able to give more information, on investment intentions, growth predictions and so forth, if the method of collecting the material were changed.

The petrochemical industry is likely to be in a tight supply and demand situation in the next year. As Table IV shows, consumption of ethylene was expected to outstrip production, which would either mean higher imports from Europe or constraints on manufacturing industries further downstream.

Since the figures were collated, however, the industry has seen a marked decline in demand for plastics and fibres materials —by more than 30 per cent in many cases —and overall growth this year is expected to be slim. Indeed, some West German companies are forecasting little or no growth in 1975. As a result the industry may just get by without an actual shortage of capacity in 1976, but the supply/demand ratio will still remain tight. This augurs well for the economic prospects of the chemical industry. It also brings us to the second of the lessons — the need to hold up prices wherever possible.

The five-fold increase in oil prices and the correspondingly big rise in phosphate rock in the past two years has changed the economic structure of major chemical plants. Bulk products, such as plastics materials and fertilisers, are now commanding up to double their original prices, and in many cases much more (there were cases of ten-fold increases in spot prices for some plastics in the early part of 1974). This has changed the relation between price and volume of materials. Previously companies relied on high volume to generate profits but more recently price levels have become more important.

Thanks to the higher income levels the break-even point for a typical petrochemical manufacturer's operations has been reduced to 60 or 65 per cent of plant capacity compared with about 85 per cent some three years ago. Clearly, it is not in the interest of companies to trigger a downward price-cutting spiral so they have been more intent on cutting back output, bringing forward maintenance programmes or simply shutting down plants altogether.

Sources and acknowledgements: The foregoing is the first of two articles which summarise, by special arrangement, a report in depth in the latest issue of *European Trends*, published quarterly to subscribers only by the Economist Intelligence Unit (27 St. James's Place, London SW1A: INT, and obtainable in India from J.A. Shah, 67 Marine Drive, Bombay 20). Next week's concluding article will explain the difficulties caused to the chemical manufacturers by inflation, and will examine the plans of Middle East countries to launch chemical production.

TABLE IV

Supply and Demand of Chemical Feedstock in EEC Countries

(million metric tons)

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
Naphtha											
Total gross requirement	26.1	33.3	40.2	42.8	51.0	58.5	66.4	71.3	74.7	84.2	92.8
Total return to gasoline pool by olefin and aromatic plants	8.0	11.1	13.8	14.1	16.7	18.7	20.9	22.6	23.5	25.8	29.5
Net consumption on petrochemical plants	18.1	22.2	26.4	28.7	34.3	39.8	45.5	48.7	51.2	58.4	63.3
Ethylene											
Nameplate capacity	4.9	6.0	7.1	7.5	9.9	10.6	11.7	11.9	12.5	14.5	15.9
Production	3.6	4.6	5.6	6.1	7.4	9.0	10.4	11.1	11.7	13.6	14.7
Consumption	3.6	4.5	5.5	6.1	7.4	8.9	10.6	11.2	12.1	13.6	14.6

Source: European Council of Chemical Industries Association

Some good news from OECD

E.B. Brook Vienna.

FORECASTS OF recovery and predictions of higher growth rates come from the United States and from the OECD in Paris to help cheer what would otherwise be rather bleak summer holidays. Financial markets in the USA maintaining unusual equanimity in uncertain times have helped to convince investors and the financial community there that the worst recession in America in 40 years is beginning to fade away. That touchstone of American nerves, the Dow Jones Industrial Average, has improved 41.7 per cent since the end of last year and new financing by the US credit markets in the first six month's of 1975 have established a record at more than $73 billion, easily more than three times the figure for the same period last year. In Europe, the secretary-general of the Organization for Economic Cooperation and Development, has assured the UN Economic and Social Council that member countries of OECD will see an annual growth rate of four per cent in their Gross National Product when they total up dealings in the first half of next year.

spurt of optimism

The two spurts of optimism in an otherwise worried world produce their own reactions. The US Administration has shown some nervousness whether this financial buoyancy at a time of steep unemployment may not lead to price increases in such key areas as minerals. While domestic price increases in America have checked back their growth from 20 per cent to 11 or 12 per cent some industries have put forward demands for fairly steep rises in prices — aluminium being one of them. In contrast to the US credit market which is rushing ahead in offering facilities, the consensus in American economic quarters regards the economic recovery now thought to be getting under way as likely to be slow for the rest of the year at least. If this view proves to be true there would be a stubbornly high unemployment rate for some time and demands for more government spending, tax relief and easier credit conditions would increase.

President Ford, with an election before him next year, has seized the opportunity to insist that the second deep American recession in this century is finally over. Presidential and other candidates are always aware of the canvassing value of optimism and the present happier American mood stems to some extent from the exigencies of preliminary steps in the election campaign. The official and market euphoria contrast with the complaints of millions of unemployed, the desperate calls for financial help from many big cities — including New York—and warnings of an upswing in inflation. The US inflation rate of now running at about seven per cent—about half what it was at the end of last year but it is risky for the administration to suggest it will probably be down to four per cent by the end of 1975.

a new rise

Present indications suggest a new rise rather than a further fall in the inflation rate. Food prices in the US are unlikely to fall because of the need to boost farm incomes and because the USA appears willing to meet immense Russian offers to buy grain. Similarly, oil prices are set to increase and the proposed decontrol of price on 60 per cent of US-produced oil will certainly send its selling price up to the end consumer. The vast sums which the US Treasury will need to borrow to finance growing public expenditure and the urgent demands for help from large municipalities means that the US internal money supply will have to be increased, a move almost certain to increase inflation and certainly to check any tendency to its fall.

The less buoyant Europeans need also to examine predictions of more satisfactory growth closely to check their reliability. Present percentage rates of increase in the cost of living compated with one year ago are nowhere reassuring. Lucky West Germany has the lowest increase at 6.1 per cent, rising through Austria with 8.6 per cent and Switzerland at 9.4 per cent to the unluckiest — the UK with 25.33 per cent and Italy with 26.1 per cent. In all countries, also, industrial pay packets have grown substantially to meet union demands and legitimately to counter the rising cost of living. Despite all the clamour about British unions' wage claims the average industrial wage rate has grown more slowly in Britain since 1971 than anywhere in Europe. Expressed in German marks the average British industrial wage rate has grown only from 5.00 to 6.80, while French wage rates have increased from 5.20 to 8.30, the Italian from 5.70 to 8.90, the Swiss from 6.30 to 11.00 and the Belgians from 6.50 to 11.70. W. Germany and Sweden lead in Europe with growths in average industrial wage rates from 7.60 to 13.30 and from 8.90 to 13.60 respectively.

France, whose currency returned to the European "snake' of controlled exchange values on July 10, appears, despite its President's optimism, to be heading for difficulties. The French growth rate this year has been minimal, if there has not been a recession, and even the government has revised its growth-rate projection down from four per cent to 2.5 per cent. Unemployment is increasing and may touch 1½ million by the end of the year—Germany's approximate current figure —and inflation could touch 11 per cent. Although even the gloomy prediction that France may have a balance-of-payments deficit of five billion francs (nearly £1 billion) by the end of the year is nothing like so serious as those for several other west European countries, the fact that at the moment 250 French businesses are shut by strikes and some 50 factories occupied by their workers speaks of a state of public ill-health more concealed but no less serious than that of Britain. In the meantime, despite another "summit" in Brussels, the European Community is no farther forward in solving the problem of unemployment or moving towards any but wishful forms of unity.

wavering British

In the present worried state of international trading it is not surprising that the Germans complain that the British make no definite decisions as to what they are going to do now, they are at last definitely in the European Community, that the French expect more cooperation from the Germans in manufacture and the Germans from the French in agriculture or that almost everyone accuses everyone else of dumping. A few weeks ago an irritated Signor Agnelli, Chairman of Fiat, accused the Poles of dumping their version of the Fiat car at cut rates on the west European market after having Fiat's help in setting up manufacture of the Polski.

Today the US Auto Workers' Union is demanding a government investigation of Fiat, Volkswagen and Leyland "dumping" — allegedly selling their cars in the USA at "less—than-fair-value" prices, sometimes for as little as $1,000 in order to make sales. On the European side there is the old complaint about the growth in Europe of US-based multinational firms. With the USA needing urgently to export both more manufactures and farm produce to Europe—still the world's richest commercial market—the European complaints of American aggression are likely to increase. The US Administration has shown signs of great

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interest in ways of overcoming technical trading barriers, especially those which still stand in the way of its trade with the nine-member community.

The GATT negotiations in Geneva have already listed nearly 1,200 barriers to trade, ranging from industrial standards to customs procedures, which are more obstructive to commerce than such classical barriers as quotas. The US insists that many such barriers be removed without much delay.

Greenspan says US economy on road to recovery

PRESIDENT FORD'S top economic aide said on July 23, "Developments in the first half of the year have set the stage for recovery" in the United States. Testifying before the Joint Economic Committee of Congress, Mr Alan Greenspan, Chairman of the Council of Economic Advisers, declared that "Production is now rising and real gross national product during June was above the second quarter average, presaging a significant rise for the second quarter."

Mr Greenspan also made the following points in his statement before the commttee:

—Inventory movements continued to dominate US economic activity during the second quarter of 1975;

—Real personal consumption expenditures rose more rapidly than had been anticipated during the quarter;

—The consumer price index has risen at a 6.6 per cent annual rate during 1975 —far less than the 12 per cent of the cumparable period of 1974.

Excerpts from Mr Greenspan's testimony follow:

decline in inventories

Inventory movements continued to dominate the second quarter figures. The decline in business inventories at an annual rate of nearly $34 billion in current dollars was even more rapid than during the first quarter of the year. During the past two quarters the real stock of non-farm inventories has dropped by 3.6 per cent. By the second quarter, inventory liquidation had pushed production 2.4 per cent below final demand in the economy as a whole. The ratio of real non-farm stocks to GNP declined very sharply in the second quarter of the year and, of course, the ratio will decline even more sharply as GNP starts upward. In the third quarter, this will indicate that the bulk of the excess inventory overhang with which the year began has been worked off.

Real personal consumption expenditutures rose at an annual rate of 6.2 per cent during the second quarter, more rapidly than we had anticipated. The weekly statistics for early July indicate that the second quarter increase is continuing. Only a very small part of the increase in retail sale as to date appears to have been due to the tax cuts and the resulting sharp rise in disposable personal income. Personal income, quite aside from the tax reductions is now rising in a quite encouraging manner. Rising employment and wage gains have lifted the wage and salary component of personal income by about $5 billion at an annual rate in each of the past two months.

price performance

The much improved price performance has also been an important factor helping retail sales. So far this year the consumer price index has risen at a 6.6 per cent annual rate, far less than the 12 per cent rate of last year. The lower rate of price increase has contributed to consumer purchasing power and helped to dispell the uncertainty and the sharp decline in consumer confidence which became so pronounced late last year.

It appears that only a small portion of the eventual impact of the fiscal stimulus applied through the tax reductions has yet been reflected in consumer purchases. The gradual effect of these rebates upon consumer outlays together with improving confidence and incomes, should induce a fairly rapid and sustained increase in consumer purchasing during the balance of the year and into 1976.

Business fixed invsetment in real terms declined in the second quarter but the drop was much less than in the previous two quarters. If is still quite difficult to form a judgement regarding the rate of business capital outlays over the next year. The large amount of excess capacity and the recession-squeezed profit margins are likely to produce some further moderate downdrift in fixed investment over the balance of this year. But the bulk of the decline in investment appears to be behind us. Capital good order backlogs, though declining, are still adequate in some areas, the sharp decline in the inflow of new orders for capital goods has been halted, and indeed orders for capital goods in June were almost eight per cent above the March low. The longer lead times required, together with the lagging patterns of business investment during earlier recovery periods, suggest that capital outlays are unlikely to turn upward before 1976.

Our projections incorporate an expectation for a recovery in housing starts to annual rates of about 1.5 million by late this year. The May figures were quite encouraging, with the rate of starts up 15 per cent. We had expected another slight increase in June, but instead starts declined slightly. It is difficult to interpret these numbers, however, in view of the fact that the decline was in the large multi-family category which tends to be particularly erratic from month to month. Building permits for new units were being authorized in June at rates which implied a rate of starts in excess of the June level. The Financial factors continued to be quite favourable with continued large inflows into the savings and loan associations of June reflecting in part, of course, the tax rebates. We hold to the view that the pick-up in starts has been delayed only temporarily. Our expectation that starts will be in the 1.5 million annual rate area by late this year hardly represents a boom, but it does represent a significant increase from current levels and it will be an important factor in the recovery.

note of caution

Price developments this year have been highly encouraging even though the consumer price index in June rose by 0.8 per cent. Several factors, however, suggest the need for a continued note of caution in our evaluation. The downward price pressures of the recession and the intense inventory liquidation pressures will be easing as the recovery gets underway. Developments in energy policy may also leave some mark on the price indexes in the months ahead, and finally, although inflation has subsided significantly, we still have a high rate of inflation both in relation to past standards and in relation to our objective of restoring a greater measure of stability to the economy.

We believe that the developments of the first half of the year have set the stage for recovery and, taken together, they indicate a somewhat stronger pick-up in production and employment in the second half of this year than we had generally been anticipating.

Courtesy: USIS

BOOKS BRIEFLY

Reviewed by
Academicus

Economic developments in the Third World

The Economic Development of the Third World Since 1900: Paul Bairoch/Translated by Lady Cynthia Postan; Methuen and Co Ltd, London; Pp 260; Price £ 2.45.

Administrative Response to Emergency: Kuldeep Mathur and Mohit Bhattacharya; Concept Publishing Co, Delhi; Pp 103; Price Rs 30.

Planning for Change: Edited by V.K.R.V. Rao, H.K. Mazumdar and Amal Roy; Vikas Publishing House Pvt Ltd; Pp 339; Price Rs 45.

Corporate Law and Industrial Growth: Punjab, Haryana and Delhi Chamber of Commerce and Industry, New Delhi; Pp 235; Price Rs 20.

Employment Technology and Development: Amaratya Sen; Oxford University Press; Pp 193; Price Rs 22.

The US and World Development—Agenda for Action 1975: James W. Home and Staff of the Overseas Development Council; Praeger Publishers; Pp 277; Price Rs 4.50.

This book is concerned with the nature of underdeveloped economies and their behaviour over the period of 1900 to 1972. According to the author, "While there are several case studies on the development of individual countries, or small groups of countries... there are none which might help to single out the various characteristics of economic development in the Third World over a long enough period or for a large enough number of countries to make the analysis applicable to all the less-developed countries, or at any rate all the large ones."

historical process

The author in this book *The Economic Development of the Third World Since 1900*: covers the period of 1900 to 1972 and out of nearly 170 economic or political entities, has chosen 24 countries from Africa, Latin America, Asia and the Middle East. He is also careful in selecting a few countries from different economic and political regimes and a few countries with large population. The author has analysed the historical developments in these countries in the fields of population, agriculture, extractive industry, manufacturing industry, foreign trade, the terms of trade, the level of education, urbanisation, labour force and employment, and macro-economic data.

On the basis of the global diagnosis of economic changes in the Third World, the author has drawn attention to "the painfully slow progress of economic growth since 1900 which remains, despite of slight improvement since 1950, insufficient to prevent the gap between per capita incomes in the Third World and the developed countries from widening still further."

population explosion

The population explosion in the Third World, according to the author, is one of the major explanations for the above phenomenon and of the unfavourable trend in the production of food. The implications of the slow growth in agriculture are all the more significant because three-fifth of the Third World labour force and nearly three-quarters of the labour force in Asia and Africa work on land. The author has found that the number of the persons engaged in producing food in the Third World has doubled during the last half century as a direct result of population explosion. This fact combined with the small amount of agricultural land available has caused the law of diminishing returns to reappear in a most disagreeable form. The consequence is that, "The productivity of agriculture devoted to growing food in most of the African and Asian countries is below the point considered safe from the risk of famine." It must also be remembered that rapid progress in the industrial field in these countries cannot be expected without an increase in their agricultural productivity. The author has also pointed out that agricultural productivity depends much more on structural factors than does industrial productivity and this makes increase in agricultural productivirt all the more difficult, and therefoe there remains the possibility of a serious famine in the Third World which by 1980 will have to find food for nearly one-third more mouths than in 1970.

The author has emphasised the fact that an improvement in agricultural productivity is likewise absolutely essential for the prospects of industrial development. If the expansion of manufacturing industry has been possible in these developing countries up to now without a noticeable enlargement of domestic market, it is mainly due to the fact that domestic industrial production has mainly been substituting for imports. As the limits of import substitution are approached, we may expect a reduction in the rate of industrial expansion, unless agricultural productivity increases providing expanding domesting markets.

The author has a very valuable comment to offer on the development of extractive industry in the developing countries. Dominated by foreign capital which mainly aims at export and profits, the present rapid growth of extractive industries could mean that future development is mortgaged. The mineral resources could well be exhausted or much of their potential skimmed off when the process of rapid industrialisation in these countries need them.

global diagnosis

According to the author, because of the relative preponderance of foreign trade, the terms of trade form one of the factors in global diagnosis. He has concluded on the basis of his analysis that "the generally accepted view that there was a secular deterioration in the terms of trade of raw materials as compared to manufactures is erroneous." The great fall in transport costs occurring between 1870 and 1920 has marked an improvement in the relative prices of raw materials, though, according to the author, "in the short term (between 1954 and 1962) there was a deterioration of terms of trade which "went far beyond a mere re-adjustment of the relatively high prices of raw materials during the early 1950s".

As regards foreign aid the author has concluded that on the basis of a rough calculation of the relationship between prices of raw materials and capital goods, one can see that "the deterioration in the terms of trade caused a loss of resources about equivalent to total aid received, defining aid in broad terms..."

The Third World, according to the author, has got off to a bad start and the chances of any sudden acceleration into economic development in the near future are distinctly dim, except in China where priorities have been properly recognised and where the growth of productivity in agriculture has progressed beyond the point at which nationwide famines are likely and has consequently been able to industrialise at a faster rate than the rest of Asia.

stimulate activity

On the basis of his diagnosis the author has made some very important recommendations. He has pleaded that priority be given to agricultural development where technically speaking it is possible to raise productively even with the known techniques and scientific knowledge. The problems which appear to be mainly sociological and political must be solved and agriculture must be given a big push. At the same time it is essential to try to restrict long-term population growth, at all costs. As regards industrialisation, according to the author, it would be desirable to hold back on the hasty construction of extremely modern industries as such a policy would be likely to prejudice the more general progress of development because of its high cost and because it would not stimulate local activities.

Politicians should not be afraid to set up tarrif barriers to protect local industries. Also it seems essential for the state to play a leading role in the process of industrialisation for it is unrealistic to expect a class of entrepreneurs to play the part which they played in the west during the 19th century when conditions were entirely different (e.g. elementary technology, small units of production, large body of skilled workmen, total absence of social legislation, absence of international and even inter-regional competition, high rate of profit and so on).

Also, according to the author, though the success of industrialisation in the Third World is primarily dependent on domestic demand (i.e. agricultural development), it is nonetheless true that foreign trade can make a certain contribution. Further, instead of concentrating on exporting to developed countries, it would be better if the Third World countries trade among themselves.

Thus stimulation of agricultural development, creating industrial enterprises which favour general economic development and birth control form the basis on which the countries of the Third World should concentrate. The developed countries which spend billions on defence materials can certainly help speed up the process of economic development of Third World countries by diverting even one per cent of this essentially wasteful expenditure towards these struggling countries.

This is a remarkable study which has made the author internationally famous. Indian policy-makers can learn much from this analysis of the historical development in a large number of developing countries. We seem to have followed precisely the opposite policies of the prescriptions advocated by the author. Our neglect of agriculture and over-emphasis on industries since 1956, our attraction for giant modern industrial complexes and our failure on the population front all explain the disappointingly low rate of growth since 1951 to this day. Will our policy-makers show the courage to reverse the gear and adopt policies which the analysis of the economic history of developing countries lead to? This book is certainly a must for the students of economics.

RESPONSE TO EMERGENCY

Maharashtra experienced unprecedented drought conditions during 1970-73. Out of about 36,000 villages, nearly 23,000 in 1970-71 and about 15,000 in 1971-72 were affected by conditions of drought in lesser or greater degree. Nearly three crores of the rural population were in distress. Not only the agricultural labourers but even agriculturists with substantial holdings were very severely affected. Kuldeep Mathur and Mohit Bhattacharya undertook this study "to promote understanding of the organisation and working of the administrative system during these days of acute scarcity in Maharashtra." They are primarily concerned with investigating how an administrative structure built to function in normal and stable conditions changes and adapts itself to face an unstable, stressful situation like that of drought in the state. While considerable literature is available on the structure of organisations within the Indian administrative system, hardly any study is made of issues such as the degree to which the structure is functionally related to the objectives of these agencies. The authors in the book, *Administrative Response to Emergency* are of the opinion that, "Little research attention has been directed to investigate the total system of task implementation and the organisation necessary for it."

The two aspects on which the authors have chosen to concentrate are: (a) ability of the organisation to adapt itself both structurally and procedurally to meet the needs of an emergency, and (b) analysis of the environment which provides support to the organisation to implement its tasks. As many states face various emergencies, findings of the two authors in this regard are of great significance as on the basis of their findings suitable modification, if necessary, may be made in the administrative system and procedure in order to enable the administration to meet emergencies boldly and successfully.

aims fulfilled

It has been widely acknowledged that the administration in Maharashtra proved equal to the task and fulfilled the aims of the government in giving relief. At the district level, a district relief committee and at the taluka level, a taluka relief committee were quickly established with which were associated non-officials. In terms of implementation machinery, integration had to take place among various organisations working at the district level. This was particularly apparent with the Zilla Parishad acting under the direction, control and coordination of the collector. Zilla Parishad is a statutory body in Maharashtra and its officials are not directly subordinate to the collector during normal times. But the chief executive officer of the Zilla Parishad (who is generally an IAS official) accepted the leadership of the collector. This was possible because both officials belonged to the IAS cadre.

This pattern percolated downwards to the village level and the harmonious relations between the BDO and the tehsildar, between the village level worker and the talati became the accepted form of administrative behaviour during the emergency. In this way much of the rigidity in their hierarchical way of functioning was removed. The communication barriers of normal times were swiftly broken and reporting and controlling became much more personal and direct affair. Also during emergency the delegation of financial and administrative powers to the collector as well as to the technical officials was considerably increased.

The flexibility in the organisational working was also marked by a more relaxed relationship between the administrators and the politicians during the emergency. The non-official leadership duly acknowledged the role of the administrator

and he in turn accepted the politician in implementing the scarcity works programmes. Politicians were especially helpful in helping administrators to establish liaison with the public and in matters such as land acquistion and site selection for scarcity works. Frequent and open communication between the administration and political leaderhip contributed to this happy relationship between the two. Giving of due recognition to the work done by each also contributed to this happy relationship. The environment also helped in this regard. During the emergency there was no scarcity of funds. This further reinforced the support from the environment which helped the politicians in easing tensions and resolving disputes and the administrators in implementing policies with abundant funds. The two roles became supportive and respect for each other grew, thanks to the emergency, and the realisation by both administrators and politicians that the goals set forth during the emergency could not be achieved without the cooperation of the other.

The study has emphasised dramatically that the capability of the Indian administrative system to cope with new challenges is much higher than what is normally assumed.

This study is of great significance not only becaue the administrators are often called upon to face droughts in different states but also because the authors have raised a fundamental issue of why in normal times administration does not rise to its full potential stature.

ROLE OF SOCIAL SCIENCE

The Institute for Social and Economic Change, Bangalore, organised a seminar on "the economic and social development of Karnatak, the principal issues arising therefrom, and the role that social science research could play in dealing with them. This volume, *Planning For Change* contains the papers presented at the seminar. Since Karnatak, one of the Indian states, has many things in common with the other states in India and also shares the same experiences and faces the same difficulties, what is said about Karnatak would also generally hold good in regard to most other states in India. It is on account of this fact that this volume assumes significance for all and also contains lessons which possess general validity. It would therefore be instructive to note the contents and findings of at least the important papers in this volume.

Of the seven sections into which the volume is divided, the first contains a background note by H.K. Mazumdar and S. Seshaih who have made an attempt to place the development of Karnatak in the national perspective, drawing attention to the role of multi-level planning and the district planning in particular for inducing a faster and more comprehensive pace of development in the state.

The second section deals with the problems of agriculture and allied activities. Buggi and Chetty have in their paper found support for the thesis that small farmers as a class have not shared in the economic progress of the state. This is not so much due to smallness of land holdings and inadequacy of financial resources as to their "lower ranks which they occupy in the caste hierarchy, their lower level of literacy and education, their low communication level and low value orientation in terms of ambition for and confidence in their capacity for betterment." The paper therefore emphasises the importance (along with economic measures) of measures on the non-economic front including social, cultural and educational fields to enable small farmers to take advantage of the opportunities offered to them.

potential for income

Prof Ramanna examining the potential for income betterment for the poor subsistence farmers as also for better-off commercial farmers has come to the conclusion that prospects are good for both and that capital and extension work are the principal constraints in the case of both the categories and growth. If these constraints are removed, then there are goo possibilities for growth of incomes of both the categories without any structural change in their organisation. C.S. Gajarajan analysing the problems of persons displaced on account of irrigational projects has made a radical suggestion that displaced farmers should be compensated by group allotments of the newly irrigated land, irrespective of whether the ownership of such newly irrigated land is in the public or private sector.

B.C. Angodi pointing out the two difficulties of lack of coordination among various departments and of finding of finance in respect of major irrigation works, has suggested that "the best way to solve this twin problem is by setting up a state irrigation corporation or alternatively one corporation for each major irrigation system in the state."

uneven development

Y.M.L. Sharma has traced the uneven and unbalanced development of forest resources in different parts of the state and has made out a strong case for launching an afforestation programme for the offshore areas of large, medium and small irrigation projects and tanks in the state. He has suggested that "extension forestry and farm forestry form the most important instruments in the transformation and productivisation of land in the dry and arid areas." He wants that while calculating returns from investments in forestry, it is necessary to take into account not only private and specific returns of each project but also the social returns in terms of its overall effect on agricultural security and productivity. Sharma has also correctly highlighted forest development as an instrument for redressing regional economic and living inequalities.

The third section in the volume deals with the problems of industry and transport. Chandran has given an account of the growth of industrial development in Karnatak drawing attention to the predominance of small-scale sector and has concluded his paper by making policy suggestions for establishing new industries and improving the intra-state distribution of industrial activity. K.B. Murarappa has made a plea for properly coordinated development of the different means of transport in the state with a view to maximixing economic activity and incomes for the state and its people. R.A. Deshpande has drawn attention to intra-district imbalance in respect of road transport and puts forward the contention that "the criteria for measuring progress in road transport should not only be formulated

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in terms of length and quality of roads but also in terms of accessibility of villages by all weather roads to one another and to the main road transport network." K.K.S. Kumaran has made a strong plea for the development of ports, major and minor, in the state "not only for fishing and coastal trade but also as growth centres for the development of the hinterland in the state that they command."

The fourth section deals with the problems of education in the state. S.V.C. Aiya examining the concept of vocationalisation of education has pointed out that it cannot be of a uniform or standard pattern but has to be linked with the environment in which individuals live and their specific needs, present and anticipated. T.P. Isar has launched a fearless indictment on the role of our university system in inducing national integration. He traces the establishment of many universities to local jingoism or regional rivalries. He would like to link all universities in the country with a common link language as the medium of instruction and providing facilities for free movement of students among different universities, crossing state and language barriers. S.R. Rohidekar, dealing with the vexed question of student unrest has suggested that "courses taught in universities should undergo a radical reorientation having an appropriate relationship with the intellectual level of students and their channel of interest and take into account avenues for employment and developments and changes in society in modern India."

need for social justice

The fifth section deals with the problem of combining development with social justice with particular reference to backward classes and backward regions. Parvathamma has pointed out that neither political democracy nor legal enactments by themselves can bring about any significant improvement in the lot of backward classes. According to the author, the problem must be tackled on a multi-pronged front with "standardization of agricultural wages, mechanisation of traditional 'pollusion' occupation, and diversification of employment and other economic activity." M.B. Nanjappa dealing with the problems of area development has drawn attention to the comparatively slow rate of economic progress in Karnatak as compared with Punjab, Maharashtra, Gujarat and Tamil Nadu. He does not find its explanation in the comparative level of natural resources in these states and argues that economic development is a social process determined by a variety of social, religious and cultural practices. It is in this field therefore that the author would like research directed. Nanjappa's paper illustrates the importance of an inter-disciplinary approach to the problem of economic development.

The sixth section deals with the problems of planning for development. H.S. Nagaraj has pleaded for planning machinery not only for preparing plan but also to look after plan implementation. P.R. Misra and V.K. Nataraj deplore the fact that "local and regional studies rarely find a place in our teaching and research programmes." They have made a strong case for paying more attention to area and sub-area planning, and decentralization and coordination of sectoral with spatial planning. D.M. Nanjundappa links up his advocacy of using local self-government bodies as instruments of economic development with the need of integrated spatial dimensions for formulating the hierarchy of national planning. He has made a strong plea for active implementation of the two-way process of planning from below and from above, instead of a uniform application of development programmes all over the state irrespective of their suitability to local physico-geographical conditions or their social needs.

political awareness

H.D. Lakshminarayana on the contrary has come to the conclusion that while panchayat raj has increased political awareness in rural areas, it has led to increased factional conflicts and has not resulted in speeding up the process of economic development at local levels. The two conflicting views expressed in this regard indicate the need for further research in this field before a remedial action is taken in one way or the other.

The seventh and last section deals with the possibility of using social science research for speeding up economic development. Rajapurohit is of the opinion that research work in agricultural economics pertinent to Karnatak is scanty and sketchy and has not identified the central issues in regional agricultural development and not attempted to pursue any problems systematically.

Who can say that experiences contained in these papers are peculiar to only the state of Karnatak? It is these common experiences, problems and challenges that make this book of common interest to all the Indian readers. What is also clear from all the papers and the seminar is the crucial importance of planning at the state level in the nation's system of overall planning through its planning commission and their five-year Plans. Dr V.K.R.V. Rao who has moved from Delhi where he was concerned with macro-level planning to Bangalore has done well to hold this seminar emphasising micro-level planning for a vast and variegated country like India.

CONSTRAINTS ON GROWTH

Punjab, Haryana and Delhi Chamber of Commerce and Industry organised a conference on "Company Law and Industrial Development" at Delhi on December 27 and 28 1974. This book *CorporateLaw and Industrial Growth* contains the extremely valuable proceedings of that conference.

The Companies Act, 1956 has the dubious distinction of being the bulkiest and very complicated piece of legislation. With the enactment of the Companies (Amendment) Act, 1974, it has become wider in coverage and in some areas even ambiguous and rigid. The amendment empowers greater official interference in day-to-day operations of the corporate undertakings.

The objectives of the Companies Act, 1956 were: maintenance of minimum standards of business integrity and conduct in the promotion and management of companies; full and fair disclosure of all reasonable information relating to the affairs of the company; effective participation and control by shareholders and the protection of their legitimate interests; enforcement of proper performance of their duties by company managements; and power for intervention and investigation into the affairs of a company where it is being managed in a manner prejudicial to the interests of the shareholders or to the public interests.

The Companies Act, 1956 was amended several times. A very important amendment was the Commpanies (Amendment) Act, 1974. With the mass added to the bulky legislation, the Act has become much complicated and complex and compliance with its provisions is becoming a herculian task. While there is no finality in a matter such as the Company Act, and amendments will be necessary from time to time, it is essential at the same time to ensure that the law does not hamper the growth impulse while at the same time achieving national economic objectives and goals. The objective of the conference was to highlight areas in the law which might cause hardship to the corporate sector. The conference chose four topics which, according to it are 'the hard area' in the Companies and MRTP Acts.

The first aspect on which the conference concentrated was 'the concept of group', 'same management' and 'interconnection' under the Companies and MRTP Acts. The conference was of the opinion that the

definitions of these terms are vague and uncertain. Two companies which are entirely remote and unconnected may come to be deemed interconnected for the above acts. Also, there might be varying interpretations of the term 'group' and 'same management' by the Company Law Board and MRTPC. This might impinge on the efficient functioning of the corporate sector.

The second topic on which the conference debated was 'Reporting and Disclosure in Companies Accounts'. A plethora of information is required to be given under the revised provisions of the Companies Act (e.g. details of raw materials consumed, number of persons drawing Rs 3,000 and above per month, etc., etc.). The conference submitted that the company might have arrived at a process of optimum utilisation of raw materials after years of long experience and research which it has the right to reserve like a 'patent'. The conference was of the opinion that "while supplying of such information to the government is not disputed, it is essential that the information is kept confidential, as open publication of such data would be deterimental to a healthy development of the corporate sector."

The third topic that drew attention of the participants of the conference was "Controls on Corporate Management under the Companies Act: Penalties and Prosecutions." While the conference had no sympathy with companies indulging in fraudulent practices, and it was not in favour of the concept of 'no control zone', it was also of the opinion that the level of control should not retard the pace of growth, and controls should not generate into instruments of narrassment.

multiplier effect

The last topic chosen by the conference for discussion was "Intercorporate loans and investments — role in economic growth." The conference was of the opinion that intercorporate loans and investments have a multiplier effect on the growth of the corporate sector and hence on the economy. It was felt by the participants that the present restrictions on them go counter to this.

In the light of the discussion, the conference has made a number of recommendations. For example, the conference felt that 'Government should lay down guidelines in regard to the determination of 'group' and 'control'. The conference also suggested that "Companies should be given an opportunity of being heard before a decision is taken as to whether they are interconnected under the MRTP Act, 1969."

From the deliberations of the conference, it is clear that all their recommendations aim at a fine balance between ensuring that the corporate structure is not misused by dishonest manipulators and that of protecting the efficient, competent and innocent managements of companies from undue and unnecessary harrassment.

Proceedings and debates as recorded in this book make interesting reading. The participants were also businessmen and people of experience with the consequence that the debates carry a ring of authority and explain to the lay readers the complexities of the company law and the hurdles which corporate sector has to face in its functioning. The approach is always constructive and it is hoped, since Mr H.R. Gokhale, union minister of Law, Justice and Company Affairs was present at the conference, that some of the suggestions would receive consideration of the government so that the corporate sector is in position to make rapid progress and contribute substantially to the production of wealth which after all is the need of the hour.

CHOICE OF TECHNOLOGY

It is accepted on all hands that the choice of technology is one of the key instruments of a development strategy. But the field of 'appropriate technology' is still a virgin field awaiting critical study

According to the author, "The employment implications of technological choice in a development strategy can be usually examined in terms of either of those which call for the spread of new knowledge (innovations such as new seed varieties, the development of new intermediate technologies), or of those which involve putting to use existing knowledge through an adequate institutional and incentives structure and pricing policies regarding factor inputs and products."

This study *Employment Technology and Development* by Prof Amartya Sen falls into the second category. This is an analytical work intended to provide "a conceptual framework and guidelines for further work in the field." The analysis attaches great importance to institutional factors and to economic and political considerations. It is maintained that "even if appropriate technological alternatives are known to exist and are economically efficient, they are unlikely to be easily disseminated and applied unless adequate decision-making criteria institutions and policies are introduced to change the factor and product-mix in favour of greater labour intensity and employment operation". Prof. Sen's study confirms how important it is for appropriate institutions and policies to accompany identification of feasible technological alternatives.

Important guidelines which flow from Sen's study are worth mentioning. The household production modes which are prevalent in agriculture and services in developing countries have important implications for the utilisation of technologies with domestic non-wage labour which may not be available for factory labour. This field is being investigated at present by ILO.

implications of study

Another implication of Sen's study is that "too much emphasis should not be placed on the development of *new* intermediate technologies through research and development. According to Sen, "The view that the *best menu* is basically 'unappropriate' and we must rely on 'making' our own technology by looking for it... is not always a very useful approach."

In Part V of the book dealing with employment, technology and evaluation, the author sets out principles and criteria for estimation 'shadow' prices required to determine socially optimal techniques and to evaluate the gains from specific projects to migrants, peasant families and society in terms of increases in income, savings and employment. Thus the fine distinction which Sen makes between various aspects of employment problem is illuminating and stressing the fact that one-dimensional measurement of employment is likely to be a misleading and inadequate basis for employment policy. Another policy implication flowing from Sen's analysis is that of schemes which can be designed in such a way that work can be done outside the wage system and the institutional wage rigidities need not conflict with the expansion of employment.

According to the author, poor project planning and design, administrative rigidities, inadequate analysis of the nature of the employment problem and lack of appropriate criteria for selection of projects have often resulted in public employment schemes failing to meet their objective of helping the poor below the poverty line. The author is also of the opinion that some knowledge of the size and distribution of different income groups below the poverty line is necessary if the public employment policy of helping the really poor is to bear fruit. Another implication of Sen's study is the important role which shadow prices can play in the choice of appropriate technologies. He maintains that "pricing signals, if communicated to the decentralized manager or project evaluator, will induce him to take right decisions regarding technological choices." Thus an appropriate incentives structure is an essential prerequisite of an adequate employment policy.

Prof Sen's arguments in this book can be summarised by stating that "economic policies, if formulated in isolation from the specific political, social and institutional context, are almost bound to flounder." This means various non-economic aspects are of crucial importance for employment policies in developing countries.

Amartya Sen has carried out the analysis of the problem of 'Employment Technology and Development' at a very sophisticated level. While this is good as a logical exercise and for deriving academic pleasure from model-building, one is inclined to believe that a little less rigorous analysis and at a lower level of sophistication will do for less developed countries like India whose problems are really much simpler and more straightforward. Prof Amartya Sen, working as he does in the London School of Economics, has brought to bear on Indian problems an approach that would be relevant in developed countries such as the United Kingdom. One will certainly enjoy reading the book for its subtle sophistication, all the while wondering in one's mind whether all this complex analysis and hair-splitting is really necessay and relevant for India.

PERIOD OF CRISIS

This century has already faced crises of vast dimensions straining human capacity in its efforts to provide adequate and successful responses — World War I, the global economic crisis of 1929-33, and the Second World War of 1939-45. The world is entering the fourth period of tremendous crisis which is threatening to engulf both the developed and developing countries in the free world. This crisis covering nearly three quarters of the world's population is more acute and with potential consequences that are more devastating, in case of our failure to meet it successfully. *The US and World Development — Agenda for 1975* is concerned with these challenges focusing attention on *Agenda for Action 1975* and a corresponding opportunity to construct a new relationship between the rich countries of the world's north and the poor countries of its south.

The authors have concentrated on three major challenges which are highlighted in this book. The first is the need to renew the United States' former sense of urgency in the campaign against gross human inequality. The authors are firmly of the view that major progress on this front is possible within this century, if the United States persevere. For example, the industrial countries of the north can and should add, according to the authors, $ 2 billion of development assistance annually over the level provided in 1973 for the Fourth World of poorest countries, and the OPEC countries should match that effort of the United States. Also beyond this emergency need, there are vast opportunities to improve international economic systems so that they not only serve the needs of all the countries better but also allocate more resources to the poor countries.

The second major task emphasised in this book is "the need to respond to the challenge from the south with such ingenuity that all parties gain." According to the authors, this means that the too frequent view of the United States that this challenge is a "zero-sum game" — for example in the energy negotiations or in the United Nations General Assembly — must be laid aside in favour of a broader international vision.

The third major task is the importance of creating or redesigning institutions to deal with the problems that have overwhelmed many existing institutions which are analysed in this book in great detail in the chapters on food, trade and petrodollars. This task will require the United States and other nations to take a new and comprehensive view of the kind of world they want to see evolve. Chapter IX deals with such a long-range perspective identifying some of the elements of the kind of 'global compact' needed to improve the distribution of income and economic opportunity both within and among nations.

There is a global crisis in practically ever sphere — food, population, energy, military expenditure, international trade and the demands of the poor nations for a greater share of power and profit and for participation as more equal partners in a reformed international order. Many of the familiar symbols of security so much cherished in the industrialised nations — perpetual growth, expanding job opportunities, inexpensive transport, happy surrounding and congenial environment — can no longer be taken for granted. The old world security has gone forever. The world is moving fast and the pace of growth has quickened to a point where the institutions that man had fashioned some time ago are not in a position to handle the situation. The world needs human institutions that could anticipate, adapt and act on truly global basis. This seems to be the only hope for the survival of man on this planet. The authors firmly believe that none of these

Dept. of Atomic Energy

Tender No. DPS/BARC/ENG/6969 due on 1-9-1975.

Subject: Standardisation of Door Closers.

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay, invites tenders for

Standardisation of Different Type of Door Closers having ISI Certification Mark.

Genuine manufacturers of Door Closers of ISI quality only need purchase tender documents. The tender documents priced Rs. 10/- and General conditions of contracts priced 50 p. can be had from the Finance and Accounts Officer, Deptt. of Atomic Energy, Directorate of Purchase and Stores, 3rd Floor, Mohatta Bldg., Palton Road, Bombay-400001, between 10 a.m. and 1 p.m. on all working days except on Saturdays. Tenders will be received upto 3 p.m on the due date and will be opened at 4 p.m. on the same day. Right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons.

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challenges will be easy, but their solutions are possible and "no more difficult to achieve than those of the post-World War II era that is now passing."

This is certainly one of the most stimulating books taking human mind beyond the narrow national confines and making it see the vast human problems in the international perspective. National economies are closely interlinked with one another so much so that global perspective is the only proper perspective that would help mankind to surive. The merit of this book is that even the fervent nationalist would be convined of the necessity of the global approach to all problems at the present. This global approach is the role the authors prescribe for the United States. Let us hope that the United States will have the sanity to appreciate and follow this approach.

Media India

Media India : a quarterly devoted to mass communication, edited by Mr I.T. Karamchandani and published by him at D-273, Sarvodaya Enclave, New Delhi 110 017, Price Rs 25.

The inaugural issue of this journal, which is for the quarter April-June 1975, was released by Mr Jagjivan Ram, minister for Agriculture and Irrigation, at a pleasant function at the Press Club, New Delhi, last month. Presenting the purpose and programme of this journal, the editor says :

"In the coming times, '*Media India*' would aspire to disseminate information about the Media and the Media men. In the future issues it will have many departments, for example, Media Electronic—T.V., Films, and the Radio; Media Print—newspapers, journals, magazines, books, printing technology; Media Traditional—folk dances, songs, plays, puppetry and mimicry; Media Graphics—fine arts, photographs, sculptures, exhibitions; Media Men—media practitioners, media researcher and media administrators, and lastly Media Around the World—news about media beyond our frontiers."

The inaugural number is devoted to the International Women's Year and it has a supplement carrying a number of articles or papers relating to this theme. Its main section discusses various aspects of mass communication. Contributors to this section include 'professionals' such as Dr Pramod Vyas and Mr Ajit S. Gopal. There are other interesting articles by, among others, Mr H. C. Sarin and Mr Mohan Sundara Rajan.

We wish this journalistic venture good luck and a bright future.

Book of reference

Manorama Year Book 1975: Published by the Manorama Publishing House, P.B. No. 26, Kottayam-1, Kerala State; Pp. 808; Price Rs 15.

Reviewed by **B. Ganapathy Sarma**

The *Manorama Year Book 1975* has completed ten years with this edition. Within this short period the year book has firmly established itself as the topmost publication among its rivals. As a year book it is exceptionally different from other year books. It bears its own individuality, uniqueness and distinction. A special significance of this remarkable publication is that every topic is dealt with in the form of an article which gives not only excellent background information on the subject but also the latest available data. It is thus a "backgrounder" and a "foregrounder" combined. Besides exhaustive treatment, massive information have been packed into this volume which makes it extremely interesting and quite informative. In step with the demands of times the publishers have paid particular attention not only to cover as wide a range of topic as possible but also to cover in depth all information.

A cursory glance of the synopsis will convince the reader of the vast multitude of topics, which in their range may simply be termed encyclopaedic. The topics are covered in five sections. The "space" and the "world" are dealt with in the first two sections. The third section on 'India' presents a panoramic view of modern India in all its aspects — political, economic, social and cultural. Besides elaborate treatment, copious statistical and economic data have been provided whereever necessary. This is followed by the 'sports and games' section. The 'general' section contains information on all and sundry topics. As population explosion is the topic of the day, it is treated as a special feature in the year book. This feature traces the growth of population theories from Malthus down to present days and expounds the difficulties that are being encountered in tackling the population problem in different countries.

Such wealth of data on India, the world and the outer worlds has rarely been so systematically assembled, discussed in detail and nicely displayed in an year book. Considering the range of information it contains there is no doubt that this handy compendium will certainly prove as a useful book of ready reference and as an invaluable and indispensable publication to busy executives, journalists, research scholars and university students in particular and educational institutions in general.

Books received

All the Bank's Men: S.L. N. Simha; Published by the Registrar, Institute for Financial Management and Research, Madras-600034; Distributors: Vora and Co. Publishers Private Ltd, 3 Round Building, Kalbadevi, Bombay-400002; Pp 140; Price Rs 15.

Elementary Education in India, A Promise to Keep: J.P. Naik; Allied Publishers Pvt Ltd, 13/14 Asaf Ali Road, New Delhi-110001; Pp. 98; Price Rs 10.

Legal Aspects of Development Banking (Proceedings of a Seminar): Published by the Secretary, Management Delopment Institute, A-21, Palam Marg, Vasant Vihar, New Delhi-110057; Pp 198; Price Rs 16.00.

Alternatives, A Journal of World Policy (Vol I No. 1): Editor Rajni Kothari; Publishers and Sole Distributors in India: Allied Publishers Private Ltd, 13/14 Asaf Ali Road, New Delhi; Pp. 158; Subscription for India Rs 40 per volume.

Land Reforms in India: Trends and Perspectives: P.C. Joshi; Allied Publishers Pvt. Ltd, New Delhi-110001; Pp 181; Price Rs 15.

Marxian and Post-Marxian Political Economy: Arun Bose; Penguin Books Ltd, Harmondsworth, Middlesex, England; Pp 330; Price US $5.95.

Education and Economic Growth: S.C. Goel; The Macmillan Company of India Ltd; Pp 158; Price Rs 45.00.

Agrarian Strategy in India: Uday Mehta; Vora and Co. Publishers Pvt. Ltd, 3 Round Building, Kalbadevi Road, Bombay-2; Pp 200; Price Rs 30.

Prospects of Industrial Development in Rajasthan: Edited by K.L. Jain, Honorary Secretary, Published by the Rajasthan Chamber of Commerce and Industry; Pp 454; Price Rs 25.

Financial Assets and Instruments for Mobilisation of Saving: D.T. Lakdawala and R.J. Mody; Published by the Sardar Patel Institute of Economic and Social Research, P.O. Box 4062, Navrangpura, Ahmedabad 380009; Distributed by Popular Prakashan, Bombay; Pp 100+xii, Price Rs 20.

Financial Performance of Companies: ICICI Portfolio 1973-74: Published by the Industrial Credit and Investment Corporation of India Ltd., 163 Backbay Reclamation, Bombay 400020; Pp 226.

TRADE WINDS

Investment Slackens

INVESTMENT IN important industries such as automobile tyres and tubes, paper, fertilisers, cement, textiles and sugar have slowed down in recent years because of high capital costs, according to a survey conducted by a public finance institution. According to the survey, over the last few years, the general inflationary situation, particularly in machinery items and the impact of the various changes in the currency parity rates have resulted in raising the capital investment needs in the case of a number of products. In many industries, no significant technological improvements have emerged to compensate the effect of high capital outlay by increasing productivity.

Thus in comparison with the existing established units in the industry, new projects start with a substantial disadvantage with regard to profitability. In may new cases, the estimated profitability falls well below the level of acceptability. The survey observes that since capital costs have risen sharply during the last three or four years, the viability and competitive ability of new projects have been seriously jeopardised. It suggests that some positive steps like relief from excise duty for five years, after such industries go into production would help them to hold their ground with the established units in the field.

Oil know-how to Libya

Formation of a joint Indo-Libyan company for maintenance of oilfield equipment and provision of oilwell services in Libya is envisaged in the protocol signed by the Indian petrochemical delegation with the Libyan authorities. The protocol also provides for supply by India of technical manpower and training facilities to Libyans in the field of oil. Possibilities of establishing joint ventures and petrochemical plants in Libya are also included in the protocol. The two countries have agreed to undertake detailed studies on the setting up of industries such as fertilisers, caprolactum, DMT, pesticides, drugs and pharmaceuticals, products of which will find a market in India.

At the request of Libya's Petroleum minister, Mr Mabrouk, the Indian delegation agreed to conduct a techno-economic study for a methanol derivative plant. The protocol noted that the Oil and Natural Gas Commission was considering the offer of oil exploration in Libya as also Libya's readiness to supply two million tonnes of crude to India as agreed to earlier. The Libyan authorities have promised to give necessary protection to the proposed joint company to ensure its growth. They might seek India's cooperation in the construction of 400 km western desert crude pipeline and a new oil terminal.

ONGC's Venture in Egypt

The Oil and Natural Gas Commission has decided to send a team to Egypt to study the possibility of entering into a joint venture for oil exploration in that country. Egypt is not traditionally a major oil producer, but recently a huge field was discovered at Ramadan. Several new areas to the north of this field are now going to be leased out by Egypt for oil exploration on a production sharing basis. The ONGC team will study the available data for these new areas.

National Product Bank

A national product bank which will furnish instant information on Indian technology, products and manufacturers is being set up by the National Data Institute. The bank, the first of its kind in developing countries, will cover 30,000 products and processes.

Industrial Relations Panel

The labour ministry has set up a 21-number national committee to sort out problems of industrial relations in the private sector. The committee consisting of representatives of organisations of labour and employers is expected to motivate workers to increase productivity and production and shall help the government resolve related issues. The workers representatives have been chosen from the INTUC, the AITUC an the HMS. The committee will meet periodically to review the situation and seek to preserve industrial peace.

Indo-Mexican Collaboration

India and Mexico have exchanged letters confirming agreement on collaboration between the respective national institutes of foreign trade. The letters envisage that the Indian Institute of Foreign Trade and the Mexican Institute of Foreign Trade will extend to each other the widest mutual collaboration regarding exchange of information on market prospects in both countries and will furnish to one another, upon request, the studies conducted by either side on markets for specific goods and services.

The two sides exchanged lists of commodities which they could offer to each other. At present, India's main export to Mexico are juste manufactures, shellac, scientific, medical, optical, measuring and controlling instrument. and apparatus, medical and pharmaceutical products, pearls, precious and semi-precious stones, machinery, burlap and palm fibric. The new list offered to Mexico according to the current agreement, however included some more sophisticated and non-traditional items which might prove competitive in Mexican markets. Major items of imports from Mexico are phosphoric acid, refined lead, fuel, oil citric acid, motor oil and some vegetable fibric. The two sides agreed to hold trade fairs in each others country.

A cultural agreement was also signed in New Delhi between India and Mexico. The agreement envisages cooperation in the fields of culture, art, education including academic activity in the field of science, mass media of information and non-professional sports and games. The agreement visualizes the setting up of a joint committee to keep under priodical review the working of the agreement and for formulating exchange programmes.

Indo-Swedish Economic Relations

Although trade relations between Sweden and our country were established during the 18th century through the Swedish East Asiastic Company, trade has never been of a very large volume. It has however steadily increased (except for a decline in 1974) and developed in both directions. India's total trade with Sweden now represents 0.7 per cent. Sweden's exports to India rose steadily from Rs 29 crores in 1971 to Rs 45 crores in 1972 and further up to Rs 46 crores in 1972 but it declined to Rs 32.2 crores in 1974, whereas India's export to Sweden went up from Rs 14 crores in 1971 to Rs 22 crores in 1973. A further rise to Rs 25 crores was recorded in 1973 but dropped marginally to Rs 20.2 crores in 1974.

About 40 per cent of Sweden's exports to India

consist of industrial equipment and machinery. Other important export products are iron and steel (mostly special steel), certain chemical products and newsprint. More than 60 per cent of our country's exports to Sweden consists of textiles. Foodstuffs (shrimps), leather, coffee and tea and handicrafts are also important items. Although Indian exports to Sweden and Swedish exports to India had increased substantially in the last few years, trade between the two countries still has not reached its full potential. It is felt that an increase and diversification of Indian exports to Sweden would have a favourable effect on bilateral trade between the two countries.

Indo-Swedish Collaborations

A number of Indo-Swedish joint ventures have been established in India since the 1920s. The Western India Match Co (WIMCO) has several factories all over India. Other important joint ventures are Associated Bearing Co Ltd (ball bearings), Atlas Copco (India) Ltd (air comspressors), Kanthal India Ltd (precision castings), Sandvik Asia Ltd. (Tungsten carbide products and tools), Siporex India Ltd (cellular concrete) and Vulcan-Laval Ltd (dairy equipment etc) all located in Poona, Kanthal India Ltd (resistance wire) located in Varanasi, S. F. India Ltd (air treatment equipment etc), Ericsson India Ltd (telecommunication) located in Calcutta and Facit Asia Ltd (adding and calculating machines) located in Madras. At present there are 28 'active' Indo-Swedish collaborations with an annual turnover of well above 3912 million rupees (total turnover of Indian firms collaborating with Swedish parties). The products manufactured by these ventures not only serve to meet the domestic market's demand but also earn foreign exchange for India from exports.

Meanwhile the commercial section of the Swedish embassy in India has just brought out a third edition of *Swedish collaborations in India*. The collaborations are broadly classified as equity participation, technical know-how or royalty according to the nature of individual agreements, and in a few cases such agreements have expired.

There are a few more Swedish collaborations in India which are yet in the finalisation stage and therefore such names have not been included in the current list for want of complete details.

Inflation Rate Arrested

The rate of inflation has finally turned negative and prices are lower than they were a year ago. The wholesale prices index (with the year ended March 1962 as 100) during the week ended July 5, 1975, declined by 0.1 per cent to 310.2 as against 310.6 for the previous week. The all-commodities index at this level was lower by 0.9 per cent when compared to both the corresponding weeks of the earlier month and that of a year ago. Despite the government's decision to increase the price of coal by 36 per cent, of coke by 18 per cent, and of iron and steel by two per cent from July 1, it is indeed significant that prices were lower than last year. The fall in the all-commodity index would have been 0.7 per cent as compared to the past week if the rise in the prices of coal, coke and steel were excluded.

West Poised for Recovery

Major Industrial countries seem poised for a "moderate recovery" of output over the next twelve months ending June 1976, with an average annual rate of consumer price increases still around eight per cent, half of last year's peak, according to the latest" Economic Outlook" from OECD.

The "Outlook", however, does not foresee any easing of the highest unemployment since World War II now recorded—about 15 million—in OECD area comprising the USA, W. Germany, Japan, France, the UK and other industrialised countries.

For non-oil developing countries, OECD's paper assumes a widening of the deficit on current account (including aid transfers by some five billion dollars in 1975 over the previous year's level. The effect of declining world trade, resulting from recession, on the balance of payments has been striking, strengthening the positions of some big countries but creating "growing difficulties" for other OECD countries and non-oil developing countries.

The deficit of OECD as a whole, would grow this year because real decline of imports and the terms of trade improvement might have kept the area's combined current deficit below the annual rate of five billion dollars in the first half of 1975. The recovery of OECD demand would coincide with the need for non-oil developing countries to bring their imports down more into line with their export revenues.

Modest Recovery

At the same time the paper calls for the stronger industrial countries, now entering a period of modest recovery, to lead the upswing instead of waiting for exports. While the weaker (OECD) countries must wait, such an attitude, if adopted also by the more strong placed, would be "self-defeating"—at a time when the volume of OECD imports had been falling by over ten per cent a year.

An assesment of the external position of non-oil developing countries concludes that, overall, the "above average" gains of these countries from 1971 to mid-1974 may not be completely eroded until mid-1976. In the early 1970s, both export revenues and imports were significantly above the long-term trends of the sixties and from mid-1974, the external position reflects the exceptionally unfavourable developments resulting from both the oil price increases and OECD recession.

OECD does not see any significant further easing of industrial material prices in the next 12 months while falling basic food prices, if conveyed to the retail level, could help in somee ountries. For the OECD area as a whole, the inflation rate would level off at around eight per cent in 1975 before there is any decline in the historically high unemployment rates.

Easing of Inflation

Reviewing developments of the last six to nine months, the OECD paper notes a marked easing of inflation coupled with the sharpest decline in output. By the first quarter of 1975, Industrial output had fallen from its last peak by some 20 per cent in Japan, 10 to 15 per cent in the USA, W. Germany, France and Italy and five per cent in the UK. In the 18-month recessionary period from the second half of 1973, GNP probably fell by about 7½ percent in the United States and virtually stagnated in the rest of the OECD area taken together.

The recession certainly contributed to a moderation of the rate of inflation. In the six months ending in May 1975 rise in the OECD consumer prices dropped back to an annual rate of about 10 per cent from the 15 per cent rate experienced just before the new year. This improvement reflected declining raw material and food prices, the stabilisation of oil prices, moderation in domestic pricing behaviour and some slowdown in wage increases.

Latest available indicators suggest, OECD says, that the bottom of the recession has now been passed in Japan, while various elements appear to be "in place for some recovery to start around mid-year" in the United States. The forecasts suggest increases in GNP of all the largest OECD economies except the UK and Italy in the second half of 1975 continuing into the first half of 1976. The USA and Japan may record around five per cent increase between the halves of 1975 and 1976 and W. Germany a three to four per cent increase. Output in France and a number of smaller countries would also pick up later this year. In Italy and the UK, GNP may stagnate or fall further over the next twelve months.

Discussing the prospects for 1976 and 1977, OECD says, given the signs of modest recovery, the rate of inflation in OECD area averaged at eight per cent in the coming twelve months might get stabilised in the range of five to seven per cent in the next three to four years. This would depend on commodity prices—food price trends being dependent partly on the vagaries of nature—but so far as Industrial raw materials are concerned, the large spare capacities and stocks accumulated in the current recession should maintain supplies for two or three years.

ECGC

The Export Credit and Guarantee Corporation has liberalised its schemes of cover for capital goods exports and construction works abroad. The corporation will now issue insurance policies covering political and commercial risks affecting payments on construction works and turnkey projects undertaken abroad for non-government undertakings also. The risks covered by the corporation will be to the extent of 75 per cent of the loss. Earlier, the corporation was covering payment due for works or projects undertaken abroad only for government agency or, if it were for a non-government agency, the payment was guaranteed by the overseas government.

The corporation has also increased the extent of cover under its counter-guarantee to the banks, against bid bonds issued by them on behalf of their exporter-clients participating in overseas tenders. The cover has been raised from 75 per cent to 90 per cent. This has been done to meet the difficulties experienced by exporters in obtaining bid bonds from their bankers particularly for very large amounts and when they participate in a series of tenders totalling to a very large amount, of which only some may be successful.

These two measures of liberalisation by the corporation together with the guidelines recently issued by :overnment for exporters of capital goods and the flexibility extended to such exporters to enter into contracts for exports of capital goods up to a value of rupees fifty lakhs without prior clearance from the Reserve Bank of India and financial institutions in India, would, it is expected, give a fillip to exports of capital goods, turnkey projects and constructions projects abroad.

IDBI

Disbursement of assistance by the Industrial Development Bank of India touched a new peak of Rs 212.4 crores during the accounting year ended June 1975, against Rs 162.2 crores in the previous year, representing a rise of 31 per cent. The assistance sanctioned also touched a fresh record of Rs 351.3 crores covering 7,656 applications, against Rs 221.5 crores covering 3,569 applications. The total sanctions under the two different schemes namely, refinance of industrial loans and machinery bills rediscounting crossed the Rs 100-crore mark each during 1974-75.

Refinance sanctions more than doubled, from Rs 42.1 crores in 1973-74 to Rs 105.2 crores in 1974-75, the number of applications sanctioned increasing by 140 per cent from 2,684 to 6,454. More than three-fourths of the refinance sanctions were in respect of small-scale industries and small road transport operators. Direct industrial assistance sanctioned in 1974-75 was higher by 36.4 per cent to Rs 78.4 crores for 66 projects, against Rs 57.5 crores for 49 projects in 1973-74. Direct assistance for Rs 25.2 crores was sanctioned on concessional terms to units in the specified backward districts.

Export finance sanctions (excluding foreign lines of credit and overseas buyers' credit) picked up at a fast pace during the year, totalling Rs 33.7 crores, against Rs 10.3 crores. Sanctions under the scheme for overseas buyers' credit, introduced in 1973-74, were accorded for the first time in 1974-75, for Rs 5 crores. During the year, three additional lines of credit for an aggregate amount of Rs 8 crores were sanctioned to Bangladesh, raising the total credits sanctioned so far to six for Rs 33 crores.

The total effective sanctions since the inception of IDBI amount to Rs 1,316.1 crores (excluding guarantees of Rs 29 crores). The assistance actually utilised aggregated to Rs 938.9 crores. The assistance outstanding as on June 30, 1975 stood at Rs 604.9 crores, against Rs 468.9 crores a year ago.

In Brief

The ministry of Industry and Civil Supplies has announced that no licence fee will now be charged in the case of applications for diversification in the machinery industry. Such applications need not therefore be accompanied by a treasury challan for the amount of the licence fee. It may be recalled that uptill now, the applicatons for diversification in the machinery industries were required to be given in IL Form along with a treasury challan for Rs 50, which is no longer required.

The government have taken a number of reorganisational and other measures to help the Directorate General of Technical Development in playing an effective role in industrial development. Procedures have been simplified, keeping the stress on speed and efficiency. Adequate arrangements for dealing with the complaints and grievances of the public have been made and a complaint cell has been set up in the ministry of Industry and Civil supplies.

Brig B.J. Shahaney, Secretary (Technical Development) and DGTD, speaking at the Seminar organised by the Association of Indian Engineering Industry (ER) held at Calcutta recently, welcomed AIEI's proposal to set up a technical information centre for the engineering industry under the joint auspices of DGTD, CSIR and AIEI to accelerate transfer of technology. Mr K. G. Khosla, President of AIEI said that this information centre could serve as a clearing house for products developed by CSIR and industry. AIEI proposes to provide the secretarial and the administrative services to this technical information centre.

Exports to Gulf countries have recorded a rise of nearly 278 per cent amounting to Rs 193.19 crores during the first nine months of 1974-75 as compared to Rs 76.57 crores during the same period last year. Recent trends have indicated that there has been subtantial improvement and diversification in the trade pattern.

Ramshahar in Solan district of Himachal Pradesh has been selected by the Oil and Natural Gas Commission as a location for deep drilling which is likely to yield significant information regarding prospects of hydrocarbons in certain ports of the Himalayan range and its fore-deep. The drilling at Ramshahar is expected to commence in February/March, 1976.

The Indian Telephone Industries Limited, a public-sector undertaking, has a plan to locate an electronic unit in Goa to manufacture loading coils for cables.

The Association of Indian Engineering Industry, in cooperation with the ministry of Commerce, organised the first Indian Engineering Trade Fair from February 10 to March 1, 1975 in New Delhi. The fair achieved considerable success. As a follow up to this export-oriented trade fair, AIEI has drawn up a programme of trade missions to select countries.

COMPANY AFFAIRS

Bonus Issue Rules Relaxed

THE GOVERNMENT has decided on a certain relaxation of the bonus shares guidelines. This follows representation for the relaxation of guideline no. 18, which *inter alia*, envisages that at any one time the total amount permitted to be capitalised for the issue of bonus shares out of free reserves shall not exceed the total amount of paid up capital of a company.

The government has decided that relaxation from this guideline can be considered on merits in respect of companies which want to raise capital from Indian residents.

(a) To finance approved schemes of expansion or diversification, or (b) which are required to bring down the foreign shareholdings under the Foreign Exchange Regulation Act, 1973 for continuance of existing business activities.

In such cases, companies are advised that a "composite application", i.e., along with the application for issue of bonus shares, the application for issue of shares to Indian residents for cash shall be submitted to the Controller of Capital Issues, which will be considered on merits.

INCAB

INCAB, The Indian Cable Company Limited, has reported, 64 per cent increase in exports and 18.5 per cent rise in sales which jumped to Rs 30.09 crores during the year ended March 31, 1975 from Rs 25.39 crores in 1973-74. The profit for the year before tax and after depreciation amounted to Rs 285.02 lakhs as against Rs 153.37 lakhs in the preceding year. The dividend recommended at 17.5 per cent absorbs Rs 82.54 lakhs and transfer to General Reserves is to the tune of Rs 103.52 lakhs. Out of the proposed dividend of 17.5 per cent, 8.13 per cent will be payable immediately and the balance of 9.37 per cent in two equal annual instalments on or after July 5, 1976 and 1977 respectively with interest of 8 per cent per annum. The board of directors has also recommended an issue of bonus shares in the proportion of one bonus share for every three existing fully paid equity shares of Rs 10 each. The bonus issue proposal will be placed for consideration at the next Annual General Meeting of the company on September 26, 1975 and if approved by the shareholders, application will be made to the government for necessary approval.

Larsen and Toubro

Despite erratic power supplies, shortages of critical raw materials, raging inflation, fears of recession and other challanges, Larsen and Toubro had yet another year of commendable performance and outstanding achievements. The key indicators of sales, order booking, production and profits during the year ended March 31, 1975 registered significant increases over the previous year which in itself was a record year. The company's success can be attributed to its planned endeavour to associate itself with the core and priority industries of the country. It is also a rich tribute to the resilience of the L & T sales and manufacturing organisation which has withstood the stresses and strains caused by sectional setbacks, adapted itself to changing situations and achieved its sales, production and profit targets.

The turnover of the L & T Group has risen to Rs 932 million in 1974-75 from Rs 801 million in 1973-74, an increase of 16 per cent. Production at its Powai workshops rose by 30 per cent. Large and valuable orders were booked during the year. Its order backlog as on March 31, 1975, stood at Rs 724 million as against Rs 586 million as on March 31, 1974.

Rise in Sales

L & T's own sales for 1974-75 amounted to Rs 589 million of the total group turnover of Rs 932 million. Sales in 1973-74 was of the order of Rs 435 million. The rise in sales of 35 per cent is indeed praiseworthy in view of the stagnant conditions in some industrial sectors.

Its sales curve has been a steeply rising one over several years. Even discounting the inflation which has taken place, its growth of 23 per cent in real term is impressive. The company has achieved this by continuously having taken up new projects in areas of high technology, taking a long-term view and the result was that the company was amply rewarded in all its efforts. Exports sales of Larsen and Toubro in 1974-75 was to the tune of Rs 21 million. Its subsidiary, Engineering Construction Corporation, concluded successfully contracts for consultancy and construction in the Gulf area. New activities in several directions. such as joint ventures abroad, are receiving close attention of the company. The sugar diffuser exported to Malaysia by the company has been installed. The project was inaugurated in February, 1975 by the prime minister of Malaysia.

The company has in hand major lines of expansion which should lead to sizable increase in turnover and profit and generate further funds for further investment. The new project of Larsen and Toubro for manufacturing hydraulic excavators at Bangalore in collaboration with Poclain S.A. of France is making rapid progress. The first indigenously manufactured excavator is expected to roll out of the factory towards the end of 1975. Meanwhile the company is issuing rights shares in the proportion of 1:4 which will augment the company's resources by Rs 23.8 million, of which Rs 8.9 million will be on premium account. These funds are intended mainly to finance the Bangalore project for the manufacture of Poclain Hydraulic Excavators. To assist the shareholders to subscribing to the rights issue, the directors have decided to pay an interim dividend of six per cent on the equity shares on July 10, 1975.

Sandvik Asia

Sales of Sandvik Asia Ltd recorded a spectacular rise to Rs 113.29 million from Rs 76.62 million in 1973. Exports too registered a handsome rise from Rs 4.61 million to Rs 6.27 million in 1974 and the exports were to the highly competitive markets. During the year the company was the proud recipient of a Certificate of Export Recognition awarded by the Engineering Export Promotion Council, Calcutta, in recognition of the company's outstanding performance in the exports of tungesten carbide tools during 1973-75. The gross profit too registered a phenomenal rise to Rs 35.59 million from Rs 20.32 million in 1972.

Out of the gross profit, the directors have appropriated a sum of Rs 3.39 million to depreciation reserve, Rs 0.30 million to development rebate reserve and Rs 24.50 million for taxation as against Rs 3.64 million, Rs 1.10 million and Rs 10.80 million provided respectively in 1973. This leaves a surplus of Rs 7.40 million as against Rs 4.78 million in the earlier year. Out of this surplus, the directors have transferred a sum of Rs 0.85 million, being the amount equivalent to 10 per cent of the profit after taxation for the year 1974 to the general reserve and the balance of Rs 6.55 million was carried to general reserve No. 2. The dividend proposed is also stepped up from 20 per cent to 22 per cent. It will absorb Rs 2.90 million and will be paid out of the general reserve No 2.

As far as the substantial expansion and modernisation is concerned the company has received clarifications from the government with respect to certain terms and conditions and, as a result, both the company and the technical and financial collaborators have now been able to take a more integrated view on the whole question. The prospects for expansion and modernisation are now bright and it will be finalised very soon. However, it must be added that the substantial expansion is still subject to the finalisation of its collaboration agreements with Sandvik AB, Sweden, and also the approval of the government for the company's scheme of financing.

Coming to the current year, the position is, satisfactory so far as order influx and turnover are concerned. The turnover for the period from January, 1, 1975 to June 15, 1975 is approximately Rs 57 million as against about Rs 41 million for the corresponding period in 1974—an increase of the order of 38 per cent. The orders on hand as on June 15, 1975 are more than those on June 15, 1974. Given normal trading and other Conditions, the company would have yet one more successful year.

Wellman Incandescent

The completed sales of Wellman Incandescent India Limited for the year ended March 31, 1975 amounted to Rs 202.35 lakhs, compared with Rs 144.05 lakhs for the previous year, a rise of 40 per cent. The profit before tax rose to Rs 20.41 lakhs from the previous year's figure of Rs 10.33 lakh, representing an increase of 97 per cent. The massive level of taxation, however, syphons away Rs 13.80 lakhs out of the profit earned, into the public exchequer. The completed sales and profit before tax figures are the highest ever achieved by the company, and constitute new high water marks in the history of the company. It is relevant to record that this level of performance has been achieved without augmentation of the men-machine-money resources of the company and is, therefore, an index of the efficiency of the company's operations and of the skill of the employees.

Fair Balance

In arriving at a dividend recommendation, the directors have endeavoured to strike a fair balance between the need for an equitable return on investment, the necessity for a healthy level of reserves and the purport and requirements of the companies (Temporary Restriction on Dividends) Act, 1974 and its amendment in 1975. The directors have accordingly decided to recommend dividend at 14.8 per cent, payable in the manner stipulated in the above-mentioned acts.

The company's order book as at June 30, 1975 exceeds Rs 299 lakhs. While this by itself secures the company's production target for 1975-76, it is necessary to point out that the engineering industry is faced with an acute recessionary downturn in demand resulting from lack of purchasing power and general recession. This is already being reflected in diminishing order intake. The outlook for at least the next six months is bleak. While the pre-tax profits have increased by 97 per cent over the previous year, it must be recognised that, in grossly inflationary conditions, substantial profits are essential to the company's survival. A higher level of profit, coupled with the restriction on payment of dividends improves the degree of self-financing possible and thereby reduces the pressures on liquidity somewhat. The capacity to create growth is also very dependent upon retentions from profits. The announcement of a higher level of profits thus needs to be viewed in this perspective. Without them, not only growth but existence and employment could be at stake.

MALCO

Following the announcement of the new aluminium policy and the decision of the Tamil Nadu Electricity Board to supply the power requirements of the Madras Aluminium Company fully, all the pots of this smelter have now started production. The company expects to produce about 14,500 tonnes of aluminium from August 1975 to March 1976. This will take its current year's production to 18,000 tonnes. The company's installed capacity is 21,000 tonnes. Production of 18,000 tonnes will, therefore, be a record achievement. In 1974-75, MALCO produced 16,700 tonnes which itself was a record after a significant slump in the 1973-74 production. In that year the production was about 11,000 tonnes because of the critically low availability of power.

Syndicate Bank

Syndicate Bank has made a spectacular progress during the six years after nationalisation. During the period the bank won many laurels on the national level—Indian Merchant Chamber Award for promotion of small savings, Federation of Indian Chambers of Commerce and Industry Award for outstanding contribution in the field of Agriculture and Laghu Udyog Sahayogi Award of National Alliance of Young entrepreneurs for significant contributions in the promotion of Small Scale Industrial Sector and Self-employment.

During the six years after nationalisation—from July 19, 1969 to June, 1975—deposits increased by more than three times, from Rs 127 crores to Rs 420 crores. Advances rose by more than three times, from 90 crores to Rs 303 crores. The growth in deposit accounts as well as borrowing accounts have reached the largest number of small men. This claim is substantiated by the fact that the bank's deposit accounts increased from 13.28 lakhs to 40 lakhs and borrowing accounts from 2.6 lakhs to 6.5 lakhs. Nearly 97 per cent of deposit accounts had balances of less than Rs 5,000 and more than 67 per cent of borrowing accounts were for amounts less than Rs 1,000. Further the bank extended its branches even to the remote islands of the Arabian Sea and Indian Ocean, entered four more union territories and five new states and 35 extension counters after nationalisation.

The number of branches increased from 306 to 728 as on date and out of which 67 per cent are in rural and semi-urban areas. In July 1969 Syndicate Bank was the only bank operating in 121 centres and as on today it was the only bank operating in 258 centres.

The bank in an attempt to fulfil the social objectives placed increased emphasis on priority sector advances. The advances in these sectors increased from Rs 28.3 crores

MODIPON LTD.

PUBLIC NOTICE

It is hereby notified for public information that Messers. Modipon Limited, Modinagar, U.P. have made an application on 8.7.1975 under Section 21 of the MRTP Act, 1969 to the Department of Company Affairs, for the expansion of their existing undertaking for manufacturing Nylon Tufted Carpets.

Any person interested in the matter may make representation to the Secretary, Department of Company Affairs, New Delhi within a period of fortnight from the date of publication of this notice with copy to M/s. Modipon Limited, Modinagar.

to Rs 120 crores (exclusive of exports) more than four-fold increase. The priority sector included agriculture, small scale industries, transport operators, retail trade assistance to students, self employed and professionals, and small business. The number of accounts in these sectors increased from about 75 thousands, to over 2.9 lakhs. Advances under agricultural finance increased from Rs 9.9 crores to Rs 36.7 crores which cover 168,000 accounts and advances under small scale industries from Rs 10.2 crores to Rs 42.5 crores covering 15,700 accounts.

As at the end of 1974 it stood first in the banking sector in the percentage of total priority sector advances (exclusive of exports) to total advances with 41 per cent against the average of 28.1 per cent for the major banks and it occupied second place in the total number of accounts. Again from the point of view of accounts, it stood second in direct finance to agriculture, in small scale industries third, in road and water transport third, in education first, in advances to professionals and self-employed first, in advances for retail trade and small business first and road transport first.

Besides, the Bank, now in its Golden Jubilee Year, has introduced such innovative services as customer-tourist service for the benefit of customer tourists visiting Karnataka state on pilgrimage and sightseeing. It also launched an attractive savings scheme namely Golden Jubilee Cash Certificate in commemoration of the Golden Jubilee Year.

Vapi Paper

Vapi Paper Mills will soon go in for the manufacture of wrapping and packing paper. The product mix will be progressively diversified to include higher value items like duplex board kraft paper and mill board. The Gujarat State Financial Corporation and the Gujarat Industrial Development Corporation Ltd have sanctioned term loans to the company amounting to Rs 60 lakhs. The company is planning to raise Rs 80 lakhs through private sources.

Mahindra and Mahindra

Mahindra and Mahindra Limited, manufacturers of the Jeep range of vehicles in India, in their continuous efforts towards achieving fuel economy for the jeep users have introduced significant innovations in their "Maximiler" campaign. During Phase I of the "Maximiler" campaign, conducted throughout the country in February and March last year at various dealer points, the vehicles were given a thorough diagnostic check of "all Jeep systems" which directly or indirectly affect petrol consumption and the optimum mileage that could be obtained was demonstrated.

The present campaign, lasting from August 4 to 23 in the eastern and southern zones, covering thirty-nine centres, introduces two petrol saving innovations—Solex Carburettor Kit and Free Wheel Flanges. Extensive tests on both innovations were conducted by leading independent authorities and research agencies, and fuel economy of 5 per cent to 25 per cent was achieved under different operating conditions. A similar campaign, in the northern and western zones was conducted in October last year.

Karnataka Oxygen

Karnataka Oxygen, a joint sector company promoted by Karnataka State Industrial Investment and Development Corporation and Transport Corporation of India and its associates, proposes to set up a plant near Bangalore for the manufacture of oxygen, nitrogen and acetylene. It has received a letter of intent for manufacturing 14.50 lakh cubic metres of oxygen, 5 lakh cubic metres of nitrogen and 4 lakh cubic metres of acetylene per annum. Orders have been placed for two oxygen plants and one acetylene plant with Indian Oxygen. The capacity of each oxygen plant is 140 cubic metres per hour and of the acetylene plant 40 cubic metres per hour.

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TISCO

The Tata Iron and Steel Company was able to operate its plant at over 90 per cent of the finished steel capacity during 1974-75. The improvement was marked in regard to its profits before taxes which nearly doubled, thanks both to substantial improvement in production and to the fact that the increases in retention prices allowed by the government to steel producers in September and October 1973 had applied to the whole year as against a little over five months in the previous year. It is hoped that the plant's operation will be maintained at a hundred per cent of rated capacity in the current year. This note of optimism is struck in the chairman, Mr J.R.D. Tata's annual statement circulated to the shareholders of the company.

Price Increase

In regard to profit, it is necessary to note, the chairman said, that the increase in retention prices granted in 1973 have by now been fully absorbed by cost escalations, beyond management's control, mainly in the cost of coal, power, fuel and wages. There is thus, the chairman argued, for a further increase in steel prices, particularly in respect of those categories which were left out of the increases sanctioned in October 1973, for, despite a sharp fall in steel prices in the world markets, the prices allowed to the Indian producers are still in most categories substantially below the prices earned by producers in other countries. Mr Tata also observed that the government's price policies over the last 30 years or so had resulted in the steel industry subsidising steel users to the extent of some Rs 4500 crores of which nearly Rs 1600 crores were contributed by the company alone.

The gap between foreign and Indian ex-works prices has substantially narrowed recently as a result both of the price increases sanctioned in 1973 and the current and presumably temporary collapse of world prices, it is still considerable and would fully justify a further increase in prices and the resulting accretion after tax to the industry's funds which it badly needs. The necessary representation has been made to government. According to the chairman, that for the present at least the only certain means avilable to the Indian steel industry to maintain its profitability, in the face of mounting costs, lies in an increase in production and strict control over costs. The management's efforts will necessarily be concentrated on increasing efficiency and lowering costs, together with improving product mix and its yield.

Mr J.R.D. Tata, is of the view that reliance on mini-steel plants as a major instrument for the production of steel is 'unsound'. The chairman cited a number of reasons to substantiate his views. Mini-steel plants the chairmen said, are voracious consumers of electric power, shortages of which are already near-catastrophic in the country. Steel produced in mini-steel plants is and will always be, much more costly than tonnage steel produced in large integrated steel works because of high cost of power consumed by the former.

Adequate Availability

The assumption of adequate availability of raw materials for the mini-steel plants is highly questionable, for, while India is not short of melting scrap today, it certainly has, nothing like the 4 to 5 million tonnes which would be required by all the mini-steel plants, built or licensed up to now, operating at a reasonable percentage of capacity. The estimated maximum current availability of ferrous scrap in the country is only about two million tonnes. Finally, the easy assumption that sponge iron can be used as raw materials when scrap is not available grossly anticipated what may one day be an effective substitute for steel scrap but is not so yet or likely to be for some more years due to certain constraints. The mini-steel plants would be hit by a severe shortage of raw matterial even if power were available to them.

However the mini-steel plants do offer well defined advantages, such as short construction and gestation periods, flexibility in operation and in spreading developmental expenditure and employment, and they do form a vital part of the total steel industry of a country for the manufacture of special steels The mini-steel plants according to the chairman, should be encouraged for the manufacture of high alloy and other special steels, rather than for ordinary steels.

News and Notes

The construction of the expansion project by **Bright Wires**, which commenced in July, 1973, is more or less complete. Nearly 95 per cent of the plant machinery has been received and installed. The schedule for bringing the plant to commercial production has been upset due to the delay in completing the formalities for disbursement of loans by the financial institutions, and non-receipt of power connection despite sanction. The expansion project is expected to start commercial production by December. The company is confident of making up the lost time and get going on even keel very soon thereafter.

New Issues

Wrapwell (India) is setting up a Rs 30.26—lakh project at Unnao in Uttar Pradesh for the manufacture of industrial packagings such as industrial wrappers for bakeries, confectionaries, textiles, soaps, cosmetics, chemicals and special paper packagings. Production is expected to commence by September 1975. Initial orders from Modern Bakeries (India) and D.C.M. Chemicals New Delhi have already been received. The project cost is proposed to be met by the share capital of 10.50 lakhs, long-term loans from UPFC of Rs 7.35 lakhs, deferred payment for land to UPSIDC of Rs 1.03 lakhs and working capital from a bank of Rs 11.38 lakhs. It proposes to make a public issue of 65,000 equity shares of Rs 10 each at par in the course of this month.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Equity dividend declared for: Previous year
Higher Dividend			
T. Stanes & Co.	March 31, 1975	18.0	12.0
Lingapur Estates	March 31, 1975	24.0	12.0
Ossoor Estates	March 31, 1975	24.0	12.0
Wartyhully	March 31, 1975	20.0	12.0
Bombay Wire Ropes	March 31, 1975	6.0£	Nill
Same Dividend			
Velimalai Rubber Co	February 28, 1975	12.0	12.0
Sen Raleigh	September 30, 1974	Nil	Nil
Synthetics and Chemicals	December 31, 1974	Nil	Nil
Reduced Dividend			
Bombay Oxygen Corporation	December 31, 1974	8.0	14.0
Victoria Mills	December 31, 1974	11.0	21.0
Rohit Pulp and Paper Mills	March 31, 1975	9.0*	12.0

£Maiden dividend
*On the enlarged capital.

DUNLOP INDIA IN 1974

Creditable Achievement in a difficult year

Mr.W.N.Scotts,Chairman, reports on 1974 at the Annual General Meeting of Dunlop India Limited on 25th July, 1975.

I have pleasure in welcoming you to the 49th Annual General Meeting of your Company and the first since I succeeded Mr. R.G.S. Nairn as your Chairman. Mr. Nairn resigned his office in October 1974 to take up an appointment as Overseas General Manager in the Dunlop organisation in London, and I would like to take this opportunity to express our appreciation of the valuable work which he did for the Company during his time in India.

As the Directors' Report and Accounts for the year ended 31st December 1974 have been in your hands for some time, I should like, with your approval, to take these as read.

The Automotive Tyre Industry

In 1974, the Tyre Industry achieved a production of 5.4 million tyres, an increase of 7% over the 1973 level. and this represents a creditable achievement in a difficult year. The Rubber Industry is particularly sensitive to the difficulties arising from the energy crisis, as not only is it a large consumer of energy, but also many of its essential raw materials, such as nylon, carbon black and synthetic rubber, are derived from crude oil. During the year, the Industry faced unprecedented increases in the cost of oil fuel and of oil derived materials whilst, at the same time, the cost of indigenously produced natural rubber rose sharply.

Following the de-control of tyre prices in April 1974, the Tyre Industry, in consultation with Central and State Governments, formed a Central Co-ordinating Committee for Tyre Distribution and this body has been effective in ensuring equitable distribution and in meeting the needs of priority sectors such as Defence and State Transport undertakings.

The Tyre Industry now has an installed capacity of 7.2 million automotive tyres and this should be adequate to meet the country's needs in 1975-76, provided raw materials and power are available in sufficient quantity. The fifth five year Plan has a target of 10 million automotive tyres by 1980, with the major part of this expansion planned to be met by entirely new units. The cost of new units is now extremely high and it would seem that priority should first be given to enable maximum utilisation of existing investment. A major restraint to accomplishing this at present is inadequate supply of electrical energy, and it would be beneficial to the economy if energy supply for tyre production is given the priority it deserves.

The Year's Operations

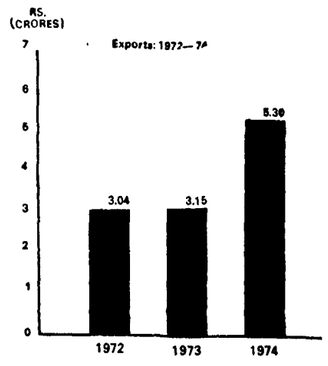
Sales

Total sales of your Company reached Rs. 147.04 crores, an increase of 43% over the previous year. This record figure was achieved not only by additional volume of production but also by higher selling prices brought about by sharply increased costs.

There was a rising demand for all our tyre and industrial products, but a reduced demand for Dunlopillo, where a high excise rate and some sluggishness in consumer markets had an adverse effect.

Exports

In 1974, we again set new records by exporting to 92 countries and achieving sales of Rs. 5.30 crores, which represents an increase of 67% over the 1973 results.



For the first time, substantial orders for tyres and tubes were obtained from OPEC countries, such as Iran and Iraq. We also obtained large orders for earthmover tyres from the USSR and Czechoslovakia. Our exports of cycle tyres and tubes were nearly double those of the previous year. Sales of our industrial products, such as vee belts, also made good progress through the opening of new markets in Africa, the Middle East and South West Asia.

In 1973, we had commenced the development of exports from the small and medium scale sectors and this continued in 1974, the main successes being with tennis and squash rackets and with bicycles and components. We continued to add new products in this sector. By bringing potential overseas buyers to India, we have introduced them to a wide range of manufacturers with whom we expect to develop substantial further business.

In our efforts to improve exports, we have received considerable assistance from the Dunlop organisation overseas and this has not been restricted to those products which we make ourselves, but has also been freely available in respect of the small scale sector.

As a result of our export, drive our contribution to the country's foreign exchange earnings increased very significantly.

Production

In 1974, we faced two main problems: shortages of critical raw materials and of electrical energy. Shortages of tyre cord, particularly rayon, brought tyre production to a halt on several occasions.

At our Sahaganj factory in West Bengal, we were subjected to power cuts throughout the year, but the position became more stable with the introduction of power rationing later in the year. As a result of rationing, we have had to reduce from 18 to 16 shifts per week. At our Ambattur factory near Madras, although we had full power for only 3 months of the year, the supply in general was much better than in the previous year.

Our staff worked hard to minimise the impact of these difficulties and we made a record number of 1.7 million automotive tyres. We gave priority to those products where the national need was greatest and the output of some other sectors was reduced.

Happily, the problems with the supply of raw materials seem to be behind us, but restricted power supply remains a considerable constraint on further improvement of output in 1975. We have taken active steps to install more captive generating capacity but this, of itself, is insufficient to bridge the gap, besides being a costly exercise.

Personnel

Throughout the year, we experienced satisfactory industrial relations. However absenteeism still remains a problem, particularly at Ambattur, and with the reduced availability of electricity, we need to have our equipment fully manned whenever power is available.

The Company's employees made a very big contribution in overcoming the many problems of 1974, and I take this opportunity of expressing to all of them my very sincere thanks.

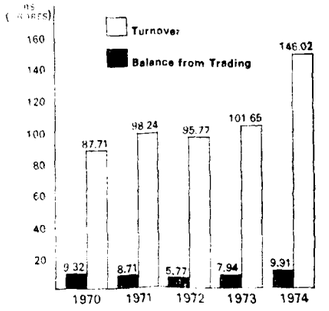
Profit and Loss Account

The selling prices of automotive tyres and tubes were de-controlled on 29th April 1974, and this gave the Company an opportunity to recover a part of the steep escalation in raw material costs which had taken place since November 1968, when automotive tyre prices were last increased. This is reflected in improved results in the second half of the year. Cost inflation has contributed to an extremely tight funds position which has been aggravated by the credit squeeze. Although we have exercised strict control over the funds required for working capital, our sharply increased costs, together with the higher cost of money, resulted in a doubling of our interest charges in 1974.

We continued to explore every possibility for economy in our operating costs. With a larger volume of production, distribution costs went up, but a major portion of this increase was due to the need to use more costly road transport during the rail strike and the dislocation that followed.

A comparison of 1970 results with 1974 shows that whilst our turnover has gone up from Rs. 87.7 crores to Rs. 146 crores, an increase of more than 66%, the balance from trading has risen only from Rs. 9.32 crores to Rs. 9.91 crores. This is a measure of the impact of inflation on our costs and profitability.

Our best opportunity to improve profitability, and to aid the national economy, is to continue our efforts to maximise production from our existing investment. We derived some benefit from this policy in 1974 and we are continuing with it in 1975.



Costs and Selling Prices

The escalation of raw material costs in 1974 was unprecedented and there have been further increases in the early months of 1975. Substantial price increases were inevitable, but these have been made with a due sense of our social responsibilities, recognising at the same time the need to generate funds to provide for modernisation and growth.

Collaboration Agreements

In 1973, the Industrial Development Corporations of West Bengal and Andhra Pradesh signed Technical Aid Agreements with Dunlop Limited, U.K. and Dunlop India Limited, to set up tyre factories in these States and in 1974, both these Agreements have been ratified by the signing in London of Factory Agreements and Technical Aid Agreements. These Agreements now await approval by the Government of India.

In 1975 your Company signed a Technical Consultancy Agreement with Webstar Limited, the company incorporated to implement the West Bengal project, and we also propose to sign a similar Agreement in respect of Andhra Pradesh. Under these Agreements, Dunlop India Limited will provide technical/engineering services to enable the new factories to be erected and commissioned on the basis of the plant know-how provided from the U.K. in the terms of the Factory Agreement.

These Technical Consultancy Agreements are a tangible expression of our willingness to share our expertise with others to ensure growth in the economy.

Research and Development

Our integrated R. & D. Centre at Sahaganj factory covers not only our entire product range, but also continues the valuable work already being done to develop the local manufacture of tyre making equipment to lessen our dependence on imported machinery.

Much of our past success in providing products to meet specifically Indian operating conditions has come from our ability to adapt the basic technology developed at a high cost in the Research and Technical Development Centres operated by both Dunlop U.K. and their associate Pirelli, Italy and this has been unrestrictedly available to us at a nominal cost. During the year, Dunlop Holdings Limited accepted the revised terms for reimbursement of technical costs and charges proposed by the Government of India for the five year period, 1st January, 1970—31st December, 1974, in respect of expanded capacity in that period. We have now made an application for a renewal of our technical aid agreements for those products where there is a continuing need to keep pace with international technological development, and it is our earnest hope that we can reach agreement in this matter.

The Future Outlook

The de-control of tyre prices has provided an incentive for increased production. but we will not be able to take full advantage of this until power shortages, particularly at our Ambattur factory in Tamil Nadu, are overcome. Full utilisation of our existing investment is necessary to generate funds for modernisation and growth. Inflation has tremendously increased the cost of new equipment and our investment programmes are continuously under review to ensure that we do not commit expenditure unless we have a reasonable expectation of electricity being available.

With increased production from existing units, the persistent tyre shortages of the past are gradually disappearing. The situation will further improve with the expansions now planned and with the creation of entirely new units. In these new circumstances, the range and quality of our Company's products will stand us in good stead and I look forward to the future with confidence.

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

DUNLOP INDIA LIMITED

Central Bank of India

Balance Sheet as at 31st December, 1974

CAPITAL AND LIABILITIES

As at 31st December, 1973 Rupees		Rs. P.	Rs. P.
	1. CAPITAL :—		
4,75,14,600	Paid-up Capital (wholly owned by the Central Government)		4,75,14,600·00
	2. RESERVE FUND AND OTHER RESERVES :—		
8,93,86,080	Reserve Fund	9,75,86,079·54	
54,79,771	Contingency Fund	54,79,770·96	
3,63,700	Capital Suspense	3,63,700·00	
3,61,519	Share Premium Suspense	3,61,519·25	
9,55,91,070			10,37,91,069·75
	3. DEPOSITS AND OTHER ACCOUNTS :—		
	Fixed Deposits etc. :—		
5,87,46,669	(i) From Banks ... . Rs. 4,31,57,075·51		
4,77,91,80,503	(ii) From Others ... ... Rs. 5,23,31,01,044·10		
		5,27,62,58,119·61	
2,48,96,85,747	**Savings Bank Deposits**	2,78,58,08,468·02	
	Current & Contingency Accounts etc. :—		
5,44,75,567	(i) From Banks ... ... Rs. 6,71,57,984·61		
1,95,93,73,180	(ii) From Others ... ... Rs. 2,13,85,22,127·47		
	(including Staff Gratuity Fund Rs. 1,81,50,000·00)	2,20,56,80,112·08	
9,34,14,61,666			10,26,77,46,699·71

		In India Rs. P.	Outside India Rs. P.		
	4. BORROWINGS FROM OTHER BANKS, AGENTS ETC. :				
	(1) Secured :—				
44,34,35,000	(i) From :— Reserve Bank & State Bank of India against part investment and bills per contra	30,90,15,000·00	...		
6,50,74,331	(ii) From :— Other Financial Institutions (under the participation scheme by part of Advances)	2,79,00,000·00	...		
	(2) Unsecured :—				
	*In respect of borrowings (By part of Advances per contra) from :—				
1,14,72,700	(i) The Industrial Development Bank of India	2,53,06,840·00			
1,86,11,714	(ii) The Agricultural Refinance Corporation	4,50,92,040·00			
9,57,77,947	(iii) Banks	4,19,93,365·69	85,92,048·34		
63,53,71,692		44,93,07,245·69	85,92,048·34		45,78,99,294·03
10,96,92,591	**5. BILLS PAYABLE**				12,46,83,965·00
	6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE AS PER CONTRA :—				
48,26,16,688	(i) Payable in India			54,16,41,433·34	
5,35,17,981	(ii) Payable Outside India			10,73,14,790·05	
53,62,34,669					64,89,56,223·39
	7. OTHER LIABILITIES :—				
26,63,27,587	Branch adjustments			15,19,05,147·23	
1,73,82,117	Amount owing to Subsidiary Company (including on their Clients Account)			2,10,81,989·74	
8,32,109	Unclaimed Dividends			8,25,947·60	
1,26,50,528	Rebate on Bills Discounted			1,41,02,557·85	
29,71,92,341					18,79,15,642·42
11,06,30,58,629			Carried Over		11,83,85,07,494·30

PROPERTY AND ASSETS

As at 31st December, 1973 Rupees		Rs. P.	Rs. P.	Rs. P.
	1. CASH :—			
78,31,57,641	In hand and with Reserve Bank and State Bank (including foreign currency notes) ...			71,29,49,463·86
	2. BALANCES WITH OTHER BANKS :—			
	On Current Account :	Rs. P.		
1,50,37,919	(i) In India	1,41,34,724·32		
1,09,38,782	(ii) Outside India	2,72,86,171·11		
2,59,76,701			4,14,20,895·43	
	On Deposit Account :			
—	(i) In India ...	—		
12,22,000	(ii) Outside India	4,24,65,103·80		
2,71,98,701			4,24,65,103·80	
37,60,000	**3. MONEY AT CALL AND SHORT NOTICE**			8,38,85,999·23 94,00,000·00
	4. INVESTMENTS :— (at or below cost)			
2,80,71,03,815	(i) Securities of the Central and State Governments and other Trustee Securities		3,06,14,30,902·00	
30,00,00,000	Treasury Bills of the Central and State Governments		18,00,00,000·00	
	(ii) **Shares**	**Fully paid** Rs. P.	**Partly paid** Rs. P.	
77,63,096	(a) Preference	67,31,895·76	—	
3,11,67,160	(b) Ordinary	1,80,60,410·86	88,95,042·90	
57,799	(c) Other Classes	57,798·75	—	
3,89,88,055		2,48,50,105·37	88,95,042·90	3,37,45,148·27
5,37,44,832	(iii) Debentures or Bonds			7,29,20,374·45
4,52,610	(iv) Other Investments			4,52,610·00
—	(v) Gold			—
3,20,02,89,312				3,34,85,49,034·72

	5. ADVANCES :—			
	(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors)			
	(I) Loans, Cash Credits, Overdrafts, etc. :—			
4,81,31,24,707	(i) In India	Rs. 5,43,55,38,567·80		
	(Including an amount of Rs. 9,82,98,880/- relating to medium-term advances in respect of which finance has been obtained from the Industrial Development Bank of India, the Agricultural Refinance Corporation, and other Financial Institutions as per contra)			
1,41,50,329	(ii) Outside India	Rs. 1,27,37,470·56		
4,82,72,75,036			5,44,82,76,038·36	
	(II) Bills Discounted and Purchased :—			
1,19,83,43,143	(i) Payable in India	Rs. 1,03,18,49,971·44		
21,38,44,057	(ii) Payable Outside India	Rs. 23,94,06,626·44		
1,41,21,87,200			*1,27,12,56,597·88	
6,23,94,62,236				6,71,95,32,636·24

*Includes Rs. 8,50,00,000/- under Export Bill Credit Scheme of Reserve Bank of India, Rs. 16,50,00,000/- under Pre-Shipment Credit Scheme of Reserve Bank of India and Rs. 5,00,00,000/- under Bill Market Scheme of Reserve Bank of India A/c Food Corporation of India, per contra.

PARTICULARS OF ADVANCES

4,90,60,40,361	(i) Debts considered good in respect of which the bank is fully secured	5,37,81,67,188·69	
22,97,02,272	(ii) Debts considered good, for which the bank holds no other security than the debtors personal security	41,17,21,596·41	
1,10,37,19,603	(iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	92,96,43,851·14	
—	(iv) Debts considered doubtful or bad not provided for	—	
6,23,94,62,236		6,71,95,32,636·24	
10,25,38,67,890	Carried Over		10,87,43,17,134·05

Central Bank of India

Balance Sheet as at 31 December, 1974

CAPITAL AND LIABILITIES

As at 31st December, 1973 Rupees		Rs. P.	Rs. P.
11,06,30,58,629	Brought Forward		11,83,85,07,494·30
50,33,79,927	8. **ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS as per Contra**		48,59,01,925·93
—	9. **PROFIT AND LOSS :—** Balance as per last Balance Sheet		
2,94,89,516	Profit for the year	3,26,60,178·45	
2,94,89,516		3,26,60,178·45	
	Less :— Appropriations :		
58,98,000	Transferred to Reserve Fund	Rs. 82,00,000·00	
2,20,00,000	Provision for Bonus to Staff ...	Rs. 2,20,00,000·00	
2,78,98,000		3,02,00,000·00	
15,91,516	Balance to be transferred to the Central Government		24,60,178·45
	10. **CONTINGENT LIABILITIES :—** (31.12.1973)	Rs. P.	
	Rupees		
65,60,704	(i) Claims against the Bank not acknowledged as debts	64,95,155·28	
1,13,66,447	(ii) On Investments in partly paid shares	1,01,84,942·50	
64,24,34,720	(iii) On Letters of Guarantee on behalf of Constituents (including Rs. Nil on behalf of Officers)	73,20,67,084·96	
51,12,34,932	(iv) Liability on account of outstanding Forward Exchange Contracts	34,79,79,227·49	
21,74,68,670	(v) Liability on Bills of Exchange Rediscounted	32,88,63,477·07	
11,56,80,30,072	TOTAL RUPEES ...		12,32,68,69,598·68

Notes forming part of the Balance Sheet :—

(1) The Bank's building at 33, Netaji Subhas Road, Calcutta in which the Calcutta Branch of the Bank was situated, was destroyed by a fire on the night of 3rd/4th January, 1974. In the said fire most of books and records of the branch were destroyed. The returns for the half year ended 31st December, 1973 of this Branch were compiled on the basis of available information and on certain assumptions and estimates. However, during the year a large number of accounts were reconstructed to the extent possible on the basis of information and particulars available and collected. Where reconstruction of accounts has not been possible assumed figures are being continued and the net credit balance on such accounts aggregating to Rs. 2,60,12,489·69 is being shown under Current and Contingency Accounts — Others.

(2) The actual amount of liability arising from future gratuities payable to staff has not been ascertained but is greater than the amounts provided.

(3) Certain old items in the Branch reconciliation remain to be cleared. The Balancing of General Ledgers with Subsidiary Ledgers/schedules remains to be completed at a few branches. The schedules supporting general ledger balances and reconciliation statements for accounts with other banks were not ready at a few branches. Necessary steps are being taken in this regard.

(4) Returns received from some of the unaudited branches were incomplete.

(5) As returns in respect of Pakistan (including areas now comprised in Bangla Desh) Branches have not been received for the period after 30th June, 1965, unaudited returns as at that date only have been incorporated in the bank's Balance Sheet as at 31st December, 1974. As no further information is available the assets and liabilities in Pakistan have not been shown in the Balance Sheet under the individual heads but only the net book value thereof has been incorporated.

(6) A provision for bonus amounting to Rs. 220 lakhs for 1974 has been made by way of appropriation out of profits. The demand from the employees for payment of bonus is in excess of the amount provided.

(7) The figures for the previous year have been recast where necessary.

In terms of our report of even date attached.
FORD RHODES PARKS & CO.,
RAY AND RAY
G. P. KAPADIA & CO.,
Chartered Accountants.

Bombay, 18th June, 1975.

PROPERTY AND ASSETS

As at 31st December, 1973 Rupees		Rs. P.	Rs. P.
10,25,38,67,890	Brought Forward		10,87,43,17,134·05
1,54,91,242	(v) Debts due by Directors or officers of the bank or any of them either severally or jointly with any other persons	1,93,12,794·83	
—	(vi) Debts due by companies or firms in which the directors of the bank are interested as directors, partners or managing agents, or, in the case of private companies as members	—	
1,54,91,242	(vii) Maximum total amount of advances, including temporary advances, made at any time during the year to directors, or managers or officers of the bank or any of them either severally or jointly with any persons	1,93,12,794·83	
—	(viii) Maximum total amount of advances, including temporary advances, granted during the year to the companies or firms in which the directors of the bank are interested as directors, partners or managing agents, or, in the case of private companies as members	—	
1,86,34,822	(ix) Due from Banks	2,03,62,859·07	
	6. **BILLS RECEIVABLE BEING BILLS FOR COLLECTION AS PER CONTRA :—**		
48,26,16,688	(i) Payable in India	54,16,41,433·34	
5,36,17,981	(ii) Payable Outside India	10,73,14,790·05	
53,62,34,669			64,89,56,223·39
50,33,79,927	7. **CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS PER CONTRA**		48,59,01,925·93
	8. **LANDS AND BUILDINGS :—**		
2,58,24,710	Cost as per last Balance Sheet	3,25,70,193·39	
—	Less : Cost of Property sold or destroyed by fire during the year	15,40,694·17	
2,58 24,710		3,10,29,499·22	
67,45,483	Add : Cost of Additions made during the year	16,28,175·19	
3,25,70,193		3,26,57,674·41	
63,19,120	Less : Depreciation written off	66,59,405·34	
2,62,51,073			2,59,98,269·07
	9. **FURNITURE AND FIXTURES :—**		
8,58,85,979	As per last Balance Sheet	9,72,87,216·79	
1,14,01,237	Add : Additions less sales or destroyed by fire made during the year	1,17,94,443·40	
9,72,87,216		10,90,81,660·19	
4,33,21,818	Less : Amount written off to date for depreciation	5,08,24,692·35	
5,39,65,398			5,82,56,967·84
	10. **OTHER ASSETS :—**		
10,00,000	Shares (Partly paid) of the Central Bank Executor and Trustee Co. Ltd. (Subsidiary Company) at cost	10,00,000·00	
3,91,36,374	Interest accrued on Investments	4,24,84,489·00	
8,43,99,292	Income-tax paid in advance and tax deducted at source	11,10,90,750·94	
1,82,54,250	Share Application Moneys	85,91,850·00	
5,14,51,201	Sundry Advances, Deposits, Stamps, Stationery, Home Saving Safes, Safe Deposit Boxes, etc.	7,02,25,962·93	
19,42,41,117			23,33,93,052·87
89,998	11. **NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS** (at book value)		46,025·53
11,56,80,30,072	TOTAL RUPEES ...		12,32,68,69,598·68

P. F. GUTTA — Chairman & Managing Director
TARAKESWAR CHAKRABORTI, R. R. KUMAR, RAMSIYA KUNDER, T. S. PAPOLA, R. RATNAM, C. S. VENKAT RAO, M. G. BALASUBRAMANIAN — Directors
R. S. POCHKHANAWALA — General Manager
S. B. PARDIWALLA — Assistant General Manager

Bombay, 18th June, 1975

Central Bank of India

Statement of Profit and Loss Account for the year ended 31st December, 1974

EXPENDITURE

Previous Year Rupees			Rs. P.	Rs. P.
38,41,45,054	1.	Interest paid on Deposits, Borrowings, etc.		55,09,02,111 24
26,01,21,106	2.	Salaries and Allowances	32,63,46,185 16	
92,25,968		Contribution to Provident Fund	98,89,657 70	
26,93,47,074				33,62,35,842 86
1,01,024	3.	Directors' And Local Committee Members' Fees And Allowances		1,45,553 23
2,25,96,166	4.	Rent, Taxes, Insurance, Lighting etc.		2,71,56,192 93
12,81,229	5.	Law Charges		6,42,947 74
60,41,839	6.	Postage, Telegrams and Stamps		58,72,318 94
	7.	Auditors' Fees :		
3,02,700		To Statutory Auditors (including Branch audit fees)	3,03,600 00	
2,94,710		To Branch Auditors	3,04,200 00	
5,97,410				6,07,800 00
6,05,100	8.	Depreciation on Bank's Property	5,64,237 48	
1,97,757		Repairs to Bank's Property	2,73,962 75	
5,37,807		Other charges on Bank's Property	4,05,878 78	
67,99,682		Depreciation on Furniture and Fixtures	73,09,584 49	
81,40,346				85,53,663 50
1,01,81,756	9.	Stationery, Printing and Advertisements etc.		1,11,59,389 40
—	10.	Loss from Sale of or dealing with non-banking Assets		—
2,59,78,857	11.	Other Expenditure		2,96,99,723 75
2,94,89,516	12.	Balance of Profit — (Subject to bonus to staff)		3,26,60,178 45
75,79,00,271		TOTAL RUPEES		1,00,36,35,722 04

Notes :—

(1) Particulars of remuneration paid to the Chairman & Managing Director : —

Previous Year Rupees		Mr. B. N. Adarkar (including Leave Period) Rs. P.	Mr. D. V. Taneja (April/Dec. 1974) Rs. P.
43,569	(i) Salary	23,541 57	31,500 00
6,398	(ii) House Rent Allowance	3,456 94	*
3,631	(iii) Provident Fund Contribution ...	1,961 76	2,624 85
1,482	(iv) Medical expenses reimbursed ...	80 00	1,076 09
55,080		29,040 27	35,200 94

*House Rent Allowance payable to Mr. D. V. Taneja is still not determined and hence not provided for.

(2) Salaries and Allowances include bonus paid in respect of earlier years in excess of the provision made — Rs. 42,38,672.81 (previous year Rs. 35,16,634/-)

(3) Advertisement expenditure during the year Rs. 11,88,884.39 (previous year Rs. 9,26,942/-).

(4) Particulars of remuneration paid to employee Directors (other than Directors' fees and allowances) have not been separately disclosed as they have not drawn such remuneration in their capacity as Directors.

INCOME

(Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)

Previous Year Rupees		Rs. P.
67,21,47,274	1. Interest and Discount	88,59,35,050 91
8,31,32,946	2. Commission, Exchange and Brokerage	11,46,17,264 08
26,20,051	3. Rents	30,83,407 05
—	4. Net Profit on Sale of Investments, Gold and Silver, Land, Premises and other Assets (not credited to Reserves or any particular Fund or Account)	—
—	5. Net Profit on Revaluation of Investments, Gold and Silver, Land Premises and other Assets (not credited to Reserves or any particular Fund or Account)	—
—	6. Income from non-Banking Assets, and Profit from sale of or dealing with such Assets	—
75,79,00,271	TOTAL RUPEES	1,00,36,35,722 04

P. F. GUTTA — Chairman & Managing Director

Directors: TARAKESWAR CHAKRABORTI, R. R. KUMAR, RAMSIYA KUNDER, T. S. PAPOLA, R. RATNAM, C. S. VENKAT RAO, M. G. BALASUBRAMANIAN

R. S. POCHKHANAWALA — General Manager

S. B. PARDIWALLA — Assistant General Manager

Bombay, 18th June, 1975.

AUDITOR'S REPORT

The President of India :

We have audited the attached Balance Sheet of Central Bank of India as at 31st December, 1974 and also the attached Profit & Loss Account of the Bank for the year ended upon that date in which are incorporated the returns of 110 branches audited by us, 309 branches audited by other auditors, the unaudited returns as at 30.6.1965 of the Pakistan branches including areas now comprised in Bangla Desh (see note (5) to Balance Sheet) and the unaudited returns in respect of 801 branches. The branches to be audited by us and the branches to be audited by other auditors have been selected by the bank in accordance with the guidelines issued by the Reserve Bank of India.

2. The Balance Sheet and Profit & Loss Account have been drawn up in Forms 'A' and 'B' respectively of the third schedule of the Banking Regulation Act, 1949. Accordingly, they disclose such matters as were required to be disclosed in the case of Banking Companies prior to nationalisation by virtue of the provisions of the said Act as read with the related provisions of the Companies Act, 1956. Subject to the limitations of such disclosure and on the basis of the audit indicated in the first paragraph and subject to the issues stated in notes 1, 2, 3, 4 and 6 to the Balance Sheet, we report that :

(a) In our opinion and to the best of our information and the explanations given to us and as shown by the books of the Bank :
  (i) The Balance Sheet read with the notes thereon is a full and fair Balance Sheet containing the necessary particulars and it is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank as at 31st December, 1974.
  (ii) The Profit and Loss Account read with the notes thereon shows a true balance of profit for the period covered by the Account.

(b) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.

(c) The transactions of the Bank which have come to our notice have been within the powers of the Bank.

(d) The returns received from the branches of the Bank (except for Pakistan branches — see note 5 to Balance Sheet) have been found adequate for the purposes of our audit.

FORD RHODES PARKS & CO., Chartered Accountants

RAY & RAY, Chartered Accountants

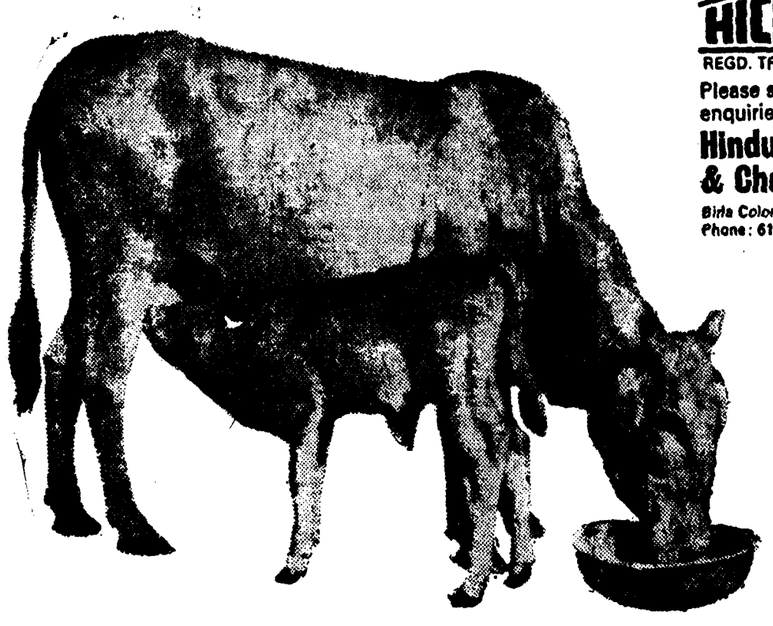
G. P. KAPADIA & CO., Chartered Accountants

Bombay, 18th June, 1975.

HICHEM Guar Meal
a high protein cattle feed
if given to our milch animals
can make our country
self-sufficient in milk

Malnutrition in its various forms is one of our country's pressing problems. Protein deficiency is proverbial and wide-spread. This is because the per capita availability of milk is only about 150 ml per day as against the basic minimum requirement of about 560 ml. If all the Guar of approximately 2 lac tons per year produced in the country is processed to separate its constituents into Gum and high protein Guar meal, the former can earn considerable foreign exchange and the latter could solve the protein deficiency. Guar meal has approximately 92% digestive nutrients and 45% proteins. It has higher food value than Guar itself and can be fed as such or mixed with grass, hay or husk, churi, bran or oil-cake. It not only increases the milk yield but also makes the animals healthy and stronger.

Hindustan Gum & Chemicals Ltd., Bhiwani, are producing Guar meal as a nutritious cattle feed.



HICHEM
REGD. TRADE MARK

Please send your orders or enquiries for Guar meal to:

Hindustan Gum
& Chemicals Ltd.,
Birla Colony, Bhiwani (Haryana)
Phone: 61 • Gram: 'HICHEM'

RECORDS AND STATISTICS

Guidelines for industries: 1975-76

THE DEPARTMENT of Industrial Development says there is no scope at present for licensing of any additional capacity for the sugar industry, agricultural tractors, cotton textile machinery, rayon, synthetic, and fibre plants and passenger cars.

According to the "Guidelines for Industries" — 1975-76 — published by the Indian Investment Centre, New Delhi there is scope for creation of additional capacity in nitrogenous and phosphatic fertilisers.

Proposals for foreign collaboration for the manufacture of nitrogenous and complex fertilisers will be considered on merit with reference to the requirements of process and design engineering know-how and other factors.

limited scope

In the case of sugar mill and cement machinery, there is "limited scope" for setting up new units, but expansion and diversification of the existing units will be considered on merit.

The "Guidelines for the Industries" — an annual publication — provides up-to-date information on industrial-approval procedures and indicates the scope for setting up new industrial undertakings or expansion of capacity with regard to over 200 industrial items in relation to the fifth Plan targets.

Thus, the publication also lists those industries where there is scope for foreign collaboration or for smaller and medium entrepreneurs.

With regard to industrial machinery, it says, the capacity already installed for textile machinery, together with the capacity expected to materialie, will be adequate to meet the demand.

additional capacity

However, additional capacity needs to be created for the manufacture of woollen machinery for items like cards, gill boxes, combing plants and scouring and drying ranges and wool, as well as for jute machinery items and specialised items of cotton textile machinery. The total licenced capacity of the textile machinery industry is Rs 143 crores in terms of complete textile machinery and 13 units are at present in production. A large number of other units are manufacturing accessories and components.

For coal and other mining machinery, the areas where there is scope or creation of additional capacity have been indicated. With regard to machinery, the Cement Research Institute is being developed for providing know-how and standardisation of equipment in order to develop indigenous competence and cut off dependence on foreign collaboration.

The overall requirements for chemical equipment during the fifth and sixth Plan period work out to 4,85,460 tonnes, on an average of 48,546 tonnes per annum. There is thus a need for creating additional capacity which will cater to the demand for items like high pressure vessels, special heat exchangers, special fabricated valves, gas holders and water heat boilers.

Foreign collaboration will be permitted on a "selective basis", under the government policy, in the field of specialised items. To bridge the gap in capacity, preference will be given to existing manufacturers who have gained sufficient experience to take up the manufacture of these items under their expansion programmes.

The "Guidelines" gives the list of specialised equipment for paper and pulp making machinery for capacity development, for which foreign technical collaboration will be considered.

Proposals for foreign collaboration for the manufacture of some sophisticated items of leather processing machinery printing, flour mill machinery, iron ore pelletisation plant, sophisticated process pump, roller bearings, and specialised taps of grinding wheels will be considered on merit.

below target

On machine tools, the publication says the indigenous production was of the order of Rs 90 crores during 1974-75 and the fifth Plan (1978-79) target is Rs 137 crores. Some machine tools which are not indigenously manufactured at present are being imported. However, there are a large number of items currently imported which could be taken up for manufacture.

New capacity can be considered for the manufacture of specialised machinery required for the manufacture of nuts and bolts and scope also exists for setting up specialised machine tools components manufacturing facility in major machine tool manufacturing centres, according to the publication.

The units in the small-scale sector can also expand their capacities not only with a view to covering additional ranges of machine tools, but also for updating the products being manufactured by them.

Existing units both in the medium and large-scale sector should be up-to-date products manufactured both in terms of design as well as technology, it says. Wherever appropriate, the government will extend facilities like import of prototypes with a view to making existing products conform to imported requirements.

reserved item

In the case of agricultural machinery, while there is no scope for further licensing of agricultural tractors, for which there is at present a total installed capacity of 48,000, expansion of existing units for power tillers will be permitted if there is a demand for additional capacity. Further development in the field of agricultural implements is reserved for the small-scale sector.

The existing capacity with regard to several items of earth moving machinery is considered adequate, leaving no scope for new units.

On commercial vehicles, the publication says there is an adequate capacity for light commercial vehicles and jeeps. Almost the entire requirements of these vehicles are being met indigenously. The government is also considering the possibility of establishment of a unit in the public sector to manufacture heavy and medium commercial vehicles. In the case of new entrepreneurs, proposals for foreign collaboration will be considered on merit, it adds.

In view of the slump in the demand for passenger cars and the existing capacity not being fully used lately, there is no scope for creating new capacity. For motor cycles, scooters and three-wheelers, the publication says, any additional capacity needed could be brought about by depending on major sub-assemblies' supplies

from within the country and there is no longer any need for import of technology in this field.

The publication also indicates where capacity is adequate or where there is scope for further licensing with regard to several items of automobile ancillaries.

While there is no scope for licensing new capacity for bicycles, there is considerable scope for development and manufacture of three-speed light weight bicycles.

Proposals for foreign collaboration for such special models of bicycles mainly for export will be considered on merit, says the publication.

On nitrogenous fertilisers, it says the installed capacity is now 19.31 lakh tonnes of which 11.28 lakh tonnes are in the public sector. Production during 1974 was 11.12 lakh tonnes. An additional capacity of 45.30 lakh tonnes of nitrogen has been planned and with the implementation of these schemes, the installed capacity will be 65.10 lakh tonnes.

According to the fifth Plan target, a total capacity of 70 lakh tonnes needs to be firmly started by the end of 1976 including 10 lakh tonnes for making the sixth Plan requirements and there is therefore scope for creation of additional capacity. But the future capacity will have to be based on feed stocks other than naphtha, such as coal. There is also further scope for licensing additional capacity for phosphatic fertilisers.

export-oriented

For soda ash, for which no scope exists for creating additional capacity, export-oriented proposals will be considered on merit. Proposals for putting up caustic soda capacity for captive consumption will be examined.

On man-made fibres, the publication says that due to the difficult supply position of petro-chemicals, such as caprolactum the use of man-made fibres which are based on rayon grade wood pulp needs to be encouraged. But licensing and creation of capacity of fibre have in the past been ahead of pulp capacity and this trend should be reversed.

For viscose rayon staple fibre, there is scope for approving additional capacity, but only integrated schemes for the manufacture of both fibre and pulp in the country will be considered. Schemes for viscose rayon filament yarn will be considered if they are based on indigenous pulp. With regard to the installed capacity and what has already been approved, there is no scope for licensing of further capacity for nylon filament yarn or polyester stable fibre and filament yarn or acrylic fibre during 1975-76.

new guidelines

For pesticides, according to the 'guidelines' there is scope for licensing of further capacity in respect of items like toxaphene, aldrine, chlordane, heptachlor and endosulfan. Most of the plant and equipment for the manufacture of pesticides are available from indigenous sources and proposals for foreign collaboration for the manufacture of basic technical material could be considered on merit. At present 25 units in the organised sector with a total installed capacity of 44,930 tonnes per annum are engaged in the manufacture of pesticides, against licences given for 52,930 tonnes and letters of intent for 26,090 tonnes.

The publication notes the rising demand for explosives in the next five years with the revision of the coal production target, and says as there is a significant technological gap in the field of industrial explosives, proposals for foreign collaboration will be considered on merit.

Additional capacities also need to be created for certain dyes and basic chemicals.

On drugs and pharmaceuticals, the publication says there is need for increasing the production and or establishment of capacity for 44 bulk drugs which were imported during 1973-74 for values exceeding Rs 10 lakhs each. Before formulating proposals, entrepreneurs are advised to seek the guidance of the ministry of Petroleum and Chemicals and the ministry of Health and DGTD. Foreign technical collaboration will have a role to play in the field of new and sophisticated technology. This will, however, be confined to important fields of basic drugs on merit.

The manufacturers of bulk drugs will be required to supply specified production figures to non-associated or non-manufacture formulators as well as detailed technical literature in respect of the concerned bulk drugs, indicating their chemicals, nature and incompatibility, if any, with other items.

For paper and paper board, there is scope for selective licencing of additional capacity, broadly in areas where progress and implementation of the schemes have not been satisfactory and where raw materials are available.

Since the paper industry is highly capital-intensive with a long gestation period, the publication says applications for additional capacity should be submitted along with feasibility or project reports.

For the manufacture of speciality papers, proposals for foreign collaboration will be entertained.

slow progress

With regard to newsprint, the fifth Plan target is 2.05 lakh tonnes capacity. Besides NEPA, whose capacity is being expanded from 30,000 tonnes to 75,000 tonnes per year, a newsprint project in Kerala, with a capacity of 80,000 tonnes per year is being set up in the public sector. In view of the "slow progress" of the schemes so far approved, the publication says, the licensing of addtional capacity for newsprint is considered necessary.

For rayon grade pulp, there is still scope for licencing of additional capacity and foreign collaboration for tyrecord and special grade pulp will be considered on merit.

For sugar, there is no scope for licencing new units in 1975-76, except for some proposals for an addition to capacity, including expansions which are already under the government's consideration.

For the future growth of the sugar industry, the publication says some of the exsisting plants should be modernised to co-ordinate the development of the industry with scientific development of sugarcane, production with a higher sucrose content and a longer crushing season.

Licences have already been issued to increase the overall capacity of sugar to about 70 lakh tonnes per annum by 1978-79. The publication also envisages scope for establishment of new units for cotton seed oil subject to the condition that cotton seed will be delinked and decorticated before crushing and the capacity would not be used for crushing major oilseeds like mustard, rape, groundnut, linseed and til. Creation of additional capacity for toilet soaps will be considered on merit in regions where there is no toilet soap capacity.

bridging the gap

For bicycle tyres there is a gap in capacity and this will be reserved for development in the small scale sector, but there is no scope for licencing capacity for automobile tyres in the immediate future. Further development of the leather footwear industry is reserved for the small scale sector and only expansion of existing units or the setting up of export-oriented units will be permitted in the organised sector.

While an additional capacity of 20 lakh tonnes for cement is expected to materialise in the next two years, the publication says proposals for additional should be take into account, various aspects like utilisation of low grade lime stone after benefication and encouragement to installations of small units in areas with small deposits of limestone and having limited demand.

Proposals for large coastal plants mainly geared for exports will be considered on merit.

No additional capacity for the manufacture of cigarettee is envisaged, as the licensed capacity is considered adequate.

eastern ECONOMIST

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Gowon gone

General Yakubu Gowon, who was the head of the authoritarian regime in Nigeria, was ousted by a military coup. It cannot be emphasized too strongly that the deposed president had many achievements to his credit during the period he was the boss of government and country. For instance, he fought off successfully, even if ruthlessly, the Biafran bid for secession. By winning that civil war he certainly preserved the unity and territorial integrity of Nigeria. Again, he took a purposeful interest in the development of the rich natural resources of his country and in promoting its industrialization. His administration was remarkably successful in generating an economic climate which appealed to foreign capital and technology powerfully. The oil boom, which Nigeria could cash on in a spectacular way by virtue of its recently discovered oilfields, flooded the economy with resources, which promptly made it possible for its government to contemplate new horizons of rapid development.

The general himself had the reputation all along of being an efficient administrator, who was also clean and honest in his private life or public conduct. The revolt against the Gowon regime would not have been precipitated if the basic provocation of authoritarianism, even if benevolent, had not been present. It may not be clear at present what system or kind of government would replace the deposed general, but it may be assumed that his successors in power will come under tremendous pressure to make good the deferred promise of the deposed president, who had also been their chief, to return the country to normal civilian administration and popular government.

General Gowon strode the African stage like a Colossus who had the power to make or mar men and matters in that continent's richest and most populous country. Now, as he himself puts it, he is just another Nigerian who, having been told while on alien soil that there is a new dispensation in Lagos, has sent word to folks at home that he accepts his dismissal. When all else is forgotten about General Gowon, it may be said of him that, in his down-fall, he was not disgraced.

—Editor.

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Opening up the economy

IN HER broadcast to the nation on July 1, 1975, Mrs Indira Gandhi had said that the people should not expect "magic remedies and dramatic results". Little did she know that within a fortnight of her address, the rate of inflation in our country would turn negative. The index of wholesale prices in the week-ended July 12, 1975, was 2.1 per cent lower than that of the level attained by it in the corresponding week in the preceding year. It would not be easy to assess as to what proportion of this downtrend was due to measures taken in the wake of the emergency or because of steps taken earlier but there was no doubt that the achievement was creditable. There was also a possibility of this trend in prices being reversed since the government had permitted in recent weeks increases in the prices of coal, steel, kerosene, cooking gas, diesel oil, aluminium and hike in coastal freight rates. Unless vigilance was exercised on this front, the joy of boasting "to be one of the few countries in the world which can claim to have a negative rate of inflation" might prove short-lived.

In a review of the economic situation (see page 289), the ministry of Finance had forecast a leap of five to six per cent in national income in the current financial year as against a rise of two per cent only in 1974-75. This assessment was based on expectations of significant expansion in production both in agriculture and industry. The production of foodgrains in the current year was anticipated to reach 114 million tonnes out of which as much as 69 million tonnes was expected in the coming kharif season. In organised industry, output was expected to increase by six per cent as the power and coal supply position had eased considerably and all possible assistance was being provided by the government to maintain the supply of inputs and infrastructure.

The earnestness created by the changed mood of the country did not have uniform effect on all those who were plying the levers of the economy. This was not unexpected. Some of them were bound to be carried away by the prevailing passions or their own rhetoric or both. Mr T.A. Pai, the minister for Industry and Civil Supplies, who has acquired the reputation of being one of the most clear-headed members of the cabinet, threatened in the Rajya Sabha on July 28, 1975, to change the management of industries which failed to reach 75 per cent of installed capacity.

Perhaps Mr Pai was confident that industrial units in the public and private sectors were likely to maximise the utilisation of their capacities (reaching up to 75 per cent) as the major constraint, namely, the shortage of power and coal had, by and large, been eliminated and that the threat of change in management therefore was purely academic. What he failed to appreciate was that production in the industrial sector was keenly linked with offtake which was a function of the demand pull of the market. If the demand in the market did not pick up and the revival in the foreign markets was also hesitant, the manufacturers would find it difficult to regulate their production as well as cash flow. Therefore, merely throwing open the valves of the productive machinery was not enough. Action at various other levels was also essential.

For example, the government departments could help the industry by speeding up the payments due to it. The enthusiasm generated in the government offices was not likely to have any meaning if the procedures for clearing the payment of arears was not changed. This also applied to subsidies, draw-backs etc. which the industries had earned through exports but which were denied to them for long periods due to red tape in government offices. Also, in some industries the excise duties were crippling the potential demand. They were all right in a state of the economy when prices rose by 30 per cent a year or 2.5 per cent a month, on the average.

With stability in prices, the offtake of consumer goods in particular was likely to slow down. Relief in excise duties could be a great help. Thus, threats or verbal assurances alone would not give the expected push to the economy. For this, a sense of urgency and quick review of the problems facing each industry will need to be undertaken in each ministry and prompt remedial measures will have to be taken expeditiously.

The economic review prepared by the ministry of Finance took credit for the slower rate of expansion in money supply which, according to it, was partly responsible for the downturn in prices. Surely, cases in which the credit limits were used for illegitimate purposes needed to be severely dealt with but legitimate needs of industry should not be denied. The ministry of Finance had taken the view that only priority industries should not be starved of funds. The line of demarcation between the priority and non-priority sectors in industry had become very thin. The industrial units in whatever sector set up with scarce resources would need to work at the maximum capacity not only to add to the gross national product but also to provide sustenance to workers employed therein.

In the wake of the persistent recession in the recent past in some of the industries, particularly those related to consumer durables, the employers were finding it hard to keep the full contingent of workers on their rolls. If the government did not rush to their assistance in time, they would be forced to close down production which would cerainly be against the spirit of the times. It was essential therefore to assist each industrial unit without paying attention to the artificial demarcation of its being in the priority or non-priority sector.

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The review of the current economic situation prepared by the ministry of Finance, a reference to which was made earlier, rightly emphasised the importance of "avoiding large-scale deficit financing". However, the tempo of fresh investment had been slowed down for the past few years as the country had not been able to fully utilise the available capacity. The time had therefore come to devote more attention to new projects instead of getting bogged down with continuing schemes. The plan for the current year had stepped up the outlay by 23 per cent which would be absorbed by schemes on the anvil. It was time that the process of long-term planning which got interruped in recent years, was once again put on the rails. Let us not forget that every scheme of moderate size still takes a minimum of five years for being translated from a drawing-board blue-print into a working plant.

Towards bigger challenges

THE PLAN document for 1975-76 outlining an outlay of Rs 5978 crores in the public sector against Rs 4844 crores in 1974-75 is mainly a reiteration of the indication given by the union Finance minister, Mr C. Subramaniam, when he presented his budget proposals to Parliament in February this year. The revised outlay is only marginally higher by Rs 18 crores though the sectoral allocations have been readjusted somewhat in order to quicken the phase of implementation of projects in the core sector and secure the maximum result within two years. For a time, there was speculation over the contours of the Annual Plan as it was debated in some circles that excessive expenditure on new and continuing schemes might aggravate inflationary pressures and it would be advisable to pursue a policy of consideration and even slow down the pace of the fifth Plan. The developments since September last year however encourage the hope that an awkward upward rise in prices has been halted and with an improvement in agricultural production and power availability the growth rate of inflation can be brought down considerably and public spending incurred in a fruitful manner.

With bright prospects for bumper kharif crops and the elimination of power shortages in many states following statisfactory rainfall in catchment areas and improved functioning of thermal stations, it can even be expected that the increase in wholesale prices will be only 8-10 per cent in 1975-76 against nearly 30 per cent rate witnessed in the first half of 1974-75. Even the reduced increase in the index of wholesale prices would not take place but for the need to effect adjustments in prices for coal, steel petroleum products, aluminium and other items. With the public sector units in a position to raise their output of heavy engineering goods and heavy electrical equipment and the possibility of an increase in industrial production by over eight per cent, the government and planners may even have a problem of absorption of a larger volume of industrial products if public spending was not suitably raised.

An increase in Plan outlay by Rs 1134 crores in 1975-76 in the absence of any big rise in wholesale prices will certainly be helpful in stimulating activity and absorbing the increased output of the heavy and basic industries. The additional allocation is accounted for to the extent of Rs 885 crores by power and industrial projects while agriculture and irrigation will be claiming additionally Rs 136 crores. Thus core sectors alone will be accounting for Rs 1021 crores. However, important developments have taken place since the Plan document was formulated and the aggregate outlay may be higher than Rs 5978 crores. This is because in the demands for supplementary grants recently presented to Parliament the public sector undertakings will get an extra allocation of Rs 74 crores while the Agricultural Refinance Corporation (ARC) will be providing additionally Rs 20 crores for projects which have received aid from the International Development Association (IDA) but progress on which had been delayed due to the paucity of resources. The state governments also are to receive additional special assistance of Rs 75 crores apart from Rs 50 crores for overcoming ways and means difficulties. The coal industry is being compensated for the reduced internal generation of resources due to the delayed decision to increase coal prices.

The aggregate outlay may thus be Rs 6100 crores even allowing for some shortfalls in resources in particular directions due to a higher level of non-Plan expenditure. There is however reason to feel that the resources budget will be different in its content by the end of the year as it can certainly be expected that the increase in revenues on the basis of the massive tax effort for 1974-75 will be much higher than the estimates while borrowing through loans of central and state governments and bonds of public bodies can easily fetch Rs 250 crores more than the assumptions made by the planners. External assistance too has been on a larger scale and with a promise of nearly two billion dollars (gross) from the Aid-India Consortium, the World Bank and the IDA, the availability of resources in terms of rupees and foreign exchange will be easily more than Rs 500 crores. Even if non-Plan expenditure increased by Rs 100 crores the size of the Plan can still be Rs 6400 crores.

The union Finance ministry seems to be aware of the possibilities in this regard as it is significant to note that the demands for supplementary grants do not contain any item asking for authorisation for a higher level of non-Plan expenditure. It is perhaps too early in the financial year to seek supplementary grants for this purpose though it has already been indicated

by Mr Jagjivan Ram, union minister for Agriculture that the subsidy on sales of fertilisers will increase on account of a reduction in pool prices.

The planners will have to maintain a careful watch over the utilisation of funds and the implementation of schemes as for the first time in the Plan era a serious challenge has been posed to the executors of projects. An addition to generating capacity of around 1700 m.w. in 1974-75 was by itself considered a major achievement. The target for 1975-76 is 2620 m.w. of new capacity which will certainly be helpful in boosting power availability if it is fully achieved. Even this performance will not help the planners to reach the goal of 16,000 m.w. of new capacity for 1974-79 as the average increase in the remaining three years will have to be 39,000 m.w. of capacity which is a formidable challenge indeed. It will be possible however to find out from the experience of the current year to what extent power consumption will increase with a higher level of activity and in what manner the deficiency if any in the pace of implementation of power projects can be overcome with better operating efficiency of the thermal stations.

As thermal capacity will be over 9,000 m.w. in the current year and even a 10 per cent improvement in operating efficiency can make available an extra capacity of 900 m.w., it can be said for all practical purposes that the addition to capacity in 1975-76 will be even 3600 m.w. The effective use of new capacity will of course depend on how the different schemes are completed. But the benefit of the latest effort will be fully felt in 1976-77 especially if the existing thermal stations too acquit themselves creditably.

The question now is how allied development will take place. There will surely have to be a massive programme for energising pumpsets in areas where there are vast underground water resources. There will also have to be more effective coordination of the activities of the different regions as an improvement in total power availability need not necessarily be reflected in a significant increase in power supply in regions such as Uttar Pradesh. The interlinking of state grids and facilities for intra-regional transmission also will have to be completed urgently and intelligently. The additional production of agricultural commodities and industrial goods can take care of any accentuation of inflationary pressures arising out of an increase in the tempo of public spending. The government machinery however should be equal to the task of spending over Rs 500 crores every month in the public sector If the target can be eventually raised to Rs 6400 crores as stated above and easier power availability and raw materials can activise unused industrial capacity, the bogey of inflation can be laid to rest. What happens in the next few months will determine the future of the fifth Plan besides providing answers for many difficult questions.

Prospects for Indo-Italian collaboration

A DELEGATION sponsored by the Indian Chamber of Commerce, Calcutta, to Italy in June this year has reported that there is a large scope for promoting collaboration with Italian industry in India. Some of the fields identified by the delegation for collaboration are jute mill machinery, food processing, high speed stranding machines, inorganic chemicals based on minerals, leather tanning chemicals and processing, marble and granite, mica, paper and insulation, tea packaging machinery, acetylene gas cylinders, furfural from bagasse, rayon pulp, and fibre glass. It is not clear, however, to what extent the delegation has succeeded in creating an active interest among Italian businessmen for setting up industries in the above fields in our country. The delegation has observed that the prospects for establishing a joint ventures for the manufacture of jute mill machinery are bright and that it will be possible to increase the productivity of the looms by three times in India and make them much cheaper than the imported ones. India has already made considerable progress in the development of jute mill machinery.

There are at present about 10 major manufacturers in this field, besides many small units. The union ministry of Industry has identified 13 items for developing indigenous competence and reducing imports of this item. The latest annual report of the ministry says that one of "the heartening developments" in this sphere has been the manufacture of conversion sets through indigenous research and that one firm has already gone into production for such conversion sets.

It is stated that effort is also being made to indigenise completely the production of drawing and spinning frames and softeners. Jute cards and dressing machines which were formely imported are now being produced in our country. It is also encouraging to note that a large number of looms have been recently exported by India and a jute mill also has been set up in Uganda involving the export of machinery from India. In the above background, it remains to be seen to what extent Italian participation in the manufacture of jute mill machinery will be of actual use to our industry in increasing productivity and reducing costs.

In regard to many other industries also, identified by the delegation, considerable progress has been and is being made in undertaking their manufacture. However, there must still be scope for increasing the production because in many cases the government of india has not assessed the demand or fixed targets for their manufacture. The contacts built up by Indian industrialists with their Italian counterparts should therefore be useful to our country to explore the possibility of setting up joint ventures in various field. The delegation has observed that Italian firms are eager to make available their technology and machinery on a deferred payment basis and that Italian technology has been of a high standard.

The delegation has also indicated that there are possibilities of importing complete lines of manufacture from Italy especially in cotton textiles, shoe-making and food-processing. It has observed that some of these plants are getting out-dated by European standards but they can be useful for India and can be had on reasonable terms. But caution is necessary to make sure that such plants are actually suited to Indian conditions and requirements.

Recently the Trade Development Authority of India (TDA) has entered into an agreement with certain foreign countries for the transfer of working industrial plants to India. It is proposed to transfer plants from West Germany, Australia and Belgium for manufacturing industrial relays, ready-made garments, bicycle chains, wheels, crank shafts and automobile ancillaries and the intention is to re-export at least 60 per cent of their production. It is presumed that in the case of the transfer of plans from Italy also, there will be provision for the export of a substantial portion of the production.

India has been receiving technical assistance from Italian firms for the manufacture of cars, viscose fibres, printing machines, oil refinery, teleprinters, pharmaceuticals, and other products. So far, over 90 collaboration agreements with Italy have been approved by the government of India and there seems to be better prospects of setting up more such ventures in the near future. Italian expertise should be of considerable assistance to Indian industry in improving the quality of production and in keeping it closely and continuously acquainted with the changing trends in the international market especially in items such as garments, shoes, and other kinds of sophisticated products.

The delegation seems to have felt that the scope for promoting trade to Italy is not substantial. The total trade turn-over between India and Italy in 1973-74 amounted to Rs 117.4 crores compared to Rs 84.8 crores in the preceding year. India's exports to Italy totalled Rs 68.3 crores and imports from that country were Rs 49.1 crores. During 1972-73, India had exported goods valued at Rs 48.8 crores and imports were worth Rs 36 crores. Thus the favourable balance of trade of Rs 12.8 crores in 1972-73 improved to Rs 19.2 crores in 1973-74.

The main commodities exported from India to Italy in 1973-74 were leather Rs 24.8 crores against Rs 35.4 crores in the previous year, coffee Rs 4.6 crores against Rs 1.6 crores, rose-wood Rs 2.7 crores against Rs 2.3 crores, precious and semi-precious stones Rs 76 lakhs against Rs 31 lakhs and crude opium Rs 93 lakhs against Rs 86 lakhs.

The delegation observed that the Italian economy is rapidly recovering from the recent set-back and that the government has been able to achieve some success in checking inflation.

The government recently removed the 50 per cent import deposit scheme which had been introduced to curtail imports. The reopening of the Suez Canal is also expected to assist the further recovery of the Italian economy. Indian manufacturers and merchants therefore should take a greater interest in exploring the Italian market for both traditional and non-traditional goods.

The delegation also revealed that it has received several complaints from Italian firms about delays in receiving payments from India. The government of India and the Reserve Bank should look into this aspects and ensure prompt payment. The government should also examine the feasibility of concluding a double taxation agreement with Italy, which is another important recommendation made by the delegation.

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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Capital's Corridors

R. C. Ummat

Wage revision in steel • Power generation • Fuel efficiency

THE NEW wage agreement for the steel industry, which has been negotiated last week, marks a considerable improvement over such agreements concluded hitherto. For the first time, the representatives of the three central trade union organisations, namely, the Indian National Trade Union Congress (INTUC), the All-India Trade Union Congress (AITUC), and the Hind Mazdoor Sabha (HMS), have agreed with the management that the incidence of the new wage pact should not be passed on to consumers in the form of higher steel prices but ought to be absorbed fully by the industry itself through higher production and productivity. The serious impact that the implementation of the recommendations of the last wage board for the coal industry had on the prices of coal apparently provided the backdrop for the negotiations in respect of the last week's wage agreement for the steel industry.

consumer interests

The realisation on the part of both the workers and the management that they have to keep in view the interests of the consumer while negotiating revisions in wage structures should augur well for the government's drive towards the containment of the prices spiral. Simultaneously, concerted efforts need to be made by managements of industrial units to obviate unnecessary expenditures. It is only then that they can evoke full cooperation from workers.

The new wage agreement for the steel industry covers the workers of the steel plants at Rourkela, Bhilai, Durgapur, Bokaro, Jamshedpur, Burnpur and Bhadravati.

The following are the highlights of the agreement:

(1) The minimum basic pay of workers will be increased from Rs 200 to Rs 300 per month by merging Rs 100 from the dearness allowance. The minimum wage as a result of the revised scale as on September 1, 1974, will be Rs 393 (basic Rs 300 plus fixed dearness allowance Rs 62 plus variable dearness allowance Rs 31). In addition, there will be a guaranteed minimum benefit of Rs 18 or one increment, whichever is higher, to every worker.

(2) The arrears of additional wages will be given on the basis of an ad hoc payment of Rs 42 a month to each worker with effect from September 1, 1974. However, the guaranteed minimum benefit will be given without any deduction.

(3) A new pay-scale has been incorporated in the agreement for specialised and senior skilled workers. The maximum basic pay for them has been fixed at Rs 1,000 per month.

(4) House rent allowance is to be provided at the rate of 10 per cent of the basic pay (prior to revision as prevailing in August, 1974) for those employees who have not been allotted staff quarters. In addition, employers have agreed to provide basic amenities like water, roads and electricity in the bustees on the lands of the companies around the steel plants where some employees live.

(5) The employers would make all possible efforts to lend assistance to the existing distribution system for essential commodities. Efforts will also be made to persuade the respective state governments to bring the steel townships under statutory rationing.

free education

The employees will further benefit from the extension of free education to their children upto the matriculation standard, increased transport subsidy and liberal benefits to employees who get injured on duty through full payment during disability period. It has also been agreed to provide employment to one direct dependent in the case of permanent disablement or death of a worker due to accident on duty.

In recognition of the special contribution made by late Mohan Kumaramangalam, the industry has agreed to take necessary steps to establish rehabilitation centres in his memory for providing assistance to those employees who have suffered permanent disablement as a result of some accident.

It has as well been resolved that industrial peace and harmony would be maintained in the steel plants and every effort would be made to attain higher production and productivity as steel industry's contribution towards nation's determined march to prosperity.

The agreement will benefit nearly 2,25,000 workers. It will entail an additional annual burden of approximately Rs 11 crores on Hindustan Steel and about Rs 20 crores on the entire steel industry.

* *

The Central Electricity Authority (CEA), which is being reactivised and revitalised with the appointment of full-time members in charge of various functions, in a bid to accelerate the development in the power sector, is not envisaged to be a body merely for the planning of the future growth of power generation in the country. It will act as a high-powered specialised body to look after all the matters related to power policy and generation.

functions of CEA

Among the new functions which have been proposed for the CEA include according of techno-economic approvals to projects, establishment of adequate progress monitoring arrangements regarding the new power schemes as will as the existing power stations, assisting of the state governments in evolving personnel policies, assessing of the requirements of scarce materials and their allocations, establishing of coordination with the electrical equipment manufacturing industry and implementation of schemes for quality control of coal supplied to power projects.

The union ministry for Energy is also stated to be pursuing vigorously the creation of specialised cadres for load despatch and system operations. Suitable changes are being considered in the system of cadre management. The intention is to build up a cadre of engineer-administrators and engineer-managers. The personnel policies are being suitably amended for this purpose.

Arrangements are as well being made to improve investigations and project preparations so as to firm up the estimates of costs, time schedules and material requirements of the projects expected to be taken up for implementation in the near future. Modern methods of management, including inventory control, monitoring and personnel administration, are being introduced in the state electricity boards. The Electric Supply Act of 1948 is proposed to be amended soon in consultation with state governments. The amendments are currently being worked out.

With a view to obviating delays in the implementation of projects, which have led to considerable escalations in their costs in the recent years, the Energy ministry has sought to draw up targets for every level of work. An all-out effort is being made to effect imaginative coordinaton at the top.

As a result of the above effort, the Beas-Sutlej link project, which was started in January 1962, with a 10-year construction schedule and which, it was feared some months back, might spill over beyond the fifth Plan period, is now expected to be completed well before 1978-79. A committee recently went into the implementation of this project. It has come up with a series of administrative, operational and technical measures based on careful identification of the reasons for the delay in implementation and has suggested time-bound responsibilities for the future.

The steady improvement in the operation of the thermal power generation units is stated to be continuing. During the first quarter of the current financial year, thermal generation is said to have been nearly 18 per cent more than what it was during the corresponding period last year. As a result of the encouraging rains, the hydel generation is also stated to have recorded an impressive improvement in the recent past, barring at a couple of projects such as Rihand in the case of which rains in the catchment areas have been insufficient.

* *

Encouraged by the response of 150 units, mostly belonging to the engineering, power, chemicals, textiles, glass, ceramics, cement, refractories and tea industries, to the first fuel efficiency survey launched by the Indian Oil Corporation (IOC), the National Productivity Council (NPC) and the Directorate-General of Technical Development (DGTD) in August last year, the three organisations have recently surveyed another 159 establishments in the engineering, chemicals, processing, textiles, glass, ceramics, cement, refractories, food, leather, drugs and pharmaceuticals, paper and pulp, distillation, rubber, sugar, vanaspati and power generation industries with a view to bringing down the consumption of furnace oil on the imports of which the country has to spend quite a sizeable amount of foreign exchange. Under the survey conducted last year, the 150 industrial units were expected to bring down their furnace oil consumption by 90,373 kl. — 37,749 kilolitres in the short range of three months, 20,380 kl. in the medium term of about nine months and 32,244 kl. in the long term of about 18 to 24 months. Various measures had been suggested to the industrial units concerned by the IOC-NPC-DGTD team of experts for improved utilisation of furnace oil and replacement of this fuel by coal to the extent possible.

The second survey, conducted during the four months to July this year, has revealed that if the industrial units follow recommendations of the team of experts, a saving to the extent of 124,669 kl. can be effected in the consumption of furnace oil — 13,315 kl. during the short term, 44,882 kl. during the medium term and 49,472 kl. in the long term. Taking both the surveys together, the total saving in the consumption of furnace oil would be of the order of 215,042 kl. — nearly 18.6 per cent of the current consumption of this petroleum product (630,000 kilolitres). At current prices, this will mean a saving of about Rs 18 crores.

specific areas

The following specific areas have been identified by the IOC, NPC and DGTD experts in which savings can be effected in the consumption of furnace oil: (i) storage and handling of furnace oil; (ii) preparation of furnace oil before combustion and efficient automisation; (iii) selection and maintenance of burning equipment; (iv) selection and maintenance of instrumentation; (v) steam distribution, thermal insulation, condensate recovery and steam pressure, and (vi) waste heat recovery.

In the medium and long terms, some adjustments in equipments will have to be made by the industrial units. But this is not expected to cost more than the savings which can be effected in the consumption of furnace oil in about three months.

The experts team has recommended that, wherever feasible, major industries should set up in-house energy management cells in order to focus the required special attention to fuel efficiency matters. Assistance will be rendered by the National Productivity Council.

improved equipment

On the recommendations of the experts team, the DGTD, the NPC and the industries concerned with burners and forging furnaces have already initiated action plans for bringing about improved equipment designs aimed at increased fuel efficiency. A special manual on the methods of efficient utilisation of furnace oil has also been brought out as a guide for industrial consumers.

The DGTD and the NPC are also engaged in an exercise of evolving a scheme of rationalisation of norms of consumption of furnace oil per unit of production, in consultation with the industries concerned.

The team has also submitted detailed reports on fuel efficiency pertaining to furnace oil to all the industrial units covered during the survey. These findings are being reviewed in consultation with the industries concerned in order to evolve appropriate action plans for implementation.

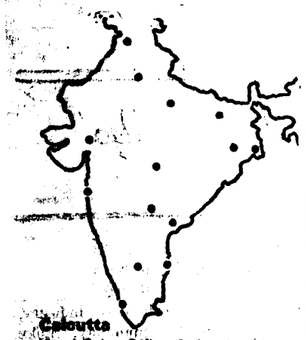
Eastern Economist 30 Years Ago

AUGUST 10, 1945

In a capitalist society, the solution of the problem of wage determination is generally sought in the marginal productivity theory of wages. That, however, has remained more or less a theoretical nicety due to the imperfections in the practical world which hinder its operation in actual practice. Hence, wages in a capitalist society, have been a function of the capitalist captains of industry, acting in conjunction with the law of demand and supply. True, the State-control has made its appearance, particularly in the field of fixing fair wages where they are unfair and also to a certain extent regarding living wages. In a planned economy as in the U.S.S.R., however, the class of captains of industry is conspicuous by its absence because the Soviet incentives, though they may momentarily exhalt this or that hero of industry, create no separate class in the community. Unlike the motive of making profit, the Soviet incentives act upon the entire mass of those engaged in work. Whereas, due to the inherent capitalistic structure of society, the extent of the State control is bound to be limited in other counties, in the U.S.S.R., it is the State from which institution, the decisions regarding wages and their individual and industry-wise allocation, emerge.

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POINT OF VIEW

Rural income inequalities in eastern Uttar Pradesh

R. D. Singh

DESPITE ALMOST a quarter century of planning and development, and the initiation and spread of wheat revolution in Indian agriculture during the last half-a-decade or so, there remains a vast number of people whose economic conditions seem to have, if not deteriorated absolutely, remained more or less stagnant. In fact, the technological breakthrough in agriculture has tended to increase economic disparities not only among the various groups of people in the same region(s) but also among the various regions. The scarcity of land and the heavy population pressures have led to a continuous rise in the number of the marginal and submarginal farmers and the landless labourers in the countryside, a phenomenon particularly more pronounced in the relatively more backward regions—such as the eastern Uttar Pradesh, in parts of Bihar, Orissa, West Bengal and Assam, where the average size of land holdings ranges between two and three acres with majority of the farms being non-viable. And, it is these sections of people in whom rural poverty is most conspicuously concentrated.

problems of poverty

This is not to suggest that the problems of income inequalities and poverty are of recent origin. These inequalities have been with us and with many developing economies for long and from time to time have aroused interests of economists, politicians and administrators alike. *India's Teeming Millions* written by Dr Gyan Chand in the late thirties is an example of a classical work laying bare the problem of poverty of the Indian masses. Similarly, special reference has been made in country's five-year Plans about the problems of the weaker sections and the need for their uplift. To quota from the second five-year Plan, "the benefits of economic development must accrue more and more to the relatively less privileged classes of society. The problem is to create a milieu in which the small man who has so far had little opportunity of perceiving and participating in the immense possibilities of growth is enabled to put in his best...In the process, he rises in economic and social status".[1]

economic disparities

The currently growing concern about the two-fold problems of widespread economic disparities and poverty among the weaker sections has been clearly demonstrated by deliberations in Indian Parliament, by so vehement 'Garibi Hatao' movement launched by the Indian National Congress, as well by some of the recent schemes initiated especially for the landless and the marginal/small farmers including those pertaining to rural employment by the central and state governments. Similarly, economists too have shown interest in this problem as evident from the recent work of B.S. Minhas[2] and Dandekar and Rath;[3] whose estimates are primarily based on the National Sample Survey data, and hence, are macro in character. There is hardly any comprehensive study of this problem on regional basis, more particularly with respect to inter-group variations in distribution patterns in the rural sector of the economy. The present article intends to provide a quantitative estimation of the magnitudes of income inequalities and of poverty with the help of empirical evidence collected from one of the relatively less developed regions of the country, namely, the eastern region of Uttar Pradesh, which may also provide a cross check of some of the macro-level estimates.

The district of Ballia in Uttar Pradesh was selected as a representative case and it was presumed that this district, with a per capita income of less than Rs 200 per annum (1969-70) and over 96 per cent of its total population residing in rural areas, would, by and large, represent conditions and problems of the backward region of this and its neighbouring state(s), especially weaker sections of the rural economy. Within the district, 20 villages from Rasra tehsil, the marginal farmers and agricultural labour development agency's project areas, were randomly selected with probability proportion to size from all of its four community development blocks. After a complete enumeration of the households in each of the sample villages, 98 households from the marginal farmers (those with 2.5 and less acres of operational holdings); 49 from small farmers (2.51 to 7.50 acres); 21 from the medium farmers (7.51 to 15 acres); and six from the large farmers (above 15 acres); and 35 from the landless labourers were randomly selected with probability proportion. Data from these households were collected by personal interview methods with the help of prepared and pre-tested schedules pertaining to the year 1970-71.

pattern of income

The analysis of the results obtained from the empirical findings of the present study would be carried through the discussion of the pattern of inter-group income distribution, the comparative levels of income and the magnitude of rural poverty in the region.

Inter-Group Income Distribution: There are in the region considerable inter-group differences in the levels of income with the marginal farmers households having the lowest per capita income of just Rs 100 followed by the landless labourers with a per capita income of Rs 133 and the small farmers with Rs 135. The medium and the large farmers on the other hand have had, respectively, a per capita income of Rs 368 and Rs 416—almost three to four times higher than the former (i.e. the marginal farmers and the landless). As revealed by the data in Table I, the medium farmers who constitute about 9.90 per cent of the total population have to their share 23.5 per cent, while the large farmers who form 4.2 per cent of the total population, 11.3 per cent of the total rural income. As compared to this, the landless labourers who form about 16 per cent of the total sample

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population receive about 14 per cent of total income; the marginal farmers with about 43 per cent of total population receive just 28 per cent, and the small farmers with 27 per cent of total population about 24 per cent of the total income.

Measures of Income Inequalities: The pattern of income distribution both within and between the groups of rural population has been examined with the help of two of the often used measures of income inequalities: (i) the Lorenz Curve;[4] and (ii) the Gini Concentration Ratio.[5]

The graph on page 259 shows the behaviour of the Lorenz curves fitted with the income data (Ox axis showing the percentage distribution of income recipients while OY, cumulative percentage of total income) separately for all the sample households belonging to the various groups as well as for the groups as a whole.

Lorenz Curves: The bends of the various concentration curves around the egalitarian line show the existence of income inequalities within all the sections of rural population, though within the weaker sections of the landless, the marginal and the small farmers (in whose cases the bends of the curves are almost identical), the magnitude of inequalities is of relatively lesser degree than that of the comparatively well-to-do groups of the medium and the large farmers. The degree of income concentration tends to increase with increasing size of land holdings. The share of income received by the lowest 20 per cent is only 3.1 per cent in the case of the landless labourers; 2.6 per cent in the case of the marginal; 2.8 per cent, of the small; and 1.4 per cent of the medium and the large farmers.

The same trend i.e of increasing concentration and hence of greater inequalities, is to be observed throughout the data presented in Table II; for example, even if we take the lowest, say, 50 per cent of the population belonging to the various groups, the relative share of income received by these people, group-wise, comes to 20.1 per cent in the case of the landless; 19.7 per cent, of the marginal; 19.4 per cent of the small, and 10.5 per cent, of the medium and the large farmers. The top 20 per cent of the medium and large farmers on the other hand, have to their share as much as about 63 per cent of the group's total income as compared to 46.4 per cent of the small farmers, 46.2 per cent of the landless and 43.3 of the marginal farmers.

Equally pronounced is the bend of the Lorenz Curve, around the line of perfect equality, drawn for the entire population exhibiting thereby the existence of considerable inequalities in income distribution among the rural prople as a whole. Of the entire sample population, the lowest 20 per cent of them receive just 1.8 per cent, while the top 20 per cent account for as much as 64.6 per cent of the total rural income.

Gini Concentration Ratio: The existence of considerable degree of income inequalities both within and among the various sections of the rural population is further substantiated by the values of the Gini Concentration Ratio worked out with the income data and presented below:

TABLE I

Relative Share of Households Income* in the Sample Rural Region of Ballia District (1970-71)

Category of households	Annual Income		Percentage of total households	Percentage of total population	Percentage of total income
	Per household (Rs)	Per capita (Rs)			
1	2	3	4	5	6
Landless Labourers	1075.88	133.06	16.75	15.97	13.76
Marginal Farmers	774.84	100.04	46.89	42.83	27.65
Small Farmers	1328.66	135.39	23.45	27.14	23.80
Medium Farmers	3067.26	368.07	10.06	9.88	23.54
Large Farmers	5129.70	415.92	2.86	4.18	11.25
All Households	1310.51	154.56	100.00	100.00	100.00

*These estimates are based upon the then prevailing prices in the region.

TABLE II

Percentage Distribution of Households According to Income Received

Decile groups	Percentage of income held by each group of to total income									
	Landless labourers		Marginal farmers		Small farmers		Medium and large farmers		All groups	
	Percentage income	Cumulative total	Percentage income	Cumulative total	Percentage income	Cumulative total	Percentage income	Cumulative total	Percentage income	Cumulative total
1	2	3	4	5	6	7	8	9	10	11
1	0.78	0.78	0.566	0.566	0.73	0.73	0.34	0.34	0.49	0.49
2	2.36	3.14	2.084	2.630	2.11	2.84	1.04	1.38	1.31	1.80
3	4.44	7.48	3.368	6.018	3.65	6.49	1.92	3.30	2.42	4.22
4	5.38	12.86	5.400	11.418	5.27	11.76	3.03	6.35	3.76	7.98
5	7.27	20.13	8.261	19.679	7.65	19.41	4.20	10.53	4.55	12.53
6	9.30	29.93	10.302	29.981	9.16	28.57	6.22	16.75	6.32	18.85
7	10.45	39.88	12.253	42.232	11.71	40.28	7.79	24.54	7.72	26.57
8	13.93	53.81	14.476	56.708	13.46	53.74	12.60	37.14	9.80	36.37
9	17.13	70.94	17.704	74 412	17.42	71.16	21.63	58.77	14.28	50.65
10	29.06	100.00	25.586	100.00	28.84	100.00	41.25	100.00	49.35	100.00

Category of households	Gini Ratio
Landless labourers	0.463
Marginal farmers	0.460
Small farmers	0.469
Medium and large farmers	0.576
All households	0.584

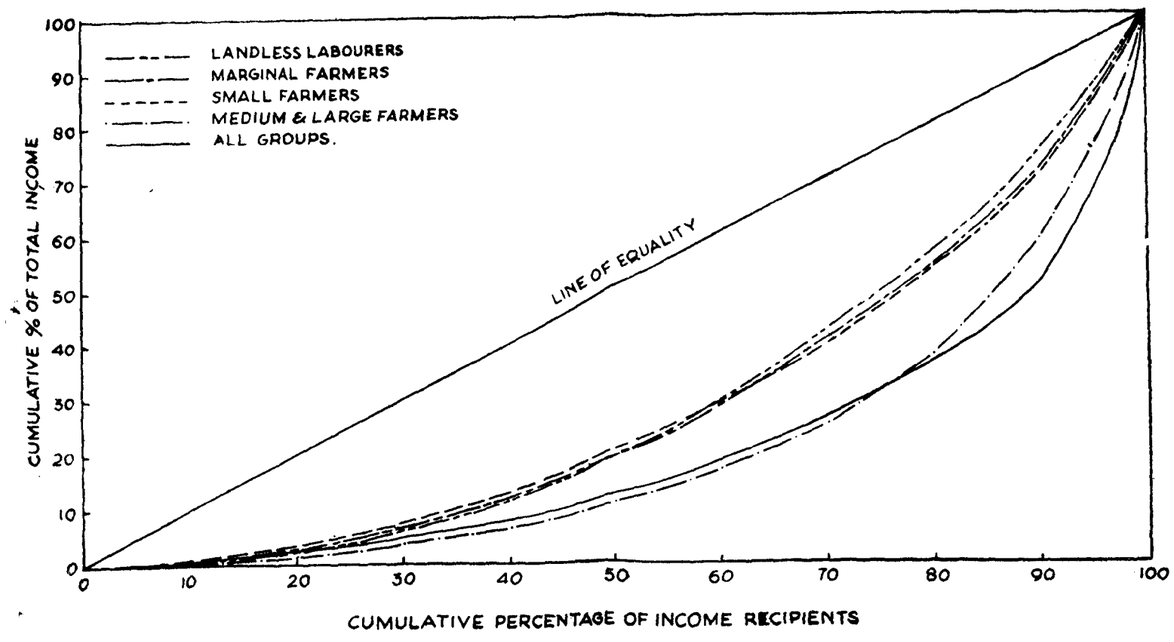
The higher value of the Gini Ratio for the higher income groups with larger land holdings again shows the same phenomenon of increasing degree of inequalities in income and wealth distribution among the different sections of rural society. The existence of income inequalities even among the landless and the marginal farmers—the two major elements of the rural weak — can be explained by the fact of outside sources of employment and income that are available to some of these households belonging to these groups of households. In the case of the medium and large farmers, it is the pattern of the ownership and the intensity of use of farm resources together with the availability or otherwise of external non-farm avenues of employment and income which would explain to a great extent, the prevailing inequalities in income distribution among these sections of rural population. The question of reducing and or eliminating rural income disparities have, therefore, to be dealt with from three major fronts: (i) the creation of additional sources of income and employment in the rural areas and thereby reducing unemployment and under-employment; (ii) the introduction and intensification of the growth-promoting inputs on all groups of farming community; and (iii) effective imposition of land ceilings and taxes on rural incomes.

Another aspect of income inequalities as in existence in this region could be to view it in the national context. The average value of the Gini Ratio estimated for the entire sample population is 0.58, and this is significantly higher than the national average ratio of 0.33 as reported by Felix Faukert[6] of the International Labour Organisation. This not only proves that this region is characterised by a high degree of economic disparities but also lends full support to Kuznet's[7] hypothesis of greater income inequalities in under-developed and developing regions than the developed ones. The eastern region of Uttar Pradesh definitely falls in the category of the economically backward and poor regions of the country; and hence these results further demonstrate that even within a developing (and a low income) country there may exist considerable inter-regional variations in income inequalities — the poorer regions having relatively greater concentration of income and wealth than those with higher levels of technology and hence of income.

As is evident from the data presented in Table III, the non-farm sources of income contribute as much as 56 per cent of the total income earned by the sample households of the region, while the remaining 44 per cent is accounted for by farm business. Of the non-farm sources of income, services contribute the most, in as much as a little over 50 per cent of the total non-farm income is through this source, followed by trade and business, wages and industry. As in the case of income distribution, there are considerable inter-group differences in regard to the various avenues of income reflecting among others, the economic and socio-educational characteristics of the households. Further, though between the farm and the non-farm sources, the relative dominance of the non-farm sources declines with increasing farm size, from amongst the non-farm sources as such the comparative contribution of 'services,' increases, while that of 'wages' diminishes with increasing farm size.

The large sized farms obviously because

LORENZ CURVES SHOWING INCOME DISTRIBUTION.



of their better economic, and hence of social, status are able to educate their children better and who find better-paid services both in-and-out of their localities. Similarly, the households belonging to the landless, the marginal and even the small farmers, not being able to support themselves through farming, have to resort to the off-farm employment. Village industries and/or crafts do not seem to have any place of significance as a source of income; not more than two to three per cent of the sample households makes extra income from such sources. The same holds true for enterprises such as dairying and poultry; only 2.3 per cent of the sample households have had made an income varying from Rs 120 (as in the case of the medium farmer's households) to Rs 676 (as in the case of the marginal farmers) from dairy cattle.

Levels of Household's Income: The distribution of households according to various income-ranges (Table IV) further reveals the pattern of the levels and distribution of income amongst the various sections of the rural community. As many as about 36 per cent of all the households have an annual income of less than Rs 500; 21 per cent, between, Rs 500 and Rs 1000; about 20 per cent, Rs 1000 and Rs 15,00; 11.5 per cent, Rs 1500 and Rs 2,000; about six per cent, Rs 2,000 and Rs 3,000; two per cent, Rs 3,000 and Rs 4,000; about two per cent, Rs 4,000 and Rs 5,000; and another obout two per cent had an income above Rs 5,000.

The percentages of the sample households belonging to different categories, earning an annual income upto Rs 500 are: about43 for the marginal; 33 for the medium; about 31 for the small; about 29 for the landless; and 17 for the large farmers In the next income range i.e. between Rs 500-1,000, again, the number of marginal farmers was the highest followed by the landless labourers and the small farmers As much as 69.4 per cent of the marginal farmers, 51.4 per cent of the landless labourers, about 47 per cent of the small, and 43 per cent of the medium farmers earned an annual income of less than Rs 1,000. None, except only one of the marginal farmers annual income exceeded Rs 2000. This again reflects the relatively greater resourcelessness and poverty among the marginal farmers followded by the landless and the small farmers

It is rather difficult to define and quantify the poverty line in the absence of any nationally agreed level of consumption which also could be related to some scientific nutritional norms. Hence, generally, the concept of subsistence level of income, based

TABLE III

Sources of Income of Sample Households

Category of households	Percentage of farm business income to total income	Percentage of non-farm income to total income	Total	Percentage of non-farm sources of income to total non-farm income					
				services	Wages	Trade/ Business	Industry	Other	Total
Landless Labourers	5.78	94.22	100.00	23.04	33.28	9.09	3.38	31.21	100.00
Marginal Farmers	34.33	65.67	100.00	44.53	15.59	16.31	7.83	15.74	100.00
Small Farmers	56.84	43.16	100.00	63.12	3.13	18.98	0.26	14.51	100.00
Medium Farmers	50.64	49.36	100.00	70.20	—	13.46		16.34	100.00
Large Farmers	74.33	25.67	100.00	82.53	—			17.47	100.00
All Households	44.08	55.92	100.00	50.25	13.36	13.70	3.38	19.31	100.00

TABLE IV

Percentage Distribution of Sample Households According to Various Levels of Annual Income

Levels of annual income (Rs)	Percentage of household belonging to: Landless labourers		Marginal farmers		Small farmers		Medium farmers		Large farmers		All groups	
	%	Cumulative total	%	Cumulative total	%	Cumulative total	%	Cumulative total	%	Cumulative total	%	Cumulative total
1	2	3	4	5	6	7	8	9	10	11	12	13
Less than 500	28.58	28.58	42.85	42.85	30.62	30.62	33.33	33.33	16.667	16.667	35.90	35.90
500-1000	22.86	51.44	26.54	69.39	16.33	46.95	9.52	42.85			21.06	56.96
1000-1500	20.00	71.44	19.39	88.78	22.45	69.40	14.29	57.14	16.667	33.334	19.62	76.58
2000-3000	17.14	88.58	10.20	96.98	10.20	79.60	14.29	71.43			11.48	88.06
3000-4000	8.57	97.15	—	—	10.20	89.80	14.29	85.72	16.667	50.001	5.74	93.80
4000-5000	—	97.15	—	—	6.12	95.92	9.52	95.24			2.39	96.19
5000-6000	2.85	100.00	—	—	4.08	100.00	—	—	16.667	66.668	1.91	98.10
6000-7000	—	—	1.02	100.00	—	—	—	—	—	—	0.47	98.57
7000-8000	—	—	—	—	—	—	—	—	—	—	—	—
8000 & above	—	—	—	—	—	—	4.76	100.00	33.332	100.00	1.43	100.00

on the customary consumption expenditure, has been used to denote the line of poverty. Here again, arises the problem of estimating this customary consumption level especially when reliable data on family budgets collected from a representative group of households are not easily available. Further, the presence of inter-group and/or inter-regional difference in income and consumption patterns that may follow differences in the level of techno-economic development makes it still more difficult to work out a line of poverty which can be said to be valid for all situations. This creates additional difficulty in making comparisons of inter-group and inter-regional poverty.

Attempts have, however, been made in India to work out the minimum level of income with the help of data on consumption expenditure collected by the National Sample Surveys. For example, Dr B.S. Minhas (*op cit.*) estimated, on the basis of 1960-61 consumption, a minimum of Rs 20 per person per month to provide to the rural prople a minimum standard of living. Thus, a per capita income of Rs 240 per annum, is said to indicate the poverty line (Dr Minhas, however suggests another level of per capita income i.e. of Rs 200 as another poverty line). Dr V.M. Dandekar and Rath (*op. cit*), on the other hand, suggests a rural minimum of Rs 180 at 1960-61 prices (this is revised to Rs 324 at 1967-68 prices) to provide a desirable level of consumption expenditure per person per annum.

In this article, the minimum level of living has been estimated with help of data on the prevailing consumption expenditure of the sample households in the region. Taking the median values of (a) the consumption expenditure; and (b) the size of households, for the period 1969-70, the minimum or subsistence level of living for a household for this region has been estimated at Rs 900-1,000. It must, however, be stated that this range of households income has to be considered as the bare minimum to provide the customary living standard to the rural households.

poverty line

The results of the present study when analysed in a light of the poverty lines as indicated above amply manifest the magnitude of rural poverty in the region. The landless, the marginal and the small farmers who together constitute 87 per cent of the total households in the region have a per capita income in the range of just Rs 100 to Rs 135. Such a low range of income itself speaks of the economic plight of the majority of the weaker sections of rural population in the region. Taking Dr Minhas estimate of the per capita income of either Rs 200 or Rs 240 as the minimum most level of income providing a bare minimum standard of living, a vast majority of the landless, the marginal and the small farmers, and a fairly large number of even the medium and large farmers, would fall under the poverty line. The same picture would emerge if one considers the income levels of the people with respect to the poverty line(s) suggested by Dr Dandekar and Rath. The relative magnitude of rural poverty in the region is, however, reduced if one applies the yardstick of Rs 900-1,000 as the poverty line, as estimated here for this region.

Table V, containing the distribution of households according to the various levels of per capita income, provides an interesting reading of the extent of the miserable low levels of living to which the weaker sections of the rural population have mostly been subjected. As many as 76.4 per cent of the landless, 82.8 per cent of the marginal, 72.3 per cent of the small, and 57.7 per cent of even the medium farmers have had a per capita income of less than Rs 200, the lower bound of the poverty line of Dr Minhas. Even from amongst the large farmers, 50 per cent of them have had a per capita income lower than this level. Taking all the households, as many as 75.4 per cent have had a per capita income of less than Rs 200 in the region. On the other hand, if we take the other level i.e. at Rs 240, the number of people below the poverty line would further increase, especially among the landless, the marginal and the small farmers, in as much as about 92 per cent of the marginal farmers, about 89 of the landless and about 84 of the small farmers have a per capita income lower than this range. Almost a similar picture would emerge if we relate the patterns of per capita income in the region to the poverty line as

TABLE V

Percentage Distribution of Households According to Levels of Per Capita Income

Levels of per capita income (in Rs)	Percentage distribution of households belonging to: Landless labourers		Marginal farmers		Small farmers		Medium farmers		Large farmers		All Groups	
	%	Cumulative total	%	Cumulative total	%	Cumulative total	%	Cumulative total	%	Cumulative total	%	Cumulative total
1	2	3	4	5	6	7	8	9	10	11	12	13
Upto 100	35.29	35.29	51.61	51.61	44.67	44.67	31.77	31.77	16.67	16.67	44.22	44.22
100-200	41.16	76.45	31.18	82.79	27.65	72.32	25.89	57.66	33.34	50.01	31.15	75.37
200-250	14.70	81.15	9.67	92.46	10.64	82.96	—	—	16.87	66.68	10.55	85.92
250-300	2.95	94.10	2.15	94.61	—	—	5.30	62.96	—	—	1.51	87.43
300-400	—	—	3.23	97.84	8.52	91.48	5.30	68.26	—	—	4.52	91.95
400-500	2.95	97 05	—	—	4.26	95.74	5.30	73.56	—	—	1.51	95.46
500-600	—	—	1.08	98.92	—	—	10.57	84.13	—	—	2.01	95.47
600-700	2.95	100.00	1.00	100.00	2.13	97.87	—	—	—	—	1.01	96.48
700-800	—	—	—	—	—	—	5.30	87.43	—	—	1.01	97.49
800-900	—	—	—	—	—	—	—	—	16.66	83.34	0.50	97.99
900-1000	—	—	—	—	—	—	—	—	—	—	—	—
1000 & above	—	—	—	—	2.13	100.00	10.57	100.00	18.66	100.00	2.01	100.00

suggested by Dr Dandekar and Rath.

However, if one analyses the income data in the context of the minimum consumption level of Rs 900-1,000 per household per annum as the customary living standard estimated on the basis of the prevailing consumption expenditure the overall as well as the comparative picture would not appear so dismal. Taking this level of consumption as the poverty line, the percentage of the marginal farmers below this level comes to 63.3 as compared to 58.6 of the landless, 42.9 of the small and medium farmers each, and 21.7 of the large farmers. Taking all the sample rural households, 46.4 per cent of them live below the subsistence level of living. The reason(s) for a large proportion of the landless and the marginal farmers being under the poverty line is not far to seek.

Lack of adequate employment opportunities coupled with serious resource constraints have led to such a pitiably low levels of income and of living standards. But, in the case of the medium and the large farmers, inefficient resources utilization, particularly with respect to land and capital, could be the major attributable factor responsible for poverty even among them. Whichever the critieria, however, these results clearly demonstrate as to how large a population in the area is still living under abject poverty conditions, particularly those without land and others with marginal and small sized non-viable farms. If one were to further analyse and compare, in the macro context, the findings of the present study with those of Minhas and Dandekar and Rath, the extent of rural poverty in this region could be seen in an all-India perspective.

Rural poverty in the Ballia region of eastern UP is of a much higher magnitude, both in its absolute and relative terms, as compared to that of the all-India rural (Table VI). The percentage of people below the minimum level of living is much higher in this region than the other rural regions of the country which speaks of its economic backwardness. As compared to Dr Minhas' estimate of 50.6 per cent and 37.1 per cent of the all-India rural population below his two poverty lines, in rural Ballia, they are, respectively, as high as 84.7 per cent and 75.4 per cent of its total population falling below these poverty lines. Even on the basis of the customary living standard represented by such a low level of consumption expenditure of Rs 900-1,000 per household, as worked out in this article, there are 46.6 per cent of all the sample households which are living below the poverty line.

The condition of the landless, the marginal and the small farmers who constitute as much as 86 per cent of the total population in the region is the worst. The majority of the people thus seem to be subsisting somehow. This indeed presents a sad and at the same time a disturbing picture of a large number of rural population, especially the weaker sections, still living under miserably low living conditions even after twenty-four to twenty-five years of development efforts and national planning.

High degree of economic disparities and widespread poverty among the people, a set of dual characteristic peculiar to poorer regions, thus present a formidable problem indeed a dilemma for a developing economy, confronted with the issues of ensuring not only an equitable distribution of incomes and wealth but also a rising level of productivity and production.

TABLE VI

Percentage of People Below the Minimum Standard of Living in Ballia and All-India (Rural)

Category of households	As per basis worked out by Dr B.S. Minhas		As per estimates of the present study
	Below Rs 240 per annum per capita (Percentage)	Below Rs 200 per annum per capita (Percentage)	Below Rs 900-1000 level of customary consumption expenditure per annum per household (Percentage)
Rural Ballia (1970-71)			
Landless Labourers	88.6	76.5	58.6
Marginal Farmers	91.8	82.8	63.3
Small-Farmers	83.7	72.3	42.9
Medium Farmers	57.2	57.7	42.9
Large Farmers	50.0	50.0	21.7
All Households (Ballia)	84.7	75.4	46.4
Rural-India (Average) as estimateed by:			
(i) Dr B.S. Minhas for the year 1967-68; and	50.6	37.1	—
(ii) Dr V.M. Dandekar and N.K. Rath*	40.0	—	—

*Based on the minimum per capita (per annum) income level of Rs 180 as providing the poverty line.

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I
The Postwar France

IN JUNE, 1958, following the collapse of the Fourth Republic, General de Gaulle came to power. A new constitution was approved by referendum and the Fifth Republic was inaugurated in October, 1958. Parliament, consisting of a Senate and an Assembly, was retained, but with far fewer formal powers than before. The presidency, instead of the National Assembly, became the focus of power. In October, 1962, a constitutional amendment reinforced the president by providing for his election by direct universal suffrage instead of through an electoral college.

Following President de Gaulle's defeat in a national referendum on April 27, 1969, the general resigned from the French political scene which he had dominated for so long.

a new style

When M Pompidou took office in June, 1969, a new style of government seemed to emerge. With the departure of General de Gaulle there was a reorientation of foreign policy towards more positive European cooperation and a thaw in relations with the United States. The prime minister, M Chaban-Delmas, presented a programme for a "new society", laying down broad principles of economic and social reform.

A referendum held in April, 1972, asking approval for the enlargement of the EEC failed to provide President Pompidou with the overwhelming vote of confidence which it was meant to elicit. Scandals involving Gaullist politicians, and an unexpected alliance between the socialists and communists, signed in June, 1972, presented a serious threat to the electoral prospects of the majority. The replacement of M Chaban-Delmas by the more orthodox M Pierre Messmer in July was designed to improve the majority's morale. It marked a move away from more liberal and open government, and the new government was chiefly concerned with the forthcoming elections.

The result of the March 1973, elections, nevertheless, reflected a strong desire for change on the part of the electorate, though not to the extent of putting at risk the stability and prosperity achieved under the Gaullists by returning to power a left-wing coalition with communist participation. Extensive social reforms had been promised in M Messmer's election programme, but their implementation was not pursued with vigour, owing largely to President Pompidou's declining health. (Table I)

end of an era

The death of M Pompidou on April 2, 1974, finally marked the end of the Gaullist era. His successor, M Giscard d'Estaing, defeated M Mitterand, the left-wing candidate, on the second ballot by 50.66 per cent to 49.33 per cent, a vote which showed French electors to be evenly divided between the right and centre on one hand and the left on the other.

In his first year of office the new president has—despite the orthodoxy that he had long displayed as Finance minister and despite the right-wing image of his own Independent Republican Party—shown determination to bring about a fundamental reform of French society and to "govern from the centre".

Changes (completed or in course) in the law on abortion, lowering of the voting age to 18, divorce, company structure, education, and cutting of presidential protocol, have been immediate outward signs of what will be a long, uphill task. In these controversial measures the President has secured the support of most of the Gaullist majority by appointing as prime minister of the centre-right coalition government; M Jacques Chirac, who has also taken over the post of Secretary-General of the UDR.

At January 1, 1974, France had an estimated population of 52.34 million. As it has a land area of 549,000 sq. kilometres, the density of population is relatively low, 95 per sq. kilometre. With the exception of the densely-populated Paris region and the industrial north-east, the population is fairly evenly spread since land in most areas is suitable for agriculture. This is reflected in the small number of really large towns, the high number of small ones, and the fact that only 34 per cent of the population live in towns with over 100,000 inhabitants. In recent years the population has been rising by under one per cent a year, and the population of working age has tended to fall fractionally. The immigrant working population is now estimated to be three million (including 0.75 million Algerians and 0.7 million Portuguese) constituting a proportion of the total population which is, however, not dissimilar to that of foreign workers in France in the 1930s.

The article, Chemicals: A Growth Industry—II, by Jossleyn Hennessy was lost in transit and will be published in one of our forthcoming issue.

moderate growth

At the March, 1962, census the employed labour force, of 19.9 million, was little different from what it had been in 1954. Largely as a result of the inflow of refugees from Algeria and the buoyant trend of economic activity it rose sharply between 1962 and 1965 (1.3 per cent per annum). There followed three years of more moderate growth (0.6 per cent). There has been a further acceleration since 1969, reflecting a higher rate of net immigration and of female employment, and a reduction in the number of hours worked, which has offset the effect of raising the school leaving age to 16.

The most notable change in the pattern of employment has been the fall in the agricultural labour force, combined with rise in the numbers of those employed in construction, services, commerce and transport and by the state.

Unemployment figures were at first slow to react to the upturn in economic activity which began in 1970. As far as changed accounting figures permit the figures to be interpreted, there seems to have been, despite an apparent increase, some levelling off during 1972. The faster rate of growth of production in 1973 was accompanied by a rapid rise in employment, especially in the first half of the year with unfilled vacancies continuing to rise steeply. Unemployment figures were almost unaffected. This was due partly to a gradual rise in the level of structural unemployment, and partly to improved registration procedures. During the latter half of 1974, however, the number of registered unemployed rose fairly rapidly to almost 700,000. There has also been substantial part-time working in industry. Special redundancy payments were introduced during 1974 to compensate workers involved in mass lay-offs.

II
The Outlook Today

At the end of his first year of office President Giscard can look forward to continued parliamentary support for further reforms. The divisions within the opposition will again be only papered over. The 10-week go-slow at Renault has brought less advantage to those involved than the settlement appeared to give them. Army conscripts' pay has been trebled.

The economy has been at a virtual standstill, but the low point of the curve may now have been reached. After some mild reflationary measures in March, the government in April decided to inject Fr 15,500 million into the economy before the end of the year in the form of tax concessions, loans to private investment in industry and agriculture, and public investment, mainly in the telephone system.

To encourage still further the expansion of private saving, part of the package will be financed by a Fr 5,000 million loan. The rest will fall on the 1975 budget which is expected to be in deficit. How far firms will risk still further indebtedness by responding to the latest investment incentives remains to be seen.

fall in output

Industrial output fell by 30 per cent during the nine months to March 1975. Even in the capital goods sector export order books have become more thinly lined. As for consumer goods, manufacturers of textiles, household electricals, automobiles, and even some kinds of food and drink, all face difficulties.

Unemployment reached almost 800,000 in April, including 284,000 under 25s. Special measures are being taken to prevent a large proportion of this year's school leavers from joining them.

Although average real hourly wages rose by 1.8 per cent in the seven months to April, the number of hours worked per week fell by 2.29 per cent.

Prices rose by 3.6 per cent in the first four months of 1975. As a result of the 0.9 per cent increase in the retail index in April a freeze on prices and margins for a number of foods and domestic necessities was imposed. The products are mainly those the price of whose basic raw materials have recently declined.

There was a visible trade surplus of Fr 1,900 million in the first quarter, to which the depreciation of the dollar and a mild winter substantially contributed by cutting the value of imports. The government has announced that the France will return to the European snake. France had a Fr 1,600 million payments deficit in 1974. The VII plan will set export guidelines for the next five years.

Some signs of revival in the economy may become perceptible before the summer holidays in August, but at best it will be bumping along the bottom of the cyclical curve at something close to a two per cent annual growth rate. Short-time working will be widespread, but the rise in the number of unemployed may be contained, and the full effect of the arrival on the labour market of some 600,000 school leavers, will not be felt until after the holidays.

recent incentives

The stimulus of recent incentives to create new jobs for the young, and of the two reflationary packages offered to industry in March and April, will only have a gradual effect on employment. Initially any slack will be taken up by a return to full-time working in larger firms, which have not been able to afford the cost in redundancy payments of mass lay-offs. Neither they nor the smaller businesses, which have had no such incentive to hoard labour, are likely to have many jobs to offer before the autumn.

While the government's earlier order of priorities controlling inflation maintaining the trade balance, and preventing excessive unemployment—has now been effectively reversed, there can be no question of neglecting either exports or prices.

The favourable external balance will remain, as M Fourcade has admitted, "fragile". The return of the France to the European snake, an appreciation of the dollar, or a raising of oil prices to take account of its confirmed depreciation, all involve risks to the france. Though a revival of the US economy must be seen as highly desirable, neither it nor the effects of the West German government's cautious reflationary policies are likely to be sufficient to have much effect on external demand during the coming quarter; nor will any significant revival of the Benelux or Italian

TABLE I

Election Results for the FrenchNational Assembly

	Elected in:		
	March 1967	June 1968	March 1973
Communists	73	34	73
PSU and extreme left	4	—	3
Socialists	91	57	89
Left Wing Radicals	25		12
Centre	41	33	31
Gaullists (UDR)	200	293	185
Independent Republicans	42	61	54
Centre (CDP) deputies supporting the government			21
Others	11	9	22
Total	487	487	490

economies take place much before the end of the year.

III
Postwar West Germany

The present federal constitution came into force in 1949. The legislature consists of the Bundestag (Lower House) and the Bundesrat (Upper House). The Bundestag is elected by adult suffrage for a period of four years. The Bundestag consists of members appointed by the governments of the Lander (states) to which they are responsible. The federal government consists of the Bundeskanzler (federal chancellor), who is chosen by the Bundestag, and his ministers. The head of state is the federal president, whose functions are mainly formal.

A coalition government of the Social Democrat (SPD) and the Free Democrats (FDP) was formed after the Bundestag elections held on September 28, 1969. New elections, held prematurely on November 19, 1972, because the government's small majority of six had been eroded by defections, improved the SPD's and FDP's position in the Bundestag, and the coalition between the two parties was returned to power with a majority of 16 over the Christian Democratic Union, Christian Social Union (CDU/CSU) opposition. (The CSU is the Christian Democrat's Bavarian sister party.)

Herr Brandt resigned in May, 1974, and was succeeded by Herr Helmut Schmidt. Herr Scheel (former leader of the FDP) was elected federal president in succession to President Heinemann who retired, and his post of vice-chancellor and Foreign minister was taken over by Herr Hans-Dietrich Genscher (Table II).

The Bundestag has normally 496 seats, but every voter has two votes. and if a party wins more votes through the first vote (the direct vote given to a named candidate of an electoral district) than are allocated to a Land on the basis of the more important second (party) vote, the Bundestag is temporarily enlarged by the number of these seats, because the constitution rules that everybody directly elected has to be admitted to the Bundestag. The percentage shown above refer to the share of the vote gained in the second vote.

According to the census held in May 1970, the population of the German Federal Republic numbered 60,651,000 (28,867,000 males and 31,784,000 females) enumerated at the previous census held in June, 1961. The age distribution of the population at the time of the 1970 census (with the 1961 results shown in brackets) was as follows; 23.2 (21.7) per cent was under 15: 63.6 (67.2) per cent was between 15 and under 65; and 13.2 (11.1) per cent was 65 and over.

Average employment in 1974 amounted to about 22.1 million, compared with 22.6 million in 1973, 8.1 million (including working owners) were engaged in industry. The number of foreign workers in September was 2.35 million. Unemployment rose sharply in 1974, outstripping inflationary pressure as the outstanding economic problem (Table III).

IV
Present Outlook

After a relatively good showing in four state elections this spring, the Schmidt government looks set fair for the general elections in autumn 1976.

The eagerly awaited economic upturn is taking longer than expected to materialise. Most industries still feel fairly gloomy about their prospects this year. The government introduced reflationary measures last year, but these are taking their time to act. The Bundesbank has cut its discount rate for the fifth time since last October (to 4.5 per cent on May 22), in the hope of encouraging industry to borrow and invest more. Foreign workers, whose numbers have already been cut down by the slump, have had further restrictions imposed on their freedom of movement. Promised government action on limiting foreign share purchases is still being discussed, but has got no further.

Industry order books are still slimming down, particularly on the export side, and consumers are saving on a very large scale. Unemployment, though down from its peak in February, was still above the million mark in May and short-time working was not far short of a million. The outlook for prices is more cheerful. Industrial producer prices are slowing down satisfactorily and consumer prices are around six per cent up on a year ago. New car registrations in the first four months were up by nearly a quarter, a good omen for the oil-stricken car industry, (Table IV).

Exports in the first four months of the year were down both in real and money terms.

Volkswagen sustained massive losses in 1974 and seems no better placed for this year. The government refused to rescue Volkswagen but is helping to create jobs for redundant workers. A report by the IFO institute says that the car industry will recover. West Germany has signed an agreement with Russia and Iran for the supply of natural gas. The EEC has agreed to the Krupp takeover of Stahlwerke Suedwestfalen.

The outlook for this year is for a growth rate of zero to one per cent, unemployment of 3½—4 per cent and inflation slowing down to 5—5½ per cent.

Sources and acknowledgments: The following summarises by special arrangement. the latest Quarterly Reviews on France and West Germany issued to subscribers only by the Economist Intelligence Unit (27 St. James's Place, London SWIA: INT), obtainable in India from J.A. Shah, 67 Marine Drive, Bombay 20), but the EIU is responsible neither for the wording of my summary nor for my interspersed comments.

TABLE II

Federal German Bundestag Election Results Since 1961

	1961 elections		1965 elections		1969 elections		1972 elections	
	%	Seats	%	Seats	%	Seats	%	Seats
SPD	36.2	190	39.3	202	42.7	224	45.8	230
GDU/CSU	45.3	232	47.6	245	46.1	242	44.9	225
FDP	12.8	67	9.5	49	5.8	30	8.4	41
Others	5.7	—	3.6	—	5.5	—	0.9	—
Total	100.0	499	100.0	496	100.0	496	100.0	496

NB; In addition to 496 voting deputies, 22 non-voting deputies are elected by the West Berlin city parliament on the basis of the relative strength of the parties there. The results of the recent elelection (with those of 1969 in brackets) were as follows; SPD 12 (13), CDU 9 (8) and FDP 1 (1).

TABLE III

Distribution of the Work Force in West Germany in May 1973
(By Class of Occupation) (in'000)

	Men	Women	Total
Self-employed-persons	2,011	518	2,529
Family helpers	219	1,273	1,492
Officials & other white collar workers	6,115	4,716	10,831
Labourers & others	8,748	3,466	12,215
Total Work Force	17,093	9,974	27,067

Sources: Wirschaft and Statistik; Statistisches Jahrbuch.

TABLE IV

Trends of Employment in West Germany (in '000)

	1970	1971	1972	1973	1974
Registered unemployed ('000)	149	185	246	273	582
Unemployed as per cent of total employment	0.7	0.9	1.1	1.3	2.6
Registered vacancies ('000)	794	648	546	572	315

Sources: Wirschaft and Statistik; quarterly and monthly reports of Ministry of Economics; Deutsche Bundesbank-

Soviet planning: perspectives for 1980

E. B. Brook Vienna

THE SOVIET leadership is finalizing its strategy for the next five-year plan—1976 to 1980—against a generally more favourable background than has often been the case. At the moment there are no major causes for concern in the Kremlin. In several areas the elderly men leading the planning of the next-five-year term may wish for better conditions. But, with 30 years peace behind it, no major dissatisfaction in east Europe, an economically weakened west and China with almost immediate uncertainties in its leadership this is something of a golden autumn in Moscow.

The Kremlin leadership is at a time of life when the individual inclination must be sit back at ease. President Podgorny and the party theorist Suslov are both 72, prime minister Kosygin is 71 and party secretary Brezhnev is 69. The average age of the eleven full members of the Soviet Politburo is 63. To the younger men coming up the revolution is unknown even as a boyhood memory and the war is a childhood nightmare. They live and work in a world in which old allies are mostly weakened politically and economically and the old enemy, the one economy in capitalist Europe, able to take a really leading role in the Common Market. The world has so changed as the rising communist leadership has developed that the old world in which the present leaders emerged has passed in to history.

The Soviet party has also reached what it may regard as a peak in its international campaign. The all-European Security Conference for which Molotov began to agitate more than 20 years ago is being held in Helsinki.* Ostensibly, at least, it will fulfil the old communist desire that the post-war borders—more or less where fighting stopped—are being universally recognized as official frontiers, the division of Germany becomes an accepted fact and the Baltic States absorbed into the Soviet Union during the war remain part of the USSR by universal consent. There may be many arguable variations of this reading of the agreement to be signed by the USA and Canada as well as by Europe in Helsinki but there is sufficient superficial validity in it for the Kremlin to be able to claim before the communist world that its long-standing goal has been reached.

socialist world

This measure of success and esteem makes possible also the world communist conference with which Mr Brezhnev has long sought to crown his career. For President Podgorny and Mr Kosygin it means they lead, at least for the present, an unchallenged socialist world from central Europe to the north Pacific.

The effect of these circumstances, combined with the fact of western economic weakness and no little political divergence, makes the background of planning for the '76—'80 period a largely different from earlier planning positions. There is greater security and more certainty. Signature of the European security concept can be expected to lead to earlier agreement on measures of reduction and control of nuclear armaments and even to some success in the long-stalemated troop and armament reduction talks between NATO and the Warsaw Pact in Vienna. If this proves to be the case there will be less fruitless huge spending of money on defence and assault machinery and mapower. The benefit to the socialist planners can only be guessed at, but it would be immense.

The official report for the first half year of 1975 in the Soviet Union contains usual ambiguities and concealment through fragmented indices. But it is clear that, until it feels safely rid of the burden of its vast conventional and nuclear armaments, the Soviet Union intends to put heavy industry, power production and machinery of all sorts well ahead in priority over consumer durables and thus preserve an economic Stalinist range of priorities. In automobiles, production of heavy-duty lorries and busses almost equals that of motor cars and production of tractors and farm machinery swamps both. The USSR may feel more secure but its people are not noticeably headed for an easier life.

It is clear also that farming remains not only the weak point of socialist planning but the one, eveu if defence worries are actually removed, of which there will be no cetainty and which causes the

*This article was written before the signing of the Helsinki declaration.

most concern. It will clearly figure largely as a priority in the next five-year plan.

The greatest increase in spending in the first half of this year in the USSR has been over farm machinery—171 million roubles more than in the first half of 1974. Spending over agriculture has risen from 6½ billion roubles in 1941 to 113 billion last year: this year so far the spending has gone up over 10 billion roubles farther for agriculture, including over 8 billion roubles specifically to bring another 11 billion acres under irrigation to ensure more stable crops and less chancy dependence on the weather.

This year's heavy purchases by the USSR of grain abroad are clearly precautionary. Although there have been reports of drought in some areas, the Russian harvest is more than halfway in its operations. Labour productivity, always a source of complaint from the Soviet leadership, is admitted to have improved; the value of Soviet farm machinery parks is now put as high as 800 billion roubles. Farm buildings, including grain silos and covered tractor parts, have increased extensively over the past two years but building remains a weak point of labour performance—a characteristic common to all Europe's socialist countries.

The Soviet grain purchases so far total 9.85 million tons. They are made up as follows:

Wheat	4.250	million	tons
Maize	4.500	,,	,,
Barley	1.100	,,	,,

The figures suggest purchases are precautionary for animal fodder as well as human consumption. They could well be a precaution against a rise in world grain prices as well as against any shortage in the USSR or elsewhere in east Europe. The USSR guarantees the rest of east Europe an annual sufficiency in foodgrains; the heavy rain in the Danube area this summer makes it certain that both Hungary and Rumania will be heavy claimants for Soviet help with grain this year. The Soviet Union has bought its grain at a little below $ 3 a bushel, less than half the price towards the end of 1972 after it had made its earlier massive purchases and deliveries will extend over a year. There seems room for presumption that the purchases may be an insurance against starting the new five-year plan period with a burdensome unexpected expense over food purchases.

The economic goals for the next plan period will be little changed. All forms of energy—electricity, oil, natural gas and coal—are being and will continue to be pushed hard. Iron and steel, industrial and farm machinery will continue in the second group of priorities with textiles and heavy vehicles coming third. The men directing may change but the goals will remain the same, with greater hope of progress in overhauling a west Europe plagued in parts by falling production and a growing burden of unemployment.

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TRADE WINDS

Monthly Production Returns

THE GOVERNMENT has taken a number of measures towards streamlining of procedures for according approvals relating to issue of letters of Intent, industrial licences, foreign collaborations, import of capital goods etc., and have liberalised the licensing policy from time to time aiming at accelerating the growth of and diversification of production in order to ensure higher utilisation of existing capacity.

The 'Guidelines for Industries-1975-76', besides containing detailed information on the above procedures indicates the scope for setting up new industrial undertakings. A number of industries have been identified as having export potential. The 'Guidelines' also gives information on the industries for which there is no scope for new capacity to be approved during the year 1975-76, so that attention of prospective enterpreneurs is channelled to directions in which there is scope and need for new capacity to be created.

In its efforts to monitor growth of production and utilisation of the available capacities, the government is handicapped for want of timely submission of monthly production returns to the DGTD. Monthly production-returns as detailed in the Gnidelines for Industries-1975-76 (vide Appendix XIII) are required to be furnished by both licensed and registered units to the DGTD every month by tenth day of the following month. It has been noted, however, that a large number of undertakings either do not send these returns at all for many months or that these returns are received long after the prescribed date, thus defeating the very purpose for which these returns are required to be submitted. It has now been decided by the goverment that defaulting units which do not send in monthly production returns in time may be denied assistance (by way of raw material allocations etc.) is is recommended for them by the DGTD.

Marking on Packed Items

From the beginning of September all packed commodities will have to display prominently the identity, net weight or measure or quantity in number, date of packaging and retail sale price of the commodity. An order issued recently under DIR lays down that no package will be allowed to be sold unless it displays the prescribed information. The order applies to the sale, delivery or distribution of all commodities prepacked on September 1 or after unless each package complies with the above requirements. A press release stated that the order has been issued to ensure the distribution and availability of packaged commodities at fair prices. The union minister of state for Industry and Civil Supplies, Mr A. C. George, pointed out that the order was being issued pending enactment of the comprehensive Bill on weights and measures introduced in Parliament recently.

It is considered necessary to secure consumer protection in the sale of packaged commodities, the press note stated. The absence of clear indications of contents, weight, and price in many packaged commodities has often misled consumers in the sale of several items of mass consumption and indiscriminate pricing at the cost of the consumer. Mr George described the order as a major step towards protecting the consumer who was being cheated to the extent of crores of rupees by way of under-weight and under-measurement. This will revolutionalise the commercial practice in the country. He explained that the sale price displayed in the packages would be the maximum selling price and any fall in prices would be reflected in the retail selling prices by way of competition among sellers. At the same time there would be no scope for any increase in price or for hoarding on the eve of the general budget or other events which were bound to affect the price level. This was the first time that prices would be uniform all over the country, he added.

Banking Service Commission

A proposal to set up a Banking Service Commission to serve as an independent common recruitment agency for all nationalized banks was approved by the Lok Sabha recently. The commission, as envisaged in the Banking Service Commission Bill, piloted by the deputy minister for Finance, Mrs Sushila Rohatgi, will be on the lines of the Union Public Service Commission. Besides a chairman, the commission will have not more than eight members.

SITE Programme

This country has set new landmark in the field of mass communication when prime minister Indira Gandhi inaugurated the one-year Satellite Instructional Television Experiment (SITE) programme aimed at educating and enlightening the rural masses. The (SITE) programme will cover a total area of more than 3,00,000 squre kms in six states. About 30 agencies are imvolved in this pilot project. The three main participating agencies are All India Ratio-TV, the Indian Space Research Organisation (ISRO) and the United States National Aeronautics and Space Administration (NASA) which has loaned to India the satellite ATS-6 (Applications Technology Satellite). Through this satellite, stationed 35,000 kms above the Indian Ocean, programmes specially designed and produced for rural audiences would be beamed direct to special telivision sets in 2,4000 remote villages spread over Andhra Pradesh, Bihar, Madhya Pradesh, Rajasthan, Orissa and Karnataka.

Indo-Libyan Joint Shipping

India and Libya have agreed to consider the possibility of forming a joint Indo-Libyan shipping company. A memorandum of understanding signed in Tripoli recently between the Shipping Corporation of India and the General Maritime Transport Company of Libya envisages the formation of such a company. Pending this, India would provide training facilities and technical assistance to Libya in the field of shipping. The signing of the memorandum of understanding followed an hour-long meeting between the Libyan minister for Maritime Shipping and an Indian delegation.

Foodgrains Distribution

The 20-point economic programme announeed by the prime minister lays great stress on strengthening of the public distribution system. The off-take of foodgrains from government stocks was substantially higher during January-June 1975 as compared to the corresponding period in 1974. The off-take of foodgrains during this period was seven million tonnes as compared to 5.2 million tonnes during the same period last year. This was stated in the review of the current economic situation which was prescnted to Parliement recently by the union minister of Finance, Mr C. Subramaniam. To maintain the public distribution system government

imported nearly 5.5 million tonnes of foodgrains during 1974-75. Imports during January-June 1975 amounted to 3.5 million tonnes as against 2.5 million tonnes during the corresponding period of 1974.

Stocks of foodgrains with the government agencies at the end of June 1975 were 4.8 million tonnes as against about 4 million tonnes by the end of June 1974. In order to maintain the price stability and to build up buffer stocks sizeable imports of foodgrains are being arranged during the current year. Procurement of wheat from the current rabi crop was over 3.6 million tonnes as compared to 4.3 million tonnes during 1972-73 Rabi season. The shortfall indicated the need for strengthening procurement drive and taking necessary measures against hoarders and profiteers. Procurement of kharif cereals during the market season 1974-75 amounted to about 3.5 million tonnes.

Asian Trade Liberalisation

India and five other developing nations in the Asian region have signed an agreement on trade liberalisation—the first of its kind in the region—aimed at trade expansion through preferential trade arrangements. The agreement was signed at Bangkok recently by India, Laos, Philippines, South Korea, Sri Lanka and Thailand, all members of ESCAP (Economic and Social Commission for Asia and the Pacific). Two other ESCAP member-countries, which took part in the month long negotiations leading to the "Bangkok agreement"—Bangladesh and Pakistan—are expected to sign shortly.

According to an announcement by ESCAP, the agreement covers at least 160 commodities and products involving up to $50 million in trade between the participating states. Trade concessions offered under the "Bangkok agreement" range as high as 80 per cent on some items and and average tariff cut runs arounds 33-1/3 per cent. The items covered by the agreement include many manufactured goods ranging from spares for locomotives and railway rolling-stock to tyres, tubes and various appliances. Food items include sugar, fish, coconut oil and chemical items include dye-stuff and minerals include unwrought tin, gypsum and crude sulphur. Negotiations on trade liberalisation have been in progress for some years under the auspices of the ECAFE (now renamed ESCAP) and India was one of the active countries involved in these negotiations.

Trade with Indonesia

The bilateral talks between the Foreign ministers of India and Indonesia were held recently in New Delhi with the two sides agreeing on new trade relations. The two sides are understood to have considered the broad outlines of a new trade agreement, including the question of setting up joint ventures. The question of Indian assistance for setting up certain projects in Indonesia was specifically discussed. It was also agreed to have the draft agreement examined by experts. The two sides examined the question of Indian participation in various industrial projects in Indonesia.

Exports to Gulf Region

A big leap in trade with Gulf countries is being envisaged during the current and next year with the volume touching nearly one hundred per cent increase by march 1977. According to projections made by the Commerce ministry, exports during the current financial year to the Gulf region will be about Rs 355 crores, Rs 123 crores more over the last year's target. By 1976-77, total exports to the same area are expected to increase to Rs 448 crorers, an increase of Rs 216 crores over the last year's target. In terms of percentage, the quantum of increased trade will be 53 per cent more during the current year than the last year.

The actual trade for the nine months of 1974-75 has been of the order of about Rs 200 crores. The Commerce ministry is confident that with the tempo that has been set in motion, it will not be a difficult task at all to achieve the targets. In fact, in some of the items, the level of contracting has exceeded original expectations., providing grounds for a review of targets set for the next two years. Basmati rice, engineering goods, tea, spices, sugar and cotton piecegoods are the items from which bulk of the anticipated earnings are expected.

EEC Duty on Jute

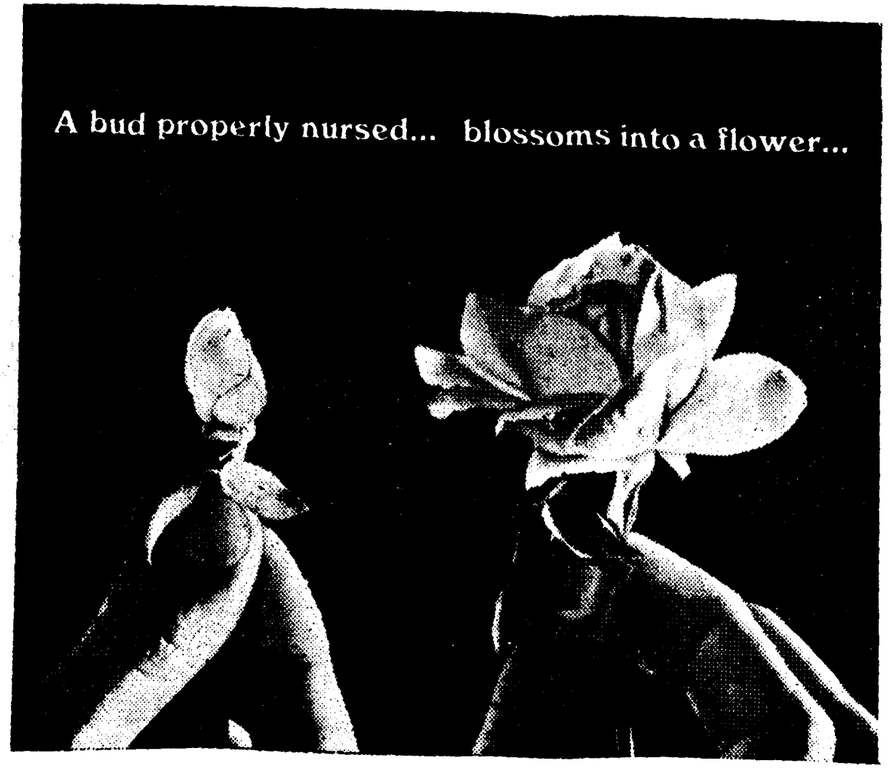
The Common Market Commission has proposed duty-free entry from next January for jute bags and cloth less than 150 centimetres in width in categories one, two and three and the progressive elimination by January 1, 1980. of the tariffs on carpet-backing and yarn in categories four, five and six. The present tariff on carpet backing is 11 per cent. The proposals are contained in a request to the nine member-governments for a mandate to open negotiations with India and Bangladesh for jute agreements to replace those expiring at the end of this year. The new agreements, which would be for four years, would fix quotas on exports of carpet-backing and yarn as at present, but they would also set a ceiling on exports of categories one, two and three.

Helsinki Meet

Thirty-five nations of Europe, the United States and Canada recently gave their final approval to a set of pledges and principles which they hope would usher in new era in Europe and consequently in the world. High-ranking leaders of the nations including the Soviet Union and the USA signed a 30,000—word historic document called "The Final Act" laying down the guidelines for their conduct towards each other. They pledged not to use force against each other to change their frontiers or to try to settle their bilateral disputes. They promised to respect the territorial integrity and independence of other nation and to allow freer flow of information and greater human contacts between East and West. They agreed to work generally for the lessening of tension and the promotion of of peace in Europe. The ceremonial signing ceremony was held in Helsinki's elegant Finlandia hall and it was preceded by three days of formal speeches by the leaders of the 35 nations participating in the European security Conference.

Furnace Oil Consumption

A meeting was convened by the National Productivity Council to discuss the results of the All-India Survey on Consumption of Furnace oil



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On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay, invites tenders as detailed below:

1. DPS:NFC:CAP:308 DUE ON 3-9-75 Supply, installation, testing and commissioning of abrasive cut-off machine for cutting cold finished and straightened stainless steel seamless tubes, outside diameter 15 mm to 75 mm. 1 No.

2. DPS/HWP/PPF/378 DUE ON 4-9-75 Supply of carbon steel plate flanges.

3. DPS/TAPS/ENG/554 DUE ON 5-9-75 Fabrication and supply of Breast Wall type Radial Gate. Qty: One.

4. DPS/BARC/ENG/7103 DUE ON: 5-9-75 Fabrication of heat exchanger channel. 2 Nos.

5. DPS/NAPP/PPED/PPF/10 DUE ON 5-9-75. Supply of Seamless Carbon steel fittings for Reactor leaders.

6. DPS/NFC/PPF/49 DUE ON 5-9-75. Supply of Hot extruded or Hot rolled stainless steel seamless Tubes.

7. DPS/BARC/R-5/PPF/71 DUE ON 5-9-75. Supply of Globe, Gate and Swing check valves.

8. DPS/NAPP/PPED/PPF/12 DUE ON 5-9-75. Supply of seamless carbon steel fittings for feeders.

9. DPS/HWP/ENG/658 DUE ON: 9-9-75 Fabrication and supply of CRCA Drum out of 22 gauge sheets for Heavy Water Project, Baroda. 12,000 Nos.

10. DPS:BARC-FAB:92 DUE ON: 9-9-75 Design, Fabrication, supply, erection and commissioning of the following units; (1) Flash Mixer: 2 Nos. (2) Clariflocculator : 2 Nos. (3) Sludge Pumps: 4 Nos.

11. DPS/PPED/ENG/932 DUE ON: 9-9-75 Fabrication and supply of fasteners, such as Cap Screws, Machine Screws, Hollow Set Screws, Socket Set Screws, etc., in various sizes and large quantities. 5,900 Nos.

12. DPS:VEC:CAP:119 DUE ON 22-9-75. Titanium Ball sublimation vacuum pump, capacity 2500 lit/sec at 10^{-8} torr 25000 lit/sec at 10^{-6} torr, complete unit with spare 3 balls, as per purchaser's specification. -1 Unit.

13. DPS/NAPP/PPED/ENG/17 DUE ON: 22-9-75 Carbon Steel consumable inserts and filler wires, in various sizes and large quantities, as per tender documents. Import Licence will be provided, if necessary, by us.

14. DPS/PPED/EEQ/170 DUE ON 22-9-75. Design, manufacture, erection, commissioning and guarantee of the Ventilation System.

15. DPS:BARC:FAB:91 DUE ON: 12-9-75 Fabrication, inspection, testing and supply of Heat Transfer Equipment complete with all attachments and supports as per Purchaser's specifications and drawings. Qty.: 16 Nos.

16. DPS : MAPP : CAP : 62 DUE ON 24-9-75 Steel scaffolding units (all purpose) complete with base plates, couplers, pins and 40 mm pipes cut to required lengths as specified and conforming to I.S. Standard Specification for steel scaffolding and steel tubes, as per purchaser's specification.

17. DPS : HWP : CAP : 367 DUE ON 9.9.75 Design, Supply, guarantee, fabrication, inspection, testing, packaging and delivery of the water pumps for effluent dilution with their drives for the Heavy Water Plant, Kota, capacity 750 M³/hr, as per purchaser's tender document. -3 Nos.

18. DPS/BARC/PPF/1662 DUE ON 9-9-75 Supply of Carbon Steel Pipes.

19. DPS/VEC/CHEM/69 DUE ON 10-9-75.

1. For HYPER PURE SILICON CRYSTAL TYPE: N 100 gms.

2. FOR HYPER PURE SI: LICON, MONO-CRYSTAL-LINE (FZ).

Resistivity appr. 5.000 ohmcm 250 gms.
Resistivity app. 10.000 ohmcm 250 gms.

20. DPS : NAPP : PPED : FAB:7 DUE ON: 26-9-75 Manufacture, inspection, testing and supply of Ram Housing Forgings of S.S. Type 304/304L.

Tender documents priced Rs. 5 each for items 3, 4, 12 and 18; Rs. 10 each for items 1, 2, 13, 16 and 19, Rs. 15 each for items 6 and 9, Rs. 20 for item 11; Rs. 25 each for items 8, 15 and 20 and Rs. 50 each for items 5, 7, 10 and 14 and Rs. 100 for item 17 and General conditions of contracts priced 50 p. each for items 1 to 9, 11 to 14 and 16 to 20 can be had from the Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd Floor, Mohatta Building, Palton Road, Bombay-400001, between 10 a.m. to 1 p.m. on working days except on Saturdays. Import Licence will be provided only if the items at S. Nos. 1 to 9, 11, 12 and 16 to 20 are not available indigenously. Tenders will be received upto 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day.

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by *Industries* which was conducted jointly for the Directorate-General of Technical Development, the National Productivity Council and the Indian Oil Corporation. The two-day meeting was held here on August 1 and 2, 1975. The top executives of the industrial units which were covered by the survey, were invited to this meeting. The secretary, *Technical Development*, the chairman of the National Productivity Council and the chairman of the Indian Oil Corporation also took part in the discussions. The industries covered by the survey include textiles, sugar, vanaspati, tea, leather, hotels, power plants, engineering, aluminium, drugs and chemicals, food, dairy, paper and pulp, cigarettes, distillery, rubber, ply wood, cement, glass, refractories & ceramics etc.

Rice from Thailand

This country has purchased an additional 100,000 tonnes of boiled rice from Thailand on government to government basis. An agreement was signed between the two countries at Bangkok where a two-member Indian delegation was lead by Mr B. Balasubramanian. Additional Secretary, Department of Food, ministry of Agriculture and Irrigation. This raises the total quantity of rice contracted for purchase from Thailand this year to 200,000 tonnes. Under the new contract the first shipment of 10,000 tonnes will be despatched in August followed by same quantity in September this year. Twenty thousand tonnes will be shipped in October and the balance 60,000 tonnes will be completed in November and December, 1975.

Exports of Cables

With the export earnings valued at Rs 662 lakhs during the first half of 1974-75 (April-September 1974), Indian equipment for distributing electricity not only improved its overseas offtake sharply as compared to the same period in the preceding year (Rs 236.5 lakhs) but also surpassed even the figure for the full year 1973.74 at Rs 613 lakhs. In the total export realisation during April-September 1974, insulating wire cables contributed as much as Rs 589 lakhs. During the full year of 1973-74, they had earned foreign exchange worth Rs 579.2 lakhs.

A wide variety of insulated wire cables contributed to the export growth during the period under review. For instance, paper insulated cables and flexes, plastic insulated wire constituted significant varieties responsible for increased export earnings. Kuwait, Malaysia, Singapore, Dubai, USSR, Hong Kong Qatar and Bangladesh were leading importers. Electrical insulating equipment, the next group active in exports, brought in Rs 72.5 lakhs during April-September 1974 (Rs 33.6 lakhs during 1973-74).

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COMPANY AFFAIRS

Smart Rally

THE MARKET commenced last week on a promising note and the prices resumed unabated its upward march on speculative support while bears rushed to cover their sales. Operators were keen to extend their commitments following the union Finance minister, Mr C. Subramanian's statement in Parliament stressing that the economy is well poised for a major phase of rapid expansion. The relaxation in terms for the issue of bonus shares, flow of good corporate news and reports of fresh institutional buying maintained buoyancy in the market.

Favourable monsoon and comfortable power supply position had a bullish effect on the market and in its wake reports of havocs by floods failed to have any impact on the market. Moreover the market was fully convinced that the government means business and is too keen to implement Mrs Gandhi's 20-point economic programme.

Bullish fervour

The week, on the whole, concluded on a bullish fervour. However, intermittent profit realising at higher levels crashed top gains. Pivotals finished around the week's best levels with a substantial gain on balance. The volume of business improved further and the undertone at the close was steady. Marketmen feel that a cut in Bank Rate at the present juncture will go a long way in reactivating the capital issues market. It is pointed out that entrepreners will be in a better position to mobilise resources needed by them when cheerful conditions prevail in the capital market. Otherwise, as before, they may have to lean more heavily on financial institutions.

Central Bank

For Central Bank of India the year 1974 was one of significant progress and commendable achievements almost in all spheres of its operations. Despite general slackness and other adverse conditions which prevailed in the economy throughout 1974, the Central Bank maintained its pace in deposit mobilisation. Its deposits during the year pierced the Rs 1000-crore mark and stood at Rs 1026.77 crores, recording an impressive rise of Rs 92.62 crores over 1973. Fixed deposits too rose appreciably from 483.79 crores to Rs 527.62 crores while savings deposits at Rs 278.58 crores exceeded its previous year's performance by as much as Rs 29.61 crores.

Current deposits too was higher at Rs 220.57 crores as compared to Rs 201.39 crores in 1973. Advances including bills purchased and discounted, rose to Rs 671.95 crores, registering an expansion of Rs 48 crores over the preceding year. There was a substantial increase in income which advanced from Rs 75.79 crores to Rs 100.36 crores. The revenue from interest and discount, accounting for major part of the income, mounted up to Rs 88.59 crores from Rs 67.21 crores, while the income from commission and brokerage was lifted to Rs 11.46 crores from Rs 8.31 crores in 1973. But the smart rise in income was neutralised by the sharp rise in expenses.

The interest paid on deposits and other borrowings absorbed Rs 55.09 crores as compared to Rs 38.41 crores while salaries and allowances claimed Rs 33.62 crores, Rs 6.69 crores more than 1973. The working of the bank during the year has resulted in a profit of Rs 326.60 lakhs as compared to Rs 294.89 lakhs in the preceding year. Out of this, Rs 82.00 lakhs was allocated to reserves as against Rs 58.98 lakhs in the earlier year while the amount set apart for payment of bonus to staff was maintained at Rs 220.00 lakhs. The balance of Rs 24.60 lakhs was transferred to the government as compared to Rs 15.91 lakhs in the previous year.

National Outlook

Central Bank has always been national in its outlook. Subsequent to nationalisation, it has made even greater efforts to extend banking to totally unbanked areas. It opened a total of 649 offices, an average of over two branches a week, of which 305 branches are are located in rural areas, and 208 branches in semi-urban areas, comprising 47 per cent and 32 per cent respectively of the total branches opened. It has helped nearly 3,50,000 borrowers to the tune of Rs 750 crores. Since nationalisation, its advances to priority sectors, excluding exports, increased from a mere Rs 47 crores to Rs 172 crores, the beneficiaries in these categories having increased from 14,000 to 2,50,000 persons. Today, it has over 40 lakh depositors whose deposits with the bank exceed Rs 1050 crores which speaks volumes of the confidence the bank enjoys with the public. Central Bank has used these deposits for the economic betterment of the weaker sections.

It has given the largest coverage to small and marginal farmers by relaxing rules, waiving normal margins, extending the repayment period, so that more farmers could avail themselves of the bank's facilities. At the end of June 1974, small farmers accounted for 79,651 accounts and Rs 15.64 crores in advances, approximately 55.3 per cent and 29 per cent respectively, of the bank's total agricultural advances.

Punjab National Bank

The excellent progress made by Punjab National Bank during 1974 was continued through the first half-year of 1975. Deposits, which rose at a comparatively modest rate in 1974 than in 1973, picked up and started moving up at an accelerated pace during 1975, as witness in the sharp rise in the bank's deposits from Rs 793 crores in 1974 to Rs 839 crores during the six-month period ended June 1975. There was further expansion, diversifica-

BUREAU OF INDUSTRIAL COSTS & PRICES
(DEPARTMENT OF INDUSTRIAL DEVELOPMENT)

The office of the Bureau of Industrial Costs & Prices, Department of Industrial Development, Ministry of Industry & Civil Supplies, have shifted its offices from 56, Sunder Nagar, New Delhi to Hans Bhawan (formerly Dr. Sen's Nursing Home), Bahadurshah Zafar Marg (Near Tilak Bridge), New Delhi-110001.

All correspondence may, therefore, be sent to the new address. The telephone Nos. are as follows:

PABX	— 270151 & 270152
Shri S.S. Marathe, Chairman	— 279616
Shri R. Jayaraman, Member	— 274026
Shri Bahadur Murao, Member	— 276665
Shri B. Datta, Secretary	— 279673

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tion and reduction in seasonality in the bank's credit. What is more significant is that there was a notable rise in its share of advances to priority and public sectors. The bank's total credit stood at Rs 577 crores at mid-1975 as compared to Rs 484 crores in 1974. The credit extended to priority sectors was expanded to Rs 160 crores and to public sector, excluding advances to Food Corporation of India, to Rs 55 crores during the first half of 1975 and it exceeded the 1974 performance by as much as Rs 9 crores and Rs 5 crores respectively. Expenditure is now well under control and profitability too is rising steadily. The four per cent drop in profits in 1973 was amply made up by a 26 per cent rise during 1974 and the trend continued stronger through 1975. The new Expenditure Control and Financial Management Division set up by the bank to curtail avoidable and wasteful expenditure and practices, have started yielding promising results.

Branch Expansion

A further twenty-four branches were added to the bank's network during the first six months of 1975, thus lifting the bank's offices to 1125 from 1101 at the end of 1974. Losing branches declined from 48.3 per cent in 1972 to 28.4 per cent by mid-1975. It usually takes two to three years for a new branch to break even. Excluding 218 branches opened after 1972, the percentage of losing branches by the middle of 1975 came to nine per cent of the total.

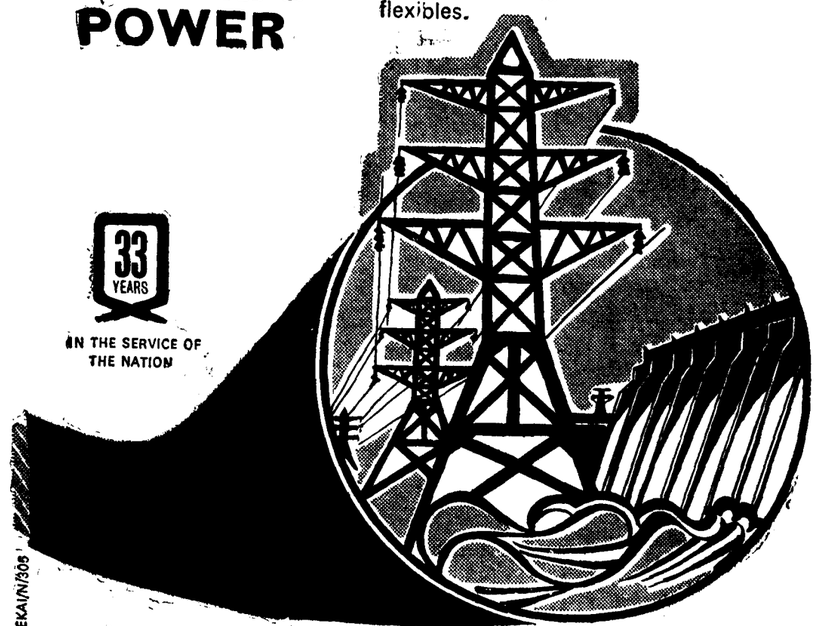
As the bank's branches are spread out from the northern most border town to the extreme south, management of these offices has assumed gigantic proportions and it calls for a modern approach and a new style of management. The PNB is now going ahead full steam in formulating a plan of action.

Zenith Steel

Zenith Steel Pipes has turned out excellent working results for the year ended April 30, 1975. The directors have recommended an equity dividend of 10 per cent on a higher capital resulting from the bonus issue in the four-for-five ratio. The company's turnover rose spectacularly from Rs 17.68 crores to Rs 26.22 crores while gross profit went up from Rs 2.55 crores to Rs 2.95 crores. The directors consider the company's performance quite satisfactory, but feel that the results for the current year may not turn out to be equally good in view of the substantial fall in selling prices in recent months. The production of pipes for 1974-75 was higher by 13 per cent as compared to the previous year, thanks to the satisfactory availability of steel and zinc. But the high cost of steel, especially imported steel, the escalation of raw material costs in 1974 and in the early months of 1975, higher interest rates and frequent power cuts led to a

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Giant factories or humble homes we have even helped in changing the face of the countryside. NICCO supplies the need..... industrial flexibles and cables upto 625 sq. mm. 1.1 K. V. armoured and unarmoured power cables, rubber and P.V.C. insulated house wiring cables and flexibles.



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AGENCIES DIRECT : Ahmedabad, Bangalore, Bombay, Jaipur, Kanpur, Lucknow, Patna, Trivandrum.

This perfect spark plug could turn out to be a perfect nuisance



You may have endless trouble if you do not fit the right type of MICO spark plug to your engine.

The MICO range of spark plugs is wide and covers all petrol-driven vehicles made in India. Each type is designed specifically to suit a particular engine, whether of a 2-wheeler or a 4-wheeler. So it is important to specify the engine and the type, when you buy a MICO spark plug.

MICO spark plugs are precision-made to exact standards. They are thoroughly tested at every stage of manufacture. The electrodes and the gap are designed to give optimum performance under varied operating conditions. The plugs are nickel-plated to resist corrosion.

To ensure peak efficiency, you should:

a) Fit the correct type of spark plug
b) Clean the plug face and adjust the electrode gap periodically.
c) Replace the plug after 7,500 km. in 2-wheelers and 15,000 km in 4-wheelers. Always replace the plugs by the set.
d) Destroy used spark plugs, which otherwise could be reconditioned and sold as new.

SPARK PLUG RECOMMENDATION CHART

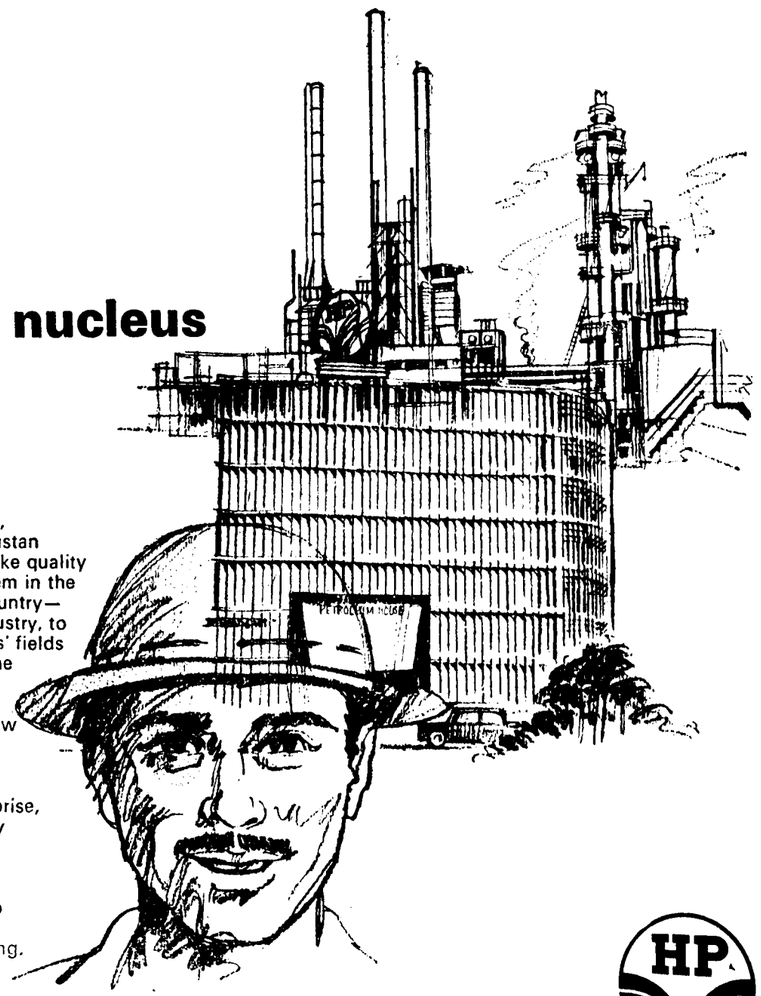
For Cars & Jeeps	For Motor Cycles & Mopeds	For Scooters & 3-wheelers
W 145 T 1 Hindustan (side valve) Standard – Vanguard	W 95 T 1 Royal Enfield Ensign	W 160 Z 2 Lambretta LI MAC. Vijai
	W 145 T 1 Royal Enfield Bullet	W 175 Z 1 Atalanta Bajaj Lambretta LD Rajdoot Vespa
W 160 T 2 Hindustan Ambassador (OHV) Standard	W 175 Z 1 Ideal Jawa Yezdi Pearl Yamaha Rajdoot	
W 175 Z 1 Fiat Premier	W 225 Z 1 Royal Enfield Crusader, Sherpa	W 225 Z 1 Royal Enfield Fantabulus
	W 95 T 1 Banrex	W 175 T 3 Hind Fuji
W 145 T 3 Jeep Universal, Station Wagons	W 145 Z 1 Luna	M 145 T 1 Tempo Hanseat
W 175 T 2 Nissen	W 175 Z 1 Suvega	M 175 T 1 Viking
	W 225 T 1 Vicky	

Electrode gap—Cars & Jeeps: 0.6 mm; Others: 0.5 mm.

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MICO/1726

From this nucleus



From its nucleus of people, resources and skills, Hindustan Petroleum continues to make quality products and distribute them in the remotest villages of the country—to move the wheels of industry, to pump water for the farmers' fields and to light the lamps in the poorest homes.

As a national company, Hindustan Petroleum is now in the mainstream of the country's oil industry. During its first year of operation as a public enterprise, the company's fuel refinery has recorded the highest throughput since it went on stream 21 years ago. The Lube Refinery has also shared in this growth. A refinery never stops growing. Not if it has a commitment to a nation's economy.

In the company's laboratories, the search for new products is constantly on. A host of new products is being developed, to reduce imports and save valuable foreign exchange.

Optimum utilisation of petroleum energy is a national imperative. Hindustan Petroleum works towards this goal through improved technical service to conserve petroleum products.

And now, as part of a national team, Hindustan Petroleum aspires to meet consumer needs in a spirit of service and dedication.

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HINDUSTAN PETROLEUM CORPORATION LIMITED

steep increase in the cost of production. The tool manufacturing division is expected to be able to supply a wider range of products of better quality as a result of its technical collaboration agreement with American Shear Knife Co. of the USA. The special steel division has been manufacturing alloy steel billets which have a better market than ingots made by the competitors, although its present working is not economic because of the recession in the industry. Exports for 1974-75 recorded a phenomenal rise of about 80 per cent to Rs 9.13 crores the previous year.

The prices realised for pipes were also higher. While the world prices have fallen to unremunerative levels and the demand at present is practically absent, the management has been striving to revive exports. Meanwhile, the company has recently received a letter of intent for the manufacture of 15,000 tonnes of calcium carbide per year, and the project is receiving active consideration.

Out of the gross profit the directors have allocated a sum of Rs 23.30 lakhs to depreciation reserve, Rs 26.30 lakhs to development rebate reserve and Rs 1.56 crores for taxation as against Rs 15.28 lakhs, Rs 2.10 lakhs and Rs 1.59 crores provided respectively in 1973-74.

Jiyajeerao Cotton

Jiyajeerao Cotton Mills has reported impressive improvements in its working results during the year ended March 31, 1975. The turnover jumped from Rs 43.98 crores to Rs 57.86 crores while the gross profit shot up from Rs 5.26 crores to Rs 6.25 crores. The directors have proposed a higher equity dividend of 80 paise per share as against 50 paise for the previous year. The working of the textile division was affected adversely by escalation in production costs and fluctuations in demand and cloth prices. The production of blended fabrics, however, compensated for the loss in respect of cotton textiles. Although the present outlook for the textile division is not very encouraging, steps are being taken to renovate and modernise it for which machinery worth Rs 70.69 lakhs was installed during the year.

Rise in Inputs

The chemical division worked under severe conditions because of the shortage of sweet water and an all-round increase in the prices of fuel and raw materials. The production of soda ash declined from 1.34 lakh tonnes to 1.27 lakh tonnes and that of caustic soda from 27,508 tonnes to 23,969 tonnes. Although adequate steps have been taken to expand the capacity in respect of soda ash from 500 tonnes to 800 tonnes per day, the progress so far has been slow because of the delay in the clearance of the capital goods licence. But there are indications, that the licence will be granted shortly, enabling the company to speed up the project.

Out of the gross profit the directors have appropriated a sum of Rs 1.98 crores to depreciation reserve, Rs 37.09 lakhs to development rebate reserve and Rs 2.27 crores for taxation, as against Rs 1.89 crores, Rs 22.58 lakhs and Rs 1.51 crores provided respectively in 1973-74. A sum of Rs 49.38 lakhs was provided for gratuity in 1973-74 as against no provision in 1974-75.

Dunlop

Although 1974 was a difficult year, for Dunlop India Ltd the year was one of creditable achievements. Its total sales during the year touched Rs 147.04 crores, and this record figure was achieved not only by additional volume of production but also by higher selling prices brought about by sharply by increased costs. There was a rising demand for all its tyre and industrial products but a reduced demand for Dunlopillo where a high excise rate and some sluggishness in consumer markets had an adverse effect.

Again a new record was set up by the company by exporting to 92 countries and earning Rs 5.30 crores, registering a spectacular rise of 67 per cent over 1973. For the first time substantial orders for tyres and tubes were obtained from OPEC countries such as Iran and Iraq. It also obtained sizable orders for earthmover tyres from the USSR and Czechoslovakia. Dunlop's exports of cycle tyres and tubes were double than those of the previous year. Sales of its industrial products such as vee belts also picked up to considerable extent by the opening of new markets in Africa, the middle east and south west Asia.

The Industrial Development Corporations of West Bengal and Andhra Pradesh signed technical aid agreements with Dunlop Ltd, UK and Dunlop India Ltd in 1973 to set up tyre factories in these states and these agreements were ratified in 1974. Now they are awaiting government's approval. In 1975 the company has signed a technical consultancy agreement with Webstar Ltd, the company incorporated to implement the West Bengal project, and it proposes to sign a similar agreement in respect of Andhra Pradesh. Under this agreements Dunlop India Ltd will provide technical and engineering services to enable the new factories to be erected and commissioned on the basis of the plant know-how provided from the UK in terms of the factory agreement.

Tangible Expression

These technical consultancy agreements are a tangible expression of the company's willingness to share its expertise with others to ensure growth in the economy. These were highlighted by the Chairman, Mr W.N. Scotts while addressing the annual general meeting of the company.

The fifth five-year Plan has fixed a target of 10 million automotive tyres by 1980 with the major part of this expansion to be met by entirely new units. As the cost of new units is now extremely high, the chairman felt that priority should first be given to enable maximum utilisation of existing investment. As the major



constraint is the inadequate supply of electrical energy, the chairman stressed that energy supply for tyre production be given the priority it deserves.

News and Notes

M/s Konkan Chemicals (P) Ltd, manufacturers of Formaldehyde, having their factory in Maharashtra state, have set up a plant for the manufacture of hexamine with an annual installed capacity of 12,000 tonnes. Hexamine is widely used in the manufacture of phenolic moulding powders, melamine moulding powders and also in pharmaceuticals, paint and rubber industries. Hexamine is now being manufactured in Maharashtra state for the first time by M/s Konkan Chemicals (P) Ltd, in the private sector.

American Express Company has announced that the 1,954,418 Donaldson, Lufkin & Jenrette, Inc. (DLJ) shares held by American Express Company are to be paid as a dividend to its shareholders on or about October 18, 1975, with a record date tentatively set on August 29, 1975. The dividend will be paid in the approximate ratio of one share of DLJ common stock for each 36 shares of American Express Company stock. In lieu of DLJ shares, shareholders of American Express entitled to a minimal number of shares of DLJ will receive in cash the fair market value of such shares as of the dividend payment date. While the actual value of the dividend will be based on fair market value on that future date, the approximate value of the special dividend would have been $0.10 per share of American Express at July 25th's average market prices of $3.75 for DLJ stock. The current American Express dividend is at the rate of $0.80 per year.

New Issues

Vikrant Tyres is licenced to manufacture four lakhs each of tyres and tubes per annum and 3,000 tonnes of camel back. With the 25 per cent extra production allowed the company would manufacture five lakhs each of tyres and tube per annum. The factory is located near Mysore city. This is a notified backward area and the company would benefit from subsidies and concessions applicable to backward areas. The government of Karnataka has guaranteed adequate supplies of water and electricity.

The company has signed an agreement with M/s Techno Export Foreign Trade Co Ltd of Czechoslovakia for import of machinery worth Rs 5.16 crores and technical know-how. The collaboration agreement covers the erection and commissioning of plant, training of Indian engineers and guarantees for performance of plant, achievement of installed capacity, quality of products and economy in raw materials consumption. The agreement also provides for complete disclosure of latest developments, specially in use of cord materials such as nylon, polyester, and steel and the manufacture of radial tyres.

The company is also importing machinery worth approximately Rs 77 lakhs from West Germany. All the contracts have been signed ensuring firm prices and deliveries to match the production schedule of September 1976.

The cost of the project has been assessed at Rs 23.5 crores. To raise part of the resources required for the implementation of the project. The company will be entering the market with a public issue of Rs 325 lakhs worth of equity shares and Rs 100 lakhs worth of 11 per cent redeemable cumulative preference shares on August 14, 1975.

Investments made by the public in this issue would be exempt from wealth tax for a period of five years. Investors would also benefit from the short gestation period of only one year between the public issue and the start of commercial production. With the low project cost and the advantages of the plant being located in a notified backward area, the company hopes to declare a reasonable dividend within a short period after the start of commercial production. Investment in the shares of this company offers a good scope for capital appreciation.

Assam Petro-chemicals Ltd promoted by the Assam Industrial Development Corporation Ltd will enter the capital market on August 11, with a public issue of 10,90,000 equity shares of Rs 10 each and 32,500, 11 per cent redeemable cumulative preference shares of Rs 100 each. The issue is being managed by the Merchant Banking Division, State Bank of India. The entire equity and preference issues have been fully underwritten by IDBI, ICICI and IFCI. The project will utilise as raw material the abundant natural gas that is freely available in the Naharkatiya area of Upper Assam. The most important advantage that accrues to the project is that it is not based on either imported crude or naphtha and hence the current world shortage of these products will not in any way affect the supply of these products.

The plant which is now at a very advanced stage of construction is located at Namrup where all the raw materials viz. natural gas, carbon dioxide and urea and also power and water are adequately available. The company will have the services of the world-famous Mitsubishi Gas Chemical Co Inc. and Marubeni Corporation who are the technical collaborators. Major plant and equipment are being imported from Marubeni Corporation. The major products that will be available for sale are UF moulding powder and glue and have a ready market both within the state of Assam and outside. The company expects to pay a reasonable dividend within a reasonable time of its commencement of production.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Higher Dividend			
Adarsh Chemicals	December 31, 1974	10.0	9.5
Shivaji Works	December 31, 1974	12.0	10.00
Manjushree Plantations	March 31, 1975	12.0	6.5
New Standard Engineering	March 31, 1975	14.0	Nil
Same Dividend			
Rayalaseema Mills	December 31, 1974	12.0	12.0
Shree Sadul Textiles	December 31, 1974	Nil	Nil
Borosil Glass Works	December 31, 1974	Nil	Nil
Nimar Textiles	December 31, 1974	Nil	Nil
Reduced Dividend			
Asher Textiles	December 31, 1974	12.0	17.5
Coimbatore Pioneer	December 31, 1974	9.0	25.0
Sukhjit Starch	December 31, 1974	Nil	25.0
W.S. Insulators	September 31, 1974	Nil	10.0
Saroja Mills	December 31, 1974	Nil	7.0

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industrial (Development and Regulation) Act 1951 during the month of May 1975. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertakings (NU), New Articles (NA): Substantial Expansion (SE), Carry on Business (COB) Shifting —and annual installed capacity. Details regarding licences revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s B. R. Steel Products Pvt. Ltd; 29/30. Vaswani Mansion, 120, Dinshaw Vachha Road, Bombay—(Bombay-Maharashtra)—Hard Bright Annealed Wires upto 20 SWG; Cold Heading Wires upto 20 SWG: Wires for Rivets, Panel Pins; Wood Screws upto 20 SWG; Spring Steel Annealed Wires & for Needles upto 20 SWG; High Carbon Wires for Spring Washers upto 20 SWG; Low Carbon & High Carbon Wires for Ball Bearing upto 20 SWG; Cable Armour Wires upto 20 SWG; Galvanised Wires upto 20 SWG—15,500 tonnes of which not more than 3,400 tonnes will be Galvanised Wires —(COB)

M/s Hemkunt Steel & Wires Pvt. Ltd; F-11, Jangpura Extension, New Delhi—(Ghaziabad-UP)—Mild Steel Black Wires—4,790 tonnes p.a—(COB)

M/s Neeka Tubes Ltd; Bank of India Building, Ahmedabad—(Ahmedabad-Gujarat)—Welded Tubes—10,000 tonnes—(COB)

M/s Ashok Foundry & Metals Works (P) Ltd; 101-103, Industrial Area, Jhetwara Jaipur—(Jaipur-Rajasthan)—Mild Steel & Spring Steel Rolled Products—2,600 tonnes p.a—(COB)

M/s Jindal Steel Industries: 'Jindal House, 8-A, Alipore Road, Calcutta—(Faridabad-Haryana)—Mild Steel Ungalvanised Wires—400 tonnes—(COB)

M/s Vedi Steel & Alloys Ltd: B-14, Maharani Bagh, New Delhi—(Malerkotla-Punjab)—Mild Steel Ingots, Electrode quality carbon steels; Forging quality carbon steels; Cold Heading quality carbon steels; Hardening & Tempering quality cabon steels; etc—18,000 tonnes—(COB)

M/s Luna Tubes Pvt. Ltd; 1830, Near Zakaria Masjid, Ahmedabad—(Ahemedabad-Gujarat)—Steel Pipes & Tubes (200 mm to 600mm)—10,000 tonnes—(COB)

M/s Orient Steel & Industries Ltd; 2-Brabourne Road, Calcutta—(Serampur-West Bengal)—M.S. Ingots, Electrode quality carbon steels; Forging quality carbon steels; Cold Heading quality Carbon Steels; etc—7,000 tonnes—(COB)

M/s Orient Steels Ltd; Herald House, 2nd Floor, 5-A, Bahadurshah Zafar Marg New Delhi—(Gurgaon, Haryana)—M. S. Pipes & Tubes—10,000 tonnes—(COB)

M/s Jaswant Iron & Textile Works, Madhubhai Mills Compound, Saraspur Road, Ahemedabad-18—(Ahemedabad-Gujarat)—Expanded Metal—180 tonnes p.a—(COB)

M/s Eastern Steel & Alloys Company Ltd; Silpukhuri, Gauhati-3—(Bongaigaon-Assam)—M. S. Ingots; Electrode quality Carbon Steels; Forging quality Carbon steels; Cold Heading quality Carbon Steels—9,000 tonnes—(COB)

M/s precision Forgings Pvt. Ltd: Flat No. 37, Wing No. 5, Napean Sea Road, Bombay—(Thana-Maharashtra)—Closed Die Steel Forgings—3,000 tonnes—(COB)

M/s Apollo Tubes Ltd; Allahabad Bank Building, 17-Parliament Street, New Delhi—(North Arcot—Tamil Nadu)—Steel Pipes & Tubes—10,000 tonnes—(COB)

M/s Hindustan Tube Co.: 22nd Mile, Delhi-Hapur Rd; P. O. Jindal Nagar, Meerut, Uttar Pradesh—(Meerut-UP)—Steel Pipes & Tubes—10,000 tonnes—(COB)

M/s Gujarat Steel Tubes Ltd; Bank of India Building, Bhadra, Ahmedabad—(Ahmedabad-Gujarat)—Steel Pipes & Tubes—10,000 tonnes p.a—(COB)

M/s Hyderabad Steel Tubes Pvt. Ltd: 12-2-785, Roti-ki-Bawali, Azianagar, Hyderabad—(Hyderabad-Andhra Pradesh)—Steel Pipes & Tubes—10,000 tonnes—(COB)

Janak Steel Tubes (P) Ltd; Delhi Road, Hissar, (Hissar-Haryana)—Steel Pipes & Tubes—10,000 tonnes—(COB)

M/s Hissar Tubes (P) Ltd; Hissar—(Hissar-Haryana)—Steel Pipes & Tubes—9,000 tonnes—(COB)

M/s Rama Steel Tubes (P) Ltd; 6-Kishan Market, (2nd Floor), 2897, Sikriwalan Hauz Quazi, Delhi—(Sangrur-Punjab)—Steel Pipes & Tubes—10,000 tonnes—(COB)

M/s Amani Pipes (P) Ltd; 357, Netaji Subhas Road, Darya Ganj, New Delhi—(Bharatpur-Rajasthan)—Steel Pipes & Tubes—10,000 tonnes—(COB)

M/s K. Steel (P) Ltd; 76, Pennar Road, Sakchi, Jamshedpur—(Jamshedpur-Bihar)—M, S. Ingots; Electrodes quality carbon steeis; Forging quality carbon steels; Cold heading quality carbon steels; etc—9.000 tonnes—(COB)

M/s Gupta Steel Tubes (India) Ltd; 10257, Loha Mandi, Motiakhan, Delhi—(Bahadurgarh-Haryana)—Steel Pipes & Tubes—10,000 tonnes—(COB)

M/s Bharat Udyog: 36/1, Punjabi Bagh, New Delhi—(Bahadurgarh-Haryana)—Steel Pipes & Tubes—10,000 tonnes (COB)

M/s Haryana Tube Manufacturing Co. (P) Ltd; Delhi Road, Hissar—(Hissar-Haryana)—Steel Pipes & Tubes—10,000 tonnes—(COB)

M/s Podar Shakti Steel Ltd; c/o Shree Shakti Mills Ltd; Podar Chemicals, S. A. Brelvi Road, Bombay—(Karnataka)—M/s Ingots; Electrode quality carbon steels: Forging quality carbon steels; Cold Heading quality carbon steels; etc—18,000 tonnes—(COB)

M/s Diwakar Engineers (P) Ltd; 1/5-B, Asaf Ali Road, New Delhi—(Wazirpur-Delhi)—Steel Pipes & Tubes—10,000 tonnes—(COB)

M/s Maharashtra Tubes Ltd; 112, Khushnuma Appartment, 29-A, Carmichael Road, Bombay-26—(Bombay-Maharashtra)—Steel Pipes & Tubes—10,000 tonnes—(COB)

M/s Shree Shankar Industries, 29-A, Sir Hariram Goenka Street, Calcutta—(Howrah-West Bengal)—Steel Pipes & Tubes 10,000 tonnes—(COB)

M/s Century Tubes Ltd; Plot No. 3 Sector-15-A, Faridabad —(Bhiwani-Haryana)—Steel Pipes & Tubes—10,000 tonnes—(COB)

M/s Devidayal Rolling & Refineries Pvt Ltd: Gupta Mills Estate, Reay Road, Bombay—(Thana-Maharashtra)—Bright Bars—4,500 tonnes—(COB)

M/s Universal Ferro & Allied Chemicals Ltd; Liberty Building, New-Marine Lines, Bombay—(Majwada, Thana-Maharashtra)—Precision Investment Castings—300 tonnes—(NU).

M/s Jessop & Co Ltd; 63, Netaji Subhas Road, Calcutta-1

(Dum Dum-West Bengal)—Rope Operated Grabs—24 nos; Hydraulic Operated Grabs—24 nos—(NA)

M/s Samco Metals and Alloys (P) Ltd; Gangaikondan Mandapam, Chingleput, Tamil Nadu—(Tamil Nadu) Grinding Media—250 tonnes—(NU)

M/s EIMCO Elecon (India) Ltd; c/o Elecon Engg Co Ltd; Vallabh Vidyanagar, Gujarat—(Vallabh Vidyanagar-Gujarat)—Steel Plant Rockers—15 nos: Tunnelling Loaders—25 nos; Air Motors (for captive use only)—25 nos; Spares—Rs 21.50 lakhs—(NU)

M/s Anil Steel & Industries Ltd; 27-A/4, Kanti Chandra Road, Beni Park, Jaipur—(Jaipur-Rajasthan)—High Carbon Wires—12,500 tonnes; M.S. Wire (above 18 G only)—11,250 tonnes; Nickel Cromium Wires—250 tonnes; Stainless Steel Wires—500 tonnes—(NA)

Metallrugical Industries (Non-ferrous)

M/s Hathwa Metals & Tubes Ltd; Hathwa House, Patna—(Patna-Bihar)—Copper & Copper Alloy Pipes & Tubes—1,200 tonnes—(NU)

Electrical Equipments

M/s Radio & Electrical Manufacturing Co Ltd; Post Bag-2606, Bangalore—(Bangalore-Karnataka)—AAC/ACSR Conductors upto 19 Strands—180 M.T.—(COB)

M/s Lumina Electrical Industries: c/o Shri Vinayak Pandurang, Bhulwankar, 'Prakash' Bhavan, Dadar, Bombay—(Bombay—Maharashtra)—Miniature Electrical Lamps—3.7 mill nos—(COB)

M/s Electronics Corpn. of India Ltd; Industrial Development Area, Cherlapalli, Hyderabad—(Hyderabad—Anhdra Pradesh)—Precision Potentiometers and Dials—12,000 nos; Professional Grade Panel and Trimming Pots-1,80,000 nos: Defence Grade Wire Wound Resistors— 2,00,000 nos—(NA)

M/s Control Electronics (P) Ltd; N-108, Panchshila Park, New Delhi—(New Delhi-Delhi Union Territory)—L.T. & H.T. Power Capacitors—30,000 KVAR—(SE)

M/s J.K. Electronics Ltd; Kamla Tower, Kanpur—(Kanpur-UP)—Closed Circuit Television Systems, consisting of TV Cameras, Monitors and and Accessories—100 sets—(NA)

M/s Siemens India Ltd; 134-A, Dr. Annie Besant Road, Worli, (Bombay-Maharashtra Bombay—Variable Speed DC Drive systems upto 190 KW—200 nos;Variable speed AC Drive Systems;—Squirrel Cage Motors upto 100 KW—200 nos; Slip Rig Motors upto 100 KW—20 nos; Motor Control Modules-2,000 nos— (NA)

M/s Haryana Enamelled Wires (P) Ltd; 59-Anand Lok Colony, New Delhi-49—(Faridabad-Haryana)—Glass Covered Wires—100 tonnes; Synthetic Enamelled Wires—(42 SWG and above)—50 tonnes: Aluminium Winding Wires—300 tonnes—(NU)

Mr M.S. Gopal,M/s Hifame Pvt Ltd: Rajmahal Extension, Bangalore(Mysore-Karnataka)—Multi Tubular Battery Retainer Bags—12.5 mill metres—(NU)

M/s General Trading Co.: B-2/B-3, Govt Industrial Estate Hyderabad—(Hydcrabad-Andhra pradesh)—Tantalum Capacitors—10 mill nos—(NA)

M/s International Power Semiconductors Pvt Ltd; c/o Bharat Forge Co Ltd: 'Nirmal', 6th Floor, Nariman Point, Bombay—(Santa Cruz FPZ-Maharashtra)—TO-3 Power Transistor, Bridge Rectifiers and Plastic Rectifiers—8 mill nos p.a—(NU)

M/s Best and Co Pvt Ltd; 13/15, North Beach Road, Madras—(Madras-Tamil Nadu)—Train Lighting Generators (Brushless Alternators)—2,000 units—(NA)

Transportation

M/s Bajaj Tempo Ltd; Bombay-Poona Road, Akurdi, Poona—(Poona-Maharashtra)—Light Commercial Vehicles, Viz-3-Wheelers and 4-Wheelers—12,000 nos, Diesel Engines for other purposes—6,000 nos—(SE)

M/s Automobile Products of India Ltd; Lal Bahadur Shastri Marg, Bhandup, Bombay—(Bhandup, Bombay-Maharashtra)—3 Wheelers—15,000 nos—(SE)

M/s M.G. Mettalic Springs Pvt Ltd; Premises of M.G. Brothers, Bellary Road, Anantpur P.O., Andhra Pradesh—(Anantpur-Andhra Pradesh)—Metallic Industrial Springs (other than Hair Springs)—580 tonnes—(NU)

M/s M.G. Hairsprings Pvt Ltd; Bull Temple Road, Bangalore—(Bangalore-Karnataka)—Hair Springs—20 tonnes—(NU)

M/s Escorts Ltd; 18/4, Mathura Road, Faridabad—(Faridabad—Haryana)—Shock Absorber for Railways—15,000 nos—(SE)

M/s Usha Telehoist Ltd; C-2, Friends Colony, New Delhi—(Faridabad—Haryana)—Ignition Coils—2 lakh nos—(NA)

Industrial Machinery

M/s Sanghi Motors (Bombay) Pvt Ltd; 39-A, N.S. Patkar Marg, Bombay—(Andheri, Bombay-Maharashtra)—Oxygen Plant—6 nos; Acetelyne Plant—4 nos—(SE)

M/s Star Textile Engineering Works Ltd; Dhanraj Mahal, D-22, Apollo Bunder Road, Fort, Bombay—(Thana—Maharashtra)—Screens for Automatic Screen Printing Machine—30,000 nos p.a—(NA)

Machine Tools

M/s Guest Keen Williams Ltd; Andul Road, Howrah Howrah-West Bengal)—Rotor & Stator Slotting Machines (for Electrical Stampings); Centreless Bar Turning Machines with Automatic Loading un-loading mechanisms; Thread Rolling Machines, Bit Tapping, Screw Machines (for Bolt & Nut Industry); Grinding Machines for Razor Blade Industry (Rs 75 lakhs only) p.a—(NA)

Miscellaneous Industries

M/s Simac Group (India) Pvt Ltd; 4/7 Sidhpura Industrial Estate, S.V. Road, Goregaon (West) Bombay—(Bombay-Maharashtra)—Plastic House, Hold Wares—93.7 tonnes; Moulded Machine Components—70.7 tonnes; Extruded Products—75.6 tonnes—(COB)

Industrial Instruments

M/s The Associated Cement Companies Ltd: Cement House, 121, Maharshi Karve Road, Bombay—(Coimbatore-Tamil Nadu)—Belt Weighers—Rs 25 lakhs; Bin Level Indicators—Rs 5.00 lakhs—(NA)

Chemicals (Other than Fertilizers)

M/s Southern Synthetics Ltd; 186, Royepetteh High Road, Madras-14—(Ranipet-Tamilnadu)—Formaldehyde—5,600 tonnes—(COB)

M/s Konkan Chemicals Pvt Ltd: 2-F, Court Chambers, 35-A, New Marine Lines, Bombay—(Thana-Maharashtra)—Formaldehyde—12,000 onnes—(COB)

M/s Everest Refrigerants Ltd; Khetan Bhavan, 198, J. Tata Road, Bombay—(Dombivili-Maharashtra)—Sulphuric Acid—10,800 tonnes; Oleum—1,440 tonnes; Chlorosulphonic Acid—1,800 tonnes—(NA)

M/s Dai-ichi Karkaria Pvt Ltd: Liberty Building, New Marine Lines, Bombay—(Pimpri-Maharashtra)—Anionic Surface Active Agents 720 tonnes: Cationic Surface Active Agents—300 tonnes—(SE)

M/s Devidayal Rolling & Refineries (P) Ltd; Gupta Mills Estate, Reay Road, Bombay—(Thana-Maharashtra)—Synthetic Resins, Polyester Resins, Phenolic Resins, Vinyl Resins, Acrylic Resins Isacynate Resins, Epoxy Resins(Except Melamine Formaldehyde and Silicone Resins)—1,500 tonnes—(NA)

M/s Polymers Corpn. of Gujarat, 4th Floor, Natraj Chambers, Ashram, Road, Navrangpura, Ahmedabad)—(Gujarat)—Methyl Methacrylate Monomer—5,000 tonnes; Polymethyl Methacrylate(Pellets)—1,500 tonnes; Polymethyl Methacrylate Sheets)—2,000 tonnes.—(NU)

M/s The Travancore Electro-Chemical Industries Ltd; PO Chingavanam, Kottayam—(Kottayam-Kerala)—Calcium Carbide—25,000 tonnes—(SE)

M/s Unichem Laboratories Ltd; 4, 5, 6,-Jogeshwari Estate Bombay—(Bombay-Maharashtra)—D-Propoxyphene HCL—6 tonnes—(NA)

M/s Pesticides India: Post Boxt No 20, Udaipur—(Udaipur-Rajasthan)—Malathion Technical—300 tonnes—(NA)

Photographic Raw Film & Paper

M/s Travancore Rayon Ltd; Rayonpuram Post, Kerala—(Sirumughai-Tamil Nadu)—Cellophane Film—3,000 tonnes—(NU)

M/s Stayadev Chemicals Pvt Ltd; Post Box No 101, Partapnagar Road, Baroda—(Pratapnagar-Gujarat)—4-Amino-3-Methyl-Nethyl (2-Methyl Sulphonamide Ethyl) aniling sesquisulphate mono-hydrate)—8 tonnes—(NA)

Drugs & Pharmaceuticals

M/s Chowgule & Co. (Hind) Pvt Ltd; India House, Walchand Hirachand Marg, Bombay—(Thana-Maharashtra)—Tablets:—(Lakh nos)—Allerphen Tablets—50; Dekasone Tablets—9.21; Dimirli Tablets—4.50; Diuremid Tablets—3.25; Furazole/Sulphafurazole Tablets—40.51 Furoquinol Tablets—9.90; Helkamon Tablets—15.0; Neocorlin Tablets—1.20; Neofluvenol Tablets—12.25 Novalgetol Tablets.—17.0; Reserphan Tablets—2.50; Rumatab Tablets—1.0; Sedo-Helkamon Tablets—2.50; Tolazoline Hcl. Tablets 1.50; Unazid Tablets—0.50; Liquids—(in litres)—Dimiril Expectorant 35,600; Furozole Suspension 950; Nasodrin Nasal Drops—707; Multivite Syrup—2200; Orliver Liquid—8500: Tussigon Cough Syrup—3450, Ointments:—Dermoscale Ointment—1300 Kgs; Polyderm Cream—310Kgs; Injections:—Polyneuron-12 Inj—2,65,400 Ampoules; Novalgetol Inj 2,08,000 ampoules: Orgadin Inj—9,300 ampoules; ATS Inj—16,82,000 ampoules; 47,255; 5,900 ampoules; Capsules:—Orliver Capsules—22,00,000 nos—(COB)

M/s Indian Drugs & Pharmaceuticals Ltd; N-12, South Extn-1, Ring Road, New Delhi—(Uttar Pradesh)—Formulations of 6-Deoxy-5 Oxytetracycline Hydrochloride corresponding to—3,500 BU of the afresaid bulk Drug—(NA)

M/s MAC Laboratories (P) Ltd; 60-Sir P.M. Road, Bombay—(Bulsar-Gujarat)—Chloramphenicol Palmitate (Bulk)—25 tonnes; Chloramphenicol Palmitate (Syrup)—200 Kilo Litres.—(NA)

M/s The Fairdeal Corpn (P) Ltd; Lakshmi Bldg; Sir P.M. Road, Fort, Bombay—(Bombay—Maharashtra)—Mucoris-X-Nasal Drops—5,000 litres— (NA)

M/s The Fairdeal Corpn (P) Ltd; Lakshmi Buldg; Sir P.M. Road, Fort, Bombay—(Bombay-Maharashtra)—Otek-P-Ear Drops—1,250 litres—(NA)

M/S Chemical Industrial & Pharmaceutical Laboratories Ltd; 289, Bellasis Road, Byculla, Bombay—(Bombay-Maharashtra)—Salbutamol—100 Kgs—(NA)

Textiles

M/s R.S.R.G. Mohta Spg & Wvg Mills: Managed by NTC; Surya Kiran, 19-Kasturba Gandhi Marg, New Delhi—(Akola-Maharashtra)—Cotton Yarn—25,000 spindles—(SE)

M/s Orissa-Cotton Mills Ltd; Care: N.T.C. Ltd; Surya Kiran, 19-Kasturba Gandhi Marg, New Delhi—(Cuttack-Orissa)—Cotton Yarn—25,000 spindles—(SE)

M/s National Textile Corpn Ltd; Surya Kiran Bldg; 19-Kasturba Gandhi Marg, New Delhi—(Amravati-Maharashtra)—Cotton Yarn—25,000 Spindles—(SE)

M/s Jayashankar Mills Barsi; Care: NTC Ltd; 19-Kasturba Gandhi Marg, New Delhi—(Sholapur-Maharashtra)—Cotton Yarn—25,000 spindles—(SE)

M/s The NationalTextile Corpn Ltd; Surya Kiran Bldg; 19-Kasturba Gandhi Marg, New Delhi—(Rajkot-Gujarat)—Cotton Yarn—25,000 spindles—(SE)

M/s Kishnavani Textile Mills, Care: N.T.C. Ltd; 19-Kasturba Gandhi Marg, New Delhi—(Coimbatore-Tamil Nadu)—Cotton Yarn—25,000 spindles—(SE)

M/s Maharashtra State Textile Corpn Ltd: 47-New Marine Line, Vachani Chambers, Bombay—(Aurangabad-Maharashtra)—Heavy Specialised Fabrics Meant for Industrial Uses—25,000 spindles & 3000 looms—(UN)

M/s Salem Textiles Ltd; 4-8, Salai Road, Salem-1—(Dharmapuri-Tamil Nadu)—Cotton Yarn—25,000 spindles—(SE)

M/s Sitaram Spinning & Wvg Mills: Trichur-2—(Trichur-Kerala)—Cotton Yarn—25,000 spindles—(SE)

M/s Kongarar Spinners (P) Ltd; 112, Dhali Road, Udamalpet, Coimbatore—(Coimbatore-Tamil Nadu)—Cotton Yarn—25,000 spindles—(SE)

M/s Sree Chandrodaya Mills Ltd; Hanumanthappa Building, Chitradurga Road, Davangere-2—(Davangere, Chitradurga Distt Karnataka)—Cotton Yarn—25,000 spindles—(SE)

M/s Shree Mahuva Spinning Mills Co (P) Ltd; Mahuva, Bhavnagar—(Bhavnagar-Gujarat)—Cotton Yarn—25,000 spindles—(SE)

M/s Reliance Textile Industries (P) Ltd; Court House, Tilak Marg, Dhobi Talao, Bombay—(Nanda-Ahmedabad—Gujarat)—Knitted Fabrics of Manmade Fabrics:—; Warp Knitting Machines—8 nos: Circular Knitting Machine—8 nos; Corresponding to a total consumption of 320 tonnes. Caprolactum—(SE)

M/s National Rayon Corpn. Ltd; Ewart House, Bruce Street, Bombay—(Kalyan—Thana, Maharashtra)—Nylon Tyre Yarn Fabrics—1100 tonnes—(NA)

Paper & Pulp

M/s The Sirpur Paper Mills Ltd; Sirpur Kaghaznagar, Sirpur, Adilabad—(Adilabad-Andhra Pradesh)—Printing & Writing Paper—5,000 tonnes—(SE)

Mrs Sudha Devi Tibrawalla, 12-Lord Sinha Road, Calcutta-16—(Rewa-MP)—Writing & Printing Paper—6,000 tonnes—(NU)

Mr Gobindbhai C. Patel, 2nd Floor, Municipal Bldg; Patharkuva, Relief Road, Ahmedabad-1—(Ahmedabad—Gujarat Wrapping & Printing Paper—600tonnes—(NU)

M/s Bombay Paper Mfg. Co: 109 Shaikh Hemon Street,

II Floor, Bombay-2—(Dombivili, Maharashtra)—M.G. Paper —4,000 tonnes—(SE)

Sugar

M/s The KCP, Ltd: Ramakrishna Building, 38-Mount Road, Madras—(Viyyuru-Andhra Pradesh)—Sugar—6,000 tonnes of Cane Crushing capacity per day—(SE)

M/s Kallakurichi Co-operative Sugar Mills Ltd; Moongilthuraipattu, South Arcot—(South Arcot-Tamil Nadu)—Sugar —2,000 tonnes of Cane crushing capacityper day—(SE)

M/s Bazpur Co-operative Sugar Factory Ltd; Bazpur, Nainital—(Bazpur, Nainital-UP)—Sugar—3,000 tonnes of Cane-Crushing capacity per day—(SE)

M/s Tamil Nadu Sugar Corporarion Ltd; 24/4,Pantheon Road, Egmore, Madras—(Thanjavur, Tamil Nadu)—Sugar —1,250 tonnes of Cane crushing capacity per day—(NU)

M/s Tamil Nadu Sugar Corporation Ltd; 24/4, Pantheon Road, Egmore, Madras—(Tiruchirapalli, Tamil Nadu —Sugar—1,250 tonnes of Cane crushing capacity per day—(NU)

M/s Tamil Nadu Sugar Corporation Ltd; 24/4, Pantheon Road, Egmore, Madras—(Tiruchirapalli,-Tamil Nadu—Sugar—1,250 tonnes of Cane crushing capacity per day—(NU)

M/s Tamil Nadu Sugar Corporation Ltd; 24/4, Pantheon Road, Egmore, Madras—(Ramanathapuram-Tamilnadu)—Sugar—1,250 tonnes of Cane crushing capacity per day—(NU)

Fermentation Industries

M/s Bombay Breweries Ltd; "Suryodaya", 7-Juhu Road, Santacruz, Bombay—(Kolaba-Maharashtra)—Beer—50,000 HL—(COB)

Mr Zahid Jamil, "Kheyaban Kothi, Idagah Hills, Bhopal —(Narsinghpur—Madhya Pradesh)—Beer—50,000 HL—(COB)

M/s Rayalaseema Breweries: Kotakommala Street, Layout, Tirupati, Chittor—(Tirupati, Chittor, AP) Beer—25,000 HL —(COB)

M/s Sanghi Motor, (Bombay) Pvt Ltd; 39, ANS Patkar Marg, Bombay—(Kolaba-Maharashtra)—Beer—50,000 HL—(COB)

Mr Prem Nath Monga, C-1,10, Vasant Vihar, New Delhi —(Meerut-Uttar Pradesh)—Beer 50,000 HL—(COB)

M/s National Breweries Ltd; Jorhat—(Jorhat—Assam)—25,000 HL—Beer—(COB)

M/s Bagai Foods & Beverages (P) Ltd; 188-Golf Links, New Delhi—(Ranchi-Bihar)—Beer—50,000 HL—(COB)

M/s Bangalore Breweries (P) Ltd; No, 10, Ist Main Road, Gandhinagar, Bangalore—(Bangalore-Karnataka)—Beer—50,000 HL—(COB)

Food Processing Industries

M/s Tinsukia Trading Co Tinsukia—(Tinsukia-Assam)—Wheat Products—9,000 tonues—(COB)

M/s MAFCO Ltd; (Maharashtra Govt Enterprise) Mistry Bhavan, 6th Floor, Dinshaw Vacha Road, Bombay—(Maharashtra)—Poona Factory, Poona-Meat, Poultry, Fish, Fruits & Vegetable Products—3,000 & 1,500 tonnes; Turbha Factory, Thana Distt: Meat, Poultry, Fish, Fruit & Vegetables —2,000 & 400 tonnes: Borivli Factory, Bombay: Meat, Poultry & Fish—3,000 tonnes; Koregaon Factory, Satara; —Meat, Poultry, Fish—Fruits and Vegetable Products—2,500 & 500 tonnes—(COB)

Vegetable Oils & Vanaspati

Mr B. L. Bubna, Trunk Road, Anapavaram, Chilakaluripet, Guntur—(Guntur-Andhra Pradesh)—Cotton Seed Oil 30,000 tonnes in terms of cotton seed crushing—(NU)

M/s Sohil Raj Industries, Nirmalnagar, Bhavnagar.—(Bhavnagar-Gujarat)—Cotton Seed Oil—18,000 tonnes in terms of seeds—(NA)

Soaps & Cosmetics

M/s Asiian Chemical Works: 124-26, Princess Street, Bombay—(Bombay-Maharashtra)—Perfumery Compounds—12,600 Kgs- (COB)

Rubber Goods

M/s Apollo Tyres Ltd; Allahabad Bank Bldg; 17-Parliament Street, New Delhi—(Chalakudi, Trichur-Kerala)—Automobile Tyres & Tubes—4,00,000 nos p.a—(NU)

M/s Madras Valves Ltd; 46, East Abhiramapuram, Mylapore, Madras—(Tamil Nadu)—Automobile Tyre/Tubes Valves—30 lakhs nos p.a; Valve Cores 50 lakhs nos; Valve Caps—50 lakhs nos; Hexnnts/Rim Nuts—50 lakh nos; Ring/Bridge Washers—50 lakhs nos—(NU)

Glue And Gelatin

M/s Shaw Wallace & Co Ltd: 4-Bankshall Street, P.B. No. 40, Calcutta—(Chingleput-Tamil Nadu)—Animal Glue—2,400 tonnes p.a—(SE)

M/s Hindustan Lever Ltd; Express Building, Bahadurshah Zafar Marg, New Delhi—(Kolaba-Maharashtra)—Ossein 3.000 nos; Di-calcium Phosphate (Bye-products)—6000 tonnes —(NU)

Glass

M/s Lamps & Glass Components Ltd; 15/1, Asaf Ali Road, New Delhi—(Jhansi-UP)—Glass Shells—30 nos—(NU)

Cement & Gypsum Products

M/s Cement Corpn. of India Ltd; Herald House, 5-A, Bahadur Shah Zafar Marg, New Delhi-1—(Cuddapah—Andhra Pradesh) — Portland Cement—4 lakhs tonnes—(NU)

Timber Products

M/s Woodcrafts Assam, A-Division of Jyashree Tea & Industries Ltd; "Industy House", 10-Camac Street, Calcutta—(Naraini, Sibsagar, Assam)—Plywood of all types including block boards — Flush Doors (but excluding Teachests)—4 mill sq metres—(SE)

The Indian Plywood Mfg. Co Ltd; 9- Wallace Street, Bombay—(Chandrapur-Maharashtra)—Integrated, Plywood, Veneers and other Wood Panel Products—1.8 mill Sq. Metres —(NU)

Miscellaneous Industries

M/s Orient Pharma Pvt Ltd; Old Trunk Road, Pallavaram, Madras—(Madras-Tamil Nadu)—Tooth Paste—33,000 Kgs—(COB)

M/s North Eastern Tobacco Co Ltd; c/o M/s Assam Industrial Development Corpn, Kannachal Road, Silpukhpuri, Gauhati—(Silpukhuri, Gauhati, Assam)—Cigarettes—3,000 mill nos—(NU)

M/s Karnataka Oxygen Ltd; Whitefield Road, Mahadevapura Post, Bangalore-48—(Karnataku—Oxygen—1.45 mill

C.M. Nitrogen -0.5 mill C.M. D Acetylene —0.4 mill CM—(NU)

Letters of Intent

Metallurgical Industries (Ferrous

Mr B.C. Singha, c/o S. Banergee, 7-Nanjappa Road, Shantinagar, Bangalore (Bangalore-Karnataka) Deep Drilling Machines with Drill Grinders (Different Models) —5 nos; Draw Reaming Machines 5-Spindles—2 nos; Precision Cam Milling Machines—1 nos—(NU)

Mr O.P. Kajaria, 19-Balyguag Park Road, Calcutta-19—(Tarapur—Maharashtra)—Castellated Beams—10,000 tonnes; Board Flanged Beams, T-Sections and its connected fabrications—6,000 tonnes—(NU)

M/s Triveni Structurals Ltd; Naini, Allahabad—(Naini-Allahabad, UP)—Pressure Vessels — Heat Exchangers—2,000 tonnes—(SE)

Electrical Equipments

The General Electric Co of India Ltd; Magnet House, 6-Chittaranjan Avenue, Calcutta—(24-Parganas West Bengal) High Speed DC Circuit Breakers in the range of 300 to 2,000 amps 660 to 1,500 Volts—1,500 nos—(NA)

M/s The UP Electronics Corpn. Ltd; 9-Vivekanand Marg, Lucknow—(Uttar Pradesh)—Document Facsimile Equipment —100 nos—(NU)

M/s Aluminium Industries Ltd; No. 1, Ceramic Factory Road, Kundara P.O., Kerala—(Kundara-Kerala)—Current Transformers above 132 KV and upto and including 220 KV—90 nos—(NA)

M/s Central Electronics Ltd; N.P.L. Campus, Hillside Road, New Delhi—(Ghaziabad—UP)—Professional Ferrites such as Pot Cores, R.M. Cores, Toroids, Memory Cores, Micro Wave Toroids, U.E.—I and C Shapes for professional TV applications)—100 tonnes—(NU)

M/s Philips India Ltd; Shivsagar Estate, Block 'A', Dr Annie Besant Road, Worli, Bombay—(Poona—Maharashtra) —Amplifiers—23,600 nos p.a—(SE)

Transportation

M/s India Pistons Ltd; Madras—Tamil Nadu — (Madras-Tamil Nadu) — Pistons — 24 lakh nos; Pistons Rings — 180 lakh nos; Piston Pins—30 lakh nos; Cylinder Liners—6.0 lakh nos (SE)

M/s Sidharth Patel, 1/12, Industrial Estate, Baroda-3—(Kandla Free Trade Zone)—Radiators and Radiator Cores for cars, Trucks — Tractor — 24,000 nos — (NU)

Industrial Machinery

Mr C.H. Krishna Murthi Rao, 55-Edward Elliots Road, Madras—(Tamil Nadu)—Chemicals Machinery (Made out of Titanium — Titanium Alloys, etc—(NU)

Machine Tools

M/s Punjab State Industrial Development Corpn. Ltd; SCO-54-56, Sector-5, Chandigarh. — (Moga, Faridkot, Punjab) — Electric Portable Drilling Machines — 25,000 nos; Electric Portable Blower — 2,500 nos; Electric Hand Grinders — 3,000 nos: Electric Portable Screw Drivers, Chippers, Nut Runners, Valve Grinders, Hammers, Valve Seet Honing Machines 3,000 nos; — (NU)

M/s Southern Industrial Corpn. Ltd; South India Housel, 99-Armenian Street, Madras—(Ranipet, N-Arcot, Tamil Nadu) High Speed Cold Heating Machines — 48 nos; Automatic Screw Slotting Machines — 12 nos; Automatic Thread Rolling Machines — Combined Pointing — Thread Rolling Machines — 48 nos; Automatic Multi Station Transfer Press — 6 nos — (NU)

M/s Souther Industrial Corpn. Ltd; South India House, 99-Armenian Street, Madras — (Ranipet, N-Arcot, Tamil Nadu)—Portable Electric Tools—25,000 nos—(NU)

Earth Moving Machinery

M/s Larsen—Toubro Ltd: L—T House, Norottom Morarjee Marg, Ballard Estate, Bombay—(Bangalore-Karnataka) — Self-propelled Vibratory Compactors; Heavy Duty Towed Compaction Equipment—100 nos only—(NA)

Miscellaneous Industrics

M/s Phillips India Ltd; Shivsagar Estate, Block, 'A' Dr Annie Besant Road, Bombay-(Thana-Maharashtra) — Diamond Wire Drawing Dies—5,000 nos—(SE)

M/s Punjab Nylo Transmission (P) Ltd; Nakoder Road, Jullundur—(Jullundur-Punjab)—Extruded Nylon Strips—60 tonnes—(NU)

Commercial, Office & Household Equipments

M/s Cash Register Co. (India) Pvt. Ltd; 4-D, B.B.D. Bagh, Calcutta—(Haldia, Midnapur, West Bengal)—Cash Registers Electrically operated—5,000 nos; Electronic Cash Registers—2,500 nos; Adding Machines Electrically operated- 20,000 nos: Accounting & Book Keeping Machines Electrically operated—1,200 nos—(NU)

Fertilizers

M/s Kothari (Madras) Ltd; Kothari Building, 20-Nungambakkam High Road, Madras—(Ennore, Madras, Tamil Nadu)—Fertilizer Grade Ammonium Chloride—21,000 tonnes —(NA)

Chemicals (Other than Fertilizers)

M/s Associated Gases (P) Ltd; 28-New Rohtak Road, New Delhi—(Ghaziabad, Meerut, UP)—Nitrous Oxide—100 Mill. Litres—(SE)

M/s Pallathra Bricks & Tiles Ltd; Kochuramapuram, P. O, Shertalley—(Alleppey-Kerala)—Calcium Carbide for Merchant Purposes—15,000 tonnes—(NA)

Mr Abdur Rahman Khan, Mine Owner, Dhane, Kurnool—(Kurnool-Andhra Pradesh)—Calcium Carbide for Merchant Purposes—15,000 tonnes—(NU)

M/s Haryana State Industrial Development Corpn. Ltd: Chandigarh—(Haryana)—Calcium Carbide for Merchant purposes—15,000 tonnes—(NU)

M/s The UP State Mineral Dev. Corpn. Ltd; Hewett Polytechnic Hostel, Mahanagar, Lucknow—(Dehradun-UP)—Calcium Carbide for Merchant Purposes—15,000 tonnes—(NU)

M/s Gammon India Limited, Civil Engineers & Contractors, Gammon House, Bombay—(Raichur-Karnataka)—Nitric Acid—16,500 tonnes; Sodium Nitrite—3,000 tonnes; Formic Acid—2,100 tonnes; Oxalic Acid—1,800 tonnes; Methanol—15,000 tonnes—(NU)

Mr S. Sarma, Santhi Bal Bhavan, Trivandrum—(Cannanore-Kerala)—Synthetic Detergents—10,000 tonnes—(NU)

Mr Ullas Sharma, 30-Pusa Road, New Delhi—(Katni-Madhya Pradesh)—Calcium Carbide for Merchant purposes—15,000 tonnes—(NU)

Mr O. P. Nambiar, 57-Ring Road, Lajpat Nagar-III, New Delhi—(Katni-Madhya Pradesh)—Calcium Carbide for Merchant purposes—15.000 tonnes—(NU)

M/s Dhrangadhra Chemical Works Ltd; 'Nirmal' 3rd Floor, 241-Backbay Reclamation, Nariman Point, Bombay—(Dhrangadhra-Gujarat)—Liquid Bromine—120 tonnes—(NA)

M/s Jindal Strips Pvt. Ltd; Delhi Road, Hissar—(Hissar-Haryana)—Oxygen Gas—0.45 MCM—(NU)

Mr Anand Prakash Gupta, 60/2, Ramjas Road, Karol

Bagh, New Delhi—(Bhojpur-Bihar)—Calcium Carbide for Merchant Purposes—15,000 tonnes—(NU)

M/s Zenith Steel & Pipe Ltd; 195-Churchgate Reclamation, Bombay—(Broach-Gujarat)—Calcium Carbide for Merchant Puposes—15,000 tonnes—(NA)

M/s Kanoria Chemicals & Industries Limited, 16-A, Brabourne Road, Calcutta-1—(Renukoot-UP)—Benzene Hexa Chloride—6,000 tonnes—(SE)

Mrs AMPA. Valliammal, Achi. 5 Raman Street, Madras-17—(Tamil Nadu)—Freon Gas—1000 tonnes—(NU)

Catalysts and Absorbents

The Associated Cement Companies Ltd; Cement House, 121, Maharshi Karve Road, Bombay—(Thana Maharashtra)—Synthetic Zeolities (Molecular Sieves) Products: Type A—300 tonnes; Type X—400 tonnes; Special types of molecular Sieves (such as types Y, Mordeniteand Refrigeration Grade)—200 tonnes; Alumina Products, Eeta & Gamma Alumina type (with bulk density range 0.5 to 1.0 t/m3 and specific surface range 50 to 500 m2/g);—1050 tonnes; Alumina silica bases catalysts & catalys-t Carriers—300 tonnes; High temperature service pure alpha alumina or alumina-silica inert catalyst carriers, catalyst supports & tower-packings (with density 2.0 to 3.0 t/m 3 & specific surface lessthan 1 m2/g—1000 tonnes—(NA)

M/s Travancore-Chemical Mfg. Co. Ltd; P. B. No. 19, Kalamassery—(Ernakulam-Kerala)—Potassium Chlorate—2,200 tonnes—(SE)

M/s Travancore-Chemical & Mfg. Co. Ltd; P.B. No. 19, Kalamassery—(Kundara, Quilon, Kerala)—Potassium Chlorate—1050 tonnes—(SE)

M/s Konkan Chemicals Pvt. Ltd; 2-F. Court Chambers, 35-New Marine Lines Bombay—(Poona-Maharashtra)—Phenol—15,000 M. Tonnes—(NU)

Mr Bharat Kumar C. Patel, 7-Nehru Park Society, Race Course, Baroda—(Broach-Gujarat)—Oxygen Gas 1.00; MCM; D/Acetylene Gas—0.20; MCM Ntrogen—0.50 MCM: (NU)

Mrs. Abha Goel, c/o Madhab & Co., 56/1 Canning Street, Calcutta — (Cuttack/Bhubaneshwar-Orissa) — Oxygen — 1.0 MCM; Nitrogen—0.50 MCM—(NU)

Dr. Nirmal, 9/1653, Balajit Road, Surat—(Baroda-Gujarat)—Oxygen—1.00 MCM—(NU)

Mr Vijay Nayar, D-356, Defence Colony, New Delhi—(Tarapore-Maharashtra)—Biaxilly Oriented Poly-propylene Films—800 tonnes—(NU)

Mr A. M. Hodarkar, Vila Flores De Silva, Erasmo Carvalho Street, Margao Goa—(Margao-Goa)—Biaxially Oriented Polypropylene Films—800 tohnes—(NU)

Mr D. P. Chandak, c/o Dr. B.P. Chandak, E-6, G.M. Hospital, Rewa—(Rewa-Madhya Pradesh)—Oxygen Gas—1.00 MCM; D/Acetylene Gas—0.20 MCM—(NU)

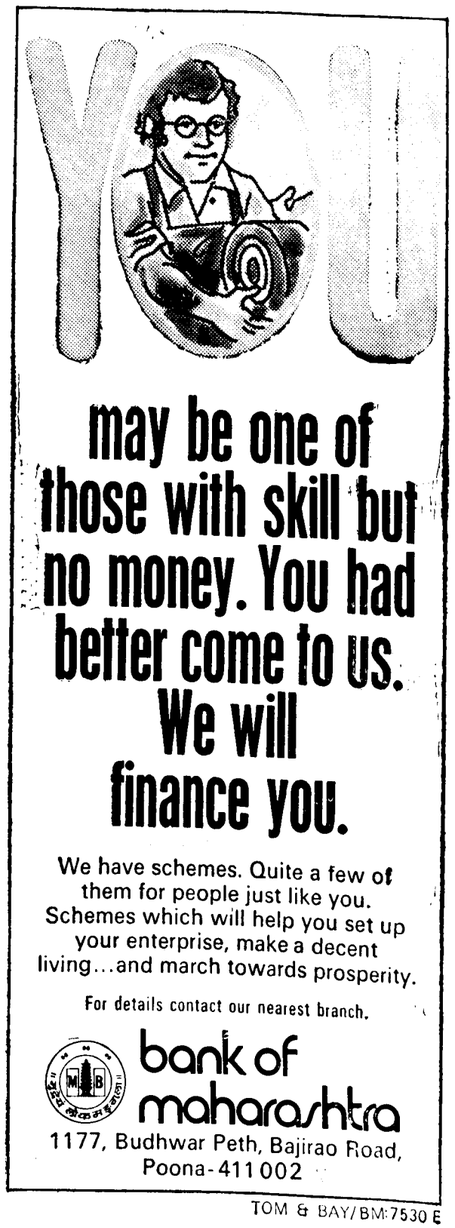
M/s Southern Gas Ltd; Movedaleh Church Landing Road, Cochin-16—(Rishikesh-UP)—Oxygen Gas—1.00 MCM; D/Acetylene Gas—0.20 MCM; Nitrogen—0.50 MCM—(NU)

Dye-stuffs

The Atul Products Ltd; Atul, Western Railway, Bulsar—(Atul-Bulsar-Gujarat)—Bon Acid—1,200 tonnes—(SE)

Drugs & Pharmaceuticals

M/s Oriental Pharmaceutical Industries Ltd; 64-66, Senapati Bapat Marg, Mahim, Bombay-16—(Mahim-Bombay-Maharashtra)—Salicopil Tablets—200 lakh nos; Hydrochlorothiazide tablets (diuretic)—50 lakh nos; & Pheniramine Maleate tablets (anti/nistaminis)—200 lakh nos; Sulphasomidine Tablets (antimicrobial)—250 lakh nos—(NA)



Textiles

M/s Durga Industries, c/o Shri Bhagwan Swarup, Advocate, Gwalior—(Morena-Madhya Pradesh)—Shoddv Yarn—600 spindles—(NU)

M/s Haryana Textiles, 1105, Surya Kiran Building, 90-Kasturba Gandhi Road, New Delhi—(Bhiwani-Haryana)—Shoddy Yarn—600 spindles—(NU)

M/s Vinod Trading Co., 15-B, Clive Roed, Calcutta—(Alwar-Rajasthan)—Shoddy Yarn—600 shoddy spindles—(NU)

M/s Vikas Woollen Mills, 1004, Kucha Natwan, Chandni Chowk. Delhi—(Alwar-Rajasthan)—Shoddy Yarn—600 shoddy spindles—(NU)

M/s Wool Fibres of (India) Ltd; D-2, Maharani Bagh, New Delhi-14—(Bulandshahar & UP)—Shoddy Yarn—600 shoddy spindles—(NU)

Paper & Pulp

Mr Kiran C. Khatau, Laxmi Building, 6-Shoorji Vallabhdas Marg, Bombay—(Ratnagiri-Maharashtra)—Pulp—6,000 tonnes, Wrapping & Packing Paper—6,000 tonnes—(NU)

Mr Vinod Kumar Chamaria, P. 38, India Exchange Place, Calcutta-1—(Katihar-Bihar)—Wrapping & Packing Papers—6,000 tonnes—(NU)

Mr R. P. Kanodia, 15-Burdwan Road, Calcutta-27—(Mysore-Karnataka)—Wrapping, Packing, Kraft Paper and Boards—6,000 tonnes—(NU)

Mr Vidya Sagar, E-15, Bali Negar, New Delhi—(Sonepat, Haryana)—Writing, Printing & Kraft Paper—10,000 tonnes—(NU)

M/s Southern Industries (P) Ltd; 4-Ganesh Chandra Avenue, Calcutta—(Kalyani, Nadia, W-Bengal)—Kraft, Post and Carbonising/Toilet base Paper—3,000 tonnes—(NU)

Mr R. K. Gupta, Dariya Mahal, No. 2, Flat No. 112, 19th Floor 80-Napean Sea Road, Bombay—(Roha-Colaba, Maharashtra)—Kraft Paper—9.000 tonnes; Printing & Writing Paper—4,500 tonnes—(NU)

Fermentation Industries

M/s Maize Products (Division of Sayaki Mills Ltd.): P.O. Kathwada-Maize Products, Ahmedabad—(Ahmedabad-Gujarat)—Lactic Acid—300 tonnes—(NA)

Food Processing Industries

Mr G. K. Saraf, 24/157, Shakti Nagar, Delhi—(Sangrur-Punjab)—Maize Products—36,000 tonnes in terms of Maize—(NU)

Vegetables Oils & Toilet Preparations

Mr Ajit Samants Ray, Village—Chhatabar, P.O. Dandi Chhatahar, Puri—(Orissa-Kalahandi Distt)—Oil Seed Crushing—36,000 tonnes—(NU)

Rubber Goods

Mr K. C. Venkatesh, c/o Raghunatha Reddy, 26/3C, Sankey Road, Bangalore—(Karnataka)—Conveyor Belting—700 tonnes—(NU)

M/s T. Maneklal Mfg. Co. Ltd; Vaswani Mansion, Dinshaw Vachha Road, Bombay—(Vatva, Ahmedabad-Gujarat)—Fabrication of Vessels for Rubber Lining—200 tonnes—(SE)

Leather, Leather Goods & Pickers

M/s Punjab State Industrial Development Corpn. Ltd; SCO 54, 55 & 56. Sector-17-A, Chandigarh—(Malerkotla, Sangrur, Punjab)—Safety Shoes—3 million pairs—(NU)

M/s Leather Industries Dev. Corpn. of Andhra Pradesh Ltd; 3-6-150, Himaythnagar, Hyderabad—(Hyderabad-Andhra Pradesh)—Finished Leather (from Goat & Sheep Skins only)—3 lakh nos—(SE)

M/s Wasan Frame Pvt. Ltd; Care Wasan & Co., P.O. Box No. 42, Bodla, Agra—(Kandla Free Trade Zone)—Leather Shoes—10 lakh pieces—(NU)

Glue & Gelatin

Mr Thekkoet Balakrishnan R. Nathan, 60-Anandlok, New Delhi—(Dholpur, Rajasthan)—Modified & Refined Guar Gum and Derivatives (such as oxydised Guar Gum, Carboxy-Methylated Guar Gum, Hydroxalkylated Guar Gum and similar Carbohydrates modifications)—3,000 tonnes—(NU)

Mr Berjesh Kumar Goyal, 2-Flag Staff Road, Delhi—(Alwar-Rajasthan)—Modified and Refined Guar Gum and Derivatives such as Oxidised Guar Gum, Carboxy Methylated Guar Gum, Hydroxalkylated Guar Gum and Similar Carbohydrate modifications—2,700 tonnes—(NU)

Mr N. Chandra, C-50, Defence Colony, New Delhi—(Maharashtra)—Float Glass—10 mill. sq. Metres—(NU)

Ceramics

M/s E.I.D. Parry Ltd; Madras—(Maharashtra)—Sanitary Ware—5,000 tonnes—(SE)

M/s Carborundum Universal; 11/12, North Beach Road, Madras—(Tiruvottiyur, Madras-Tamilnadu)—Super Refractories including Castables—3262 tonnes—(SE)

Change in Names of Owners or Undertakings

(Information pertains te particular licences only)

From Swastik Oil Mills to M/s Swastik Household & Industrial Products Pvt. Ltd.

From M/s Devidayal Cable Industries Pvt. Ltd; Bombay—to M/s Devidayal Electronics & Wires Ltd.

From M/s A. P. Industrial Dev. Corpn. Ltd; Hyderabad—to M/s Nagarjuna Steels Ltd; Hyderabad.

From Shri C. N. George, Cochin to M/s Carbon & Chemicals India Ltd.

From M/s Power Cables (P) Ltd. to M/s Apar (P) Ltd.

From M/s Port Engg. Works to The Hoogly Docking & Engineering Co. Ltd; Calcutta.

From M/s Power Cables Pvt. Ltd to M/s Apar Pvt. Ltd.

From M/s Satyender Nath Nundy to M/s Auto Flour Mills Pvt. Ltd.

From M/s Swastik Oil Mills to M/s Swastik Household & Industrial Products Ltd,

From M/s Port Engg. Works to M/s The Hooghly Docking & Engg. Co. Ltd; Calcutta.

From M/s Port Engg. Works to M/s The Hooghly Docking & Engg. Co. Ltd; Calcutta.

From M/s Jg. Glass Industries Pvt. Ltd; Pimpri, Poona to M/s Jg. Vaccum Flasks pvt. Ltd.

From M/s Bramhappa Taranappanavar (Mysore) Pvt. Ltd;

Madras to M/s Oswal Oils Vanaspati Industries; Madras.

From Mr K. L. Agarwal, Gauhati to M/s Meghalaya Roller Flour Mills.

From M/s Upper India Bearings (P) Ltd; Madras to M/s Upper India Bearings & Bushings Ltd; Madras.

From M/s Chodavaram Co-operative Agriculture Industrial Society Ltd. to M/s The Chodavaram Co-operative Sugars Ltd.

From M/s Quality Steel Tubes to M/s Quality Steel Tubes Pvt. Ltd.

From Shree Bhawani Cotton Mills to Shree Bhawani Cotton Mills & Industries Ltd.

Licences Revoked, Lapsed, Cancelled or Surrendered

(Information pertains to particular licences only)

M/s Bengal National Textile Mill Co. Ltd; Calcutta—Special type of Jute Twine & Tapes—(Revoked)

M/s Jubilee Mills Ltd; New Delhi—Spinning Weaving capacity—(Cancelled)

Shree Shetalganga Khand Udyog Sahakari Mandli Ltd; c/o Talaja Taluk Cooperative Marketing Society Ltd; Bhavnagar—Sugar—(Revoked)

Letters of Intent Lapsed, Cancelled, Withdrawn or Rejected

(Information pertains to particular letters of intent only)

Mrs S. D. Rathi, 6-Pretoria Street, Calcutta—(West Bengal)—Calcium Carbide (lapsed)

M/s Harshadray Pvt. Ltd; Bombay—(Gujarat)—Polytetrafluoroethylene (lapsed)

M/s Systronics, Ahmedabad—(Gujarat)—Electronic Desk Calculators (lapsed)

Mr P. J. Menezes, Panjim Goa—Levophed, etc. (withdrawn)

M/s Madhya Pradesh Audyogik Vikas Nigam Ltd; Bhopal —Cigarettes (cancelled)

M/s Bengal Potteries Ltd; Calcutta—(Haryana)—Crockery (Chinaware Pottery) (lapsed)

M/s Caledonian Jute Mills Co. Ltd; Calcutta—H. T. Insulators (cancelled)

Mr S. N. Agarwal, c/o Bharat Surfactants, Aligarh—Synthetic Detergents (lapsed)

Mr P. Khanna, New Delhi—Wheat Products (lapsed)

M/s Satara Ceramics Industries Ltd; Satara—H. T. Insulators (cancelled)

Mr Krishna Kant Bindal, Prop: Bindal & Co. New Delhi —Sheet Glass (cancelled)

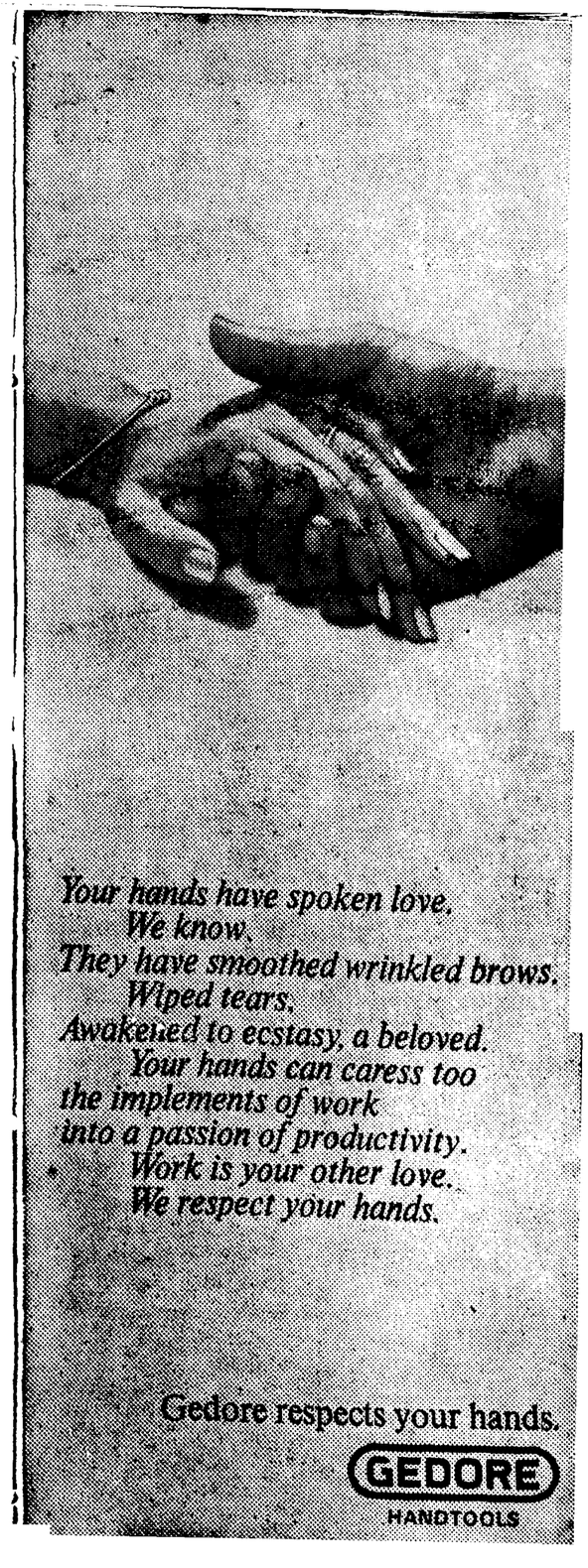
M/s Maharashtra Wired Figured Glass Company, Bombay—Wired Figured Glass (cancelled)

M/s Satnam Industry; 167, Lamington Raad, Bombay—Paints, Varnishes, Chrome and Blues and Resins (cancelled)

M/s Window Glass Ltd; 91-B, Darya Ganj, Delhi—Glass Bottles (cancelled)

M/s Asian Electronics Ltd; Handloom House, 3rd Floor, 221, Dr. D. N. Road, Bombay—Ultrasonic Instruments (cancelled)

M/s Karnataka State Industrial and Development Corporation Limited, 36-Cunningham Road, Bangalore—Maize Products (cancelled)



RECORDS AND STATISTICS

Annual Plan: 1975-76

THE TOTAL Plan outlay for the centre, states and union territories during 1975-76 is of the order of Rs 5978 crores. This represents an increase of 23 per cent over the Plan outlay of Rs 4844 crores for 1974-75.

Critical Sectors

According to the document the logic underlying the formulation of the Annual Plan has been one of promoting growth with stability. This means that in operational terms investment allocations have been heavily weighted in favour of sectors which are critical for maximising growth potential of the economy. Since the price situation is still a matter of great concern and the terms of trade have turned adverse, fuller utilisation of capacity in sectors which can, in particular, promote exports or save on imports has been accorded special attention. More pecifically, the sectors which have received special attention are agriculture including irrigation, power, coal, oil and fertilisers. In designing the growth strategy, distributional considerations have also been kept in view within the overall constraints facing the economy.

Keeping in view the overall constraint on financial resources, top priority has been given to projects capable of yielding results in the short run in preference to long gestation projects where meaningful choices exist. Full provision has been made for projects which can fructify in the course of next two years. New starts have been allowed only in areas of critical importances and the programmes for relatively inessential schemes have been deferred.

The document points out that in order to step up the rate of investment under conditions of price stability, emphasis has been laid on mobilisation of additional resources essentially through non-inflationary techniques. To finance the Plan greater reliance is being placed on domestic budgetary resouuces. These are expected to show a marked expansion due to full year's yield from the measures adopted for raising additional resources in 1974-75 and the further measures adopted already or proposed to be adopted in 1975-76.

Available Resources

Nearly 82 per cent of the Plan outlay in 1975-76 is to be financed from such resources as against 72 per cent in the Annual Plan for 1974-75 and the external assistance is expected to provide a little over 10 per cent of the total resources and the oil credits another four per cent. The remaining four per cent of the requirement would be met by deficit financing.

Deficit financing in 1975-76 has been kept to a relatively low figure of Rs 246 crores. The yield in this year from fresh measures for additional resources mobilisation already adopted by the centre and those agreed to by the states is estimated at Rs 518 crores. The Annual Plan marks a significant step-up in public sector investment and increased availability of power, coal, transport. etc. The measures announced by the government are expected to stimulate investment and growth in the private sector.

The Annual Plan says

Plan Outlays Under Various Heads of Development

(Rs crores)

Heads of Development	Central & Centrally Sponsored Schemes	States	Union Territories	Total
1. Agricultural and Allied Programmes including ARC	278.56*	400.26	12.59	691.41
2. Irrigation & Flood Control	11.21	453.18	3.83	468.22
3. Power	119.01	966.41	16.16	1101.58
4. Village & Small Industries	40.49	30.73	2.67	73.89
5. Industry & Minerals	1534.19	109.35	0.48	1644.02
6. Transport & Communications	835.08	190.43	14.93	1040.44
7. Education	92.07	110.37†	11.65	184.09
8. Science & Technology	71.27	..	..	71.27
9. Health	44.09	45.80	5.26	95.15
10. Family Planning	63.20	..	..	63.20
11. Nutrition	3.05	14.95	0.46	19.36
12. Water Supply & Sanitation	1.03	123.28	13.51	137.82
13. Housing & Urban Development	34.59**	98.64	8,93	142.16
14. Welfare of Backward Classes	17.00	31.34	0.79	49.13
15. Social Welfare	11.00	2.38	0.40	13.78
16. Labour & Labour Welfare	1.51	4.88	0.47	6.86
17. Others	22.26	44.98††	3.97	71.21
18. Employment Promotion Programmes	10.00	44.50£	..	54.50
19. Hill and Tribal Areas	..	40.00	..	40.00
20. North Eastern Council	..	..	..	10.00
Grand Total:	3160.51	2711.48	96.10	5978.09

* Includes Rs 50 crores for ARC and excludes Rs 3.95 crores Nutrition.

† Includes Scientific services and research

** Includes a provision of Rs 4 crores for Public Housing and Rs 6 lakhs for Dock Labour Housing

†† Includes other Social and Community Services, Economic Services and General Services, State capital Projects and Information and Publicity.

£ Includes Rs 4.50 crores (i.e. Rs 2.00 crores for Punjab and Rs 2.50 crores for West Bengal) for Special Employment Programmes and another Rs 40 crores for Employment Guarantee Schemes in Maharashtra to be administered through Employment Guarantee Fund.

that a realistic production programme for agriculture with a plan for irrigation and water resources development and dovetailing them is the keynote of the development programme for agriculture and allied sectors for 1975-76. The strategy consists of a larger use of crucial inputs like fertilisers, high-yielding variety of seeds, pesticides and manure and increase in irrigated and multi-cropped areas. A target of 114 million tonnes for foodgrains has been fixed for 1975-76 assuming favourable weather conditions and substantial increase in the availability of chemical fertilisers.

In the Annual Plan higher priority has been accorded to power development programme. It is expected that 2.60 million KW of additional generating capacity will be commissioned during the year thereby raising the total capacity to 22.77 million KW by the end of 1975-76.

The Plan for industrial development for 1975-76 has been formulated to step up the rate of industrial growh consistent with the objectives set out in the draft fifth Plan. However, certain adjustments in industrial priorities that became necessary on account of recent economic developments have been taken into account in finalising the outlays for the development programmes.

As the Plan accords overriding priority to the food and energy sectors of the economy, substantial step-up in investments has been proposed in industries supporting these sectors, namely, fertilisers, coal and petroleum. The programme is also oriented towards an increase in production in various other key industries largely through expansion and better utilisation of existing capacity.

Within the constraint of resources, provisions have been made to expand programmes specially for the benefit of the weaker sections of the community and the backward areas. For the development of tribal areas Plan outlay is proposed to be stepped up from Rs 5 crores in 1974-75 to Rs 20 crores in 1975-76 implementing sub-Plans. Special assistance of Rs 20 crores will also be made available in 1975-76 for the development of hill areas to supplement the provisions made in state plans.

To increase the social consumption of the vulnerable sections of the community the Minimum Needs Programme for which a provision of Rs 190.06 crores is made in the Annual Plan will also be implemented. The programmes in the field of education, health and social welfare are proposed to be further expanded. Emphasis is also being placed on expanding employment opportnnities, and accordingly considerable importance has been attached to the promotion of village and small industries.

The Anuual Plan observes that a durable solution to the problem of price stability will essenttially lie in increasing significantly the domestic output and availability particularly of the essential goods of mass consumption, scarce raw materials and inputs. It would be, therefore, extremely important to realise the various targets set out in the Annual Plan. The increased availability of essential articles of mass consumption and the critical inputs would, it is expected, help keep in check both the demand pull and the cost push factors.

Physical Targets of the Annual Plan : 1975-76

Item	Unit	1974-75 (Estimated)	1975-76 (Target)
Agriculture and Allied Sectors			
1. Foodgrains	Mill. tonnes	104.00	114.00
2. Oil seeds	,, ,,	8.69	10.00
3. Sugar Cane	,, ,,	135.00	145.00
4. Cotton	Mill. bales	6.30	6.80
5. Jute & Mesta	,, ,,	5.70	6.70
Consumption of Chemical Fertilizers			
Nitrogenous (N)	Lakh tonnes	18.00	25.00
Phosphatic (P_2O_5)	,, ,,	5.36	7.00
Potassic (K_2O)	,, ,,	3.56	4.00
Total (NPK)	,, ,,	26.92	36.00
7. Consumption of Pesticides	'000 tonnes	47.29	56.39
8. Gross Cropped Area	Mill. tonnes	169.05	171.00
9. Minor Irrigation	,, ,,	24.40	25.00
10. Soil Conservation on Agricultural lands.	,, ,,	17.64	18.40
Industry and Minerals			
1. Steel Ingots (Integrated Plants only)	Mill. Tonnes	6.3	7.7
2. Saleable Steel	,, ,,	4.9	7.9
3. Aluminium	'000 Tonnes	127	175
4. Copper	,, ,,	15.8	33*
5. Zinc	,, ,,	22	30
6. Iron Ore	Mill. Tonnes	35	42
7. Coal	,, ,,	88	98
8. Nitrogenous Fertilizers (in terms of N)	'000 tonnes	1185	1500
9. Phosphatic Fertilisers (in terms of P_2O_5)	,, ,,	326	400
10. Chemical Plant and Equipment	Rs million	380	440
11. Machine Tools	,, ,,	830	880
12. **Heavy Electrical Equipment**			
(a) Hydro turbines	M. Kw.	0.8	1.3
(b) Thermal turbines	,,	2.4	2.5
(c) Power Boilers	,,	1.2	1.7
(d) Transformers	M. Kw.	16.0	20.0
(e) Electrical Motors	M.hp.	3.5	4.2
13. Agricultural Tractors	'000 nos.	28	35
14. Commercial Vehicles	,,	40	50
15. Petroleum Crude	Mill. Tonnes	7.5	8.4
17. Cement	,, ,,	14.7	16.5
18. Paper and Paperboard	'000 tonnes	840	920
18. Newsprint	,, ,,	55	65
19. Cotton Cloth (Mill sector)	mill metres	4300	4400
20. Sugar	mill tonnes	4.4	4.7

* includes 10,000 tonnes for imported concentrates.

The current economic situation: a review

THE CENTRAL ministry of Finance presented to the monsoon session of Parliament a review of the economy which highlighted the various steps which the government had taken to accelerate the pace of development which had slowed down in the recent past. It emphasised that the national income of the country was likely to increase by five to six per cent in 1975-76 as against a rise of two per cent only in 1974-75. The cheerful trend was the result of significant improvement both in agriculture and industry. The target of 114 million tonnes for foodgrains which the planners had fixed for 1975-76, according to the review, was likely to be attained because of the favourable monsoon and measures taken by the government to hasten the supply of essential inputs. In the field of industry, the supply of power and coal—two major constraints—had eased and was likely to give a push to production. Also, the employer-employee relations had considerably improved in the wake of the recent political developments.

Trend Reversed

All in all, the review held out the hope that the economy was likely to look up in the coming months. In particular, the inflationary trend which had been exerting great pressure on fixed income groups and vulnerable sections of society had at last been reversed and prices in the second week of July stood a shade lower than in the corresponding week in the preceding year.

Full text of the review follows:

The principal characteristics of the economic situation in India during 1974-75 were analysed in the annual Economic Survey which was presented to Parliament in February, 1975. While discussing the economic outlook for 1975-76, the Survey adopted an attitude of cautious optimism. Events since then suggest that the economy can look forward to a more significant expansion of both agricultural and industrial output in the current year.

The Annual Plan for 1975-76 has fixed a target of 114 million tonnes for foodgrains, of which the target for kharif crops is 69 million tonnes. Judging by the behaviour of the monsoon and the recent trend in the supply of such critical inputs as power, seeds and fertilisers, the kharif target is expected to be achieved in full.

Varied Factors

In industry, the expected increase in the supply of power, coal and steel, the progressive improvement in the performance of public sector enterprises and the magnificient response of workers to the Prime Ministrer's appeal for harmonious industrial relations are likely to result in an increase of five to six per cent in industrial production in 1975-76 as compared to three per cent in 1974-75.

Altogether, the country's national income is expected to go up by five to six per cent in 1975-76 as compared to two per cent growth achieved in 1974-75.

An equally remarkable development is the successful containment of inflationary pressures. In the first quarter of 1975-76, even the normal seasonal rise in prices has been largely suppressed. Prices of a large number of commodities have declined since the declaration of emergency. The latest available wholesale price index for the week ended July 12, 1975 shows a decline of 0.9 per cent in a single week and by 1.8 per cent over a month. The wholesale price index today is 2.1 per cent lower than its level a year ago. India thua happens to be one of the few countries in the world which can claim to have a negative rate of inflation.

Exports during the first two months of 1975-76 increased by 28 per cent. Vigorous efforts are being made to impart a new element of dynamism to the country's exports. Government have recently announced a large number of decisions to boost exports of engineering goods. The balance of payments outlook is such, that taking together the likely level of exports, and the inflow nf external assistance, all genuine import requirements of the economy will be comfortably met. The import programme includes a provision for sizeable imports of foodgrains to sustain the public distribution system and to build a buffer stock. Provision is also being made for import of other wage goods like edible oils.

On the social front, a vigorous implementation of the new economic programme announced by the Prime Minister on July 1, should provide some welcome relief to the more vulnerable sections of society. Active steps are being taken to ensure speedy implementation of this programme. The public distribution system is being extended and streamlined so as to provide an element of protection to the poorer sections of the community.

In the following paragraphs the recent developments and prospects for major sectors of the economy are briefly reviewed.

Agriculture

Agricultural production during the kharif season of 1974 suffered a setback due to the vagaries of nature. However, there was considerable increase in production during the recently harvested rabi crop. The output of foodgrains during the last rabi season is currently estimated to have reached an all time record level of nearly 44 million tonnes as compared to 37 million tonnes last year. The production of wheat has been estimated at 26 million tonnes. This implies a welcome reversal of the declining trend of wheat output which was noticed after 1971-72.

As regards the prospects for the current year, the Planning Commission have fixed a target of 114 million tonnes of food production, of which about 69 million tonnes is expected to be produced during the kharif season. The South West Monsoon has been more or less on time. The rainfall has so far been normal in most parts of the country. Timely and adequate rains, coupled with improvements in irrigation and power supply have thus greatly facilitated timely sowing of crops. Every effort is being made to remove the major bottlenecks which may hamper the achievement of foodgrains targets for 1975-76.

Capacity Utilisation

In order to achieve the production targets, emphasis is being laid on faster increase in the creation of irrigation potential, maximum utilisation of existing potential, better availability of power, fertilizer, seeds, plant protection facilities, credit and technical know-how. In the allocation of resources priority has been accorded to the completion of ongoing irrigation projects so as to realise benefits from these projects without loss of time. Efforts have also been intensified to resolve interstate water disputes. The programme of ground water surveys is being stepped up. The supply of EC grade aluminium which is necessary for the energisation of tubewells and pumpsets is being improved. The arrangements for the supply of improved seeds are being further streamlined.

The all India seed producing organisations like the National Seeds Corporation of India, the State Farms Corporation of India, the Terai Development Corporation and the state seed corporations have geared themselves to ensure adequate supply of improved seeds. Under the programme for building up an effective pests surveillance, forecasting and warning service, 12 sta-

tions have been set up. Training programmes have been organised in the major rice growing areas for all levels of workers including senior officers, in the new rice technology. Similar programmes are being organised for the production technology in wheat.

The Indian Council of Agricultural Research and other research institutions have developed some new varieties of rice, jowar, bajra etc. New rice varieties viz, IET 2245, W-13400 have been found suitable for release and the areas suitable for their cultivation have been identified. Similarly, improved hybrids of jowar viz. CSH-6 have been found suitable for release particularly in drought prone areas. Large scale minikit demonstrations on bajra hybrids viz. HB-3, 4 and 5 have been laid in different parts of the country. Efforts will now be concentrated on meeting the seed needs for anticipated coverage and targets to be realized under the programme. A total area of nearly 30 million hectares is proposed to be covered under the High Yielding Varieties Programme in 1975-76. This will mean an additional area of three million hectares over the estimated level reached in 1974-75.

Step-up Production

As part of the measures being taken up to step up agricultural production, one of the significant developments has been the government's decision to reduce the price of fertilizers with effect from July 18, 1975. Some of the reductions are indicated below:

(Rs. per tonne)

Name of fertilizer	Old price	New price
Urea (46 per cent N)	2,000	1,850
C.A.N. (28 per cent N)	1.145	1,060
D.A.P.	3,005	2,805

Along with the increase in the distribution margins allowed to the distribution agencies, it is expected that the reduction in fertilizer prices will help to increase the consumption of fertilizers in the country.

Resource gaps in state plans have been identified and in the supplementary estimates recently passed by the Parliament additional resources to the extent of Rs 75 crores have been provided to give to the states further central assistance for enabling them to meet the resource gap in respect of major irrigation and power projects.

Agriculture in the new economic programme : The new economic programme announced by the Prime Minister on July 1, 1975 contains several items relating to agriculture. Progress in implementation of this programme is briefly reviewed in the following paragraphs.

Land Ceiling

Agricultural land ceilings and distribution of surplus land etc: Early in July, 1975 all the state governments and union territory administrations were requested to take expeditious measures for implementation of land cellings laws. The state governments have once again been urged to bring tenancy legislation in line with the national policy and to expedite the compilation of land records for the purpose of speedier implemention.

Provision of house sites for landless and weaker sections: Some form of legislation already exists in many states conferring ownership rights on homestead tenants. The state governments have also been instructed to undertake a quick survey in about 2/3 weeks time to study the dimension of the problem and to assess the steps that are called for to provide house site to every needy person in the rural areas. Guidelines have already been circulated to the state governments in this regard. These envisage placing obligation on panchayats etc. to provide house sites when such sites are common property. In addition, the land available with the state governments or obtained through implementation of ceiling laws may be allotted to the landless. If no such land is available the state governments may acquire it.

Declaration as illegal of bonded labour: The state governments have initiated drafting suitable legislation to make bonded labour illegal. This problem is linked up with rural indebtedness and steps are being taken simultaneously for liquidation of rural debts.

Rural Indebtedness

Liquidation of rural indebtedness with a moratorium of recovery of debt from landless labourers, small farmers and artisans: A groupe onsisting of representatives from concerned ministries and the Reserve Bank of India has been set up to examine the existing state legislation on the subject and to suggest a model legislation for adoption by the state governments and to suggest steps that can be taken immediately for a moratorium on the recovery of debt from landless labourers etc pending the passing of necessary legislation.

The inter-ministerial group held a series of meetings and its recommendations will be submitted to the government very shortly. The ministry of Finance have appointed a group to work out the details of a new structure of rural banking which will help to meet more effectively the credit needs of the poorer sections in the rural areas. Meanwhile, a number of states have already prepared ordinances providing for moratorium on private rural debts. The Department of Rural Development is examining the need for central legislatjon in this area.

Review of laws on minimum agricultural wages: Many state governments already have some legislation on minimum wages for agricultural workers. The legislation on the subject enacted in Kerala in 1971 is considered as the most progressive. The state governments are reviewing the dimension of the problem in their states and to revise their laws on the model of the Kerala Act.

Bringing under irrigation five million more hectares of land and a national programme for use of underground water: A conference of state ministers of irrigation was held in New Delhi on July 17 & 18, 1975 which considered inter-alia the problems relating to the creation of additional irrigation facilities for five million hectares during the fifth Plan under major and medium projects and utilization of existing irrigational potential. As per the recommendations of the conference project-wise targets have been fixed for various projects. Priority is being accorded to the implementation of on going projects so as to realise benefits.

Monitoring units are being set up at project, state and central levels to watch the progress and to take remedial steps for the removal of bottlenecks in the implementation of various projects. The Department of Irrigation will carry out project-wise reviews in consultation with the state governments to work out necessary operational details for phasing of the construction of projects and assess the resources needed for their implementation.

New Projects

In keeping with the policy that the benefits of economic development should reach a larger number of weaker sections in the rural areas, it has been decided to increase the number of small farmers development agencies from the existing 87 to 160 projects in the fifth Plan. In the last few months 42 new projects have been sanctioned and necessary funds have been released to the state governments to enable the agencies to start their work in right earnest.

The programme for the drought-prone areas has made satisfactory progress. The release of funds required by the state governments has been expedited and out of a total allocation of Rs25 crores during the current year, Rs 8 crores have already been released as a first instalment.

Industrial Production

The rate of growth of industrial production which was less than one per cent in 1973-74 went up to about 3.0 per cent in 1974-75. Although the overall rate of industrial productiont was not very favourable, a number of key sectors recorded the highest peak level of production in 1974-75. Thus the production of coal increased from 78 million tonnes in 1973-74 to the record level of 88 million tonnes in 1974-75. The production of saleable steel estimated at 4.9 million tonnes was the highest attained during the last five years. This has led to a virtual disappearance of the black market in iron and steel. Sugar production in the sugar year 1974-75 is expected to reach a record level of 4.8 million tonnes as against 3.9 million tonnes in 1973-74.

Public sector undertakings showed a commendable improvement in performance and a number of these undertakings such as Hindustan Machine Tools, Bharat Heavy Electricals and Mining and Allied Machinery Corpoiation etc. registered growth rates of over 20 per cent in output. But for the continued shortage of some critical inputs such as power and transp rt, and strained labour relations in the first half of the year, the overall rate of growth of industrial production in 1974-75 would have been much higher than 3.0 per cent.

The available data for the first quarter of 1975-76 point to a significant acceleration of the rate of growth of industrial production. The weighted average rate of growth of public sector output was about 14 per cent in April-June 1975 as compared to the corresponding quarter of 1974. The rate of growth remains the same even if undertakings, for which only value data are available, are excluded from this calculation.

Production figures for April-June 1975 show substantial increases in the output of a number of industries as compared to the corresponding quarter of 1974 (aluminium 36 per cent, sugar 28 per cent, saleable steel 13 per cent, cement 16 per cent, jute manufactures 10 per cent, coal 17 per cent and electricity generation seven per cent. The overall rate of growth of industrial production during the first quarter of 1975-76 has been estimated at 5½ to 6 per cent.

Significant Growth

There are a number of factors which indicate that the overall rate of growth of industrial production in 1975-76 will record a significant acceleration. Assuming that the hydro-electric projects will generate energy normally expected of them, for which the stage is now set, the total electricity generation in the year is expected of them to go up by about 20 per cent. The new capacity added will be about 2.6 million kw as against 1.7 million kw added in 1974-75. Two of the major constraints on coal production, namely shortage of rail transport and power having now been largely removed, coal production is expected to go up from 88 million tonnes in 1974-75 to 98 million tonnes in 1975-76 At this level of production, the entire domestic demand will be fully met and in addition some surplus will be available for export. The production of saleable steel is expected to go up from 4.9 million tonnes in 1974-75 to 5.7 million tonnes in 1975-76. The indigenous production of nitrogenous and phosphatic fertilisers is likely to increase from 1.5 million tonnes in 1974-75 to 2.1 million tonnes in 1975-76—an increase of 40 per cent. The domestic production of crude oil is expected to go up by a million tonnes.

There are now clear signs for a breakthrough in the production of crude oil within the next five to ten years. Explorations for oil in the structures known as the Bombay High have yielded highly encouraging results. In addition to Oil and Natural Gas Commission operations in the Bombay High area, oil exploration has been taken up in two other off-shore areas or basins, contracts for which on a production sharing basis have been awarded to two groups of foreign companies. A contract for a third basin off the southern coast would be soon finalised.

A major source of increased industrial production in 1975-76 will be higher utilisation of the available industrial capacity. The new climate of harmony in industrial relations created by the Prime Minister's appeal to workers and employers after the declaration of emergency would ensure that the human factor will not stand in the way of fuller utilisation of capacity. The import policy for 1975-76 seeks to make it more responsive to the need for stepping up of industrial production and for diversion of such production to export markets.

Special Emphasis

Special emphasis has been laid on streamlining import licensing procedures and on eliminating delays in issuing licences for raw materials and components. An important innovation has been introduced for licensing of import of raw materials and components, whereby the immediate requirements of imports of industries will be met by automatic licensing. Units belonging to selected industries of high priority can also ask for supplementary licences based on each unit's export performance, production programme, stocks in hand, outstanding licences in hand and the importance of the industry in the national economy.

Industrial production will also benefit from the substantial increase of 25 per cent in the annual plan outlay for 1975-76. The outlay for power and industry (including minerals) has been stepped up by 44 per cent and 50 per cent respectively. Project reports of super thermal power stations announced as part of the new economic programme will soon be ready for submission to appropriate international financial institutions.

Production in the small scale sector will be helped by a recent decision of the government raising the investment limit for small scale units from Rs 7.5 to Rs 10 lakhs and for ancillary units from Rs 10 lakhs to Rs 15 lakhs. The improved supply of critical raw materials such as coal, power, cement, and iron and steel, and the virtual disappearance of black markets in these products would be of particular help in increasing investment and output in the vital small scale sector.

There has been a considerable improvement in the investment climate during the first quarter of 1975-76. Data pertaining to consents/acknowledgements for capital issues (excluding bonus issues) to the non-government companies indicate that during April to June, 1975, sanctions for initial issues ammounted to Rs 25.7 crores as against Rs 12.9 crores during the correponding quarter of the preceeding year. Sanctions for further issues by existing companies also reveal a marked increase from Rs 9.8 crores during April-June 1974 to Rs 17.6 crores in April-June 1975. Taking initial and further issues together, the total sanctions during the first quarter of 1975-76 amounted to Rs 43.3 crores compared to Rs 22.7 crores in the corresponding quarter of last year.

Prices, Procurement and Distribution

Indias success in controlling inflationary pressures in the second half of 1974-75 turns out to be truly remarkable when it is recalled that the first half of the year recorded the sharpest rate of increase of price in the entire postwar period. The wholesale price index rose by an average of

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i) that different speeies of wood, hitherto used only as firewood, are now used as raw material in the manufacture of RAYON-GRADE PULP?

ii) that GWALIOR RAYONS, MAVOOR, was the first and foremost to find out the suitability of such species of wood for the manufacture of Rayon-grade Pulp?

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2,75 per cent per month, reaching an all time peak in the third week of September 1974. However, thanks to the determined measures adopted by the government in July 1974, the wholesale price index declined during the rest of the financial year. The index for the week ended March 29, 1975 showed a decline of 7.3 per cent as compared to the index for the week ended September 21, 1974. The annual rate of inflation (point to point comparison) which had risen to 31.9 per cent in September 1974 declined to 7.9 per cent by the end of March 1975. The consumer price index also started declining after October 1974. It fell from the peak level of 335 in October 1974 to 321 in March 1975.

During the current financial year, the wholesale price index showed a rising tendency for about two months. However, on account of vigorous measures adopted by the government to control expansion of bank credit and to immobilise the black money held by smugglers, tax evaders, hoarders and black marketeers, prices have again started declining after the declaration of emergency.

Fall in Prices

The wholesale index declined by 0.4 per cent during the week ended June 28. The declining tendency was sustained during the following week when despite a sharp increase in the price of coal, the overall index further declined by 0.1 per cent. The latest available data for the week ended July 12, 1975 show that the index declined by 0.9 per cent in a single week (to the level of 307.6). During this week, the index for food articles declined by 1.4 per cent while that for non-food articles fell by 0.4 per cent. In fact, indices of all major sub-groups declined during the week.

The overall index for the week ended July 12, 1975 was 2.1 per cent lower than a year ago. India thus can claim to have the unique distinction of having achieved a negative rate of inflation. This achievement has been made possible by a combination of monetary and fiscal measures combined with vigorous action against those indulging in various economic offences. As a result of the rising tendency in the wholesale index in April and May 1975, the consumer price index increased from 321 in March 1975 to 323 in April 1975 and 327 in May 1975. However, recent reports indicate that after the declaration of emergency, retail prices of a large number of commodities including groundnut oil, vanaspati, coconut oil, sugar and maize have been declining.

Increased Procurement

Procurement: Procurement of kharif cereals duriug the marketing season 1974-75 (until July 15, 1975) amounted to about 3.5 million tonnes as compared to 2.8 million tonnes during the corresponding period of 1972-73. This is not an unsatisfactory performance considering that the production of foodgrains during the 1974 kharif season was, perhaps, marginally better than in 1972-73. The latest available data relating to the procurement of wheat out of the current rabi crop show that over 3.6 million tonnes have been procured so far as compared with a total procurement of 4.3 million tonnes in rabi 1972-73 season. This underlines the need for strengthening the procurement drive, by furthur measures against hoarders and profiteers, if necessary.

Public distribution of foodgrains: As brought out in the following table, the offtake of foodgrains from government stocks has been substantially higer during the period January-June 1975 as compared to January-June 1974.

Offtake of foodgrains

('000 tonnes)

	1974	1975
January	874	894
February	849	932
March	876	983
April	896	983
May	858	933
June	863	960
Total	5216	5685

Imports of foodgrains: The government imported about 5.5 million tonnes of foodgrains during 1974-75 to sustain the public distribution system. Imports during January-June 1975 amounted to 3.5 million tonnes during the corresponping period of 1974. Notwithstanding the greater offtake of foodgrains through the public distribution system, thanks to larger imports, stocks of foodgrains with the government agencies at the end of June 1975, amounted to 4.8 million tonnes as against about four million tonnes at the end of June 1974. During the currunt year sizeable imports of foodgrains are being arranged. This would help to sustain the climate of price stability and will also facilitate building of a buffer stock.

Stress on Distribution

Strengthening of the public distribution system: The new economic programme announced by the Prime Minister lays great stress on strengthening of the public distribution system. Accordingly, steps have been taken to strengthen consumer cooperatives throughout the country for distribution of essential commodities. Manufacturers have agreed to earmark upto 20 per cent of their production in respect of vanaspati, soap including washing soap, torch cells, razor blades, safety matches for distribution through consumer cooperatives. A scheme for public distribution of essential commodities has been implemented in Delhi from June 23 1975. This scheme is being further developed for extension to industrial/mining areas, hill areas and coastal deficit areas.

There has been an increase in the production of controlled sarees and dhoties for the common man out of the enhanced controlled cloth obligation. Its distribution through the cooperative sector has been increased by means of 2800 retail outlets spread throughout the country, out of which more than 75 per cent are in the rural areas. Cansumer cooperatives are being strengthened for arranging distribution of essential commodities on concessional terms to students' hostels in colleges and universities. The allocation of cultural paper for educational needs was raised from 23,000 tonnes in the last quarter of 1974-75 to 40,800 tonnes in the first quarter of the current financial year. Arrangements have been made for supply of white printing paper at concessional prices for publication of worthwhile books recommended by the Education ministry.

Action against economic offences: Since the declaration of emergency the loopholes in the laws relating to the detention of smugglers have been plugged effectively and all the known smugglers have been re-arrested and kept out of mischief. Special legislation providing for confiscation of smuggler's properties is under preparation. In accordance with the new economic programme announced by the Prime Minister, special squads have been set up for valuation of property and for detection of tax evasion. The Forward Markets Commission has intensified its drive to curb speculative activities. State governments have taken further steps to enforce display of prices and stocks by dealers in respect of essential commodities. All these measures have had a benign effect on the price situation.

Fiscal Developments

The major concern of budgetary policy during the current year is to accelerate the tempo of investment without in any way undermining the recent price stability which has been achieved after great struggle in the past two years. The Plan outlay for 1975-76 has been fixed at Rs 5978 crores which involves an increase of 23 per cent over the annual Plan for 1974-75. While avoiding large scale deficit financing, the central budget for 1975-76

has made a selective approach in its inyestment policy giving priority to growth-oriented key sectors of the economy like agriculture, irrigation, power, fertilisers, coal, petroleum and essential industries like cement, paper, coal, shipbuilding and transport. The step-up in public sector investment will also create a more favourable climate for privatc investmcnt.

The central budget for 1975-76 also laid adequate emphasis on the stimulation of the economy through providing incentives for saving and investment. For this purpose a wide range of fiscal concessions were announced in the budget. The tax holiday concessions available to new industrial enterprises, hotels and ships were further extended for a period of five years beginnlng April, 1976. In compensation for the withdrawal of the concession of income tax on the profits up to six per cent and exemption of dividends declared by these new undertakings in the hands of their share holders, the quantum of 'tax holiday' was raised from 6 to 7.5 per cent.

Priority Industries

To encourage investment and channelise it to high priority industries, inter-corporate dividends derived by domestic companies from new companies engaged in the manufacture of fertilisers, pesticides, paper and cement were completely exempted from income tax. In view of the importance of pesticides in increasing agricultural production, the initial depreciation allowance of 20 per cent allowed to priority industries was extended to pesticides also.

Investments in equity shares of new companies engaged in priority industries were exempted from wealth tax for a period of five years. Investment in the Units of the Unit Trust of India has been made more attractive by exempting Rs 2,000 of the income earned solely from dividends on Units and by a further exemption of Rs 25,000 worth of Units from wealth tax. The Companies (Temporary Restricsions on Dividend) Act, 1974 has also been suitably amended. Thus while the payment of dividends will continue to be governed by the provisions of the old Act, companies are now free to declare a higher dividend if they so wish.

In accordance with the new economic programme announced by the Prime Minister, the personal income tax exemption limit has recently been increased from Rs 6000 to Rs 8000 so as to provide some relief to lower income groups. The relief provided gradually decreases as the income level progressse, with a tax relief of Rs 44 only where the taxable income exceeds Rs 15000.

Distinct Improvement

There has been a distinct improvement in tax collections during the first quarter of the current finencial year. The collections from income and corporation taxes have amounted to Rs 149 crores or 9.5 per cent of the full year budget estimates as against Rs 138 crores during this quarter last year forming 9.1 per cent. In respect of excise and customs, while the absolute collections from excise at Rs 757 crores in the first quarter this year compare with Rs 661 crores collected in the same period last year, the proportion to full year estimate this year at 20.8 per cent is slightly less compared with 22.0 per cent last year.

In contrast, revenue from customs has shown further buoyancy during the first quarter this year at Rs 329 crores, and forms 25.6 per cent of the full year budget estimates compared with Rs 289 crores or 21.9 per cent in the same period last year. With the large scale seizures by the tax administration of tax evaded money, and arrests of smugglers and black marketeers, it could be anticipated that the tax collections during the current fiscal year might exceed the budget expectations. Further, with the distinct improvement in power supply, and better availability of inputs, industrial output is likely to recover bringing in more excise revenue.

The declaration of emergency has imparted a sense of discipline among the spending ministries/departments and a considerable economy in expenditure can be visualised. As of now, the budgetary deficit is, no doubt, quite high as compared to the corresponding period of last year. This is partly due to special factors such as the purchase of fertilisers and food for which reimbursements have not yet been received. With these recoveries, and the proceeds from the market borrowings already announced, it is anticipated that, in the coming months, the budgetary deficit would come down. Yet another favourable factor is that the external assistance promised by the Consortium countries will be higher than originally anticipated, and debt rescheduling agreed to by them would further improve the position. However, utmost emphasis will have to be laid on maximum economy in non-developmental expenditure.

Monetary Policy

As a result of a series of measures taken during the last one year to control the expansion of money supply, the growth rate of money supply declined to 6.3 per cent between the last Friday of March, 1974 and March 1975, compared to an increase of 15.2 per cent in the corresponding period of the previous year. Currency with the public recorded an increase of only Rs 43 crores in 1974-75 compared to an increase of as much as Rs 892 crores in 1973-74. The major factors responsible for a marked deceleration in the rate of increase in money supply were a lower order of increase in bank credit to commercial sector as well as in net bank credit to government and a significant decline (Rs 281 crores) in net foreign exchange assets of the banking sector.

The declining trend in the rate of growth of money supply has continued during the first three and a half months of 1975-76 (March 28 to July 11, 1975), when money supply recorded an increase of 6.1 per cent compared to an increase of 6.5 per cent in the corresponding period of the previous year. During this period net bank credit to government (centre and states) has increased appreciably, but this is due to certain temporary factors like delay in recoveries from the Food Corporation of India and Fertilizer Corporation of India against imports. Bank credit to the commercial sector has been contained within Rs 319 crores (2.9 per cent) in the current year till July 11, 1975, compared to Rs 594 crores (6.3 per cent) in the corresponding period of last year.

Contractionary Effect

Also, the increase in non-monetary liabilities of the banking sector, and the decline in foreign exchange assets had a larger contractionary effect on money supply in the current fiscal year so far than in the corresponding period of last year.

In the background of the success achieved in controlling the expansion of bank credit in the 1974-75 busy season, and the continued need for restraint on such expansion, the basic parameters of the credit policy were continued for the slack season of 1975 (May 1975 to October 1975). The basic emphasis continues to be on restraint combined with a measure of selectivity in the deployment of credit, with emphasis on meeting the credit needs of agriculture, mass consumption goods, exports, public sector units in the manufacturing sector, units in the core sector in the private sector and small scale units producing wage goods and inputs for the core sector.

No change has been made in eash reserve requirements at four per cent of the banks' time and demand liabilities, and the statutory and net liquidity ratios at 33 per cent and 39 per cent respectively. The extension of discretionary refinancing for food procurement, bills rediscounted and limits of borrowings from the Reserve Bank of India (at one per cent of demand and time liabilities as of last Friday of September, 1974) also remained unchanged. However, some liberalisation in the extension of the period for concessional pre-shipment export credit (speciaily for export of specified medium and heavy engineering goods), and fertiliser distribution was allowed.

In view of the need for stimulating investment in projects of high priority, such as those industries where a substantial part of the output is meant for exports, industries with short gestation period, particularly in the core sectors and mass consumption goods, small scale and capital goods industries, banks were directed to step up their medium term lending. In regard to selective credit controls banks were directed to exempt advances against paddy and rice, other than those covered by procurement levy in the states of West Bengal and Bihar, till the end of June, 1975.

Credit Expansion

During the current slack season so far (April 25 to July 11, 1975), scheduled commercial banks' credit expansion at Rs 282.9 crores (3.3 per cent) was more or less at the same level as during the corresponding period last year (Rs 261.8 crores or 3.4 per cent). However, food procurement credit has increased at a higher rate this year (Rs 195.2 crores) compared to last year (Rs 106.3 crores). In adition, bills rediscounted with the Reserve Bank have declined by Rs 44.3 crores during the current slack season so far as compared to a decline of Rs 16.0 crores during the corresponding period last year.

This, gross bank credit excluding food procurement has shown a lower increase of Rs 43.4 crores (0.5 per cent) in the slack season so far compared to Rs 139.5 crores (1.9 per cent) during the same period last year. However, there is no room for complacency and strict credit discipline will have to be maintained in order to reconcile the requirements of accelerated growth and price stability.

Foreign Trade and Balance of Payments

The Economic Survey presented to Parliament in February 1975 had set out at length a review of the salient trends in India's foreign trade in recent years as also the first eight months of 1974-75. This analysis had, *inter alia*, brought out that the spectacular increases in growth of India's foreign trade in the last about two years had largely been due to the price factor rather than any substantial increases in quantum. The rise in the prices of several of India's major imports and export been neither uniform nor steady. While our export benefited from increases in the world prices of many commodities, at the same time the upsurge in international prices imposed even heavier burdens by way of additional import costs which, in the overall, more than offset the advantage of increased export value realisations. In this process, India's overall terms of trade experienced a marked deterioration by over 16 per cent during 1973-74. The trend in this regard during 1974-75 had shown no improvement.

In view of these trends in our external trade, the highly unfavourable and harsh impact of the international economic environment of India's economic development, and the developing intensity of pressures on the country's overall balance of payments, the *Survey* had sought to stress that for ensuring the continued viability of our balance of payments. and for meeting the steep increases in the costs of essential imports needed by the country, a major increase in exports would have to be brought about. The *Survey* had accordingly attempted to outline in brief a viable export strategy along these lines and to set out the prognosis of the overall balance of payments outlook for the coming years.

Since the publication of the *Survey*, the overall data on imports and exports has become available for the full year 1974-75. Provisional figures of total imports and exports during April-May, 1975 have also become available. The figures given below bring out the overall trend in India's exports and imports during 1974-75 relative to the position in the preceding four years (table below):

During the year 1974-75, the total vnlue of India's imports aggregated to about Rs 4348.7 crores and this represented a steep increase of 48.6 per cent over the total imports in 1973-74 valued at Rs 2925.3 crores. On the other hand, the total value of exports during 1974-75 amounted Rs to 3253.0 crores as against Rs 2523.4 crores in 1973-73, recording a rise of 28.9 per cent as against 28 per cent in 1973-74 and 22.5 per cent in 1972-73. As the increase in imports outstripped, by far, the growth of our total exports, in the overall the trade deficit widened from Rs 401.9 crores in 1973-74 to as much as Rs 1095.7 crores in 1974-75. As against this India had a surplus trade balance of Rs 103.4 crores in 1972-73.

Rise in Value

In the first two months of the current year—1975-76 (April and May 1975), the total value of our imports is provisionally placed at Rs 700.7 crores as against Rs 631.8 crores in the corresponding two months of the preceding year. In these two months the value of our imports has been lower by 4.9 per cent, or Rs 31 crores, as compared to thc corresponding two months of last year. The import figures are, however, likely to be revised upwards when full account is taken of actual imports Export realisations, in April and May 1975 are placed at Rs 495.6 crores as against Rs 389.6 crores in April-May, 1974, the rise being of the order of 27.2 per cent. The trade deficit over the two months April and May 1975 worked out at Rs 105.15 crores as against Rs 242.2 crores in April-May 1974-75.

Outlook Uncertain

In the light of the recent developments in world economy, it would appear that the outlook for exports during 1975-76 is somewhat uncertain. In view of the falling trend in commodity prices in the international markets, a slackening in the rate of growth of demand for India's export can be expected. At the same time there is, as yet, no major respite in sight from the impact of steeply increased import cost which had imposed a severe pressure on India's balance of payments during 1974-75. However, the various export promotion efforts that are now being made should make it possible for us to sustain a modest growth of exports in 1975-76.

Considering the state of our reservers and the likely inflow of external assistance there will be no difficulty in financing imports of essential commodities, including sizeable imports of foodgrains, in 1975-76. At the Aid India Consortium meet-

Trends in India's Imports and Exports
(1970-71—1974-75)

(in Rs crores)

Year	Imports	Exports	Trade Balance
1970-71	1634.2	1535.2	(—) 99.0
1971-72	1824.5 (11.6)	1608.2 (4.7)	(—) 216.3
1972-73	8867.4 (2.4)	1970·8 (22.5)	(+) 103.4
1973-74 (Revised)	2925.3 (56.4)	2523.4 (28.0)	(—) 401.9
1974-75 (Provisional)	4348.7 (48.6)	3253.0 (28.9)	(—)1095.7

N. B. : Figures in Brackets relate to percentage variation over the preceding year.

ing held in June 1975, total pledges of commitments amounting to $ 1775 million some what exceeded the target recommended by the World Bank. However, increased aid is no substitute for more effective steps to promote our exports particularly since the medium term prospects for aid are always uncertain.

The government are fully conscious of the imperative need to promote exports. The growth of exports is now being planned in terms of a minimum annual rate of growth of 8 to 10 per cent in value. Several measures have recently been adopted to boost exports.

New Import Policy

Under the import policy for 1975-76, all units which export at least 20 per cent of their production will be eligible for getting licences on the basis of the consumption of imported raw materials, irrespective of the value of the licences obtained during previous year; they will also be entitled to preferred sources of financing.

Replenishment licences have been made widely transferable. Units undertaking to export can obtain advance licences, against a definite undertaking to export instead of on the basis of a definite export order which is the present position. Limit for imports of non-permissible items have also been increased, so that export production is not delayed for want of essential inputs. Exporting units can also now ask for a Letter of Authority for direct import of canalised items.

More recently, the export duty on carpet backing and hessian has been removed. Several items, including chemicals and certain categories of iron and steel products, the export of which was not encouraged in the past, have how been permitted to be exported.

The significance which the government attaches to the need for increase in exports and the measures to achieve them is highlighted by the recent creation of a separate Cabinet Committee on Exports under the Chairmanship of the Finance minister, with the ministers of Industry and Commerce as members. This committee will provide the necessary leadership and guidance at the highest administrative level to ensure growth of exports in volume terms. The government had also constituted some time back a committee to consider the problems of the engineering industries and to suggest concrete steps to stimulate export of engineering goods. This committee made a number of recommendations which were considered by an Inter-Ministerial Empowered Committee. Some of the important committee decisions are as follows:

(i) Automatic approval for production earmarked for exports beyond the authorised capacity;

(ii) Improved arrangements for supply of inputs for exports production. Within the resources available, the exporters will be provided with all the inputs needed, including raw materials, power and export finance on a priority basis;

(iii) The procedures for allocation of steel have been simplified, and the Iron and Steel Controller will have the sole responsibility to make allocations after the exporters' obligations are sponsored by the Engineering Export Promotion Council;

(iv) In cases where the prices of steel are revised upward by 10 per cent or more, the contracts entered into by the exporters will be protected against revised prices, provided the contracts do not contain escalation clauses to cover the price increase adequately;

(v) In respect of exports of capital goods and turn-key projects the rate of cash assistance obtaining at the time of concluding the contract will be protected till the completion of the contract, as against the existiug limit of two years for turn-key projects and 18 months for capital goods;

For other engineering goods such protection will be made available for a maximnm period of three years against the existing limit of one year;

This protection will be applicable in cases where the price is not negotiable;

(vi) For determining cash assistance, while the existing basis of marginal costing will continue, 25 per cent of the rates of such cash assistance will be added towards the fixed cost of production;

(vii) Import duty on raw materials imported against advance licences will not be charged if such imports are approved by the Advance Licence Committee;

(viii) Export obligations in future will be imposed only by one authority, namely, the Licensing Committee;

(ix) The procedures regarding approval on deferred payment proposals have been simplified. The IDBI has been made the focal point for the receipt and processing of all export proposals for deferred payment, instead of applications being processed as at present at three or four points, namely by the RBI, the ECGC, the IDBI and government;

(x) In cases where IDBI financing is not required the exporters can enter into firm commitments with foreign buyers without the prior approval of the RBI and the ECGC, provided the deferred payment contracts are of a value not exceeding Rs 50 lakhs and the deferment period is up to five years;

(xi) A high powered standing committee on Export Finance has been set up under the chairmanship of the Deputy Governor of Reserve Bank of India to deal with general problems faced by the exporters with regard to export finances;

(xii) Decisions have been taken for liberalisation of facilities for grant of foreign exchange for travel abroad in connection with export contracts, making available pre-shipment credit at a concessional rate of interest upto 180 days for specified medium and heavy engineering goods and arrangements for collection of specialised data and information and the taking up of preliminary studies by consultants.

Judging by all objective indicators, the Indian economy is now poised for a major phase of rapid economic expansion. This should help to dispel the mood of pessimism and doubt which has hampered the mobilisation of vast reservoir of human and material resources, that India undoubtedly possesses, for the nation building activities. However, it has to be emphasised that any process of successful accumulation demands utmost social and economic discipline so that the largest possible size of the national income can be diverted for productive investments. This is the challenge that lies ahead of the Indian economy.

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Tryst with destiny

IN A SPEECH delivered in the Constituent Assembly on August 14, 1947, the late Jawaharlal Nehru, this country's first prime minister, alluded to the tryst with destiny which we had made many years ago. Not unnaturally, he was swept by emotion and talked of the sorrow and suffering of the masses, the challenges which lay ahead and the pledge which needed to be taken of "dedication to the service of India and her people". He was reminded of the ambition of the greatest man of his generation "to wipe every tear from every eye"; he was quick to concede that the goal set was beyond the capacity of the government headed by him but "as long as there are tears and suffering so long our work will not be over".

Today, twenty-eight years after this historic oration, suffering and sorrow still stalk the land. Despite hard work and dedicated efforts of three prime ministers, the dreams of Jawaharlal had not become a reality. The 20-point programme of Mrs Indira Gandhi was yet another effort in the same direction. It was too early to pronounce a judgement on this programme as certain elements of it were no more than a restatement of problems of poverty, ignorance and inequality in income and wealth. Short-term gains are welcome but the country needs lasting solutions to the torture caused by want, hunger and suffering.

It will be wrong to describe the past 28 years as wasted years. Significant progress had been made in all the major sectors of the economy. National income had more than doubled in these years but the bulk of the increment had been used in satisfying the needs of the growing population. Food production had been more than doubled thanks to increased activity in the field of research and development and also in the supply of vital inputs such as improved seeds, fertilisers, pesticides and tools. Water, the very life of agriculture, had been harnessed both by giant-sized dams and small irrigation. The country had taken rapid strides in both producer and consumer industries, and had developed markets abroad for sophisticated products. Railways, roads, shipping and airlines had all experienced buoyancy in keeping with the general upsurge in the economy. Educational facilities, health services and other social activities had all expanded significantly. But despite all these achievements, nearly two-fifths of the people still live below the poverty line.

The independent sovereign republic which had promised social, economic and political justice to the people, failed to provide basic necessities of life to 40 per cent of the population. If the latest programme of Mrs Indira Gandhi results in achieving even half of what the constitution-makers had promised, it would be nothing short of an outstanding achievement.

Thirty-ninth Amendment

THE 39TH amendment to the constitution which was approved by both the Houses of Parliament in the monsoon session and which also received the prompt assent of the President and the state legislatures, provided for the setting up of a new forum other than courts to decide disputes concerning the election of the Prime Minister, President, Vice-President and Speaker. This was a major amendment of the constitution which gave immunity to persons holding these august offices. The one [illegible]

which this country could rightly boast of was political stability which it had enjoyed for nearly three decades.

In a recent interview with a West German daily *Bild Am Sonntag* Mrs Gandhi, a democrat at heart told the correspondent that "elections cannot be held when the political situation and the emotional condition of the Opposition is disturbed. We are, however, committed to elections". This gives the lie to the widely-held view that she was not interested in holding elections and that the life of the present Lok Sabha would be extended indefinitely.

Explaining the implications of the socialist programme of her government, she made a categorical statement that the private sector would not be nationalised. Said Mrs Gandhi: "We have what we call a mixed economy. That is, *we do allow the private sector to grow*. But we think that some of the most important things which affect the lives of people should not be left to market forces but should be in government hands. *Otherwise there are very large sectors which are completely in private hands. We don't want to change that. We don't want to nationalise them*". The fact that this interview was given wide publicity in our country showed that it was not meant for foreign audiences only. Mrs Gandhi wanted to reassure the private sector in this country as well. Not unexpectedly, this interview was likely to generate a feeling of renewed confidence in the private sector, notwithstanding the recent fall in stock prices.

Limit to drop in prices

IT IS now realised that inflation could be effectively checked if the food situation remained comfortable and the output of commercial crops also was maintained at satisfactory levels. This was the lesson of the severe droughts of 1965, '67 and the galloping rise in prices witnessed in 1972-74. There were of course external pressures in the latter period which were responsible for a pronounced rise in prices and the question now is at what level prices should get stabilised and what should be the inter-relationship between incomes and a newly realigned structure of prices. The recent decisions of the government of India in regard to the revision of prices for coal, steel, petroleum products, fertilisers and aluminum clearly show that there is a certain rigidity in costs and selling prices for agricultural commodities and manufactured goods cannot be pushed back beyond particular levels.

The government spokesmen seem to be aware of the need to bring about an orderly retreat in wholesale prices and preventing a crash in values. But it has not been understood what can be the extent of retreat in prices and what exactly is the significance of the recent revisons in selling prices for manufactured goods. The confusion in this regard has led to an experimentation in price fixation as has been attempted in the case of aluminium and sugar. Entirely new approaches have been adopted for improving profitability and production of these industries. The aluminium producers may be happy about the preparedness of the central government to recognise the need for basing costs of virgin metal on realistic charges for the supply of electricity. But the policy of dual pricing and the levy of heavy excise duties may well discourage consumption seriously even when output increases sharply, and imports can be eliminated. It has also to be examined whether in the process of containing inflation and encouraging production, new pressures are not created and the efficacies of new policies are not clearly discernible because of excise duties constituting more than 80 per cent of pooled prices for virgin levy metal and more than 60 per cent of commercial grade metal on a higher base. In respect of sugar a new system has been evolved which is highly complicated in its incidence and the objective of ensuring adequate profitability, attractive prices for cane, and reasonable prices for consumers may well be defeated if some of the assumptions go wrong.

It will be clear from the foregoing that the net result of the anti-inflationery measures adopted in the middle of last year has been to prevent a further rise in prices on the scale of the first six months of 1974 and the absence of any net increase in a twelve-month period is mainly due to the fact that the rise in prices up to September last year was taking place at an alarming rate and it is now possible to claim that there has been no net increase in wholesale prices at the end of July as compared to the same month in 1974. It has also been claimed that the effect of the increases in prices of coal, steel, aluminium and other items has been marginal and the index of wholesale prices has not registered any significant rise even in sub-groups in the latter half of July.

The developments in the past twelve months are certainly creditable and it is now possible to have some idea of how the realignment in the structure of prices can be effected. It will be wrong however to imagine that after September this year the same "progress" on the price front can be achieved. Indeed, new problems have arisen and it is being asked whether the cane growers will extend the area under cultivation or cotton growers will concentrate on the production of long staple lengths in the absence of suitable incentives. The producers of wheat, rice and jute are also asking similar queries and the union ministry of Agriculture may well encounter major problems in the coming months if the targets of production fixed in the Annual Plan for 1975-76 for agricultural commodities are realised. These targets are not beyond the reach of the economy in some directions because of the distinct improvement in power availability and ample supplies of agricultural inputs.

The rainfall during the kharif season has been uniformly satisfactory all over the country and the output of kharif food crops is estimated at 69 million tonnes. And if the performance of the last rabi season can also be repeated in the next rabi season, the production of foodgrains can be easily 113 million tonnes. In spite of this prospect the government is understandably not taking any chances and arrangements are being made to import about five million tonnes of foodgrains under aid and on a commercial basis. The availability of foodgrains in the

1975-76 agricultural season will then be 123 million tonnes including buffer stocks of nearly five million tonnes at the end of July and the contemplated imports. The objective of raising buffer stocks to 12 million tonnes can be easily realised because internal consumption is not more than 110 million tonnes.

The weight of additional food production on the scale visualised may however give rise to unexpected situations if the au horities do not realise the importance of reasonable prices to growers and do not also finalise arrangements for intensifying procurement and support operations. With continuing imports a ticklish situation may arise in the last quarter of this year and any sharp fall in prices of wheat and other cereals, as is reported to have taken place in particular parts of Uttar Pradesh recently, may have a discouraging effect on food production in the next season. The true situation will reveal itself in September-October when de-hoarding of earlier stocks may also take place if kharif crop prospects brighten. Considerable advance planning is necessary to bring about orderly marketing and absorption of the record output of foodgrains.

Similar difficulties may also be experienced in respect of raw cotton and raw jute though there will be no problem of absorption of oilseeds as imports can be suitably regulated and the targets for production in this field have always been elusive. As regards sugarcane it remains to be seen whether there will be any shifts in the area under the crop with arrears of payments against earlier purchases of cane by sugar mills and the latter's inability to pay the same high prices in the next season. All these posers lead to the question at what level internal prices should get stabilised and what will be the influence of external factors. Clearly, the stabilisation of prices has to be achieved on the basis of new costs and a further reduction in prices for principal commodities and manufactured goods should be brought about with an improvement in productivity.

While the new conundrums have to be satisfactorily solved, serious difficulties may also be experienced in regard to the absorption of a higher level of industrial production. Already there is serious worry in textile industry circles and it has not been possible to decipher so far how and why consumer resistance has developed for cotton textiles and blended fabrics even with a drop in prices from the high levels of last year. Sugar consumption also has not increased on the anticipated scale and larger releases for free sale have been reflected in an exaggerated decline in open market prices. The consumption of paper too has come down sharply with the prevalence of high prices and liberal imports of newsprint. The government may well have to increase Plan outlay for enabling the absorption of a higher level of output of steel, cement, heavy electrical equipment, aluminium and other items. It may also be possible to increase exports to some extent. But the offtake of wage goods at stipulated prices, even with the elimination of undue middlemen's profits, can be ensured in larger volume only if there is also generation of larger incomes and the fixed income groups and weaker sections are helped to earn more. It is in providing answers to various questions that the developments in coming months have special significance.

How much idle capacity in West Bengal?

THE SURVEY, recently carried out by the Bengal Chamber of Commerce and Industry, on the utilisation of capacity in industries in West Bengal reveals hardly anything new but even so, its findings are important since they highlight some serious weaknesses in the country's industrial structure.

West Bengal accounts for a substantial share in India's industrial production and many of its industries contribute sizably to the earnings of foreign exchange. It is therefore a matter of concern that large idle capacity continues to exist over a wide range of industries. The chamber's survey shows that while in 1971-72, 52 per cent of the units sampled had utilised capacity in excess of 70 per cent, the proportion dropped to 37 per cent in 1974-75. In the same period, the percentage of respondents reporting utilization rates below 50 per cent rose from 16 to 45 per cent. Capacity utilisation has been low in jute, packaging, flour, cable and some other engineering industries but it was high in some other sampled units in speciality paper, tyres, industrial gases, storage batteries, electrodes and aluminium products.

The survey mentions the following factors as being responsible for capacity under-utilisation: lack of orders, power shortage, scarcity of raw materials, strained industrial relations, and inadequate financial accommodation. It would have been useful if the survey had been a little specific about the causes. For example, it could have broadly identified the types of raw materials which were in short supply and which affected the capacity utilisation in paper, engineering, packaging and chemical industries. As power shortage has been persistent and chronic for a long time, the survey could have dealt with this aspect in some detail. Inadequate financial accommodation is said to have affected capacity utilisation only in engineering items during 1971-72 and 1972-73 but in the next two years this difficulty was experienced by other industries also such as paper and packaging.

The survey has made specific suggestions for improving capacity utilisation in certain industries. For the jute industry a substantial reduction in or removal of excise duty is desired to promote the growth in internal demand for sacking, jute felts and yarn. It also calls for flexibility in credit accommodation, improvement in the yield per acre of raw jute, a buffer stock of indigenous and imported fibre, and active cooperation between government and industry in achieving economies in cost. But no suggestion has been made as to how to stimulate the foreign demand for jute goods in the short period through

subsidy or assistance in some other form.

The proposals for the engineering industries include more orders through higher public sector investments, adequate supply of matching steels, billets and welding electrodes and other raw materials and removal of the 15 per cent power cut on high tension consumers. The suggestions for the paper industry include priority by the railways for the movement of coal, telescopic rates for transport of raw materials like bamboo, "a man-made forestry programme", encouragement to development of industrial plantations through fiscal incentives, and long-term lease of forests and waste land.

Mr K.G. Khosla, president of the Association of Indian Engineering Industry, has also drawn attention to the difficulties faced by engineering units on account of lack of orders and other causes. At a meeting in Calcutta held on July 22, this year with Brig. B.J. Shahaney, Director-General of Technical Development, Mr Khosla said that in spite of the priority accorded to power development and agriculture, industries such as transmission towers, ACSR conductors, power tillers, and static diesel engines had reported around 30 per cent capacity utilisation. Wagons reported a 10 per cent increase from 29 in 1974 to 39 per cent in first quarter of 1975 and in structurals capacity utilisation fell from 31 per cent in 1974 to 19 per cent in the first quarter of 1975. Cranes have been working to 32 per cent of capacity. He observed that industries linked to government buying were worse off. It remains to be seen to what extent the higher outlay on the annual Plan for 1975-76 especially on such sectors as agriculture, power, industry, minerals, transport and communications will result in larger orders for industries in West Bengal.

The Bengal Chamber has recommended that, in order to utilise the national resources in the most effective manner, there is "a clear need for monitoring the state of capacity utilisation on a regular basis and its communication to government", and that "a measure of continuity in the government-industry liaison is thus called for". But has there not been close and continuous liaison between government and industry all these years?

Chambers of commerce and associations dealing with individual industries have been regularly putting forward their problems and suggestions to the government through memoranda as well as frequent seminars, workshops and conferences. Nevertheless, official policies hitherto had lacked effective coordination and resulted in substantial capacity lying unutilised. It is hoped that the findings of the Bengal Chamber's study will receive careful consideration in New Delhi. The government of West Bengal should also examine to what extent the chamber's suggestions can be immediately implemented. The state government has claimed that the climate for investment in West Bengal has improved substantially.

The West Bengal Industrial Development Corporation has said, in a recent report, that "in spite of the problems faced by traditional industries in the eastern region and current difficulties concerning credit and power, the growing interest of entrepreneurs is reflected in the increasing number of new companies, rising investment, and issue of more licences and letters of intent for new industrial projects in West Bengal." The total number of licences and letters of intent issued to West Bengal was only 50 in 1970 but this increased to 148 in 1971. In 1972 there was a decline to 100 but in the next two years there was an increase to 113 and 200 respectively. These figures reveal an encouraging trend. But entrepreneurs will show greater interest and enthusiasm in investing in West Bengal if they are convinced that the existing industries are able to make better use of their capacity and operate profitably.

IFFCO's performance

THE CUT of Rs 150 per tonne in the prices of its NP 24:24 and NPK 22:22:11 and 17:17:17 fertilizers, announced by the Indian Farmers Fertilizer Cooperative Ltd (IFFCO), though not called for in terms of the last month's decision of the union ministry of Agriculture to scale down the prices of several types of fertilizers with effect from July 18 by varying degrees, speaks well of the confidence of the organization's management in the operational efficiency of its two giant projects at Kalol and Kandla. These projects were completed and put on test production a few months ago.

The above announcement, which has been followed up by eight other manufacturers of complex fertilizers, is also in the true spirit of cooperation and the socio-economic objectives put by IFFCO before itself. The reduction in IFFCO's prices has been given effect to from July 18. It is expected to result in a saving of Rs 3.5 crores to the farmers in the application of fertilizers.

A pioneer in the establishment of large capacity fertilizer plants in the country, IFFCO has as well blazed a new trail in the industrial sector of our economy. Hitherto cooperatives had gone in for only some consumer industries, such as sugar and textiles, which did not require very large sums of investment. The taking up by IFFCO of the production of fertilizers was the first attempt by our cooperative movement to enter the capital-intensive and sophisticated industrial field. The Kalol and Kandla units have already entailed a capital outlay of nearly Rs. 97 crores. Slightly more than 10 per cent of this outlay has been provided by farmers' cooperatives in ten states - Gujarat, Haryana, Madhya Pradesh, Maharashtra, Rajasthan, Punjab, Uttar Pradesh, Karnataka, Tamil Nadu and Andhra Pradesh.

Considering the vicissitudes IFFCO's programme to set up the two projects at Kalol and Kandla had to undergo in the initial stages, primarily in respect of finance, the two projects have been brought on stream fairly expeditiously. The letter of intent for the Kandla project was issued in October, 1967. This was converted into an industrial licence in May 1970. The construction contracts could not be signed before June-July, 1971. The prime reason for the time lapse between the original conception of the project and the actual negotiation of construction contracts was that the basic pattern of the project underwent a major change. The Kandla project was maintained as a complex fertilizer manufacturing unit. It was, however, decided to set up ammonia and urea production facilities at Kalol near the sources of the feedstock—natural gas and naphtha—instead of at Kandla itself. The mode of foreign exchange financing too had to be altered several times. Starting as a USAID-assisted project, it changed over to the idea of borrowing funds from foreign banks. But when the interest rates of foreign banks went up substantially, the financing pattern was again altered to the ultimate government-to-government financing, involving three foreign governments, namely, the United States, the United Kingdom and the Netherlands.

Once the contracts were awarded, the progress of the two projects, indeed, was commendable. The Kalol plant, where ammonia and urea are to be produced to a capacity of 910 M.T. per day and 396,000 M.T. per annum respectively, were mechanically completed on March 15 and October 15 last year, respectively. The Kandla project, where NPK fertilizers are to be produced to annual capacity of 375,000 tonnes, was mechanically completed on August 5, 1974. The test production of ammonia started on November 5 and that of NPK fertilizers on November 28 last year. The test production of urea commenced on January 31 this year. Thus, the two projects were brought on stream and achieved high rates of production in less than 42 months from the award of construction contracts—surely, no small an achievement, even though foreign equipment delivery problems delayed the start-up operations of the urea plant by about six months.

The efficient handling of the construction work, has helped in containing the capital costs of the two projects. Despite the inflationary tendencies gathering momentum in 1973 both in India and abroad, the two projects have been completed and brought to commercial production at a cost of Rs. 97.4 crores—only Rs. 5.8 crores more than the original estimate. The slight over-run is largely represented by interest payments which fell due on account of the spilling over of the start-up operations by about six months. Whereas the foreign exchange component of the cost has been met by loans to the tune of Rs 15.45 crores from the US and Rs 11.92 crores from the UK and the Netherlands (£7 million from the UK and DFL 3,70,500 from the Netherlands), the rupee funds have been secured from cooperatives (Rs. 10.04 crores subscriptions to equity), government of India (Rs. 18 crores subscriptions to capital) and five loans—Rs 11.23 crores from the government of India, Rs 11 crores from the Industrial Development Bank, Rs 10 crores from the Life Insurance Corporation, Rs 3 crores from the Industrial Finance Corporation and Rs 2 crores from the Unit Trust of India. The government of India has also provided rupee loans to the equivalent of the British loan of £ 7 million. To meet the over-run in costs, finances are being arranged from the institutional agencies, which loans will be duly guaranteed by the government of Indio.

The test runs of both the units at Kalol as well as those of the Kandla project were successfully completed by the middle of March this year. A very significant innovation made at the Kandla project has been the use of powder mono ammonium phosphate as an intermediate raw material to overcome the limitations of phosphoric acid supplies.

Having run its two projects for nearly six months during the last cooperative year ending June 30, in which production was approximately 25 per cent of the rated capacity, IFFCO, it is encouraging to note, is aiming at raising output to about 80 per cent of the ammonia and urea-making capacities. A part of the ammonia output during the first three years of the operation of the Kalol plant is to be supplied to the Trombay unit of the Fertilizer Corporation of India. Nearly 11,425 tonnes have already been supplied to this venture and supplies have also commenced to the Nangal unit. The output of ammonia which is to be used for the manufacture of urea at Kalal itself during the current cooperative year is expected to go up to nearly 260,000 tonnes and that of urea to 320,000 tonnes. The production of NPK fertilisers at Kandla, however, may not be to the above high level of capacity utilisation as much depends not only on the availability of phosphoric acid and MAP in sufficient quantities but also on the demand for phosphatic fertilizers. The target for the year in the case of NPK fertilizers has been set at 200,000 tonnes. This means a production of approximately 50,000 tonnes of P_2O_5, which is slightly less than 50 per cent of the licensed capacity of IFFCO in this line.

The shareholding of nearly 25,000 cooperative societies in IFFCO's two projects can be expected to stand in good stead in respect of the organisation's sales. Currently, whereas the other fertilizer manu-

Eastern Economist 30 Years Ago

AUGUST 17, 1945

It was no more than a coincidence that the Governor of the Reserve Bank of India was scheduled to address the eleventh annual general meeting, of the shareholders of the Reserve Bank within a few hours of the first atomic bomb raining on Hiroshima, followed by the Russian entry into war against Japan. Certainly when he was reviewing the state of finance and currency during the last year and outlining the problems of post-war economy, Sir C. D. Deshmukh himself did not believe that the advent of peace would be coming so soon after he had spoken. Nevertheless it was quite clear that the defeat of Japan could not be long held over and at the time of the collapse of Germany in early may last, we gave the warning that the Government's short-term and long-term planning work can no longer proceed on the assumption that the advent of peace is a remote contingency and pleaded that peace—even when it comes with a clear warning—should not find us as sordidly unprepared as the advent of war found us. The suddenness with which Japanese surrender came no doubt took everyone of us unawares, and more so the Governments which have not yet made their post-war plans ready for immediate action. The Governmens s planning work has all the time been proceeding at a leisurely pace and always one step behind the march of events. Neither could it be said that their plans have been conceived on a scale commensurate with the bigness of our task. The sudden end of the war has again jerked the governmen into the posture of alertness over their post-war economic programme.

facturing units in the country have been obliged to carry sizeable stocks of finished products as inventories due to slack demand till lately, IFFCO's inventory position has not been that acute, though in absolute terms, it might appear so. The urea stocks with IFFCO in the beginning of last month were of the order of about seven days' production and those of $P_2 O_5$ of about 33 days' output. With the picking up of kharif operations and the staggering of imports of fertilizers in terms of the decision of the government about two months ago, the inventory position of IFFCO would have improved considerably. The organisation currently supplies fertilizers to all the ten states from where the cooperative societies have subscribed to its share capital.

Despite the above advantage in marketing, IFFCO, significantly enough, is not relaxing its efforts at the promotion of fertilizer use. Its trained extension workers, numbering about 200, are still keeping an intimate contact with the co-operative infrastructure and the farming community. This should be helpful to IFFCO when as a result of the commissioning of the SPIC, Mangalore, Barauni and Namrup expansion projects and the acceleration of production at Kalol and Kandla, the indigenous supply of fertilizers this year goes up by about half a million tonnes of nitrogen alone.

The expansion plans of IFFCO too are understood to be making steady headway These include the setting up of a half-a-million tonnes urea plant at Phulpur in UP and a phosphoric acid plant at Kandla to produce 240,000 tonnes of phosphoric acid. High priority is being accorded to the construction of the Phulpur plant, the foundation stone of which was laid by Mrs Indira Gandhi in January last year. Originally estimated to cost Rs. 165 crores, this unit might now entail, thanks to inflation, an expenditure of Rs 180/190 crores if executed as imtially planned. However, IFFCO has been fortunate in that naphtha has been made available to this project as feedstock with the result that the estimates can be held within Rs 150 crores. The World Bank has sanctioned a loan of $109 million (Rs. 85 crores) for meeting the foreign exchange cost of the project. For meeting the rupee expenditure, the constituent co-operatives of IFFCO are expected to contribute nearly Rs. 22 crores and the government of India approximately Rs 40 crores. The rest of the capital requirements are envisaged to be met through loans from a consortium of Indian financing institutions, including banks.

A good deal of preliminary work has already been completed in regard to the Phulpur project. Some work, however, may have to be redone as a result of the permission granted by the government of India recently to base this project on naphtha instead of fuel oil. The change in the feedstock has been allowed in view of the expectations of the easing of naphtha availability by the time the project goes on stream in 1978.

The implementation of the phosphoric acid plant at Kandla, however, is proposed to be phased out, primarily due to financial stringency. The ultimate capacity of 240,000 tonnes of phosphoric acid is now envisaged to be established in two stages. During the first phase, 120,000 tonnes capacity is to be established. Along with the setting up of the phosphoric acid plant, the NPK capacity at Kandla is also proposed to be raised to 9,00,000 tonnes per annum. The entire programme is estimated to cost Rs 65 crores—about Rs 5 crores more than the original estimate.

Having successfully pioneered the entry of co-operatives in the capital-intensive industrial field, the IFFCO management feels that co-operatives in the near future may also enter such other farm-oriented industries as tractors, irrigation pumps, diesel engines, agricultural implements, pesticides, chemicals, rice and dal mills, oil extraction plants, ginning mills, etc. This, indeed, will be a great step forward by our co-operative movement and should augur well for not only agricultural development but also for taking the message of industry to the countryside.

It, of course, is too early to judge the profitability of IFFCO, as the working of its manufacturing units has just entered the stage of commercial production. It is, however, heartening to note that stage of commercial production has been reached without undue accumulated losses.

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys imporbtant developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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POINT OF VIEW

Thousand flowers can bloom

P. N. Malhan

UNEMPLOYMENT AMONG the educated youth in India is a colossal problem. Can it be tackled? Can we stop the brain drain and end cases of human tragedy and frustration by creating self-employment opportunities for the educated youth, including those who are technically and commercially qualified? That two engineers at Ahmedabad and one former army officer at Delhi have started sale of vegetables through improved method is an act of individual initiative. Japan built her export-oriented small industries by the introduction of simple light machinery on a labour intensive basis. The growth of ancillary and cottage industries in Holland the Scandinavian and east European countries was another way to solve the unemployment problem. The banks stimulated entrepreneurial development by acting as catalyst in multiplying the productivity of capital in Japan, West Germany, France and other European countries. Holland evolved technical consultancy services in which field engineers in collaboration with research institutes provided specialised knowledge to the small manufacturers.

Some partial solutions and programmes were mooted in the past in India too: in the Sapru report, the schemes of the ministry of Technology and the Council of Industrial Research as well as in the plans relating to the Land Army, the Rural Works Programme, the Community Development, National Extension Projects, Maharashtra Job Guarantee Plan and the 'Village Challo' movement. But these schemes never sought to tackle adequately the self-employment problem, nor did they launch massive supporting plans of bankable projects nor evolved suitable infrastructures.

right focus

The Planning Commission in its draft Fifth Plan report however shifted its focus in the right direction. Apart from general programmes of extending employment opportunities, it initiated a plan to create more opportunities on self-employment basis in four areas: (1) the traditional small industrial sector; (2) the sector producing mass consumption articles; (3) export promotion-based industries; and (4) industries in selected growth centres in semi-urban, rural and backward areas. To this end, it envisaged labour intensive programme with self-employment potential and multiplier effect in particular for the educated unemployed and technical personnel. It also asked the state governments to secure maximum employment for the educated unemployed but with minimum direct government investment and support. The programmes under this plan are to use institutional finance and government assistance only for purposes of providing seed capital, margin money and for meeting training expanses and incidentals. The plan sought to proceed by phases and, to start with, it intended to concentrate on specific categories of unemployed, viz. (i) technicians registered with the employment exchanges on December 31, 1972 and still unemployed; (2) educated unemployed either from families having no sources of income or those who belong to scheduled castes, backward classes, scheduled tribes and minorities; (3) disabled educated youngsters: and (4) war widows.

new dimensions

The problem has now assumed more helpful dimensions in the new dynamic policy of integrated rural development through intensive agriculture in small farms coupled with agro-oriented industries through adequate support of finances and other inputs as well as servicing and marketing facilities. For successful implementation of this bouyant programme, however limited, there is need to streamline the ill-conceived and inadequate infrastructure that obtains today to meet the multifarious requirements of entrepreneurs. The system has been slow and the procedure has been conservative and static and involves the interaction of too many authorities for entrepreneurs to start with their projects.

To provide a workable basis for the scheme of entrepreneurial development a five-fold strategy is needed: (1) identification of bankable projects and preparation of project profiles; (2) grooming of entrepreneurs; (3) provision of sinews and facilities to make products and services of the new projects growingly and competitively marketable; (4) offering continuous consultancy to entrepreneurs; and (5) building up an integrated and responsive infrastructure for entreprenurial development.

Apart from employment opportunities to be created by the specific plans or the new economic programme as such, the traditional small and medium industrial sectors in rural and urban areas will continue to provide an infinite scope for self-employment-based entrepreneurial development. The increasing old and new demand and local resources based small scale agro, home and cottage industries as well as the accompanying service, supply and distribution units offer a vast field of new opportunities.

large opening

Small scale and medium industries producing mass consumption articles and ancillary units feeding the large and medium sectors together can also provide large openings to the budding entrepreneurs. In this sector the sewing machine, boiler, steam and internal combustion engine, locomotive, rolling stock, automobile, agricultural and earth moving machinery, commerical office and household equipment, industrial fasteners, domestic electric appliances, stainless steel cutlery, electronic goods, air conditioners, cold storage equipment, thermoplastic, mineral oil, ferrous castings, food processing, leather and sports goods industries have great scope for starting new ancillary service and replacement enterprises.

The export promotion industries, especially the engineering goods, cotton textiles, handicrafts and electronics, hold a vast promise to engineers. In addition to these recognised sectors the development industrial research and aid giving institutions can probe other areas for locating opportunities and there should be no dearth of them in our expanding economy. With the help of agricultural and other universities, technical institutions, employment bureaus, development banks and other agencies involved in the process of techno consultancy, a data bank can be set up which can provide documented information to the needy entrepreneurs.

Whatever the field chosen, entrepre-

neurs must be put on their feet. They require credit and other inputs and techno-consultancy at various phases of project development as well as common operational and marketing facilities, cheap equipment and material. For this purpose the entrepreneurial development infrastructure must adopt a flexible and sympathetic policy.

The consultancy service, which is to be integrated with finance and training programmes would be required at the pre-investment stage for detailed planning of projects, drawing up of profiles and completion of application forms for obtaining loan, accommodation, water, power, finances, raw materials etc. At the second phase entrepreneurs would need consultancy for the preparation of detailed project reports for implementation, scheduling of financial inputs and for building purposes. Consultancy for production and management in the third phase will be required for the manufacturing process, productivity, costing, pricing, product marketing and promotion, inventory control, labour and financial management and the like.

Entrepreneurial development requires coordination and timely supply of inputs. It also calls for collaboration on the part of various authorities involved—governmental, bank, small scale industrial, technical and other development agencies. The banks have to accept the role of a venture bank as suggested by the Thakkar Committee, as pleaded by the union Finance ministers from time to time and as contemplated now by the regional rural banks scheme. For coordination between the consultancy, financing and training infrastructures as well as collaborative functioning of incentives, market intelligence and research will have to be assured.

improved technology

Improvement in technology is indeed very important in small scale and medium industrial sectors and it is for want of this that many entrepreneurs in the past had gone out of gear. Greatest attention is therefore required to be paid to this aspect. If Japan's experience could provide any guidance, it is the cumulative result of myriads of relatively small improvements in technology which do not depart radically from traditional ones and would not require large units of new investments that can provide wholesome improvements in our industry. Much of the really substantial economic growth in India will also be required to be sought in terms of modest type of improved technology which can be easily adopted at minimum cost and yet offer more production and better returns or incomes.

In several states there already exist agencies which can provide package of services needed for setting up suitable new enterprises. These will have to be activised and extended to meet the increasing demands for entrepreneurs in the developing rural areas. It is gratifying that the Planning Commission and now the new economic programme after the emergency have underscored the urgent need in this respect. Consistent with the new programme, suitable administrative, financial and procedural measures will have to be adopted to ensure ethical and efficient business practices and professionalism of management among the new entrepreneurs.

important lesson

One important lesson that we can learn from successful countries in this direction is the need of dynamic field work. Inputs and consultancy must be provided to the entrepreneurs on time. This obviously requires an integrated management and multi-tiered machinery (at block, district, state and central levels) with headquarters (as in Japan) located at the Prime Minister's Secretariat or at other appropriate level to ensure centralised direction and full financial and administrative backing. The procedure requires to be expeditious and helpful to avoid frustration among the entrepreneurs. All this warrants a policy of dynamic administration and a quick-moving and responsive machinery which can offer timely consultancy, seed capital, technical aid and training to the applicants as also provide assistance in procuring cheap raw materials and equipment. The infrastructure must also ensure provision of marketing intelligence, research and distribution facilities.

The existing institutional aid machanism has not achieved much results because the main responsibility had been placed on the state governments which lack means and management ability in the matter. The role of development credit giving institutions has been passive and too much credit-worthy biased. The need is to evolve a bold strategy of helping entrepreneurs more actively at all stages to enable them to achieve break-through as early as possible. Also efforts will be required to stimulate these entrepreneural enterprises to grow gradually into large and progressive ventures. Intelligence and documented information on sale outlets, research and development would help the new entrepreneurs to grow quickly and market their wares on a competitive basis. The government being the single large purchaser can also encourage the budding entrepreneurs by purchasing their products and services on preferential terms.

A conglomaration of men, machines and money however will not by itself make a successful enterprise, just as musical instruments alone will not produce soul-stirring music. The kingpin in the whole scheme of self employment is the entrepreneur who has to deliver the end results. His selection and grooming is thus of utmost importance. This task requires first the selection of a person with right attitude and then training him to grow into a right type of entrepreneur. A person who is merely a manager or an investor expecting quick returns can not be a good entrepreneur, nor can be an accountant or a sales manager or a production engineer who looks upon things from only a particular angle. Also will be excluded from the list a person who likes to run the concern in a traditional way. True that an entrenprenur has to be a bit of all these, but he has to be something more. He is to be basically a committed man who can conceive an idea, execute it into a workable and viable project, promote it to secure investment and assistance from government and developmental agencies and manage it efficiently to be able to sell his product and services in the market on profit and competitive basis.

mortality rate

Studies have shown that in nearly 97 per cent of all business failures the underlying reasons are ill-management and weak planning. To be specific these could be inadequate sales, heavy operational expenses, expensive capital and fixed assets, poor location or any other operational defect. It has however been observed that mortality in the case of a new small business is lower than in a bigger undertaking and that it occurs mostly in the first few years. The key to success therefore is a spirit of venturesomeness and efficient management. Unfortunately our social values place great emphasis on security and immediate return. This value will have to be transformed in favour of a dashing spirit of innovativeness, courage to explore new areas and efficient husbanding of resources and opportunities. The test of managerial ability is the capacity to utilise efficiently inputs - financial, material and human—in such a manner as to increase the cost effectiveness and to promote a chain of productive and socially useful activities which can stand the test of healthy competition.

Managerial dynamism or resourcefulness are the gift bestowed only on a few, but they can also be cultivated and acquired through professional and managerial training. It is therefore the duty of the welfare state to stimulate and encourage promising entrepreneurs who can employ new ideas, new ways of looking at things and new ways of planning and managing things. The governmental and voluntary developmental agencies in India must all pool their resources and coordinate their aid consultancy and training programmes in order to create a congenial climate and soil for thousands of new entrepreneurial flowers to bloom.

Recent trends in fundamental economics

S. K. Ray

ECONOMICS DURING the last few decades has shown a propensity to get itself enmeshed in mathematics. What started with branches of economics such as demography and statistics, has now swept over the greater part of monetary and applied economics, including planning and development.

It is necessary to appreciate the extent of this trend and its impact on the study and research in different branches of economics, *fundamental economics* inclusive.

The trend started in Keynes' heyday, and, while discussing a group of economic variables in the Pigovian economics, Keynes found it necessary to caution against extreme mathematisation of economic analysis.

The latest trend of mathematising economics has increasingly confined economic dissertations to what may be called a non-competitive group. This became manifest particularly in the later post-Keynesian period, and more than most in the works of monetary and pricing theorists. A whole new branch of completely mathematical economics, sometimes being loosely grouped as fundamental economics, has also developed, spearheaded by Samuelson in recent times. Some of the consumers' surplus theorists have also taken to intricate mathematical models and presentations.

Keynes' caution

It was in his *General Theory of Employment, Interest and Money* that Keynes cautioned against the excessive tendency of mathematising the study of economics. He said, "too large a proportion of recent mathematical economics are mere concoctions...which allow the author to lose sight of the complexities and interdependencies of the real work in a maze of presentations and unhelpful symbols." (Keynes—*The General Theory of Employment, Interest and Money*; Appendix to Chapter 19; Macmillan & Co., London, 1951).

Keynes for one thing had always emphasised that there is no point in building up a theory on a pyramid of presumptions, both at the base as also at the tiers and the apex, where such presumptions are dissociated from the economic variables which are played in respect of the economic phenomena which such economic theory aims to explain. One cannot say that such an approach was unique to Pigou, for even economists like Marshall and Kahn in the days of classical economics tended to do so. But while Marshall and Kahn had never meant to say that their theories covered all possible economic variables relevant to a theory, Pigou reduced his theories (of employment and wages) to an exercise in simplicity and assumptions.

exploratory approach

It is true that Marshall and Kahn were exploring in the new concepts of economics and laying down the infrastructure of economic research. They did not know of many of the economic forces at play, and many of the economic variables remained to be identified, but they did underscore this exploratory approach in their dissertations. They did not cover up the inadequacies of their research in, what Keynes later decribed as, a maze of symbols.

Keynes took up cudgels against extreme mathematisation of economics, for the first time while writing a critique on Pigou's treatise, *Theory of Unemployment*. According to Keynes, we may regard Pigou's volume at the most as a non-causative investigation into the functional relationship which determines what level of real wages will correspond to any given level of employment. But his theory has not been able, according to Keynes, of telling us what determines the actual level of employment; and on the problem of involuntary unemployment it has no direct bearing. These are, in fact, only two of the main inadequacies that Keynes had spotlighted in his criticism, but he has referred to a host of others. (Keynes *ibid*).

The main charge of Keynes against the Pigovian theory of employment has been the alleged attempt to detract from the absence of adequate causative investigation in a mathematical cobweb, with symbols and models galore.

wooden block

Keynes has been rather merciless in upbraiding Pigou's mathematical formulations. What Keynes has criticised in his *magnum opus* is nothing short of a veritable demolition.

Pigou wanted to write a book, and, therefore, he wrote one. While doing so, he picked up a number of wooden blocks, so to say, which were his premises, and he built his theory in this treatise on the edifice of these blocks. It so happened that these blocks were all wooden or, in other words, presumptive and divorced from the realities. As a result, his theory had nothing to do with a correct exposition of facts, or with pragmatic deduction of conclusions therefrom, in an effort to determine fiscal policies on economic development.

Chamberlin, and a host of other economists, like Kurihara in later years, supported Keynes to the hilt, and a number of them (particularly Triffin) established by didactic analysis that Keynes was correct in his conclusions about too much reliance on mathematical models in the formulation of economic theories and their subsequent applications.

According to Keynesian school of thought, the pitfalls of a pseudo-mathematical methods which can make no progress except by making everything a function of a single variable, and assuming that all the partial differentials vanish, could not be better illustrated than in Pigou's work. "For it is no good to admit later that there are in fact other variables, and yet to proceed without re-writing upto that point." (Keynes—*ibid*). And this is exactly what Pigou did, and so too did many of the later fundamental theorists.

Economics from the time of Marshall to Kuznets has been considered basically

as a study in humanities. A part of economic research during the last two decades, taking a leaf from Pigou, however, has made it a study more in econometrics rather than in economics. Increasing recourse has been taken to contain economic laws to finely chiselled propensities. The age-old belief that economic laws cannot be axiomated with physical laws has been ignored.

In order to fit economic theories into statistical or mathematical models, a large number of assumptions have been made and economic laws have been reduced to the category of straitjacket rules or norms of algebra or arithmatic.

In this category of economic research too much has been made of the economic laws. The flexible economic law of yesterday has been made to take the shape of a geometric theorem, so to say, in order to mathematise the framework of monetary management and fiscal policy or plans for development.

isolated scholarship

The extent to which this has been done is not any more in the nature of an isolated scholarship, or a Pigovian eccentricity, as Keynes would have put it. The phonomenon today covers a substantial part of post-Keynesian economic thought, at least during the last two decades.

The trend has had two immediate effects. First, fundamental economics is fast becoming a preserve of the mathematical specialist. Even brilliant exponents of economics, whose mainstay has not been mathematics, feel like outcastes as far as today's exposition of economic phenomena in the range of fundamental economics is concerned. This has happened not only in government circles like the planning and the tariff commissions and economic study groups, but also in the mainstream of economic scholarship.

Secondly, the application of economics in today's finance, commerce, fiscal and tariff policies, international trade, planning and development, has become presumptive rather than pragmatic. Plans are being worked out in different areas of economic thought based on conclusions derived from a number of mathematical models, which themselves have been worked out from predetermined norms formulated on the basis of geometric, quantific, statistical, demographic or such other mathematical appraisals.

That is all right, as far as it goes. Trouble has arisen in view of the fact that in many cases these models have been raised on inadequate investigation of economic phenomena which were irrationally simplified by casting away a number of variables on which researches have not been made, and taking recourse to presumptions in respect of some others.

In such analyses flexibility is the immediate casualty. A typical mathematical formulation of this nature resembles a building where it is difficult to demolish a wall or a pillar without demolishing the entire structure or a substantial part of it.

In economics as a humanitarian science, in the sense we understand it, changes in the socio-economic phenomena, or in relevant substantive or peripheral economic laws, have been duly reckoned with, and adjustments made in the ideation of the economic theory and the ramification of planning and development. Contrary to many of today's mathematical projections of economic thought, economics in the humanitarian sense used to be based on a continuous process of exploration, and, let us admit, used to make room for adjustments in the theory as also in the dynamics of development.

We never thought that once an economic law was given, it was perfect, and that it would determine all future developments based on it, or in pursuance of it. The law itself was subjected to continuous research and would often give way to a new law, it found necessary, from fresh findings and explorations. It has not been, as it is in today's mathematical economics that a law was supreme once and for all.

the theory

To give an example of such a phenomenon, we again revert to Pigou. In his *Economics of Unemployment*, Pigou theorised, "with perfectly free competition amongst working people and labour perfectly mobile, the nature of relationship (i.e. between the real wage rates for which people stipulate and the demand function for labour) will be very simple. There will always be a strong tendency for wage rates to be so related to demand that everybody is employed. Hence, in stable conditions everyone will actually be employed."

There is no doubt that such a simplification of the realities as Pigou had to adopt in order to fit his premises to a theory does not stand the test of today's economic behaviour. Pigou propounded this theory by taking recourse to mathematical presumptions and models, and preferred to ignore all the while a large number of variables—not that he was not vaguely aware of some of the possible variables.

This is what happens when an economic law, once formulated, is idealised as a conformist norm of economic behaviour. It becomes so rigid that it ceases to be applicable in actual fiscal and monetary policies. It ceases to become applicable once the presumptions are proved wrong or new factors complicate the simplified assumptions.

automising knowledge

Today's mathematical economics is fast becoming a science in which we are increasingly trying to automatise knowledge and making the doctrine subservient to trends, norms or patterns or whatever we might call it. Even in the formulation of our planning strategies, through economic models based on mathematics, we frequently get away from our conclusions, however much divorced from realities they might be.

Even though not initially discovered, but brought about by subsequent changes in circumstances, we cannot break our house of cards of a mathematical model. This is because of our mental and theoretical allegiance to certain presumed mathematical premises, on which we initially build our theory. It was in this context, in a way, that the Minhas controversy arose.

This experience is becoming more manifest in developing economies, where even the study and application of humanitarian economics had not reached a degree of development. In these countries, including our own, cultivation of economics was next to nothing in government establishments or commissions, and even in the universities it seldom went beyond a study and appreciation of the classics and was hardly ever manifest in any independent work of authority.

Taking shelter under mathematical economics, it has today generally become more or less an excercise in arithmatic, based on norms and presumptions. In the applied branches of economics such as planning and development, therefore, this is giving rise to a host of distortions in the economy with every wave of change in circumstances.

A lot of naivette has permeated economic analysis and it is being increasingly felt that an economic theory needs to be built more on a complete investigation of economic variables rather than on a host of presumptions, window-dressing the latter by mathematisation. Even in fundamental economics, a charlatan tendency to overlook vital factors should be deprecated. In formulating an economic theory on a fiscal or monetary policy, there is no objection to the use of mathematics but not to partial or complete exclusion of an objective analysis of all the relevant economic forces.

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Performance of Unit Trust of India

B. R. Ananthan

THE UNIT Trust of India, first of its kind to be in the public sector in the world, was established in 1964 under the Unit Trust of India Act of 1964. Out of the two institutional security buyers in the country, UTI is one, the other being Life Insurance Corporation of India. It has already completed a decade's yeomen service towards the industrial development of the country.

The basic objective of the UTI is to offer both small and large investors the means of acquiring shares in the widening prosperity resulting from the steady industrial growth of the country. It helps the country by channelling savings into productive investments. This aside, it helps the industries, both existing and new ones, by directly participating in their capital structure in the form of buying equities, and debentures and indirectly by underwriting the new capital issues.

Investment institutions have the responsibility of incalculating investment habit in the people on the one side and helping industries in various ways on the other. How far UTI has been successful in its endeavour is a question to be answered. An evaluation of various Unit schemes and investment policies framed during the last decade would give the answer.

tax incentives

Under the UTI Act the trust is authorised to make a Unit scheme for carrying on the business of a Unit Trust. Under the scheme, the face value of each unit is not to be less than Rs 10 or more than Rs 100. To popularise the Units and amass savings by inculcating the investment habit, certain incentives in the form of tax concessions have been given to the Unit holders. The trust is exempted from the payment of any type of tax on its income. In the beginning, individual unit holders were exempted from income tax on income upto Rs 1,000 received from the Trust. Subsequently a presidential ordinance amending the UTI Act and the Indian Trusts Act raised the exemption limits for income and wealth tax payers who invest in units. While the exemption limit for income tax on income from units has been raised to Rs. 5,000 including income from certain approved investments, that for wealth tax has been raised upward from Rs. 1.5 lakh to Rs. 1.75 lakh provided Rs 25,000 of it are invested in units. In fact this tax incentive has been one of the factors in pushing up the unit sales from Rs 19.1 crores in 1964-65 to Rs. 30.64 crores in 1973-74.

sales arrangements

To suit the different classes of savers, UTI formulated different Unit schemes from time to time. For promoting the sale of Units, the Trust has built up a network of sales arrangements. The number of approved agents and brokers have gone up from 3641 and 362 in 1972-73 to 4481 and 379 in 1973-74 respectively. Besides the Trust's offices, sale of units is also carried out at over 16,000 branches of the leading banks and 20,537 post-offices in the country. The various unit plans evolved by UTI are :

(a) Re-investment Plan (b) Children's Gift Plan, (c) Voluntary Savings Plan, and (d) Unit Linked Insurance Plan.

The re-investmeut plan, introduced in 1966, enables the unit holders automatic re-investment of their dividend income in further units. This plan has become quite popular and sales of units and the number of participants in it have increased from Rs. 9 crores and 21,333 in 1972-73 to Rs. 1.17 crores and 25,794 in 1973-74 respectively.

In July 1970 the Trust introduced the Children's Gift Plan. It enables the building up of capital over a period of years in the form of units in favour of minor children for their use when they are 21 years of age. During 1973-74 the Trust received 3173 applications for purchase of units amounting to Rs 75.42 lakhs compared with 2333 applications for Rs 58.59 lakhs during the preceding year.

The Voluntary Savings Plan was introduced in 1969. At the end of June 1974, the outstanding sales under the Plan amounted to Rs. 7.04 lakhs. Payments made under the plan since its inception had not been satisfactory and, therefore, the plan was terminated from June 30, 1974.

Unit Linked Insurance Plan, formulated in co-operation with the Life Insurance Corporation of India, was brought into operation in October 1971. During the year, 2742 persons with a target amount of Rs 2.19 crores joined the plan. Sale of units under the plan increased from Rs 12.96 lakhs in 1972-73 to Rs 33.03 lakhs in 1973-74. As on June 30, 1974 Units sold and outstanding aggregated to Rs. 48.97 lakhs in respect of 4519 applications. The progress of the plan could have been better as this is a contractual savings plan with the advantage of insurance cover.

The Trust's investment policy is declared to be balanced, the fund being invested in both equity and fixed income securities. But the Trust appears to be conservative in taking security-wise investmant decisions as is reflected in Table I.

investible funds

The total investible funds of Rs 172.09 crores were invested oves a large number of industries. Investment in ordinary and preference shares and debentures amounted to Rs 77.90 crores, Rs 16.38 crores and Rs 53.22 crores respectively. Money at call with banks amounted to Rs 6.1 crores as against Rs 5.54 crores in 1972-73, a decline of Rs 0.56 crores. The balance was invested in government securities, corporation bonds, advance deposits for shares and debentures, bridging finance to companies or fixed deposits with companies. Equity investment of around 45 per cent (which was less than 40 per cent in earlier years) clearly brings home the conservatism on the part of UTI. But conservatism on the part of Trust in quite understandable because of its monolithic nature. Besides, the investments of the Trust are to be valued daily in order to determine the

sale and repurchase prices of the Units. This consideration bars the Trust to invest in unquoted securities. But even without these constraints, the Trust could be bolder in the sense that it could diversify its equity investment in order to enable the growth-companies to expand further, though the returns could be had only in the long run. It is quite disheartening to note that its investment in the income-companies ranges from 90-95 per cent of its total investible funds whereas investment in growth-companies account for less than one per cent. In the long-run interest of the country's industrial progress, the Trust could balance its equity investment, of course, not by risking the unit-holders' money, but on a selective basis. This requires some dynamism on the part of UTI.

TABLE I

Employment of UTI's Funds as on June 30, 1973 and June 30, 1974, Categorywise.

Type of Investment	Investment (Rs. in crores)		Percentage to total Investible Funds		Percentage† to total Investments in Corporate Securities	
	30.6.73	30.6.74	30.6.73	30.6.74	30.6.73	30.6.74
Ordinary Shares	60.73*	77.90*	42.8	45.3	49.1	52.8
Preference Shares	14.86	16.38	10.5	9.5	12.0	11.1
Debentures	48.10	53.22	33.9	30.9	38.9	36.1
Total investment in Corporate Securities	123.69	147.50	85.7	85.7	100.0	100.0
Bonds of Public Corporations and Govt. Securities	0.22	0.26	0.1	0.2		
Advance deposits in respect of ordinary shares, preference shares and debentures	7.76	10.19	5.5	5.9		
Advance call deposits	0.03	0.02	+	+		
Bridging Finance	0.80	1.70	2.5	1.0		
Other Deposits	3.25	5.86	2.3	3.4		
Application Money	0.67	0.42	0.5	0.2		
Money at Call with Banks	5.54	6.14	3.9	3.6		
Total	141.96**	172.09**	100.0	100.0		

† Covers fund of both the 1964 and the 1971 Unit Scheme.

* Includes investment in nationalised banks.

** Inclusive of stamp duties, commission, transfar fee etc. capitalised.

\+ Less than 0.05 per cent.

Source : RBI Bulletin November, p. 2147 1974.

satisfactory performance

Looking at the resources, the dividends declared year after year and diversified investment portfolio of the UTI, the decade's performance of the Trust appears to be quite satisfactory. Table III shows the dividend declared by UTI since its inception.

There is no doubt that UTI has evoked a good deal of interest among the investing public and has thrown open fresh area of investment. But to what extent has it contributed to the spread of investment habit? The answer is quite unsatisfactory. Units are quite popular in areas of habitual investment —concentrated in western India followed by an average interest in the north and east and very poor response in the south. Of course this is directly in proportion to the stock market activity in the respective zones. The stock market had rarely been active in the south.

Companies in south are, by and large, family holdings. There are also not many industrial houses of the stature of those seen in Bombay and Calcutta coming out with frequent expansion programmes. The result is a dormant stock market in whose activities there is no widespread interest.

The knowledge and interest in share-

holdings has been widespread for a number of years in the western region. There is a keen desire to float medium and large sized companies with the help of institutional finance supplemented by public subscription. Unfortunately, there has been no such desire on the part of the entrepreneurs in southern states. The result is the continuation of a large number of medium sized companies which finance expansion schemes through internal financing.

Karnataka and Tamil Nadu are now desirous of breaking through their almost dead stock market and are trying to industrialise through state or joint ventures. Recently there has been considerable increase in the acquisition of Letters of Intent and licences for medium and large scale industries. With the capability of governments, such as Karnataka and Tamil Nadu, to raise large additional resources through intelligent mobilization efforts, it might be considered whether they cannot canalise these towards stimulating the interest of the public in investment. They can even think in terms of formulating a state level unit trusts. After all, these states have been highly successful in schemes such as lotteries which are proving to be unprofitable in most other states. Instead of offering the public a chance to gamble, they can try to give it a participation in large companies that are being floated. If a beginning is made in this direction, at least within the next decade, interest towards investment will spread.

TABLE II

Industry-wise Investment of the UTI as on June 30, 1973 and June 30, 1974

(Rs in lakhs)

Industry	Total Investment		Percentage to Total	
	30.6.73	30.6.74	30.6.73	30.6.74
1. Aluminium (Basic and Foundries	710.63	751.33	5.75	5.09
2. Banks and Investment Companies	260.34	297.92	2.10	2.02
3. Cement	862.88	991.68	6.98	6.72
4. Chamicals and Pharmaceuticals	971.09	1,344.99	7.85	9.05
5. Coal	45.00	45.01	0.36	0.31
6. Electricity Generation and Supply	1,291.63	1327.75	10.44	9,00
7. Engineering	1777.07	2145.53	14.37	14.55
8. Glass & Potteries	33.28	47.07	0.27	0.32
9. Iron & Steel (Basic and Foundries	1124.93	1446.39	0.09	9.77
10. Paper and Paper Products	349.97	481.15	2.83	3.26
11. Plantations (Rubber, Coffee, Tea)	143.58	157.30	1.16	1.07
12. Shipping	162.45	250.72	1.31	1,70
13. Sugar	224.13	244.89	1.82	1.16
14. Textiles	2202.34	2527.89	17.81	17.14
15. Transport Equipment	853.09	1049.23	6.90	7.11
16, Rubber & Rubber Manufactures	289.39	441.41	2.34	2.99
17. Miscellaneous	1066.46	1216.09	8.62	8.24
	12369.06	14750.41	100.00	100.00

Source: R.B.I. Bulletin, Nov.74, p. 2148

TABLE III

Dividend Declared by UTI

Year	Dividend percentage	Year	Dividend percentage
1964-65	6.1%	1970-71 to	
1965-66 to		1971-72	8.0%
1967-68	7.0%	1972-73	8.25%
1968-69	7.1%	1973-74	8.5%
1969-70	7.2%	1974-75	8.6%

Source: UTI Annual Reports.

promoting shareholding

It is the duty of institutions like the UTI to try to spread the investment habit. An institution of this type has the responsibility, besides ensuring a steady return to the unit-holders, to promote shareholding among a wider cross-section of people. Rather than concerning only with return and profitability of operations by taking up the line of least resistance such as confining its operation largely in areas where shareholding habit is familiar, the UTI must move out either by the formation of regional unit trusts or by more intense activity in areas not familior with units and investment in shares.

In the years since UTI has been formed there has been little that has been discernible in the form of increasing awareness on the part of the public of the southern region towards units or the UTI. It is not sufficient to merely select a few large companies for investment purposes and show bright balance sheets. Its object should be to spread consciousness for industr ial investment through a positive role in areas hitherto unexplored.

WINDOW ON THE WORLD

World's eye view

Jossleyn Hennessy, London

> **Jossleyn Hennessy is now on holiday and will resume his dispatches from London in our issue dated September 19.**
>
> **—Editor**

I

Decelerating Inflation in W. Europe

THE WORLD-WIDE economic recession took a sharp turn for the worse in the winter of 1974-75. The main reason for this was (a) the restrictive policy pursued by a number of countries to combat inflation and (b) balance of payments difficulties the effect of which on output was magnified by the large rise in oil prices. The steep increase in unemployment persuaded the economic authorities to ease the restrictions or to take expansionary measures. However, moderation still was imposed by considerations of stabilisation and external policy.

In western Europe the economic recession has taken a marked turn for the worse. One contributory factor was the spreading of the recession to France, Italy and Belgium. Demand forecasts in these countries had at first been optimistic after the oil shock had been absorbed, not least because inflation was accelerating. But in the light of the unexpectedly harsh restrictive policies in the latter part of 1974 and of the recessive trend in West Germany and the non-European industrial countries, these did not materialise. Generally, involuntary stock building in western Europe increased. This promoted companies in basic industries, and in the motor industry in particular, to make large cuts in production in the late autumn of 1974. The recession in the building industry also continued. Capacity utilisation in the economy as a whole dropped sharply.

reduced working hours

The rise in unemployment accelerated. However, the unemployment figures inadequately reflect the extent of underemployment. Cuts in the standard working hours and cutbacks in overtime apart, short time working was introduced on a considerable scale, compulsory leave-taking imposed and limits put on the employment of foreigners. In a number of countries too, the unemployment statistics did not reflect the increase in the number of unemployed school-leavers. The deterioration in employment helped to reduce the number of strikes and slow down the rise in nominal wages in most countries.

The expansion in private consumption slackened with unexpected suddenness in almost all countries during the winter. The crucial factor here, apart from the slower rise in real disposable incomes, was the marked increase in the propensity to save, particularly the rise in precautionary saving because of increased unemployment.

The demand for investment goods has turned down sharply in most countries. In several, where investment demand was still relatively brisk until the summer of 1974, e.g., in France, Belgium and Austria, expansion slowed down markedly. The low increase in private consumption and the downturn in exports, as well as the simultaneous decline in profit rates, had a strong negative impact on industry's investment plans. Investment in the energy sector too looks like falling short of expectations, not least because of the uncertainty over future trends in oil prices. Order books in the building industry, particularly for housebuilding, slimmed further in all countries. High financing costs and subsequent sales problems caused a large housing stockpile to build up.

The economic slowdown produced a fall in real imports from other areas. By contrast, western Europe's real exports were probably stagnating. Exports to the OPEC countries, as well as to the CMEA countries, continued to expand briskly, but exports to the non-European industrial countries and the oil-importing third world countries fell. Almost all the western European countries cut back their trade deficits. A contributory factor in this was the improvement in the terms of trade. Import prices have increased far less than export prices, mainly because of the downward pressure on raw material prices exerted by the economic downturn, but partly helped by revaluation against the dollar.

The inflationary process has slowed down in almost all countries during the winter months. At first this applied only to price at the producer level, but eventually a deceleration in prices became apparent at the consumer level, too. The toughly restrictive policies most countries had adopted by last summer increasingly limited opportunities to pass on cost increases. The rise in costs was also moderated by the drop in imported raw material prices and the fall in interest rates. The trend in wages is beginning to show first reactions to the deterioration in the labour market; productivity has probably in fact been falling because of the drop in capacity utilisation.

expansionary measures

In view of increasing underemployment a rising number of countries led by West Germany and Holland switched to an expansionary economic policy. But the measures were often selective and came in relatively small doses, since in most countries the slowdown in the pace of wage and price rises and the improvement in the balance of payments did not seem to have gone far enough. Britain actually found itself obliged to re-impose restrictive measures in its recent budget (having eased the company sector's tax burden as recently as the end of 1974) in order to moderate the expansion in private consumption and in the public sector.

The expansive measures now under way will make their effect felt against the recessive forces during the course of the year though only slowly to begin with. Thus consumers will be slow to abandon their restraint. In the housebuilding sector, a quick revival is ruled out by long-term interest rates continuing at a high level and the presence of large stocks of newly-built but still empty flats. In most countries, these prospects mean that an accelerated expansion in industry's productive capacity is unlikely in the near future. The government measures and the prospect of an improved economic situation in the non-European industrial countries will first of all show up in a turnround in stock building. In western Europe as a whole, real gross national product in 1975 will grow by about one per cent, after two per cent in 1974.

II

The United States

The United States, after a drop in output and demand over the past year, now finds itself in the most serious recession since the beginning of the thirties. Production cutbacks in industry, and construction got even worse at the turn of 1974-75 when it was clear that the stabilisation of demand expected for last autumn had not materialised. But recently there have been signs that the nadir of the recession has not been reached. Industry's new orders have been picking up slightly for the first time in a long while. Excess stocks too have been run down.

The sharp drop in output since the autumn of 1974 produced a very big rise in unemployment. By the spring of 1975 the unemployment ratio had risen to nearly nine per cent. But for the growing number of unemployed people who have abandoned the search for a job, it would have been even higher. Short time was still on the increase too. Although the prospects are improving for a gradual levelling out in the employment over the next few months, the unemployment ratio will continue to rise until the end of the year as the working population is still growing.

The rise in prices has slowed down markedly in response to recent restrictive policies. Prices of basic materials at the wholesale level have been easing considerably since mid-1975, and since the beginning of 1975 food prices have been falling too. Given the increasing slump in demand price rises in industrial products too have been slowing down markedly, even though for the moment wage costs continue to rise strongly, not least because labour productivity has been dropping despite the considerable reduction in employment. Consumer prices in the early months of this year were rising at a current annual rate of only about 7½ per cent, after more than 20 per cent in late summer 1974. Because capacity utilisation continues to fall, the rate of price increases during the course of this year will probably be further reduced, particularly since cost pressures will diminish as nominal wage rises gradually decrease.

The steep fall in demand in the United States and the improved competitive position due to dollar devaluations over the past few years did much to bring about the tendency towards a trade surplus in evidence since mid-1974. In 1974 the trade deficit was about $3,000 million. Leaving out spending on oil imports, roughly trebled since 1973, the export surplus rose to about $ 20,000 million in 1974, after $ 53,000 million in 1973. The balance of payments did slide well back into the red towards the end of 1974, but this was due mainly to capital outflows encouraged by interest rate differentials. This in turn caused a devaluation of the dollar which, however, came to halt in the spring of 1975 when the other industrial countries brought their interest rates down.

declining demand for credit

Central bank and government delayed their changes in economic policy until there could no longer be any doubt about the slowdown in prices, but when unemployment had already risen very steeply. Although interest rates had been falling comparatively sharply during the previous year, this was mainly because of the steep decline in the demand for credit. A larger cut in interest rates, which a faster expansion in the money supply would have brought about, was prevented by the central bank, mainly for reasons of exchange rate policy. In fact the rate of increase in the money supply declined continuously until February, 1975. It was only the sharp drop in interest rates in other industrial countries which recently enabled the Federal Reserve Board to allow a faster expansion in the money supply.

Financial policy too tended to restrain demand until the beginning of 1975. Although there have been continuously growing deficits in public spending since 1973, these were due mainly to lower tax revenues caused by cyclical factors. Moreover, this caused subordinate area authorities to spend procyclically. It was only the recent tax cuts and additional expenditure programmes that set financial policy on an expansionary course.

The measures taken will have stimulating effect, but a quick economic upturn looks unlikely. Initially, the recovery will probably be supported entirely by private consumer demand, the decline of which until the end of 1974 was the main factor in the downturn. As a result of the tax cuts, private house-holds' disposable incomes —with inflation slowing down—in real terms will rise. According to recent surveys, the high savings ratio is not expected to increase further. In the wake of a gradual improvement in income prospects, but also of considerable cuts in interest rates, the car and housebuilding industries—i.e., the sectors which until recently suffered the largest decline in sales—are likely to register an upturn in demand in the later part of 1975.

Private investment will probably continue to fall, despite the investment incentives offered. Given the recent plummeting in capacity utilisation, investment plans have been drastically revised downwards. A further drop in investment, however, will be an expansion of capacities in the energy sector and by a rise in expenditure on environmental protection.

This constellation suggests that output will rise again from now on, although not fast enough for capacity utilisation in the economy as a whole already to start rising again. Real Gross National Product in 1975 is likely to fall by some four per cent (drop in 1974: 2.2 per cent). A new economic upswing in the United States is not to be expected before 1976.

III

Japan's Success

The economic situation in Japan deteriorated during 1974. The decline in industrial production accelerated in the second half. In January, 1975, industrial production had fallen about 18 per cent below the level of a year earlier. As a corollary, unemployment increased rapidly towards the end of the year.

Real domestic demand declined in the winter of 1974-75. Private consumption in the last quarter of 1974 fell as the steep rise in prices and increasing unemployment reduced real incomes; but consumption may have risen slightly since then in view of the marked slowdown in inflation. The unfavourable trend in sales and falling utilisation of productive capacity caused companies to cut back investment. Slack demand caused extensive involuntary stockbuilding. The downturn was slightly curbed by the rise in public investment activity and in spending on private housebuilding. Export demand has been providing no expansionary impulses since the end of last year.

In 1974 exports by volume had grown

16 per cent on the previous year while imports in real terms had dropped one per cent. This brought a staggering improvement—compared with other industrial countries—in the trade balance in the course of the year: after a deficit of $66,000 million in the first half, in the second half the trade balance showed a surplus of $ 200 million.

Since the end of the year the rise in consumer prices has considerably slowed down. In the first two months of 1975 it was running at an annual rate of only about four per cent, after around 25 per cent in the autumn of 1974. When it become apparent that the unions were getting markedly more moderate in their wage demands, the government found itself able to introduce expansionary measures. It started off with an economic policy programme in February, followed by further measures in March and a cut in the discount rate in April.

Demand is likely to stagnate until about now when there should be an upturn in domestic demand based on the measures already introduced. Once the recession among important trade partners comes to an end—particularly in the United States—demand from abroad is likely to start expanding again. Real Gross Domestic Product in 1975 is forecast to rise by one to two per cent on last year (after a drop of 1.8 per cent in 1974).

IV
World Trade

The recession in the western countries caused a decline in world trade during the last months of last year. But over 1974 as a whole, trade was probably still increasing by about five per cent in real terms (after 14 per cent in 1973). Because of rapid inflation, the nominal rate of increase was 47 per cent (dollar terms, excluding eastern bloc).

In the first few months of this year world trade probably declined farther ; but a marked recovery can be expected in the later part of the year. The average volume in 1975, however, will be no bigger than in 1974. The industrial countries' imports—which tend to set the pace —will be lower than last year while the oil exporting countries' imports will continue to expand strongly. Other developing countries' imports are more likely to fall than to rise in view of their precarious financial situation, exacerbated by the downturn in commodity prices.

The deterioration in the industrial countries' terms of trade, which started with the commodity boom at the end of 1972 and accelerated in the wake of the oil crisis, came to a standstill around the middle of 1974. From then on, a fall on commodity prices and rising export prices for industrial products brought a slight improvement.

The steep fall of prices in the world markets for industrial raw materials, which started in May, 1974, generally came to a halt around the turn of the year. Only steel prices continued to fall steeply in the export markets; by contrast, non-ferrous metal, rubber and man-made fibre prices remained relatively stable. For a number of raw materials the bottom of the present slump seems to have been reached. Prices for industrial raw materials (excluding fuels) are currently on average 28 per cent lower than at the peak of the preceding boom.

Because of the steep drop in industrial production in western countries since last autumn, consumption of raw materials has fallen to an unusually low level; manufactures also still seem unwilling to replenish their stocks of raw materials which dropped steeply last year. The unfavourable trend in demand would certainly have caused an even larger fall in prices had the commodity producers not gone in for support buying and cut back their production.

This policy of keeping supplies scarce will probably continue to prevent price cuts in the next few months while demand continues weak. But it is hardly likely to start prices rising again. For that to happen, the expected change in the world economic situation would have to get going. Once the raw material processors become convinced that production and sales of industrial products will start rising again steadily, they are likely to abandon their cautious stocks policy. Thus, the first impetus for a new rise in raw material prices, still in the course of this year, will come from a change in stockbuilding.

In the food markets, pessimistic harvest estimates had ensured that the price boom continued to the end of 1974. Since then prices in these markets have been turning down too, since the view had prevailed that the supply situation can be expected to improve during the 1975-76 harvest year, if not before.

V
Sober Optimism

The expansionary measures taken in almost all the industrial countries justify the assumption that the decline in output will be halted this summer and a general recovery of demand and output will gradually make itself felt. The prospects for this have been considerably improved by the undeniable progress in moderating price and wage increases in many countries, particularly in West Germany, the United States and Japan. The impulses from these countries together with internal support measures, can be expected to bring a turnround in other countries as well. The expected change in stockbuilding will prop up recovery. Even so, the utilisation of productive capacity in the economy as a whole will continue to fall for the rest of the year in most countries, so unemployment will continue to rise though at a slower rate.

The low capacity utilisation, which implies considerable gains in productivity suggests that prices will continue to stabilise this year, despite the expansionary financial and monetary measures. So the conflict between the different aims of economic policy will tend to become less acute for the first time in a long while. Seen against the background of a relaxation in the distribution struggle, the path chosen by most countries of an easier financial policy and a cautious expansion in the monetary field look like a strategy which will permit the simultaneous pursuit of the twin goals of employment and stability. On the other hand, an over-expansionary policy would start to push up wages and prices again too quickly, while an over-cautious expansion would jeopardise hopes of averting a world wide recession.

better payments balance

The move away from restrictions was helped along by the fact that the industrial countries' payments balances did better than expected. In the second half of 1974 the deficit in the balance of goods and services was cut back considerably because of rapidly increasing demand from the oil-exporting countries and the drop in the industrial countries' real imports triggered by the recession with the terms of trade slightly improving again at the same time. Whether this trend, which is still continuing, will actually produce a thorough-going improvement in the balance of payments situation is doubtful. If the economy picks up, the industrial countries' deficits could once again increase. Moreover, up to now there has been no sign that the imbalances between the industrial countries will diminish significantly, since there is little hope of surplus and deficit countries establishing a sufficient differential in their capacity utilisation.

The oil-importing developing countries are particularly hard hit by the recession in the industrial countries. The decline in raw material prices has cut their export earnings considerably, so that given the large rise in the cost of their imports, their balances of goods and services have plunged deeply into the red. The economic recovery in the industrial countries will eventually push up their export earnings again. But until then only large-scale financial help can prevent market cutbacks in their imports which would hamper economic activity.

Sources and acknowledgements : The foregoing summarises an exclusive report in the latest issue of the *Economic Bulletin* of the Deutsches Institut Fur Wirtschaftsforchung (5, Koenigin Luise Strasse, Berlin 33), but the DIW is responsible neither for my wording nor for my interspersed comments.

If winter comes...

E. B. Brook, Vienna

THE HELSINKI declaration has been signed. Half of Europe is returning from its summer holidays and the other half is just beginning them. To the optimistic there could not be a better combination of friendly international and personal circumstances, the more so as the Americas have come closer together by lifting the ban on Cuba and Africa has just concluded a demonstration of unity at the conference in Kampala.

It would be pleasant to leave this midsummer sketch of amity unblemished but a few shadows must be added to make the picture realistic. The North Sea oil is providing disappointments in low-yield and some dry wells, the unity of the Common Market is being spoiled once again as wine-growers in southern France block roads and railways to prevent Italian wine from being imported. Not so long ago Belgian farmers rioted in Brussels itself to obtain what they called a living wage and only two months ago British fishermen were blockading their ports to keep out Norwegian and French fish and British farmers overturning truckloads of French eggs. All of which suggests that the summer holidays may be not much than a breathing space in disputes and some treaties not much more than a pause before new confrontations.

bright spots

There are, all the same, quite a number of bright economic spots in the cantakerous economic gloom which it would be churlish as well as inaccurate to ignore. The holidays themselves are a case in point. Last year the tourist trade on travel, hotels and amusements felt the full effect of Europe's shock at the increased fuel prices. The most hopeful estimates made last year were that the number of foreign holidays taken this summer would be about five per cent down on 1974 or 30 per cent below the high 1973 level. Instead, it is likely that the season will end with a five per cent overall increase in summer bookings, or only 20 per cent below 1973. In central Europe the figures are even better with maximum bookings from early June to the end of August.

Another sign of individual prosperity in a world of inflation, growing unemployment and falling production is that between 60 and 70 per cent of all holiday transport is by private car. The roads through Austria between Germany and Italy and Yugoslavia are described as "metal tunnels" as the prosperous Germans leave for and return from their annual holidays in southern sun and as southern "guest workers" pack their families into second-hand cars to go home in the work-slack season.

minis losing ground

The small car, also, is on its way out —belying the forecasts two years ago that dearer petrol would drive the bigger car from the roads. In W. Germany the "guest worker", the local touchstone of sparing buying, will no longer look at the small second-hand car. Sensitive to trends, manufacturers are making fewer minis and semi-minis, the rather larger Golf has taken the place of the durable Volkswagen as the best-seller from Wolfsburg. The small German car-owner is changing his "Volks" for something bigger and more showy, being unable to tolerate the possibility of his "guest worker" passing him on the road in a bigger, if older, model.

But if it is true, in the words of the old saw "If winter comes can spring be far behind?" it is equally inescapable that if August has come September is most uncomfortably close. September is the spoil-sport which brings back all the old worries, when conferences begin to abound and when it becomes obvious that winter cannot be far behind either. And autumn and winter this year are going to mean even higher oil prices, with dearer petrol and costlier home warming and lighting. Conscious of this psychological anti-climax, both France and West Germany are priming their plans for better economic performance. The West Germans are injecting huge funds into their economy to improve production, quality and sales. The French Parliament is meeting early in September to examine measures designed to swing the national economy out of its current recession.

The West German effort is hastened by consciousness of general elections next year; the French by a determinination to keep up with their German neighbours and dispel the impression that they are indifferent foreign traders. National output in France this year is unlikly to show more than very marginal increase, despite the government's expectation of a real growth of about one per cent. Unemployment is likely to grow both in France and West Germany and to leap ahead in unfortunate Britain whose pound sterling, after a brief partial recovery, seems to be slipping back to record depths again. It is not a cheering thought that nearly 10 per cent of the work force in Britain, over six per cent in West Germany and nearly five per cent in France is enforcedly idle. Like the West Germans, the French are expected to pump an extra 15 billion francs (nearly £2 billion) into their economy to encourage a recovery programme.

For the so-called developing countries there is hope, if initiative is taken soon, in the discussions in the commodities committee of the UN conference on Trade and Development in Geneva. The UNCTAD secretary-general, Mr Gamani Corea, has a plan for a $6,000 million fund (half in cash and the rest on call) to finance stockpiles of tea, sugar, jute and hard fibres, coffee, cocoa, copper, rubber, tin and cotton. At the moment there is little more than benign general approval of the idea and, unless it is given a vigorous push before and during the coming autumn glut of economic and other conferences, nothing more will be heard of it till December.

major breakthrough

Mr Corea appears to be dauntingly content to wait for what he described last week as a "major breakthrough" at the fourth UNCTAD general conference scheduled for Nairobi early next summer. His plan is, generally, a good one but it could easily become enmeshed in a round of committees, delegations and reports. This should be avoided and raw material producers should urge constant action. UNCTAD, like everyone with an indea to sell, should get on the road to push it for all it is worth. Consumer-producer cooperation, which the fund would imply, is likely to get farther than producer cartels which hardliners at the Dakar talks in February seemed to favour. If UNCTAD makes its voice heard in Europe's chancelleries very soon much red-tape delay can be avoided.

TRADE WINDS

Exim Bank Report

THE EXPORT-IMPORT Bank Committee has finalised and submitted its recommendations to the government. The report was signed and formally handed over to the union Commerce minister, Prof. D.P. Chattopadhyaya, recently. The committee, which was appointed by the government earlier, was functioning under the chairmanship of Mr B.D. Kumar, Chief Controller of Imports and Exports. Other members of the committee included representatives of the Department of Banking, ministry of Finance, State Bank of India, Industrial Development Bank of India, Export Credit and Guarantee Corporation, Tata Exports Limited and the Economic Adviser, ministry of Commerce.

The committee was appointed to have an in-depth study of the questions of the adequacy of existing export finance agencies, the need for specialised institution such as Export-Import Bank, as in other countries, the blue print of such an institution, the viability of the new institution as a financial venture as well as the time the new institution would take to organise itself and whether the new bank would be able to meet the needs of inland centres which were currently met by the network of the commercial banks.

ECGC

The Export Credit and Guarantee Corporation has maintained an impressive rate of growth during the first six months of 1975. The value of shipments covered under insurance policies and the amount of advances granted by banks under ECGC guarantees during January-June 1975, was Rs 951 crores registering an increase of nearly 30 per cent over the corresponding period of 1974. The share of policies amounted to Rs 153 crores showing an increase of 42 per cent over January-June 1974.

The overall business underwritten by the Corporation during last year was Rs. 1634 crores. The corporation has an ambitious target of underwriting during the current year to the amount of Rs 2000 crores. Premimum income from underwritting export credit risks and guaranteeing export finance by banks incresed by 41 per cent. Claims paid were Rs 2.07 crores in the first six months of 1975 as against Rs 1.69 crores in the corresponding period of last year. The corporation has also been covering new contracts for the export of capital goods and turn-key projects. The recent enlargement of its cover for turn-key projects and construction works abroad and counter guarantees to banks for bid bonds, are expected to provide necessary fillip to exports of capital goods, turn-key projects and construction projects abroad.

Trade Deficit

Latest export and import figures available for April to June show an adverse balance of trade to the tune of Rs 197.20 crores. Exports during the period are placed at Rs 784.94 crores and imports at Rs 982.14 crores. The corresponding figure during 1974 were Rs 643.19 crores for exports and Rs 974.01 crores for imports, leading to a trade deficit of Rs 330.82 crores. During 1975 June alone, exports totalled Rs 289.36 crores and imports Rs 381.41 crores resulting in a trade deficit of Rs 92.05 crores. The figures for June 1974 were: exports Rs 253.67 crores and imports Rs 342.17 crores. The trade deficit was Rs 88.50 crores. A spokesman of the Commerce ministry stated that the export target for 1975-76 was Rs 3,800 crores, which represented a 12 per cent increase over last year. He was not in a position to give a projection of the import bill as decisions on import items such as food, fertiliser, fuel and industrial raw materials were being made by other ministries.

Raw Material Imports

The union government has decided to allow prime contractors to import raw materials and components required for fabrication in the commissioning of projects. Permission to import such items, however, is subject to the conditions that the imported raw material should be fabricated on the account of the contractors by the approved producer. The producer will not be allowed to include the imported raw material obtained by him from the contractors for the purpose of fabrication in his consumption certificate for grant of further licences based on past consumption.

Small Exporters

Keeping in view the difficulties of the small exporters in giving bank gaurantee, the government has offered two concessions this year. The first is that whereas other exporters have to give a bank guarantee for an amount equal to 50 per cent of the value of the advance licence, the small scale manufacturers can give a bank guarantee for 25 per cent of the value of advance licence. The second concession is that whereas in the case of other exporters, no bank guarantee is taken if the value of the advance licence is Rs 5 lakhs or more, in case of small scale exporters such amount is Rs 2.51 lakhs or more, said Mr Vishwanath Pratap Singh, union deputy minister of Commerce while inaugurating a Seminar on 'Import and Export Policy vis-a-vis the small scale industries' organised by the Federation of Associations of Small Industries of India recently. He asked the federation to play a greater role in the rapid implementation of the fifth Plan and achieve the objectives laid down therein of increasing the number of small scale units to 160,000 by the end of the Plan. This would contribute substantially to the growth of industrial production in the country, he added.

Progress in Shipping

The Shipping Corporation of India and Mogul Line Limited, both public sector undertakings, have been advised by the minister of Shipping and Transport, Mr Uma Shankar Dikshit, to synchronise their plans for the acquisition of ships with operational plans. They should identify shortages of various types of vessels and make efforts to acquire them so that there was complete coordination between the availability of specific vessels to carry the required cargo. The minister, who was meeting the senior officers of the ministry recently, wanted that the shipping companies should draw quarterly, half-yearly and yearly plans and lay down priorities for achieving the short-term and long-term targets without delay. The minister of state for Shipping, Mr H.M. Trivedi and the secretary, Mr M. Ramakrishnayya, were among those who attended the meeting.

The country at present has a total operative tonnage of 3.9 million GRT with additional 1.9 million GRT on order. The third very large crude carrier which was earlier ordered on Yugoslavia had been replaced by three bulk carriers of 42,000 GRT each. In respect of five product-carriers now on order, the first one has already been received, second and third will be delivered by the end of the current year, and the rest, by August next year.

Reviewing the progress at various ports, Mr Dikshit desired that wherever there were any bottlenecks they should be handled expeditiously and an all-out effort made to streamline the services to the shippers. Fast mechanised loading plants were being set up at Marmugoa, Madras and Visakhapatnam. When in operation, each will acquire the capacity of increasing their loading capacity to 8,000 tonnes per hour. At Marmugao the fast ore-loading plant with a capacity of handling 8000 tonnes per hour was expected to be completed and commissioned next year. Another fast mechanised ore-loading plant has been taken up at the Madras port. This will also have a capacity of loading 8000 tonnes per hour capable of loading a 60,000 DWT vessel in a single day. At Visakhapatnam fast loading plant, the construction of conveyor belt system was underway. By the end of the current year, the port will be able to handle 4000 tonnes per hour which by next year would reach the installed capacity of 8000 tonnes per hour. At Paradeep a draught of 39 feet has been achieved. A new general cargo berth had been completed, as also 80 per cent of the sea wall. The ore handling plant at Haldia was under erection.

Considerable progress has been made on the Integrated Development Programme of the Hindustan Shipyard Limited and the construction work at the Cochin shipyard. About 81 per cent of the work has so far been completed at a cost of Rs 6.09 crores. The project is aimed at attaining a production target of 2.65 ships of Pioneer class aggregating 57,000 DWT annually. The dry dock project of the shipyard had achieved considerable progress. The work on the dry dock of the shipyard is nearing completion. This would provide dry docking facilities for the ships constructed at the yard before they are delivered to the owners and also to undertake underwater repairs on a large scale. The planning and construction of the Cochin shipyard was being executed with technical consultancy provided by Mitsubishi of Japan. The progress of work on shipbuilding has been completed on most of items except the building dock. where the work was progressing.

IDBI

The export wing of the Industrial Development Bank of India will be restructured to attend to the special requirements of project exports, Commerce minister, Prof. D.P. Chattopadhyaya announcen recently. Addressing the chairman and secretaries of export promotion organisations, he stated that the lending attitudes of financial institutions would have to change considerably, if we undertake the fulfilment of large-value contracts involving the export of capital goods on deferred payment terms. Prof. Chattopadhyaya added that the government had to think about setting up a separate financial institution for the purpose.

The inter-ministerial committee, which was asked to go into the matter had recognised this need and as an initial step, the export wing of the IDBI would be restructured. Prof Chattopadhyaya expressed the hope that there would be a gradual shift of emphasis on India's exports from commodity trade to exports in the form of projects and technical know-how. This was necessary if the country hoped to secure an increasing share of the opportunities provided by the social and economic development programmes in the west and south-east Asian countries.

Textile Prices

The government has decided to add a few more varieties of items such as poplin, shirting and coating to the range of cloth available at fixed prices. The existing pattern of the production of controlled cloth includes five varieties, dhotis, sarees, long cloth, shirting und drill. Because of the large demand for dhotis and sarees from the weaker sections, the output of these two items in the controlled cloth produc-

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tion has been raised from about 100 million sq metres in 1974 to about 160 million sq. metres in 1975. This was stated recently by the Commerce minister, Prof D.P. Chattopadhyaya.

Indo-US Joint Council

The Indo-US Joint Business Council is scheduled to meet in New Delhi in November. The council will identify areas of commercial cooperation and various commodities to be included in the export-import trade between the two countries. Possibly, the Joint Business Council could also provide a forum for discussion on setting up joint ventures in third countries. The Trade Development Authority had conducted market surveys for electronic components and automobile ancillaries and would be conducting more surveys for bicycle components and sports goods. The Institute for Foreign Trade would also be studying new uses of jute and labour-intensive industries. The TDA would be organising buyer-seller meets in New York and Dallas in January-February, 1976.

Export of Consultancy

A study by the Indian Investment Centre points out that competence of Indian consultants has been well-recognised abroad. Indian consultants have already been working in Libya, Ethiopia, Egypt, Tanzania, Iran, Greece, Syria, Iraq, Nepal, Sri Lanka, Burma, Singapore, Malaysia, Indonesia, the Philippines and Cuba. A number of Indian construction companies in the public and private sectors are making determined efforts to secure civil engineering construction contracts abroad, especially in the Persian Gulf countries. Indian firms have already secured construction contracts for an international airport and a hydro project in Sri Lanka. Indian companies have also been pre-qualified for some other projects in Iraq, Iran, Bahrain, Libya and Qatar. Works in which India is seeking involvement relate to construction of airports, dock yards, housing complexes, roads, multi-storeyed car parks and power and irrigation projects.

Besides providing consultancy services to the new Tanzanian capital project, the National Industrial Development Corporation (NIDC) will assist in the acquisition of construction equipment and machinery. Under the terms of contract NIDC will also assist the Capital Development Authority of Tanzania in establishing a construction machinery pool and maintenance organisation. Besides the steel plant in Egypt, Dastur and Company have also taken up feasibility study and preliminary engineering for a small integrated steel plant in Nepal. It has also been assigned comprehensive design, engineering and construction supervision services for an electric arc furnace and continuous casting bar rod mill in Indonesia and feasibility studies for a forge project, foundry project and a combined forge-cum-foundry project in Libya.

Indo-US Trade

Mr William Saxbe. the United States Ambassador to India, called recently on Mr T.A. Pai, minister of Industry and Civil Supplies. The possibilities and prospects of trade between India and the USA and collaboration in the sphere of industry for mutual benefit were discussed at the meeting. Mr Saxbe expressed his happiness at the new climate of trust and friendliness that has recently appeared in Indo-US relations. He wanted this to be further strengthened and promoted so that healthy trade and cultural ties between the two largest democracies of the world could result in mutual benefit. He felt that steel fabrications, forgings, gear making and similar other industries constitute the sphere in which the USA could give sub-contracts to India.

During the talks, Mr Pai emphasised that India was interested in expanding trade with the USA in order to earn additional foreign exchange to meet its foreign debt servicing charges which at present take about 25 per cent of our foreign exchange earnings. He said that aid was not a substitute for trade in the present situation. Greater cooperation between India and the USA would be very helpful in this regard. In his view the USA could utilise the engineering and design consultancy services which India could provide. This could be part of the better trading opportunities which India wanted. Mr Pai stressed the common ideals and objectives of the two countries and called for closer cooperation for mutual benefit.

Asian Development Bank

Total lending of the Asian Development Bank (ADB) crossed the $2 billion-mark and stood at $2,061 million for 199 projects in 21 developing countries by the end of June 1975. According to an ADB bulletin, the bank stepped up its loan disbursement during the first half of 1975 to $174 million as against $68 million in the corresponding six months of 1974. This year's disbursements included $34.4 million of concessional loans. Total disbursements in 1974 amounted to $188 million. The Asian Development Fund (ADF) the soft-window of the bank, which became operational in 1974 has so far received contributions and pledges totalling $400 milllion and the whole of this amount would be committed to concessional loans by the end of 1975. The bank has begun discussions with potential donor countries for the replenishment of ADF to meet the bank's expanding concessional lending needs estimated at one billion dollars for the three years 1976-1978.

The fund came into effect at the end of June 1974 with $245 million contributed by 12 developed nations—Japan making available the largest amount of $105 million in the first stage of the initial mobilisation of resources for the ADF. The second stage mobilisation has begun and pledges and indications given by various countries including the US take the total of fund's resources to over $400 million. By the end of 1974, however, the resources available in the fund and the earlier special funds, which totalled $560 million for concessional lending had been reduced, after commitments, to $69 million. The second stage contributions made are expected to be committed likewise before the end of this year.

The bank's target for lending in 1975 is $700 million including $250 million as concessional loans. In 1974, the bank's commitments totalled $547 million inclusive of $172 million from the special funds and the ADF, which are being merged. ADF loans are given for economic and social development of member-countries with a per capita income of $300 or below. India, the second largest regional capital subscriber to the ADB, has not borrowed from the bank, which came into existence in 1968.

Liberal Export Licences

As many as 1970 items have been taken off the export-licensing list. Some have been completely decontrolled and others have been put on the open general licence for exports, a Commerce ministry notification announced on August 6, 1975. Export of human hair, wigs and wiglets have been decanalised and decontrolled for exports and the ban on exports of eleven chemicals have been lifted. The notification stated that export control procedures have been furter simplified. Fee payable on export licence applications has also been abolished.

While inaugurating a special meeting of the Board of Trade on August 5, Mrs Indira Gandhi stated that there will be no requirement of licensing for export in respect of as many as 300 commodities for which licensing is in vogue. For the rest, procedures will be simplified. This is the first time that she addressed the Board of Trade and it reflected the importance she attached to exports in India's efforts to attain self-reliance in every possible way. While urging industry and trade to launch an aggressive exports drive, Mrs Gandhi recognised that export could not be increased by mere exhortation. Mrs Gandhi also indicated that procedures for the release of assistance to exporters, such as duty draw-backs, would also be simplified immediately so that neither exporters nor government agencies need to do unncecessary work on these and moneys were not locked up in an unproductive manner.

Modernisation of Textile Mills

The government has laid down policies guidelines to modernise textile mills to produce quality goods. The twin programmes of modernisation of textile mills can can be implemented only through the joint efforts of the industry and the government. This was stated by Prof D.P. Chattopadhyaya, union Commerce minister, while addressing the members of the Textile Machinery Manufacturers' Association recently. Prof Chattopadhyaya laid special emphasis on the quality of export goods so that the fair name of Indian textiles was preserved. "For this we need better machines, and more than that, quality consciousness," he added.

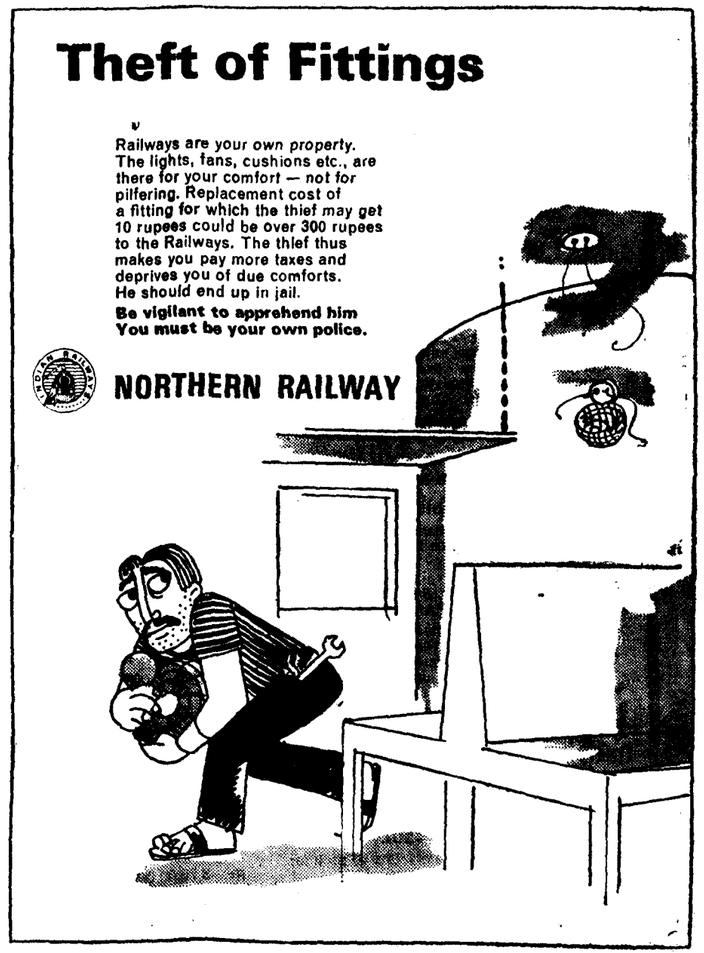
It was stated at the meeting that the exports of textile machinery had touched the figure of Rs 15 crores in 1974-75, as against Rs 5 crores in the previous year. The minister assured the industry that he was seized of the the various problems faced by them, including the need for better banking facilities. Prof Chattopadhyaya was glad to note that the industry, which had produced machinery worth Rs 81 crores in 1974-75, was well on its way to produce machinery worth Rs 120 crores. He said that conditions had to be created to maximise production in various sectors of the economy.

More Credit by UCO Bank

United Commercial Bank which has been taking a determined role in advancing credits to priority sectors made another decisive stride in 1974, at the end of which its aggregate credit to these sectors stood at Rs 114 crore. The percentage of its advances to priority sectors to its total advance in India was 33.75 per cent as against 27.75 per cent in 1973. Both the percentage are substantially higher than that of the banking industry in general or for that matter of the average of nationalised banks. UCO Bank's credit to these sectors registered an increase of Rs 34.60 crore and the increase formed 64.98 per cent of the deposit accretion during the year (Rs 61.42 crore) and 43.84 per cent of the rise in its total credit (Rs 53.25 crore). A large number of borrowal accounts standing at 103,231 showed a rise of 26.496 during the year.

Growth of Cooperative Sector

The National Cooperative Development Corporation is expected to utilise the entire amount of Rs 24 crores during the year 1975-76 on various cooperative development plans as against the utilisation figure of Rs 12 crores for 1974-75. This was stated by Mr K.S. Bawa, managing director of the corporation at an all-India meeting of officers recently. The meeting was attended by all the seven regional officers of the NCDC from Chandigarh, Patna, Calcutta, Gauhati. Bhopal, Poona and Bangalore. The meeting reviewed implementation of the various programmes for cooperative marketing, crop processing cooperative cold storage and the progress of cooperative agricultural supplies project and the co-operative sugar and cotton spinning mills.



ANNOUNCEMENT REGARDING ISSUE OF EQUITY SHARES.
THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS.

Applications have been made to the Calcutta and Bombay Stock Exchanges for permission to deal in and for an official quotation for the Equity Shares of the Company.

The Tinplate Company of India Limited

(Incorporated under the Indian Companies Act, 1913)
REGISTERED OFFICE . 4, Bankshall Street, Calcutta-700 001

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON MONDAY THE 18TH DAY OF AUGUST, 1975 AND CLOSE AT THE CLOSE OF BANKING HOURS ON THURSDAY THE 28TH DAY OF AUGUST, 1975 OR EARLIER AT THE DISCRETION OF THE DIRECTORS, BUT NOT BEFORE THE CLOSE OF BANKING HOURS ON WEDNESDAY THE 20TH DAY OF AUGUST, 1975.

EXISTING AND PROPOSED ACTIVITIES AND OBJECTS OF THE COMPANY

The Company was incorporated on 20th January, 1920 under the Indian *Companies Act, 1913 as a private* limited company. It became a public company with effect from 28th March, 1961 by virtue of Section 43A *of the Companies Act, 1956.* With effect from 27th December, 1968, the Company became a fully-fledged public company by complying with the *provisions of Section* 44(1) of the Companies Act, 1956. The Company's existing plant situated at Golmuri, near Jamshedpur, in the State of Bihar has a capacity to produce about 70,000 tonnes of tinplate per annum. The Company has now decided to establish a new Electrolytic Tinning cum-Tin-Free Steel Combination Coating Line for the production of tinplate and tin-free steel (chromium coated plates).

An industrial licence for effecting substantial expansion of the Company's existing undertaking at Golmuri having an installed capacity for the manufacture of 90,000 tonnes tinplate/tin-free steel per annum, has been obtained. The *overall capacity* of the Company's undertaking after expansion is complete will be 1,60,000 tonnes per annum. The main objects of the Company as set out in its Memorandum of Association are *inter alia* to carry on the business of manufacture of and dealers in tinplate and all or any articles in the production of which tinplate can be used and of engineers, steel rollers, metal founders, metal workers, *dealers in metals and products* thereof and metallurgists.

LOCATION

The Company's existing plant at Golmuri is located on land admeasuring about 73.81 hectares which is held on long term leases valid upto 2019. The Company holds sufficient surplus land at Golmuri adjacent to the existing Works of the Company admeasuring about 4.55 hectares (which is included in *the aforesaid land*) and it is intended to set up the new Plant on the said surplus land.

TERMS OF PAYMENT

On application	:	Rs 2 50 per share
On allotment	:	Rs 2.50 per share
Balance	:	The balance of Rs 5 per share will be payable in one or more calls

a maybe decided by the Board of Directors provided that there shall be an interval of at least two months between any two calls. The first call will not be made before two months after the allotment of shares.

NOTE :
The balance amount, if any, paid on application will be adjusted towards the amount payable on allotment of shares actually allotted to the applicant concerned.

SHARE CAPITAL

	AUTHORISED	
85,00,000	Equity Shares of Rs. 10 each	Rs. 8,50,00,000
1,50,000	Preference Shares of Rs. 100 each	Rs. 1,50,00,000
		Rs. 10,00,00,000
	ISSUED, SUBSCRIBED AND FULLY PAID-UP	
12,50,000	Equity Shares of Rs 10 *each* fully paid-up which includes 9,25,000 Equity Shares issued and allotted as fully paid-up bonus shares	Rs. 1,25,00,000

NOTE.
The above shares do not include 10,00,000 fully paid Equity Shares of Rs. 10 each of the aggregate value of Rs. 1,00,00,000 which have been allotted as fully paid bonus shares on 30th April, 1975 by capitalising a like *amount out of the Company's General* Reserve subject to the condition that further 37,50,000 Equity Shares of Rs. 10 each for cash at par (being the present issue) will be issued by the Company in terms of the consent order of the Controller of Capital Issues.

	PRESENT ISSUE	
37,50,000	Equity Shares of Rs 10 each for cash at par	Rs. 3,75,00,000
	OUT OF WHICH	
3,00,000	Equity Shares of Rs. 10 each have been reserved for allotment to The Tata Iron and Steel Co. Ltd. (TISCO) for cash at par TISCO has deposited with the Company Rs. 15,00,000 (Rupees fifteen lacs) as a non refundable deposit to be adjusted against application and allotment monies for the aforesaid shares.	Rs 30,00,000
1,00,000	Equity Shares of Rs. 10 each have been reserved for allotment to Life Insurance Corporation of India for cash at par and	Rs. 10,00,000
	OUT OF THE BALANCE 33,50,000 EQUITY SHARES	
50,000	Equity Shares of Rs. 10 each have been reserved for offer to the employees of the Company for cash at par provided that no employee shall be entitled to be allotted more than 200 shares and that the balance shares not taken up by them shall be available for meeting applications from the public	Rs. 5,00,000
33,00,000	Equity Shares of Rs. 10 each are offered to the public for subscription for cash at par (to which will be added the unsubscribed portion of 50,000 Equity Shares reserved for offer to employees of the Company).	Rs. 3,30,00,000
37,50,000		Rs 3,75,00,000

DIRECTORS

SHAVAK KAIKHUSHRU NANAVATI
(Son of late Kaikhushru Pestonji Nanavati)
No. 3, 'C' Road (East)
Northern Town, Jamshedpur.
(Chairman)

JOHN CAMPBELL FINLAY
(Son of late Richard V.K. Finlay)
10, Golf Links, New Delhi.

JOHN GODFREY BOYLE
(Son of John Boyle)
17, Parliament Street, New Delhi.

BACHUBHAI THAKORDAS MERCHANT
(Son of late Thakordas Nanabhai Merchant)
Art Chambers, Dean Lane,
Fort, Bombay.

ARUN CHAKRAVARTY
(Son of late Sasi Mohan Chakravarty)
14/2 Judges Court Road,
Calcutta.
Managing Director

PADMANABHA ANANT
(Son of late A.R. Padmanabha Aiyar)
7, C. Road East, Jamshedpur.

KRISHNA CHANDRA MAITRA
(Son of Ram Chandra Maitra)
"Rushilla" Carmichael Road,
Bombay.

MADAN GOPAL DEWAN
(Son of late Bhagwan Das Ramdas Dewan)
"Golmuri House", Jamshedpur.
Whole-time Executive Director.

M. V. ARUNACHALAM
(Son of A.M.M. Vellayan Chettiar)
2, Greenways Road, Adyar, Madras.

NIRANJAN L HINGORANI
(Son of Lilaram B. Hingorani)
No. 3, "Ashirvad"
Plot No. 675, Khar, Bombay.

SECRETARY

SASADHAR RAHA
62/2 Ballygunge Circular Road,
Calcutta.

Names and addresses of Underwriters and Brokers to the Issue	Amount underwritten (Rs. in lacs)
Industrial Development Bank of India, New India Centre, 17, Cooperage, Bombay-400 039	100.00
The Industrial Credit and Investment Corpn. of India Ltd. (ICICI) 163, Backbay Reclamation, Bombay-400 020	28 00
Industrial Finance Corporation of India, 16, Parliament Street, New Delhi-110 001	25.00
Life Insurance Corporation of India (LIC) Jeevan Bima Marg, "Yogakshema", Bombay-400 020	20.00
Unit Trust of India, Bombay Life Building, 45, Veer Nariman Road, Bombay-400 001	5.00
General Insurance Corporation of India, Industrial Assurance Building, Churchgate, Bombay-400 020	10.00
The New India Assurance Co. Ltd. New India Assurance Building, Mahatma Gandhi Road, Bombay-400 001	10.00
Central Bank of India, Mahatma Gandhi Road, Bombay-400 001	10.00
Union Bank of India, 66/80 Bombay Samachar Marg, Bombay-400 023	10.00
United Commercial Bank, 10, Brabourne Road, Calcutta-700 001	10.00
Grindlays Bank Ltd., Lloyds Branch, Dr. D. N. Road, Bombay-400 001	7.00
The Investment Corporation of India Ltd., Ewart House, Homi Mody Street, Bombay-400 023	6.00
United Bank of India, 16, Old Court House Street, Calcutta-700 001	5.00
The Oriental Fire & General Insurance Co. Ltd., Oriental Buildings, Mahatma Gandhi Road, Bombay 400 001	5.00
Industrial Investment Trust Ltd. 61, Bombay Samachar Marg, Bombay-400 023	2.00
Bhupendra Champaklal Devidas Bhupen Chambers, Dalal Street, Bombay-400 023	5.00
Place Siddons & Gough (Private) Ltd., 6, Lyons Range, Calcutta 700 001	5.00
Stewart & Co., 14, India Exchange Place, Calcutta-700 001	5.00
D. S. Purbhoodas & Co., Stock Exchange Building, Apollo Street, Bombay-400 023	4.00
Harkisondass Lukhmidass, Stock Exchange Building, Bombay Samachar Marg, Bombay-400 023	3.00
M. M. Murarka & Co., 1/E, Mandeville Gardens, Calcutta 700 019	3.00
Merwanjee Bomanjee Dalal Allahabad Bank Building, Apollo Street, Bombay-400 023	3.00
Bharat Bhusan & Co., H-45, Connaught Place, New Delhi-110 001	3.00
Jamnadas Morarjee & Co., 5A, Hamam Street, Bombay-400 023	3.00
Brijnath Khandelwal & Co., 13, India Exchange Place, Calcutta-700 001	3.00
Vinod Kumar & Co., A-6, Connaught Place, New Delhi-110 001	3.00
Harbans Singh Mehta & Co. 33, Regal Building, Parliament Street, New Delhi-110 001	3.00
Jalan & Co., Stock Exchange Building, Asaf Ali Road, New Delhi-110 001	3.00
Butliwala & Karani Union Bank Building, Dalal Street, Bombay-400 023	2.00
Nagindas Chhaganlal 68, Stock Exchange New Building, Bombay Samachar Marg, Bombay-400 023	2.00
Raja Ram Bhasin & Co., Jewan Mansion, 8/4, Desh Bandhu Gupta Road, New Delhi-110 001	2 00
G. M. Pyne, 14, India Exchange Place, Calcutta-700 001	1.50
DAYCO 7, Lyons Range, Calcutta-700 001	1.50
Amit Lal Bajaj & Co., United India Life Building, 'F' Block, Connaught Place, New Delhi-110 001	1.50
H. P. Mehta & Co., Surya Kiran, Kasturba Gandhi Marg, New Delhi-110 001	1.50
Dhirajlal Maganlal Sons, Stock Exchange Central Building, Dalal Street, Bombay-400 023	1.00
L. K. Panday, Bank of Maharashtra Building Apollo Street, Bombay-400 023	1.00
Prabhudas Lilladher, 5A, Hamam Street, Bombay-400 023	1.00
G. M. Bosu, 7, Lyons Range, Calcutta-700 001	1.00
Varma & Co., 7, Lyons Range, Calcutta-700 001	1.00
N. L. Roy & Co., 7, Lyons Range, Calcutta-700 001	1.00
Shyam Sunder Chiripal, 7, Lyons Range, Calcutta-700 001	1.00
Valji Bhimji & Co., 24, Stock Exchange Central Building, Dalal Street, Bombay-400 023	1.00
Kaiki J. Khambatta, Stock Exchange Central Building, Bombay-400 023	1.00
Poracha Brothers, New Stock Exchange Building, Bombay Samachar Marg, Bombay-400 023	1.00
J. C. Mehta & Co. 44, Delhi Stock Exchange Building, Asaf Ali Road, New Delhi-110 001	1.00
D. B. Malhotra & Co., 13, Stock Exchange Building, Asaf Ali Road, New Delhi-110 001	1.00
Behari Lal & Co., Stock Exchange Building, Asaf Ali Road, New Delhi-110 001	1.00
Champaklal Bhailal Chokshi, Manek Chowk, Near Share Bazar, Ahmedabad-380 001	1.00
Vijay & Company, 9, Eleventh Main Road, Malleswaram, Bangalore-560 003	1.00
Chimanlal J. Dalal & Co., 107, Stock Exchange New Building, Dalal Street, Bombay-400 023	0.50
Jasvantlal Chhotalal & Co., Bhupen Chambers, Dalal Street, Bombay-400 023	0 50
K. J. Shah & Sons, 19, Stock Exchange Central Building, Bombay 400 023	0.50
Narandas & Sons Union Bank Building, Dalal Street, Bombay-400 023	0.50
Roy Bros. 16, India Exchange Place, Calcutta-700 001	0.50
Sajjan Kumar Saraf, 7, Lyons Range, Calcutta-700 001	0.50
C. Mackertich, 7, Lyons Range, Calcutta-700 001	0.50
Reed Ward & Co., 14, India Exchange Place, Calcutta-700 001	0.50
Kothari & Sons, "Kothari Buildings", Nungambakkam High Road, Madras-600 034	—
Chitra & Co., 322/323, Linghi Chetty Street, Madras-600 001	—
Paterson & Co., Vanguard House 11/12, Second Line Beach Madras-600 001	—
M. Nanjappaiah Jahgirdar 205, Cavalry Road, Bangalore-560 042	—
Chinubhai Chimanlal Dalal Fatehbhai's Havali, Ratan Pole Ahmedabad-380 001	—
P. B. Afzulpurkar, 4-5-195, Sultan Bazar, Hyderabad-500 001	—
Pushkarlal Ghudawala, 44, Bada Sarafa, Indore-452 002	—
	Total 330.00

Out of the shares of the nominal value of Rs. 5 lacs reserved for offer to the employees of the Company, to the extent they are not taken up by the employees and which form part of the public issue, LIC has agreed to underwrite the first portion of Equity Shares upto the nominal value of Rs. 2.50 lacs and ICICI has agreed to underwrite the balance of Equity Shares upto the nominal value of Rs. 2.50 lacs.

BANKERS TO THE ISSUE
STATE BANK OF INDIA,
Bombay Samachar Marg,
Bombay-400 023.

BANK OF INDIA,
70/80 Mahatma Gandhi Road,
Bombay-400 023.

UNION BANK OF INDIA,
66/80 Bombay Samachar Marg,
Bombay-400 023.

GRINDLAYS BANK LIMITED,
Lloyds Branch, 270/272,
Dr. D. N. Road, Bombay-400 001.

FIRST NATIONAL CITY BANK,
Air India Building, Nariman Point,
Bombay-400 021.

CENTRAL BANK OF INDIA,
Mahatma Gandhi Road, Fort,
Bombay-400 001

UNITED COMMERCIAL BANK,
10, Brabourne Road,
Calcutta-700 001.

UNITED BANK OF INDIA,
16, Old Court House Street,
Calcutta-700 001

APPLICATION FORMS AND PROSPECTUS

Application Forms and copies of the Prospectus may be obtained from the Company's Registered Office, the Underwriters, Brokers and *Bankers to the Issue named above* or from any of the offices of the Bankers to the Issue named in the Application Form.

Issue managed by the Merchant Banking Division of the Industrial Credit and Investment Corporation of India Limited, Bombay.

OBM-4356A/I

COMPANY AFFAIRS

Transfer of Shares

THE RESERVE Bank has classfied that under Section 19(5) of the Foreign Exchange Regulation Act, 1973, transfer of shares of Indian companies by persons resident outside India (including corporate bodies situated abroad), or by foreign nationals to other persons whether resident in India or outside India, is not valid unless the transfer is confirmed by the Reserve Bank on an application made to it in this behalf by the transferor or the transferee. The Reserve Bank further states that it has come to its notice that after the shares of Indian companies held by such persons are transferred/sold, applications are made to the Bank for confirmation of transfers. As the refusal by the Bank to confirm such transfers would lead to embarrassment to both the transferor and the transferee, the persons concerned are advised to apply to the Reserve Bank for necessary permission before they effect any transfer/sale of shares of Indian companies held by them.

Rally Arrested

Meanwhile the rally in equities witnessed during the past few weeks was arrested somewhat last week. True, that following government's energetic steps the prospects have brightened for increased industrial production and now further measures are being taken to step up exports to reduce the trade balance. A target of Rs 3,800 crores has already been fixed for exports. What is more the government has decided to delicence the export of 175 of the 300 commodities for which export licensing is required.

The operators were in hastened mood follow- the confusions created by Mr Subramaniam's statement that the government would not take over any industry for the sake of nationalisation but it would never hesitate to nationalise if it was necessary for the health of the economy and in the interest of public good and Mr Pai's warning to industry to gear up its production at least to 75 per cent of its installed capacity. Marketmen therefore ignored the encouraging export figures for the first two months of the current financial year. Good rainfall in the agricultural states and a good flow of corporate news failed to cheer the market. Hence the turnover during the week was modest. The undertone was quietly steady.

Mindia Chemicals

Mindia Chemicals Limited, promoted by Monsanto, is setting up a Rs 9.40 crore rubber chemicals complex in the Trans-Thana Creek area near Bombay. Construction work is in full swing. All items of plant and equipment have been ordered and have started arriving at site. The plant is expected to go on stream by the first quarter of 1976. Mindia will manufacture vitally needed rubber chemicals from basic raw materials. It will have a manufacturing capacity of 3,300 tonnes per year of rubber chemicals—consisting of 2,000 tonnes of antidegradants and 1,300 tonnes of accelerators and 3,400 tonnes of intermediates. These rubber chemicals are used in the manufacture of transportation tyres and tubes, shoes beltings, hoses, moulded goods, rubber-coated fabrics and in a wide range of other applications. Antidegradants protect both natural and synthetic rubber from ageing caused by oxygen, ozone, heat, light, flexing, fatigue and metal-ion-poisons. In fact, they are one shot protection for rubber from all degrading influences.

Advanced Technology

Mindia will manufacture the most advanced antidegradants belonging to the para phenylene diamine (PPD) product family. Accelerators are used by rubber manufactures to increase the rate of vulicanzation for natural and synthetic rubber. Mindia will manufacture the most important types of accelerotors, belonging to the sulphenamide family as well as the conventional type. Mindia will be self-sufficient in so far as the intermediates are concerned and will manufacture these for captive consumption, instead of importing them.

Mindia's plant has been designed by Monsanto. It incorporates all the up-to-date technological developments, expertise and experience gained by Monsonato through successful commissioning of plants all over the world. Mindia's plant will produce a greater range of rubber chemicals than any other single Monsanto plant. Mindia will have access to Monsanto's technological know-how and sophisticated manufacturing processes.

Monsanto, through its subsidiary Monsanto Chemicals of India Pvt Ltd (MCIPL), has been operating a marketing organisation in India for well over 27 years and enjoys an excellent reputation in the rubber chemicals business. Mindia has taken over the established rubber chemicals business of MCIPL and has, at its disposal, an excellent administrative and marketing infrastructure staffed by highly competent people. It has district sales offices in Bombay, Delhi, Calcutta, and Madras, the largest distributor network in the rubber chemicals business and a competent technical sales and service department which utilises the latest information, equipment and instruments available from Monsanto. Mindia will, therefore, have at the very outset a proved marketing organisation, controlling a significant share of the rubber chemicals market. To raise part of the resources required for the implementation of the project the company will be entering the capital market shortly with a public issue.

State Bank of India

As against the normal aggregate dividend of Rs 23 per share, the board of directors of the State Bank of India has declared a final dividend of Rs 12 per share for the year 1974. No interim dividend was paid during that year. Having regard to this, the board of directors have announced a deferred interim dividend of Rs 15 per share payable in two equal installments on July 31, 1976 July 31, 1977 to shareholders on the registers on the respective due dates. This announcement is only indicative of the intention of the board of directors to make these deferred payments as proposed and no dividend warrants will be issued to the shareholders till the due dates.

Bajaj Auto

The directors of Bajaj Auto Limited has stepped up the equity dividend to 12 per cent for the year ended March 31, 1975 from 10 per cent paid for 1973-74. Sales spurted by more than 30 per cent from Rs 20.09 crores to Rs 26.26 crores while gross profit recorded a smart rise of more than 10 per cent to Rs 3.47 crores from Rs 3.14 crores in 1973-74. Out of the gross profit, the directors have appropriated a sum of Rs 1.08 crores to depreciation reserve as against Rs 72.45 lakhs for the earlier year. While the allocation to development rebate resevre was reduced by Rs 1.50 lakhs to Rs 12.25 lakhs. After adjustments, a sum of Rs 2.30 crores was transferred to general reserve as against Rs 2.38 crores in 1973-74. The tax liability is estimated at Rs 1.36 crores, Rs 0.12 crore less than in the previous year and it will be paid out of the general reserve. The dividend will absorb Rs 28.20 lakhs, Rs 4.70 lakhs more than in 1973-74 and this too will be met out of the general reserve.

Amalgamated Electricity

The Amalgamated Electricity has recommended a higher equity dividend of 16 per cent for the year ended March 31, 1975. Out of the 16 per cent proposed, a dividend of six per cent will be paid this year and the balance on deferred basis. Besides the shareholders have been rewarded with a one for three bonus issue. The company's working during the year has resulted in a lower profit of Rs 65.78 lakhs as compared to Rs 86.44 lakhs in the earlier year. The directors have decided to provide financial assistance by way of loans and investments in Swadeshi Detergents Pvt. Ltd which is setting up a synthetic detergent plant with a capacity of 10,000 tonnes in Uttar Pradesh. The company will nominate five directors on the board of Swadeshi Detergents Ltd.

Kolhapur Oxygen & Acetylene

The Kolhapur Oxygen and Acetylene Pvt. Ltd belonging to the Chowgule Group will convert itself into a public limited company. The shares will be issued to the public when the expansion programme takes a final shape. The company, which established a plant for the manufacture of oxygen gas at Kolhapur in 1968 expects to receive an industrial licence for expansion of its activities shortly. It will install additional capacity for the manufacture of 12 lakh cubic metres of oxygen gas and two lakh cubic metres of acetylene gas annually at an estimated cost of Rs 1.50 crores. The expansion is expected to be completed by the end of 1976 or early 1977 depending upon the deliveries of indigenous equipment. The necessary land for installation of additional plant and equipment has already been acquired.

Kolhapur is an ideal location for the plant as there is no such plant for industrial gases between Poona and Bangalore and this will cater to the needs of industrial gases in the southern Maharashtra and northern Karnataka regions and also a part of Andhra Pradesh.

Elecon Engineering

Elecon Engineering Company has maintained the progress during the first six months of the current year, its sales improving by nearly 50 per cent over the corresponding period of the previous year. The company has orders in hand worth Rs 20 crores. Besides large contracts are under negotiation which when finalised will foster the growth further. Meanwhile it has received a licence for the manufacture of 500 tonnes per annum of specialized conveying equipment. Another licence for the manufacture of wagon marshalling equipment. worth Rs 50 lakhs per annum has also been received by the company. Besides it has secured a licence for setting up a joint venture company styled Eimco Elecon (India) Ltd and it hopes to commence production in the near future.

L & T—McNeil

With the availability of indigenously manufactured tyre curing presses from L and T—McNeil Limited, there will be marked easing of type shortage in the country. Several units of L and T—McNeil tyre curing presses have already been installed and many more are scheduled for phased delivery under firm orders. Tyre or tube presses manufactured by L and T—McNeil are already installed at the factories of Dunlop India Limited and Ceat Tyres of India Limited. Among the tyre manufacturers to whom L and T—McNeil tyre curing systems are due for

THE INDIAN SMELTING & REFINING CO. LTD.

Regd. Office : Bhandup, BOMBAY 400 078

NON-FERROUS UNIT :
Lal Bahadur Shastri Marg
Bhandup, BOMBAY 400 078
Cable : 'LUCKY' Bhandup
Phone : 584381

FERROUS UNIT :
Pokhran Road
Thana, Maharashtra
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delivery are Madras Rubber Factory Limited, Apollo Tyres Limited, J.K. Industries Limited and Tamilnadu Rubber Limited.

Incorporated in 1972 as a joint venture of Larsen and Toubro Limited and McNeil Corporation, Akron, Ohio USA, L and T—McNeil Limited has its factory in Madras. Becoming operational in June 1974, the first tyre curing press to be made in India was delivered by L and T—McNeil to Dunlop India in September 1974. The company's manufacturing programme includes presses suitable for producing tyres for aircraft, tractors, trucks, passenger vehicles, mopeds, scooters, motor cycles, cycles, carts and heavy earthmoving equipment.

Delhi Financial Corporation

In pursuance of Prime Minister's 21 Point Economic Programme the Delhi Financial Corporation (DFC) has decided to extend the scope of its activities with a view to reaching the weaker sections, more specially educated or uneducated unemployed. The scheme to be launched by the DFC will be the first of its kind to be introduced by any state financial corporation in the country. The scheme envisages assistance to weaker sections of the economy on extra concessional terms. The scheme will benefit a larger number of people desiring to engage themselves in industrial activities in Tiny Sector. Some of the salient features of the scheme are that the assistance under the scheme will be available to educated unemployed and persons with practical technical experience.

The units intending to produce industrial/domestic consumer items, items for export or units desiring to produce other items of mass consumption will be specially encouraged under the scheme. The minimum limit of loan is Rs 10,000 while the maximum limit of loan is Rs 50,000. Minimum limit has been kept at Rs 10,000 since no industrial unit can possibly be established at a lower cost even in Tiny Sector. The loan assistance will be meant for acquisition of plant, machinery and equipment as well as margin money for working capital. To restrict the benefits of the scheme to Tiny Sector, it is proposed that the plant and machinery and margin for working capital should not exeeed Rs 75,000. In any case the cost of plant and machinery should not exceed Rs 50,000.

Easy Finance

The corporation will retain only five per cent margin in its favour on the value of plant, machinery and equipment for which the financial assistance is granted. The corporation will also endeavour to have some arrangement with some of the commercial banks to provide working capital finance in all such cases at a concessional margin. The commercial banks which will participate in providing working capital finance will be requested to charge concessional rate of interest. (Considering the fact that the Reserve Bank's lending rate is also nine per cent the rate of interest proposed is quite low). The period of repayment will be extended upto 10 years. The initial moratorium for repayment of principal loan will be one to two years depending on the requirement of each case. The repayment of interest will normally start after one year from the date of first disbursement of loan. The corporation is creating special cell for speedy disposal of the applications under this scheme.

Metal Box

Following closely on their introduction of an automatic cartoner comes news of another Metal Box innovation by way of fast and accurate vacuum filling of powder. The MB I Powder Filling Machine vacuum fills powder into containers with piercings for rotex closures and subsequently inserts these closures with the help of an eight-station 'Geneva' dial. The empty containers are fed into the dial and the filled ones taken off the machine by the conveyors. The rotex closure is placed on the can by a reciprocating fork and is inserted into the can by means of a plunger. The can is finally taken off the dial by a take-off conveyor. The MB I Powder Filling Machine can take upto 67 mm diameter containers and can fill upto 30 cans per minute, depending on the size of container and operator efficiency. The machine is currently in use at a customer's factory in Calcutta.

News and Notes

Grindlays Bank Limited has opened a branch in Piraeus which will offer a full range of commercial banking services and certain specialised services to commercial, industrial and shipping customers of the group. Opening this branch is a logical extension of Grandlays business in Greece, following the successful opening of their branch in Athens in 1974.

Brandts Shipping Finance Limited a subsidiary of Brandts Limited, London, the merchant banking wing of the Grindlays Bank Group have also opened an office in Piraeus which will offer merchant banking and financial services to the Greek shipowning community based in Piraeus and other clients of the group.

At the recently concluded Monde Selection Awards in Amsterdam, **Parle** bagged two gold medals. Parle has been winning these prestigious awards consecutively for the last five years. The prize winning products Monaco and Cheeslings which won a gold medal each, were selected by a panel of eminent food specialists from entries received from all parts of the world. The criteria for the selection was excellence in taste, hygienic production, purity of ingredients and quality of packaging.

An agreement has been signed by the **East India Hotels Limited** representing the Oberois, and the National Hotels Investment Limited of Zambia to give the Oberois the management and operation of Hotel Ambassador—a government owned hotel in Ndola, in the heart of Zambia's coper belt.

New Issues

Tinplate Company of India Ltd is offering 37,50,000 equity shares of Rs 10 each for cash at par. Out of this, equity shares worth Rs 30 lakhs have been reserved for allotment to Tata Iron and Steel company Ltd, while equity capital to the tune of Rs 10 lakhs has been reserved for allotment to the Life Insurance Corporation of India. Out of the balance, 50,000 equity shares of Rs 10 each have been reserved for the employees of the company while the balance of 33,00,000 equity shares of Rs 10 each are now being offered to the public for subscription for cash at par. The subscription list for this fully underwritten issue opens on August 18 and will close on August 28 or earlier but not before August 20.

Substantial Expansion

The company's existing plant situated at Golmuri, near Jamshedpur, has a capacity to produce about 70,000 tonnes of tinplate per annum. The company has now decided to establish a new electrolytic tinning-cum-tin-free steel combination coating line for the production of tinplate and tin-free steel (chromium coated plates). The company has received an industrial licence for the substantial expansion of the company's existing undertaking at Golmuri having an installed capacity for the manufacture of 90,000 tonnes of tin-plate and tin-free steel per annum. The overall capacity of the company's undertaking after expansion is complete will be the order of 160,000 tonnes per annum.

The company has entered into a technical collaboration agreement with Wean United Canada Ltd for the project. The project will incorporate several features of modern sophisticated technology. If all goes well the new plant will go

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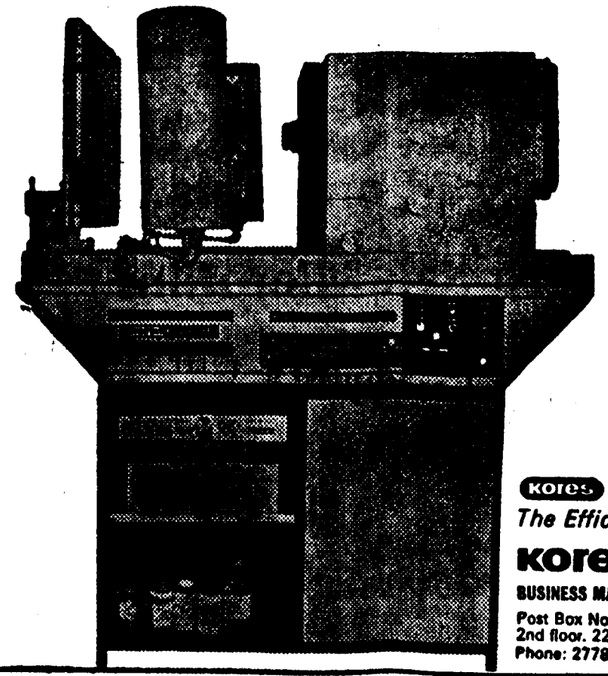
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into commercial production by August 1976.

Promoted by a Vardhman Spinning and General Mills, **Mahavir Spinning** will enter the capital market sometime next month with a public issue of Rs 109.99 lakhs comprising nine lakh equity shares of Rs 10 each and 19,990—11 per cent, cumulative redeemable preference shares of Rs 100 each for cash at par. The proceeds of the issue will be utilised for financing partly the company's Rs 4.60 crore spinning mill being set up in the industrially backward district of Hoshiarpur (Punjab) with an installed capacity of 25,000 spindles. The promoters will take up eqnity shares of Rs 60 lakhs. The company expects that 10,000 spindles will go on stream by the end of March 1976 and the balance 15,000 spindles by October 1976. Lakshmi Machine Works of Coimbatore will supply the major plant and machinery.

Capital and Bonus Issues

Consent has been granted to 22 companies to raise capital.

Following are the details:-

M/s. Siemens India Limited, Bombay have been accorded consent. valid for three months, to capitalise Rs 240 lakhs out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every one equity share held.

M/s Khodiyar Pottery Works Limited have been accorded consent, valid for 3 months, to capitalise Rs 5,00,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every two equity shares held.

M/s Godfrey Philips India Limited has been accorded consent for the issue of further capital of Rs 165,80,500 as to Rs 68.34,900 in fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every one equity share held by capitalising a like amount from the general reserve and Rs 97,45,600 in equity shares of Rs 10 each for cash to the Indian public at a premium of Rs 4 per share. The consent order is valid for three months in respect of issue of bonus shares and twelve months for issue of shares for cash.

M/s. Poddar Projects Limited, Calcutta has been accorded consent for the issue of further capital of Rs 50 lakhs in equity shares of Rs 10 each credited as fully paid up to the shareholders of Messrs Poddar Estates Limited in terms of the scheme of amalgamation approved by the Calcutta High Court on September 2 1974. The consent order is valid for twelve months only.

M/s. Singh Electro Steel Limited, Bombay have communicated to government their proposal to issue capital under clause 5 of the Capital Issues (Exemption). Order, 1969 to the value of Rs 40 lakhs (inclusive of the capital already raised) in 4,00,000 equity shares of Rs 10 each for cash at par out of which shares worth Rs 24 lakhs will be offered for public subscription by a prospectus.

M/s. Apollo Tyres Limited have communicated to government their proposal to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969 to the value of Rs 850 lakhs as to Rs 775 lakhs in equity shares of Rs 10 each and Rs 75 lakhs in preference shares of Rs 100 each.

M/s. Hotel Banjara Limited, Hyderabad have communicated to government their proposal to issue capital under clause 5 of the Capital Issue (Exemption) Order. 1969 to the value of Rs 70 lakhs comprising of seven lakhs equity shares of Rs 10 each out of which Rs 42 lakhs worth of equity shares shall be offered to the public and Rs 28 lakhs by private subscription.

M/s B. M. D. Agency Private Limited, Bombay have been granted consent valid for three months for the issue of bonus shares of Rs 45,000.

M/s Ambadi Enterprises Private Limited have been granted consent for issue of equity capital of Rs 3 lakhs for meeting their working capital requirement.

M/s Scindia Workshop Limited, Bombay have been accorded consent for issue of further capital of Rs 14 lakhs in 14,000 equity shares of Rs 100 each at par as rights shares. The proceeds will be utilised for strengthening the working capital position of the company. The consent order is valid for 12 months only.

M/s Fenner (India) Limited have been accorded consent, valid for three months, to capitalise Rs 51,40,000 out of its general reserve share premium account and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of four bonus shares for every one equity share held.

M/s Atul Glass Industries Private Limited have been accorded consent, valid for three months, to capitalise Rs 3,50,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio one bonus shares for every one equity share held.

M/s Pharmaak Private Limited have been accorded consent, valid for three months, to capitalise Rs 90,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Applied Electronics Private Limited, Bombay have been accorded consent valid for three months, to capitalise Rs 3,70,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus shares for every one equity share held.

Salem Textiles Limited have been accordcd consent, valid for three months to capitalise Rs 9,15,000 out of its general reserve and issue fully paid equity shares of Rs 10 each

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Coorg Tea	March 31, 1975	20.0	2.0
Mico Farm Chemicals	December 31, 1974	12.0	6.0
Kailash Rubber Company	February 28, 1975	12.0	10.0
Same Dividend			
Aluminium Industries	March 31, 1975	Nil	Nil
Kalasa Tea & Produce	March 31, 1975	12.0	12.0
Midland Rubber & Produce	March 31, 1975	10.0	10.00
Chembra Peak Estates	March 31, 1975	12.0	12.0
Reduced Dividend			
Sri Krishnarajendra Mills	March 31, 1975	0.0	5.0
Sarvaraya Textiles	March 31, 1975	10.0	12.0

as bonus shares in the ratio of three bonus shares for every ten equity shares held.

Tiecion Private Limited, have been accorded consent, valid for three months, to capitalise Rs 65,100 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every one equity shares held.

Philips Carbon Black Limited, Calcutta have been accorded consent, valid for three months, to capitalise Rs 61,87,500 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of three bonus shares for every ten equity shares held.

Colour-Chem Limited, Bombay has communicated to government its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 to the value of Rs 1.37,50,000 divided into 137,500 cumulative redeemable preference shares of Rs 100 each to be issued to the public through a prospectus.

Modella Steels and Alloys Limited, Bombay has communicated to the government its proposal to issue capital to the value of Rs 45 lakhs divided into 4,50,000 equity shares of Rs 10 each.

Andhra Pradesh Scooters Limited, Hyderabad has communicated to government its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 to the value of Rs 80 lakhs in equity shares.

Ajanta Textiles Limited has communicated to government its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order 1969 to the value of Rs 32.50 lakhs equity shares on rights basis in the ratio of 1:1 to the existing shareholders of the company.

Aruna Sugars Limited, Madras has communicated to government its proposal to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969 to the value of Rs 30 lakhs in equity shares on rights basis.

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For the Students	:	Free text books for all poor students from Book Banks. Stationery items at cheaper rates in all schools and colleges. Supply of essential commodities to all hostels at fair prices.
Employment	:	200 mini-buses to fresh Delhi University graduates. Thousands of Rickshaw pullers made owners. Compulsory employment of trained diploma-holders/ engineers by employers under Apprenticeship Act. Narela Industrial Complex work being speeded up to employ 25,000 people.
Wages Increased	:	Minimum wages of workers in Industry, Agriculture and shops/establishments increased to benefit 5 lakh persons.
Model Distribution Scheme	:	Essential commodities, kerosene oil and coarse cloth being distributed through a chain of Fair Price Shops, Cooperatives, Mobile Vans even in the remotest villages and J. J. Clusters. Price tagging made compulsory for all items on sale. Punitive action against profiteers, hoarders and smugglers.
Administration Streamlined	:	Vastly improved law and order situation, prompt, efficient and courteous service to people in all Delhi Administration offices and institutions; corrupt and inefficient being weeded out.

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RECORDS AND STATISTICS

India's exports trade during 1974-75

THE AVERAGE rate of growth of India's exports during the Second Plan period (1956-61) was only 2.2 per cent. During the decade of 1961-62 to 1971-72 the average annual rate was 4.1 per cent, the peak rate of 13.3 per cent being achieved in 1968-69 and rate next below this peak at 10.3 per cent in 1963-64. This trend in the growth of exports was broken in 1972-73 and 1973-74 when exports increased by 22.5 per cent and 28.0 per cent respectively. The high rate of growth achieved in India's exports in the earlier two years was maintained during 1974-75. The total exports during the year at Rs 3253 crores (provisional) indicated a rise of Rs 730 crores or about 29 per cent as compared to the exports in the preceding year of Rs 2523 crores.

Rising Trend

Barring the year 1972-73, imports have always exceeded the level of exports. They tended to decline between 1966-67 to 1969-70 but started rising gradually in the subsequent years, and the growth was very sharp during 1973-74 and 1974-75. Due mainly to jump in world prices of oil, fertiliser and with a larger requirements of grains also at very high prices, the value of imports rose by 57 per cent in 1973-74 and by another 49 per cent in 1974-75. Consequently the deficit of India's foreign trade reached an un-precedented level of Rs 1096 crores (provisional) in 1974-75.

The growth in our exports during 1973-74 and 1974-75, was not insignificant especially when viewed in the context of the various constraints on the domestic supply of export products, viz, power cuts, shortages of raw (e.g. steel, non-ferrous metals coal, fertilizers, oilseeds, raw jute, sugar cane etc.), inflation and transport bottlenecks. The index of industrial production (with base year 1960=100) at a monthly average of 200.7 in 1973 was negligibly higher by 0.7 per cent than 1972. The situation showed only a marginal improvement during 1974 when the index during the first ten months of 1974 at 282.6 was higher by 2.3 per cent over the level of production in the corresponding period of 1973.

Bad Weather

Likewise due to continued drought and bad weather, the agricultural production remained stagnant. The index of agricultural production (base year 1961-62=100) at 131.6 during 1973-74 was passed almost to the level of 1970-71 and index was still lower at 120.6 per cent in 1972-73.

The production of oilseeds, tobacco and cotton during 1972-73 and 1973-74 were below the level of 1971-72. There was a sharp fall in the output of jute during 1974-75. Power shortages and transport bottlenecks were severe constraints on the growth of the economy in the past two to three years, and thus affected the supplies of essential inputs to exports industries and particularly the movement of minerasls, ores and other products. The high rate of domestic inflation had also an adverse effect on the competitive position of Indian good sabroad by raising their cost of production.

According to the UN statistics, the relative share of India in world exports (excluding Centrally Planned Economies) declined to 0.50 per cent in 1974 as compared to 0.56 per cent in 1973. In the wake of oil crisis the export earnings of oil exporting countries witnessed a phonominal growth particularly in 1974. However, excluding the oil countries exports, India's share in the rest of the world was at 0.61 per cent in 1974 or the same as in 1973.

Quantum Index

As compared to 1973, the quantum Index of world exports in 1974 increased by five per cent and price index by nearly 39 per cent. On a rough estimate based on UN indices adjusted by DCCI & S index for the last quarter of 1974, the volume index of India's export in 1974 indicated an increase of nearly 10.9 per cent over 1973 and unit value indices a rise of about 25 per cent. This points to the fact that although a large part of the increase in the value of India's exports was due to increase in the unit value the quantum increase in our exports in 1974 was not insignificant and was almost double the rate of growth of world exports. But the advantage derived by Indian exports from the recent international commodity boom in prices has been less than that enjoyed by other countries, resulting in decrease in India's share in world exports.

Table I Indicates the trend of India's exports and imports from the beginning of the fourth five year Plan.

Commodity Boom

So far the commodity-wise position in respect of export items in full details is known for the period of first eleven months of 1974-75. During this period (April '74-Feb. '75) India's overall exports stood at Rs. 2919 crores, showing a rise of about Rs. 776 crores or 36 per cent as compared to the level in the corresponding period of 1973-74. This aggregate increase in exports was contributed by a wide range of items of both traditional and non-tradittonal sectors. About 85 per cent of the total increase during the period was however, covered by the combined increase of seven items viz. sugar, engineering goods, jute manufactures, tea, silver, chemicals & allied products and cashew kernels.

Table II enlists the items in which the exports during April '74-Feb. '75 have been higher by Rs 10 crores or more as compared to the level of exports in the corresponding period of 1973-74.

It would be seen that besides, higher unit value realisation, the items such as sugar, tea, jute mfrs., cashew kernels, rice, finished leather, raw jute, lac and tobacco have also witnessed quantitative increase in varying order. On the other hand, iron ore and

TABLE I

Trends in India's Imports and Exports

(Value in Rs. crores)

Year	Imports (c.i.f.)	Annual % variation	Exports incl. re-exports (f.o.b.)	Annual % variation	Balance of Trade
1969-70	1582.1	—17.1	1413.3	+ 4.1	— 168.8
1970-71	1634.2	+ 3.3	1535.2	+ 8.6	— 99.0
1971-72	1824.5	+11.6	1608.2	+ 4.8	— 216.3
1972-73	1867.4	+ 2.4	1970.8	+22.5	+ 103.4
1973-74	2925.3	+56.6	2523.4	+28.0	— 401.9
1974-75 (Provisioual)	4348.7	+48.7	3253.0	+28.9	—1095.7

spices suffered decline in terms of quantity. A marked increase recorded in the exports of engineering goods during 1974-75 has been mainly on account of larger volume of exports and partly on account of higher unit value realisation as reflected by the respective indices for the period.

According to the D.C.C.I. & S index of exports, the quantum of machinery and transport equipment group during the first eleven months of 1974-75 was higher by about 60 per cent and the unit value realisation, to the extent of 18 per cent over the corresponding period of the previous year. In the case of chemicals there was a slight increase of about two per cent in terms of quantum but a rise of 123 per cent in unit value realisation.

Items of Decline

As against a general uptrend there were certain important products which suffered decline, in the value of their exports during the period under review. Such items whose value of exports declined by more than Rs 10 crores are given in Table III, together with variations in value, quantity and unit value realisation during April-February 1974-75 over April-February 1973-74.

The position in regard to exports of selected items is briefly discussed in the following paragraphs :

Over the last few years the demand for sugar in international market had out-stripped supply owing to mainly crop failure in Cuba. As a result of this supply imbalance prices of sugar in international market had tended to soar up very high. This also helped in pushing up exports of Indian sugar in 1974-75. Exports of sugar was entrusted to the STC from April, 1974.

Exports of sugar through STC in the whole of 1974-75 are estimated to be about 6.9 lakh tonnes valued at Rs 339 crores. Generally the USA and the UK have been the main markets, but during 1974-75 Iran not only emerged as a new market but also the biggest market for Indian sugar. Besides, traditional USA and the UK markets, the other buyers included were Sudan, Indonesia, Jordan, South Yeman Republic, Sri Lanka, Morrocco, United Arab Republic and the USSR.

Until recently a major constraint in the way of larger exports of sugar has been insufficient production to meet the demand for both internal consumption and export purpose. To take fuller advantage of international price boom, we could have exported sugar in still more quantities during 1974-75 but the production of sugar in the previous season 1973-74 at the level of 40 lakhs tonnes was not adequate to yield larger export surplus. The present facilities in regard to internal transportion and port handling facilities have also been found inadequate for exports.

The prospects of sugar production for the current season (1974-75) are good. This year it is estimated that the production of sugar will be in the order of about 48 lakh tonnes. This would help larger allocation of sugar for 1975-76. Since the world price of sugar are coming down steadily since November 1974 the high level of export earnings can be maintained only by larger release of sugar during the year.

Rise in Tea Output

The production of tea in India in 1974 was about 490 million kgs. showing a rise of 18 mill. kgs. over the production of 1973. In contrast with India's favourable production, tea production in Sri Lanka and Kenya suffered considerable setback.

The exports had suffered sizeable decline in the previous two years. However, as a result of overall shortage in world market, there was increased demand for Indian tea during 1974-75. Accordingly, exports registered a sizeable increase during the first eleven months of 1974-75 amounting to about 205 mill. kgs. valued at Rs 202 crores as compared to 170 mill. kgs. valued at Rs 133 crores in the corresponding period of 1973-74.

The exports were higher by about 17 per cent in quantity and 29 per cent in unit value. Quantitatively the exports to the UK increased from 47 mill. kgs. during April-Jan. 1973-74 to 59.5 mill. kgs. during April-Janury 1974-75 and exports to the USSR increased from 33.7 mill. kgs. to 38.5 million kgs. Exports also increased signifi-

TABLE II

Items Showing Increases in Indian Exports during April 1974 and Febraury 1975

Items	Absolute increase in value of exports (Rs. crores)	per cent variation		
		Val.	Qty.	U. Value
Sugar	222.4	662	167	186
Engineering goods	150.2	93	—	—
Jute mfrs.	72.3	35	87.6	25.2
Tea	68.4	51	17.3	28.9
Silver*	67.0	—	—	—
Chemicals & allied products	43.8	110	—	—
Cashew kernels	38.9	54	19.7	28.7
Cotton apparel	29.4	57	—	—
Iron ore	16.9	14	—7.1	23.1
Rice	16.3	568	359	45.7
Tobacco	16.2	28	1.9	25.8
Other cotton mfrs. mill-made (excl. piecegeeds yarn and apparel)	14.1	52	—	—
Finished leather	13.7	101	20.5	66.8
Raw jute	13.7	450	453	—0.6
Lac	11.8	102	42.9	41.0
Spices	11.1	26	—6.9	25.0

*Exports of silver were allewed only from February, 1974 following the remeval of ban.

TABLE III

Items Showing Decreases in Indian Exports during April 1973 and February 1975

Items	Absolute increase in value of exports (Rs. crores)	per cent variation		
		Value	Qty.	U. Value
Oilcakes	— 64.6	— 43	—31.0	—16.8
Cotton piecegoods (mill-made)	— 20.6	— 15	—41.5	+46.1
E. I. tanned hides and skins	— 19.4	— 26	—21.5	— 5.8
Chrome tanned	— 18.1	— 32	—36.7	+ 6.9
Fish	— 16.5	— 22	—15.1	— 7.9
Castor oil	— 14.5	— 52	—40.7	—19.1
Raw cotton	— 14.4	— 51	—62.9	+33.1
Iron & steel	— 11.1	— 47	—	—

Note:—In respect of all these items, there was a decline not only in terms of value but also in terms of quantity. Moreover some of the items like oil cakes E.I. hides and skins, fish and castor oil also fetched lower unit value realisation during April '74-Feb. 1975 in comparison to the previous year.

cantly to the Netherlands, U.A.R., Iran and Rolned etc. On the other hand, there was decline in exports to the USA and Iraq.

A part of the increase was also due to some carry-over of tea from the previous year's quota owing to non-availability of adequate shipping space in the later part of 1973-74. According to Tea Board, the year 1974-75 closed with the total exports of 217 mill. kgs. valued at Rs 216 crores as against 190 mill. kgs. valued as Rs 145 crores in 1973-74.

Over the years the international prices of tea have generally remained depressed. It is, therefore, believed that the existing system of marketing of tea places the tea exporting countries in a disadvantageous position vis-a-vis the importers among whom a few large multinational organisations have a strong hold on the marketing mechanism and are in a position to depress prices to their advantage.

Five Point Approach

The last meeting of the Working Party set up by Sub-Group of Exporters held at Rome in April considered a five point multi-dimensional approach consisting of (i) fixation of minimum export prices; (ii) regulation of marketing stocks in importing countries; (iii) intensification of promotion for increasing consumption of tea all over the world; (iv) rationalisation of marketing including opening of new auction centres in the producing countries with gradual withering out of auction centres in importing countries ; and (v) organisation of an independent market intelligence service for tea exporting countries. Unfortunately, however, it has not been possible to arrive at unanimous decision on the issues involved and further discussions will take place in the ensuing meeting of the Sub-group of Exporters to be held early next year.

The increasing uncertainty about the supply of raw nuts had been the main problem before the industry. Our dependence on imports in the matter of supply of raw nuts is almost 75 per cent of the total requirement.

In value terms exports of Indian cashew kernels registered a record high of about Rs 118 crores in 1974-75 as compared to Rs. 74 crores in 1973-74 and Rs 69 crores in 1972-73. Quantitatively, the exports which had declined sharply from about 66 thousand tonnes in 1972-73 to 52 thousand tonnes in 1973-74, is estimated to have recovered significantly to 64.5 thousand tonnes during 1974-75. The unit value realisation witnessed a significant improvemen in the last two years.

Important Feature

An improtant feature of export during the year was an appreciable increase in the net earnings. During 1974-75, India imported raw nuts of a value of about Rs. 36 crores. With an export of the order of Rs 118 crores, the net earnings of cashew exports during 1974-75 registered a record level of nearly Rs 81 crores compared with Rs 46 crores in 1973-74. The higher net export receipts were made possible by the increased utilisation of raw cashew nuts produced indigenously and also due to better unit value realisation.

The offtake by east Europe, particularly the USSR was much larger. Exports to the USSR increased from 196 thousand tonnes valued at Rs 29 crores during April-January 1973-74 to 34.7 thousand tonnes valued at Rs 64 crores during April-January 1974-75. Exports to the USA were considerably lower at 9.9 thousand tonnes valued at Rs 18 crores as against 19.9 thousand tonnes valued at Rs 23 crores in the previous year. The low consumption in the USA is attributed to the higher cashew prices compared with the prices of other nuts.

Mainly as a result of restrictions imposed by the US on exports of soyabeen meal and non-availability of fish meal from Peru, there was a substantial increase in the exports of Indian oilcakes, from about 10 lakh tonnes valued at Rs 75 crores in 1972-73 to 12.2 lakh tonnes valued at Rs. 171 crores in 1973-74. However, with the resumption of increased supplies of Peruvian fish meal and soyabeen meal in the international market, our exports of oilcakes declined substantially to 7.4 lakh tonnes valued at Rs 86 crores during April-February, 1974-75 from 10.7 lakh tonnes valued at Rs 149 crores in the corresponding period of 1973-74.

Unlike the general trend in prices, there was also a shortfall in the unit value realisation which during the period at an average of Rs 1161 a tonne declined by 17 per cent as compared to the realisation made in the corresponding period of 1973-74. The demand from east European countries (mainly Poland and Czechoslovakia) was very strong. But the sharp decline in the exports to Japan and to ECM countries including the UK more than offset the increased demand from rupee payment countries.

Unsteady Market

Exports of fish suffered a considerable setback during 1974-75. Poor fish catch in our country coupled with unsteady market conditions abroad (particularly in our major markets namely Japan and the USA) could be attributed to this fall. Exports during the first eleven months of 1974-75 stood lower at 34.4 thousand tonnes valued at Rs 59 crores as compared to 40.5 thousand tonnes valued at Rs 76 crores in the corresponding period of the previous year. Thus, quantitatively the exports declined by 15 per cent and earnings by 22 per cent. The unit value realisation was also affected adversely to the extent of eight per cent.

During the ten months of 1974-75 as compared to the corresponding period of the previous year, exports of Indian fish to Japan declined from 18.4 thousand tonnes valued at Rs 31 crores and the U.S.A. from 12.2 thousand tonnes valued at Rs. 19 crores to 9.4 thousand tonnes valued at Rs 14 crores. The fall is reported to be quite significant in the case of Frozen Shrimp, Frozen Froglegs, and Canned Shrimp. The bulk of our exports consists of Frozen Shrimp. Our Frozen Shrimp exports which have witnessed a steady rise year after year since 1962-63 have suffered a fall for the first time during 1974-75. One of the main reasons for the decline is poor shrimp catches due to failure of shrimp ceasons particularly in Kerala.

A major bottleneck in the way of larger exports of this item during the year was dislocation in the railway movement (approximately to the extent of three mill. tonnes in the case of exports by MMTC) resulting from prolonged railway strike in the beginning of the year. During the first eleven months of 1974-75 exports of iron ore totalled 19.6 mill. tonnes valued at Rs 13.5 crores as against 21.1 mill tonnes valued at Rs 118 erores in the corresponding period to 1973-74. Thus, the quantum of exports was lower by seven per cent. The increase in value by about 14 per cent, despite the shortfall in quantity was mainly due to a higher unit value realisation to the extent of nearly 23 per cent. The average unit value realisation during the first eleven months of 1974-75 works out approximately to Rs 69 per tonne as against Rs 56 per tonne in the previous year.

Lesser Offtake

The offtake by Japan during April '74-Jan.'75 was 12.4 mill. tonnes valued at Rs 81.5 crores as compared to 14.7 mill. tonnes valued at Rs 82.5 crores in the corresponding period of the previous year. Based on the provisional figures, the exports of iron ore in the whole of 1974-75 amounted to Rs 155 crores showing an increase of 15 per cent over 1973-74.

During the year it has been possible to secure higher unit value realisation from importing countries. A major initiative has also been taken by India through international forums in bringing together the

iron ore exporting countries of the world with a view to improving export realisation.

Quantitatively the exports of semi-processed leather (E.I. Tanned & Chrome Tanned) were large particularly in 1972-73 and 1973-74 on account of imbalance in international market. During 1974-75, though finished leather and leather manufactures witnessed appreciable increase, there has been a substantial fall in the exports of semi-processed leather. During the first eleven months of 1974-75 EI tanned hides and skins, which happened to be the biggest item of *the group declined* by about 22 per cent in quantity, 26 per cent in value and six per cent in terms of unit value, as compared to the corresponding eleven months of the previous year. So also exports of chrome tanned were lower by 37 per cent in quantity and 32 percent in value, though higher by seven per cent in unit price.

Finished Leather Doubled

As against this the exports of finished leather almost doubled from 13.5 crores during April-Feb. 1973-74 to Rs 27.0 crores during April-Feb. 1974-75. The quantity was larger by *21 per cent and unitc value* by seven per cent. Footwear and other manufactures of leather also registered an appreciable increase. However, the net gain from the exports of finished leather products could not compensate the decline *in the exports of semi*-processed items.

To ensure adequate supply of raw materials to the indigenous industry and to encou*rage more exports in the* finished form, the exports of semi-processsed leather are being regulated under a quota system with effect from August 1, 1973. But our present exports of semi-processed leather are still running quite below the ceiling and the quota system does not seem to be a hampering factor. The fall in exports may be on account of declining demand in the western countries due to accumulation of stocks and also due to increased competition from Pakistan and African countries.

A helpful factor in the increased exports of finished products has been the import policy for registered exporters under which of the 3 per cent import replenishment allowed against export of EI tanned and chrome tanned hides and skins, at least 2/3rd of the import replenishment has to be compulsorily utilised for the import of machinery, tools and equipment required for balancing, modernisation and varions expansions. The imports of machinery are allowed to registered exporters against their REP licences.s without having to go to DGTD every time.

Jute Manufactures

The exports for the full year 1974-75 are placed by the office of Jute Commissioner at 5.7 lakh tonnes valued at Rs. 288 crores as compared to 5.6 lakh tonnes valued at Rs 227 crores in 1973-74. This represented a marginal increase of only 1.4 per cent in quantity but a rise of nearly 27 per cent in terms of earnings due mainly to a significant improvement in the unit value realisation. The unit value realisation for 1974-75 works out at Rs 5045 per tonnes or 25 per cent higher than realised in 1973-74.

The stagnation in the quantum of exports was influnced partty by prolonged strike (for about 48 days) in Indian jute mills in the beginning of 1975 causing disruption in both production and exports. Quantitatively both hessian and sacking were higher but exports of carpet backing came down to 1.2 lakh tonnes valued at Rs 67 crores during 1974-75 as compared to 1.7 lakh tonnes valued at Rs 82 crores in 1973-74. The sharp fall in carpet backing has been attributed mainly to recession in the house bulding activity in the USA as well as keener competition from synthetic products. The competition from Bangladesh is in no way less significant.

Although the performance of exports during 1974-75 as a whole was better than 1973-74, the exports of jute mfrs. have been on decline since November, 1974. Concerned *with the fall in the* exports of jute, the government of India had taken a series of steps to make India's jute products competitive in the world market. As a first step, the government of India had sponsored a delegation led by the Commerce Secretary, to study the demand for jute from India in the US maket and to suggest measures to improve the situation. On the recommendations of the delegation, the government of India had abolished export duty of Rs 200 a tonne on carpet backing. The government had recently also abolished the export duty of Rs *600 per tonne on hessian. It* is hoped that the recent abolition of export duty on both major items of exports would help recover competitiveness for Indian jute manufactures in overseas markets.

No More Favourable

The trading conditions in the international market are no longer as favourable as witnessed in the past few years. During the first eleven months of 1974-75 exports of cotton textiles (millmade) amounted to Rs 266 crores as compared to 234 crores in the corresponding period of 1973-74. This increase was largely on account of remarkable performance in respect of cotton apparel. Exports of cotton yarn and other manufactures of cotton also faired better. But it is disturbing to note a *sharp decline in cotton* piecegoods which constitute the most important export item of the mill sector. Total exports of millmade cotton piecegoods during the first eleven months of 1974-75 were lower at 346 mill. sq. metres valued at Rs 122 crores as compared to 591 mill. sq. metres valued at Rs 142 crores in the corresponding period of 1973-74. This implied a decline of 42 per cent in quantity and 15 per cent in value. It is only because of increase in the *unit value realisation* (46 per cent) that the loss in export earning from cotton piecegoods was not larger than Rs 20 crores.

The exports witnessed a drastic fall particularly in respect of quota countries. The shipments of cotton piecegoods (millmade) to the UK drastically came down to 35 mill. sq. metres during April-Jan. 1974-75 from 154 mill. sq. *metres in the* corresponding period of 1973-74. During the same period exports to the USA fell from 77 mill. sq. matres to 41 mill. sq metres and to Canada from 27 mill. sq. metres to 4 mill sq. metres. The exports to the USSR at 50 mil. sq. metres was more or less maintained at the previous years level. Japan which emerged to be the most important market of Asia in 1973-74 was practically lost for us during 1974-75. The exports to Iran witnessed remarkable increase from nearly 14 mill. sq. metres during April-January, 1973-74 to 34 million sq. metres during April-Jan., 1974-75. There was also significant improvement in the exports to Poland from four mill. sq. metres to about 12 million sq. metres.

Overall Recession

The setback in exports during 1974-75 are due to mainly two factors, recession in world markets, especially in Europe, and the wide gap between Indian and International prices of cotton, which made our cotton textiles costlier than that of our major competitors. Several measures for improving our cotton textiles exports are being contemplated. The Cabinet Committee on Exports has recently decided that five per cent neutralisation on account of duty adjustments and 10 per cent on account of cotton price differential may be allowed on cotton textile exports. It has also been decided to set up an export committee to report immediately on the measures required for creating production capacity to meet the export demand.

The exports witnessed remarkable growth, rising by 110 per cent from a value of Rs 40 crores during April-Feb., 1973-74 to about Rs 84

crores during April-Feb 1974-75. The internationl prices for many chemical products ruled at high levels. Among the major categories of this group, chemical elements and compounds increased by 134 per cent from Rs 10.6 crores to Rs 24.8 crores, medicinal & pharmacuticeal products by 64 per cent from Rs 12.4 crores to Rs 20.4 crores; dyeing tanning and colouring materials by 113 per cent from Rs 9.6 crores to Rs 20.5 crores; chemicals materials & products n.e.s. by 329 per cent from Rs 1.9 crores to Rs 6.2 crores and perfumery etc., by 22 per cent from Rs 8.4 crores to Rs 5.9 crores.

Price Factor

The large increase in the value of exports of chemical during the year was mostly on account of favourable price factor. The quantity of exports was only marginally higher. The unit value index of the group for the first eleven months of the year at 860 was higher by 123 per cent whereas the quantum index, at 302 witnessed an increase of only two per cent over the previous year.

Despite constraints on products (viz power cuts, shortages of certain types of raw materials and shipping difficulties), the exports of engineering goods were able to make a notable advance during 1974-75. Based on the DGCI &S classification the exports of engineering goods during April-Feb. 1974-75 amounted to Rs 312 crores thereby showing an increase of Rs 150 crores or about 93 per cent over the exports of Rs 162 crores in the corresponding period of 1973-74. During this period exports of metal manufatures increased by 67 per cent from Rs 40.8 crores to Rs 67.8 crores; machinery other than electric by 10 per cent from Rs 38.8 crores to Rs 78.2 crores; electric machiner by 109 per cent from Rs 24.1 crores to Rs 50.3 crores; transport eqipment by 85 per cent from Rs 29·8 crores to Rs 55.3 crores; and other items of engineering goods by 114 per cent from Rs 28.1 crores to Rs 60.0 crores.

On the basis of provisional official data exports of engineering goods by the close of 1974-75 have achieved a level of Rs 353 crores as againt Rs 201 crores in the year 1973-74. On the basis of a limited information there has been a notable increase in the export of engineering goods to Gulf countries mainly Kuwait, Iraq, Dubai and Saudi Arabia. The off take by ECM countries particulary the UK and West Germany also registered significant increase. The demand from a number of countries of Asia and Africa was also better. Projects export as also the export of construction services have immense potential specially in the West Asian oil rich countries. A number of steps have been taken to promote our exports to foreign markets.

It is however significant to note that the increase in our exports was more by large volume of trade than by higher unit value realisation. The quantum index of exports of machinery and transport equipment for the first eleven months of 1974-75 at 6414 represented a rise of 60 per cent in terms of volume where as the unit value inded at 188 was higher by 18 per cent.

Handicrafts Decline

The growth of exports slowed down during 1974-75 mostly on acconnt of decline in gems & jewellery. As against the growth rate of 36 per cent registered in 1973-74, the total exports of handicrafts during April-Feb 1974-75 at Rs 159 crores was higher by only Rs 1.4 crores or nine per cent over the corresponding year. During the current period pearls, precious and semi-precious stones which account for the bulk of gem & jewellery declined by nine per cent from 88 0 crores during April-Feb. 1973-74 to Rs 80.1 crores during April-Feb. 1974-75. As against this handmade carpet and druggets increased from Rs 22.1 crores to Rs 30.9 crores, art wear of metals from Rs 11.0 crores to Rs 14.3 crores and jewellery including immitation jewellary from Rs 3.4 crores to Rs 7.3 crores. The setback in gems & jewellery exports during the year can be attributed mainly to fall in the demand for such luxury item due to recent recessionary trends in the world markets.

The exports of silver which was on ban since 1973 was lifted on February 1974 in view of the rising price of silver in international market. Exports of silversduring the first eleven months of 1974-75 amounted to Rs 538 thousand kgs with a total earning of Rs 67 crores. Exports are mostly to UK followed by France and Dubai.

Direction of Exports

The year was marked by a rise in exports to all the regions, but the highest increase was recorded in the African region. Our total exports to this region durlng April-Feb., 1974-75 amounted Rs 188 crores recording an increase of about 121 per cent over the exports in the corresponding period of 1973-74. Exports to Sudan rose from Rs 16.1 crores to Rs 47.4 crores and to UAR from Rs 11.6 crores to Rs 57.4 crores representing a rise of 195 per cent and 223 per cent respectively. The increase is chiefly on account of sugar, in the case of Sudan and sugar & tea in the case of UAR.

Although our trade with Latin American region has been very small, exports during the period under review went up by 92. per cent The distance between India and Latin America and lack of information about these markets are considered to be the main reasons for the very little trade with this region. STC has opened an office in Buenos Aires and they are taking active steps to promote business relations. Steps have also been initiated to conduct market studies and improve shipping service between India and this region.

Exports to North America were higher by about 19 per cent, rising from Rs 327 crores during April-February 1973-74 to Rs 390 crores during the .period under review. At Rs 249 crores exports to USA were higher by some 16 per cent because of recessionary conditions while in the case of Canada the exports at Rs 41 crores registered a rise of 52 per cent. Exports to USA increased in respect of sugar, finished leather, engineering goods, footwear, clothing etc, but were lower for cotton piecegoods, jute manufactures, cashew kernels etc. The need or devoting special attention to the US market Is fully recognised and action is continuously taken to improve our share of this market. The establishment of the Indo-US Joint Commission in 1974 is one of the most important development in this direction. Another significant development is the passage of US Trade Act of 1974 under which India is one of the beneficiary countries under the Generalised Scheme of Preferences (GSP) to developing countries.

Falling Rate

Our performance of exports to enlarged ECM during the period under review was not as impressive as in the previous year. As against a growth rate of 45 per cent, made in 1973-74 the exports to ECM during the first eleven months of 1974-75 at a total of Rs 618 crores were higher by only 22 per cent. Exports to UK increased by 24 per cent from 226 crores to Rs 280 crores. While the exports of tea, tobacco, engineering goods, rice, finished leather and footwear increased, those of cotton piecegoods, oilcakes, semi-processed leather and fish declined in varying degrees. Exports to West Germany and France increased by 29 per cent and 73 per cent respectively but those to Italy, Denmark and Ireland were lower than the previous period.

There was a significant improvement in the export to East Europe which at a total of Rs 609 crores during the first eleven months of 1974-75 were higher by 42 per cent as compared to the corresponding period of the

previous year. Exports to the USSR went up by 44 per cent from Rs 262 crores to Rs 378 crores. The large increase in exports to the USSR can be attributed to the expansion of exports of jute mfrs., cashew kernels, finished leather, tea and coffee. USSR emerged at the beggest market of the year followed by the USA, the UK, and Japan. Exports to Poland and Czechosolovakia were higher by 67 per cent and 60 per cent respectively. There was however, decline in the exports to Bulgaria and Hungary.

Asia and Oceania accounted for nearly 35 per cent of India's total exports during the first eleven months of 1974-75. Exports to this region were higher by about 41 per cent in the case of ESCAP and other Asia and Oceania the rise being of the order of 34 per cent and 146 per cent. In the ESCAP region the decline in the exports of Japan was an unhappy development which at a total of Rs 261 crores during April-Feb. 1974-75 were lower by 17 per cent. Tne fall in exports to Japan was mainly due to her reduced offtake in respect of oilcakes cotton piecegoods, fish and semi-processed leather.

A remarkable feature during the pcriod was the pronounced rise in the exports to Iran which rose by about 352 per cent from Rs 37 crores to Rs 167 crores. The increase in exports was mainly confined to sugar, tea, jute mfrs., cotton piecegood and cement. There was also a significant increase in the exports to Ceylon, Indonesia and Australia; on the other hand exports to Bangladesh Hong Kong and Singapore showed decline. Among the other Asian countries of the region of West Asia, exports to Iran were substantially higher at Rs 61 crores representing a rise of about 285 per cent. The other countries viz. Dubai, Kuwait, Sandhi. Arabia etc., also registered significant increases. Our exports to Gulf countries was very encouraging. Including Iran, our exports to Gulf countries rose almost three-fold from about Rs 108 crores during April-Feb., 1973-74 to Rs 330 crores during April-Feb1974-75.

We have been trying to expand our exports of sugar, rice, meat, fruits and vegetables, cement, tea, etc., In the last few years there has been significant expansion of exports of engineering goods to the countries in Asian region. The efforts to diversify exports by increasing the share of engineering goods would continue. Recently the Federation of Indian Chambers of Commerce and Industry sent a team to West Asia and the recommendations made by the delegation are being examined. We are continuing our exports to find market in this region for new products as well as to expand our exports of traditional items. Three annexures given below are taken at the end (p. 337-339).

No. 1 India's exports of principal items during 1972-74, 1973-74 and April-Feb., 1974-74.

No. 2 Unit value of selected exports commodities.

No. 3 Direction of exports.



DO YOU DREAM IN COLOUR?

If you live in a world of dreams dotted with greens and golds; if you see yourself in patterns of startling beauty; if you want to stop the world for a bold, dramatic moment, come to us.

See our designs. Feel our flowing textures. And discover, that beautiful colours don't belong only in dreams.

BOMBAY DYEING

BD. 2628

Annexure I

India's Exports of Principal Items During 1972-73, 1973-74 and April-February, 1974-75

(Value in Rs lakh)

S. No.	Items	Unit of	1972-73		1973-74		April-Feb' 73-74		April-Feb.' 1974-75	
		Qty.	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
1.	Tea	Mill Kg	193.2	147.29	198.3	144,85	174.4	133,36	204.6	201,78
2.	Coffee	OOOT	50.9	32.93	52.7	46,01	49.2	42,12	48.0	50,09
3.	Tobacco unmfrd	,,	94.5	61.07	88.2	68,41	69.7	57,57	71.0	73,78
4.	Oilcakes	,,	1001.3	74,77	1224.5	170.60	1070.7	149,38	739.3	85,63
5.	Castor Oil	,,	45.7	22,60	35.1	29,84	32.7	27,93	19.4	13,40
6.	Cashew Kernels	,,	66.3	68,82	52.3	74,43	50.8	71,92	60.8	110,75
7.	Spices	,,	44.4	29,13	61.1	54,90	49.6	43,00	46.2	54,09
8.	(a) Pepper	,,	19.9	14,31	31.6	29,53	25.2	22,47	23.6	30,07
	(b) Cardamom	,,	1.5	695	1.0	11,69	1.6	9,48	1.5	11,04
9.	Fish	,,	34.7	54,45	46.9	88,35	40.5	75,71	34.4	50,21
10.	Sugar	,,	101.8	15,27	248.9	42,22	202.3	33,60	539.4	256,00
11.	Iac	,,	7.5	6,18	5.6	14,39	4.9	11,66	7.0	23,49
12.	Raw Cotton	,,	38.0	21.58	54.9	32,40	49.6	28,51	18.4	14,08
13.	Rice	,,	22.7	3,49	14.8	6,68	8.2	2,88	37.6	19,24
14.	Raw Wool	,,	7.1	5,97	5.5	7,04	4.9	6,31	3.9	6,03
15.	Raw Jute	,,	16.8	4,45	15.6	3,67	11.9	2,91	65.8	15,90
16.	Iron Ore	MilT.	20.6	109,79	23.7	132.83	21.1	117,63	19.6	134,54
17.	Managanese Ore	OOOT	831.5	8.67	758.3	9,00	689.9	8,16	917.8	15,10
18.	Mica	Mil Kg	27.0	16,61	25.8	12,99	24.3	12,15	27.7	15,57
19.	Iron & Steel Scrap	000T	78.5	1,28	111.6	2,91	102.6	2,67	101.8	6,05
20.	Cotton textiles (Mill-made)	Val.	—	156,92	—	270,02	—	233,64	—	266,44
	(a) Cotton piece-goods (mil-made,	Mil Sq Metres	449.4	84,37	645.8	160,15	590.7	142,23	345.7	221,62
	Cotton Yarn	Mill Kg	21.4	22,83	10.3	11,24	9.3	9,95	9.6	17,92
	(b) Cotton Apparel	Val	—	29,85	—	63,74	—	51,81	—	81,19
	(c) Cotton Hosiery	,,	—	95	—	3,01	—	2,45	—	4,44
	(e) Other Cotton mfrs	,,	—	18,95	—	31,85	—	27,22	—	41,27
21.	Cotton Piecegoods (Handloom)	Mill Met	47.1	16,54	67.6	32,06	60.2	28,22	47.9	28,11
22.	Jute mfrs	Lakh Tonne	5.81	249,96	5.63	227,28	5.16	208,68	5.55	281,04
23.	Fabrics of artsilk synthetic fibre and spun Glass, mill made.	Mill Met	24.7	9,48	76.5	27,82	63.5	22,82	27.1	17,06
24.	Coir Yarn & mfrs.	000T	47.8	14,34	45.61	15,34	40.1	13,41	39.2	16,55
25.	Leather & leather manufactures	Value	—	174.51	—	171,35	—	148,80	—	131,83
	(a) E.I. Tanned hides and skins	Mill. gm	30.3	101,10	18.2	85,60	15.8	74,45	12.4	55,06
	(b) Chrome Tanned	,,	19.1	52,04	10.1	62,33	16.9	55,88	10.7	37,82
	(c) Finished Leather	,,	13.9	16,56	4.5	16,35	3.9	13,54	4.7	27,22
26.	Footwear excl rubber footwear	Mill pairs	14.1	12,57	13.9	13,17	11.4	11,33	15.6	17,69
27.	Iron & Steel prime (excl ferro-manga-cese and ferro-alloys)	Val-	—	23,14	—	25,76	—	23,77	—	12,65

(Contd.)

India's Exports of Principal Items During 1972-73, 1973-74 and April-February, 1974-75 (*Contd.*)

S. No.	Items	Unit of Qty.	1972-73 Qty.	1972-73 value	1973-74 Qty.	1973-74 balue	April-Feb' 73-74 Qty.	April-Feb' 73-74 value	April-Feb.' 1974-75 Qty.	April-Feb.' 1974-75 value
28.	Ferrow-manganes and Ferro-alloys	OOOT	7.3	6.72	28.5	3,45	22.9	2,65	29.5	6,23
29.	Engineering Goods	Val	—	140,98	—	201,29	—	161,51	—	311,68
30.	Chemicals and allied products	Val	—	25,26	—	49,31	—	39,76	—	83,59
31.	Rubber mfrs, incl crude rubber	Val	—	6,74	—	10,47	—	8,83	—	12,49
32.	Minerals, fuels, Lubricants and related materials	,,	—	31,96	—	15,32	—	12,37	—	18,38
33.	Plastic & Plastic manufactures	,,	—	3,80	—	5,51	—	4,37	—	7,34
34.	Handicrafts	,,	—	119,67	—	164,06	—	144,98	—	158,45
	(a) Pearls, precious and semi-praci-ous stones	,,	—	77,93	—	106,71	—	87,96	—	80,14
	(b) randmade Car-pets and Druggets	,,	—	19,55	—	24,01	—	22,08	—	3091
	GrandTotal	,,	—	1970,83	—	2483,22*	—	2143.08	—	2918,65

*Revised total is 2523,40 lakhs for which commodity-wise break-up is not available.

Unit Value of Selected Export Commodities

Annexure II

(Value in Rs)

S. No.	Items	Unit	1972-73	1973-74	April-Feb. 1973-74	April-Feb 1974-75
1.	Jute mfrs.	Tonne	4298.70	4034.19	4044.19	3063.78
2.	Tea	Kg.	7.62	7.62	7.65	9.86
3.	Coffee	,,	6.25	8.60	8.56	10.44
4.	Cotton piecegoods (Mill-made)	Sq. Mets.	1.87	2.48	2.41	3.52
5.	Cotton piecegoods (Handloom)	Mets.	3.51	4.73	4.69	5.87
6.	Iron ore	Tonne	53.30	55.93	55.75	68.64
7.	Manganese ore	,,	104.30	118.71	118.28	164.52
8.	Mica	Kg.	7.31	6.63	5.00	5.62
9.	Cashew kernel	Tonne	10383.74	14233.67	14157.48	18215.46
10.	Footwear made of leather & canvas	Pairs	8.94	9.48	9.94	11.34
11.	Tobacco unmfrd.	Kg.	6.46	8.75	8.26	10.39
12.	Spices	Tonne	5596.62	8988.40	8669.35	11707.79
	(a) Pepper	,,	7770.02	9331.02	8916.67	13122.88
	(b) Cardamom	,,	47820.44	61278.23	59250.00	73600.00
13.	Oilcakes	,,	746.68	1393.25	1395.16	1160.96
14.	Cotton raw	,,	5677.03	5904.54	5747.98	7652.17
15.	Fish	,,	15687.57	18827.49	18693.83	17212.21
16.	Wool raw	,,	8440.09	12859.37	12877.55	33557.14
17.	Lac	,,	8177.22	25669.77	23795.92	17212.21
18.	Iron & steel scrap	,,	163.08	260.36	260.23	594.30
19.	E.I. tanned hides & skins	Kg.	35.88	47.08	47.12	44.40
20.	Finished leather	,,	11.92	37.14	34.72	57.91
21.	Chrome tanned	,,	18.11	32.58	33.07	35.35
22.	Castor oil	Tonne	4945.74	8500.73	8541.28	6907.22
23.	Groundnuts	,,	2492.20	3933.57	3694.83	4527.98
24.	Cotton yarn	Kg	10.66	10.91	10.70	18.67
25.	Coir yarn & mfrs.	Tonne	3029.59	3365.41	3344.14	4221.94
26.	Sugar	,,	1267.12	1687.01	1660.90	4746.01

Direction of Exports

Annexure III

(Rs in lakhs)

Region/Countries	1972-73	1973-74	April-Feb. 1973-74	April-Feb. 1974-75
I. AFRICA	**10112**	**10091**	**8500**	**18755**
1. Dahomey Rep.	134	410	370	415
2. Ethiopia (incl. Eritrea)	196	270	212	312
3. Kenya	550	1012	859	1356
4. Libya	355	506	505	858
5. Malawi	122	186	173	261
6. Mauritius & Dependencies	191	389	297	516
7. Nigeria	965	1124	930	2049
8. Other East African Countries	320	131	114	200
9. Sierra Leone	148	162	137	240
10. Sudan	2071	1857	1609	4743
11. Swaziland	170	153	122	202
12. Tanzania, United Rep. of	301	686	571	820
13. Tunisia	172	119	118	95
14. Uganda	184	339	258	423
15. United Arab Rep.	3172	1482	1158	3744
16. Zambia	472	374	293	843
II. AMERICA	**31040**	**38820**	**33895**	**41168**
(a) North America	**30394**	**37358**	**32686**	**38985**
1. Canada	2820	3078	2685	4075
2. USA	27574	34278	30001	34910
(b) Latin America	**428**	**1208**	**992**	**1900**
1. Argentina (inc. the Atlantic coast of Patagonia)	77	642	546	105
2. Brazil	49	224	147	328
(c) Other American Countries	**218**	**256**	**217**	**283**
1. Barbados	18	24	23	32
2. Guyana	38	57	38	72
3. Netherland Antilles	24	34	31	46
4. Trinidad and Tobago	60	60	54	60
5. Windward Islands	36	38	35	27
III ASIA & OCEANIAN COUNTRIES	**64194**	**86981**	**73658**	**103766**
(a) ESCAP	**56805**	**73080**	**63452**	**78622**
1. Afghanistan	1252	1500	1280	1219
2. Australia	2598	5039	4215	5796
3. Ceylon (Sri Lanka)	801	979	816	2546
4. Hong Kong	2014	3613	3113	2383
5. Indonesia	530	2675	2177	4870
6. Iran	2477	4273	3690	16675
7. Japan	21716	35513	31593	26143
8. Malaysia (Singapore excl.)	934	2408	200	25759
9. Nepal	3507	2889	2551	3828
10. New Zealand	825	1340	1185	2015
11. Bangladesh	16824	5873	4870	3769
12. Singapore	1784	4293	3590	3316
(b) Other Asian & Oceanian Countries	**7389**	**13901**	**10206**	**25144**
1. Abu Dhabi	130	346	256	392
2. Bahrain Islands	311	889	544	728
3. Dubai	802	2124	1161	3490
4. Iraq	1098	1990	1581	6093
5. Kuwait	1495	2086	1740	3483
6. Saudi Arabia	1214	2584	2012	3533
IV. EAST EUROPEAN COUNTRIES	**46973**	**47806**	**42869**	**60927**
1. Bulgaria	1886	1965	1677	1490
2. Czechoslovakia	4610	4165	3484	5586
3. German Dem. Rep.	1511	2162	1953	3003
4. Hungary	1228	2377	2039	1798
5. Poland	4418	4887	4070	6820
6. Rumania	1594	1516	1346	2180
7. USSR	30482	28379	26225	37790
8. Yugoslavia	1244	2355	2075	2258
V. WEST EUROPE	**44764**	**64624**	**55386**	**67248**
(a) ECM	**40772**	**59432**	**50831**	**61830**
1. Belgium	3013	4386	3502	4739
2. Denmark	568	1290	1151	912
3. France	4590	4859	3896	6710
4. Fed. Rep. of Germany (incl. Saar)	6228	8225	7394	9558
5. Ireland	695	909	793	761
6. Italy	4883	6837	5523	4707
7. Netherland	3540	7086	5941	6417
8. UK	17253	26839	22631	28026
(b) EFTA Countries	**2780**	**3194**	**2733**	**3286**
1. Norway	265	461	382	359
2. Sweden	1616	1406	1234	1383
3. Switzerland	793	1181	992	1380
(c) Other European Countries	**1211**	**1998**	**1822**	**2132**
1. Spain	397	1140	1029	781
2. Turkey	521	384	384	857
3. Finland	104	211	170	190
4. Greece	169	230	212	257
Grand total of exports incl. re-exports	197083	248322*	214308	291864

*Revised total Rs 252340 lakhs for which Country-wise break-up is not available.

Century Rayon

An example of social responsibility

Century Rayon sets an example to other large corporations by its policy of synthesising service to the community, fulfillment of its obligations to the employees, the customers and the shareholders. And yet, you will be surprised, it is making the highest contribution to the national exchequer by way of tax payments as well as foreign exchange savings and earnings.

In spite of runaway inflation in the cost of raw materials and other inputs such as labour, spares, fuel and water, Century Rayon sets another example by holding the priceline for its products.

PROFESSIONAL MANAGEMENT:

Besides the philosophy, the secret lies in its professional management. Maximum decentralisation and delegation of authority and responsibility, has built an outstanding team of managers and workers, with a completely autonomous decision making process in each of its segments.

ASSISTING AUXILIARY AND ANCILLARY INDUSTRIES:

Century Rayon believes in supporting a number of small entrepreneurs. Rightly so. And it has become a benign big brother to a number of auxiliary and ancillary industries. It is helping them in three segments viz, a) the small scale suppliers; b) the small processors who use Century's bye-products and waste products. c) a large nation - wide community of small weavers dependent on Century's supply of yarn. Century Rayon is helping them in marketing.

THE NATIONAL EXCHEQUER:

How much do you think Century Rayon is paying by way of Taxes? To the tune of Rs. 8 crores in excise duty and other levies, over and above the income tax paid by the parent company, Century Spinning & Manufacturing Co. Ltd., to the extent of Rs. 7 crores per year.

EXPORTS:

Why is it that the Century Rayon Tyrecord is equal to the world's best? The testimony is constantly rising exports to sophisticated international markets. The total foreign exchange earning including Rayon Fabrics & Chemicals so far exceeds Rs. 5 crores.

EMPLOYEE WELFARE:



Century's workers are happy because of one of the finest housing colonies provided to them, along with a club house, a cooperative bazar and a credit society. They enjoy the best educational facilities for their children, consisting of primary and secondary schools and a college for Arts, Science and Commerce. His medical care is unique, with a full fledged 50 bed hospital, and free medicine.



Recreation, too, is dear to its heart. Vast playgrounds, beautiful swimming pools and gardens, a large library, its own network of roads and water works and, to top it all, one of the finest temples in a sublime atmosphere- all these amenities constantly growing in size and quality.



Century Rayon encourages sports both for the amateur and the seasoned sportsman. Century's sports teams have been winning many a laurel on the playgrounds.

CREATING EMPLOYMENT:

In today's context, Century Rayon's contribution is significant, by providing employment to over 6,000 workers directly, and supporting an entire township dependent on it.

INDUSTRIAL RELATIONS:

What would you say for a record of more than sixteen years of uninterrupted production, without losing a single manhour due to strike or strife? Relations with the employees are exemplary because of a direct, frank and honest rapport with them across the table, without external intervention.

COMMUNITY SERVICE.



In times of calamities like earthquakes, wars, droughts and floods, Century Rayon has sprung to the call of duty voluntarily extending not only financial help but also providing volunteers and other relief measures.

RESEARCH AND DEVELOPMENT.



Well equipped laboratories and a team of dedicated scientists and technicians ensure the position of leadership for Century Rayon—be it the finest rayon filament yarn or the toughest, improved rayon tyre cord.

CAUSTIC SODA.

To meet the needs of genuine users in the present acute shortage conditions, Century Chemicals is following a policy of supplying the entire production to Actual Users on the basis of past offtake, at fair prices.

CENTURY RAYON

Industry House,
159, Churchgate Reclamation, Bombay 400 020

CONCEPT-CR-1513

Problems and prospects for exports: 1975-76

IN SPITE of the increase of 29 per cent in India's exports, the country witnessed a record trade deficit of Rs 1096 crores during 1974-75. It is obvious that such a level of deficit cannot be sustained for any length of time and it is essential that exports from the country must expand at a substantial pace during the current year and beyond, notwithstanding the problems created by recession in industrialised countries of the west and constraints of the internal economy.

According to an assessment made by the ministry of Commerce for the Boord of Trade the current year 1975-76 has started with a satisfactory increase in the total value of exports. During the first two months exports at Rs 496 crores were larger by Rs 106 crores or 27 per cent as compared with the exports in the corresponding months of 1974-75. However, both the international economy developments and domestic situation necessitate that a close watch should be kept on the performance of major items of exports so that the targets envisaged for the year are at least reached, if not exceeded.

Decline in Tea

Tea exports during 1973-74 were 190 million kg valued at Rs 145 crores giving a unit value of Rs 7.61 per kg. During 1974 there has been an appreciable increase in the unit value of exports and consequently it is estimated that exports during 1974-75 were around Rs 216 crores with the unit value rising to Rs 9.93 per kg. Latest indications are that tea exports have contracted by Rs 4 crores. In order to realise larger exports in value terms, exports of tea in forms which would fetch in higher value per unit of exports is being encouraged. Consequently, exports of packet tea, tea bags, instant tea are being encouraged. Recently, a delegation consisting of representatives of Tea Trading Corporation was sent to Kabul to negotiate the sale of packet tea to Afghanistan.

New Market

A four men delegation headed by chairman, Tea Board, visited Tripoli (Libya) to negotiate supply of packet tea. A four men study team is also being sent to West Asian countries to study the tea market to increase the exports of packet tea in this area. It is expected that during 1975-76, the exports of packet tea would be double (12/13 m. kg.) than that of the last financial year as the major tea packteers have doubled exports in the first quarter of 1975-76.

Exports of coffee have continued to increase during the last three years. They have expanded both in terms of quantity, value and have also benefited from increase in unit value. Recent data for the year, however, indicates a decline in unit value realisation in view of the world surplus of coffee. The export of coffee to non-socialist countries is regulated in accordance with the quota given to the members countries under the International Coffee Agreement. Apart from making efforts to increase the export of items like instant coffee, attempts are also being made at international level to increase the country's export quota under the International Coffee Agreement. It is hoped that under the new International Coffee Agreement, our quota will be double of the present quota.

In recent months exports of jute and jute goods from the country, which are one of the major earners of foreign exchange, have been facing severe competition from the synthetic products. The competition increased substantially during 1974 as the manufacturers of synthetic products were able to bring down their prices whereas jute prices did not decline to the same extent. The severity of the competition is reflected in most recent performance when exports of jute manufactures declined by Rs 23 crores. In order to enable the jute exports face competition from the synthetics, the government recently abolished export duty on carpet backing and hessian. In view of the fact that synthetics, will still have an edge over the natural product, especially those of primary carpet backing and heavier hessian, it is necessary to undertake massive research and development in order to reduce the cost of production of these items so that these may be able to meet competition.

Reverse in Jute

In addition to the competition from synthetics, the recent recession in the American economy has also adversely affected the export of jute goods, especially that of carpet backing. With the decline in construction activity and in the automotive industry in the United States consumption of carpet backing and hessian has come down substantially. Although the United States economy has started showing mild signs of recovery we have yet not been able to take the fullest advantage of this subdued recovery, in view of the competition from other jute producing countries. Therefore, in order to solve the problem of export of jute goods, the formation of an association of jute producing as well as consuming countries is being considered and it is hoped that it will be formed before long. It would then be possible to undertake massive research and development activity to bring about reduction in cost as well as creation of new uses for jute.

Besides the effort at the international level, domestically it is being proposed to impose a levy on manufacture of jute goods to provide adequate funds to undertake the research and development in the jute industry. Side by side a development council for the jute industry is being proposed. The council will consist of representatives of the industry, scientist, technologist, government representatives and would mainly look to the research and promotional aspects. A decision has been recently taken to constitute a high powered committee for the jute industry to look into the various problems, the industry is facing. The committee will have representatives of the concerned central government organisations, the state governments as well as representatives of the industry.

The exports of mill-made *cotton textiles* have shown substantial increase during the last two years when they benefited from buoyant international demand and price increase in synthetics. Lower domestic cotton prices during 1973-74 were also a helpful factor. However, the exports of this item have been declining particularly from the second half of 1974, and there has been a marked decline in forward contracting. The result has been that during April-June, 1975, the exports have been particularly poor.

Arresting the Trend

With a view to arresting this trend in exports and ensuring that the export target fixed for the year is realised, the government has taken a number of steps which include delinking of controlled cloth production with exports, grant of MDF assistance at the rate of five per cent of FOB value of exports for purposes of neutralisation of internal taxes w.e.f. July 1, 1975 and at the rate of 10 per cent of the FOB value of exports towards neutralisation of the gap between the international and domestic cotton prices w.e.f. July 1, 1975 to December 31, 1975. Apart from these

funds, the industry is also to make its own contribution to enable the Indian Cotton Mills Federation to announce a viable scheme of assistance. Along with these measures of assistance the removal of power cuts in most of the states is also expected to prove beenefecial to exports.

Exports of ready-made garments have a substantial potential to expand; their exports reached a level of Rs 69.93 crores during 1973-74 as compared with Rs 17.85 crores during 1971-72. But the momentum noticed earlier has not been kept up in the latest months when exports barely maintained their level of last year. In order to regain the momentum achieved in the export of garments the new export oriented units have been allowed to set up in collaboration with reputed foreign garments manufacturers. A scheme for manufacture and export of ready-made garments out of imported synthetic fabrics, cotton or blended, is under active consideration of the government. This scheme will be in supersession of the earlier scheme. It is expected that before long it will be possible to announce the details of this new scheme.

Scope in Textiles

Cotton textiles industry is one of the largest organised industry in the country. Even at its best the export performance has not exceeded 12 per cent of its total production which by no means can be regarded as high when compared with the export performance of other developing countries such as Pakistan, Hong Kong or Korea. With the assistance measures now announced, it is necessary for the industry to be more forward looking and try to export substantially larger quantum of its production than what has been achieved in the past.

Handlooms are not only an important cottage industry but also a major export item. Handloom industry exports products worth about Rs 60 crores net out of a total cotton textiles exports of around Rs 325 crores. There had been a more than four-fold increase in the export performance during the last five years i.e. from Rs 15 crores in 1970 to Rs 60 crores in 1974. Nevertheless the export potential of the sector has not been fully exploited. Given the required assistance and encouragement, the industry can contribute still higher to the country's export effort. The planned development of the handloom sector, therefore, have a great impact on national development in creation of maximum employment opportunities and raising rural incomes.

Priority Basis

To revitalise and develop the industry, a number of measures are proposed to be taken on a priority basis. It has been decided to increase the cooperative coverage in the sector from the present 30 per cent to 60 per cent by the end of the fifth Plan. A number of intensive development projects covering about 5 to 10 thousand handlooms each outside the cooperative fold in compact areas are to be started. It has also been decided to set up some export oriented pilot production projects, each unit covering about 1000 handlooms in important handlooms centres. The units will be provided technical assistance and other inputs of a high qualitative order to cater for the increasingly sophisticated demand of the export market. Adequate and regular supply of yarn and other inputs through increased production of hank yarn is being ensured.

The policy on reservation of lines of production for the handloom and osher sectors is being rationalised in order to plug the loopholes in the present reservation orders and also to ensure the adequate lines of production for this sector. A suitable organisational structure to look after the interest of the handloom sector, with a Development Commissioner for Handlooms at the centre, is being envisaged. The existing All India Handloom Board is likely to be reconstituted for effective functioning and to coordinate the development in this sector on an All-India basis.

Growth Items

Engineering goods are one of our growth items and are expected to contribute substantially during 1975-76. In view of the large social and economic development programmes which are being undertaken in the Gulf countries and the development programmes in a number of South-East Asian countries, engineering exports should rise substantially during the current year. There is already an increase of Rs 33 crores in the most recent performance. In order to enable the exports of engineering goods to be more competitive in international markets a number of steps have been taken recently.

The pre-shipment packing credit for certain medium and heavy engineering goods has been extended from 90 to 180 days. The policy of export on deferred payment terms has been liberalised. The procedure for allocation of indigenous steel for export production has been simplified and such categories of steel as are not locally available are being imported for purposes of export production. Besides the government have recently taken decisions on the Sondhi Committee Report on Engineering Exports. Some of the important decisions taken by the committee are given below:

(i) The rate of cash assistance for export of capital goods and turnkey projects and will be protected till the completion of the contract. In respect of other engineering goods the protection available is for a period of three years.

(ii) In case JPC steel prices are revised upward by 10 per cent or more, contracts entered into by exporters up-to the date of revision will be protected, provided they do not contain any escalation clause.

(iii) In respect of export obligation penalty to fulfil the export obligation will hereafter by equivalent to unfulfilled part of the obligation which will have to be handed over to the State Trading Corporation of India.

(iv) All imports including raw materials, steel, cement, power etc will be made available to exporters to the maximum extent possible and to ensure this, a high-powered inter-ministerial committee has been set up.

(v) In respect of advance licences for exports-imports duty will not be charged, to obviate the formality of subsequent refund. Necessary modalities are being finalised in this regard.

(vi) Hence-forward Industrial Development Bank of India (IDBI) will be the focal point for processing exporters' proposals involving deferred payments.

In order to take advantage of the present large programmes of construction of ports, harbours, airports, highways, bridges, hospitals, residential buildings and a variety of civic amenities in the Persian Gulf area, the ministry of Commerce has been designated as the central coordinative agency. For this purpose, a number of steps have been initiated to organise the construction companies and facilitate their participation in the works abroad by organisnig consortiums. It should be possible for us to take substantial interest in these construction programmes as we have a fairly developed construction industry in the country.

India has a well developed wagon/coach building industry. In view of the fact that large development programmes are envisaged in South-East Asia, West Asia, Africa, and there are possibilities in some of the western industrialised countries, efforts are being made to expand the export of railway wagons/coaches from this country. Not only the constraints, which come in the way of exports, have been identified but also vigorous attempts are being made to promote evports by removing them. The constraints identified are non-availability of required specification of steel in the time, insufficient capacity in production of wheel sets and roller bearings, and lack of concessional finance for longer periods.

The exports of chemicals and allied products have maintained their high export performance both in 1973-74 and 1974-75. The shortage of raw material experienced in increasing production of chemicals is being removed by allocating imported and indigenous raw materials in increasing quantum for purposes of export production. Government is also actively considering a scheme for supply of natural raw rubber at international prices for purposes of export production.

Shipping Problem

The problem of shipping as a constraint in export of some of these cargos which are considered hazardous (paints and warnishes), low freight cargo (processed minerals) and dirty cargo (crushed bones) is being looked into and is likely to be solved before long. With these problems having been solved, exports of chemicals and allied products are likely to contribute significantly as there is substantial foreign demand.

Among the non-traditional items which India has started exporting in recent years electronics are significant. The export of electronics has increased from Rs 3 crores in 1970-71 to Rs 7 crores in 1972-73 and is estimated at Rs 9 crores during 1974-75. The exports however, form only about three per cent of the country's production. The bulk of exports consists of radios and data processing equipment although other equipment such as telephones, teleprinters also figure in exports. The world market for electronics is increasing at a fast pace and being one of the early starters, among the developing countries India has a substantial advantage over others in this field. In view of the fact that Indian goods are by and large competitive, conform to the international standards and also established themselves in selected markets, the potential for expanding exports from the country is very high. What is required is a bold approach and a massive drive to export electronics goods from the country during the years to come.

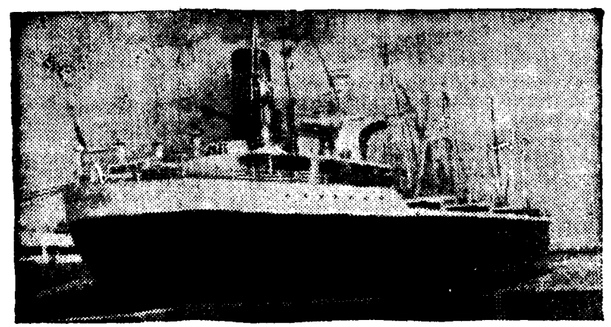
Oilcakes are a major item of exports. For the last two years, the exports had benefited because of favourable conditions in the international protein market. Consequently exports reached a level of Rs 170 crores during 1973-74. The major items exports among oilcakes are de-oiled groundnut cake (groundnuts extractions), solvent extracted decorticated cotton seed cake and deoiled rice bran. During the current year in view of more normal conditions in international markets the demand for oilcakes is sluggish. Exports consequently, during the first few months of 1975-76 were lower.

In order to arrest the declining trend in exports, government has initiated several steps. A cash assistance at the rate 15 per cent of FOB value has been granted on exports of deoiled rice bran. This is likely to boost exports of deoiled rice bran and the same time make available increased production of rice bran oil for domestic consumption. A proposal to give cash and other assistance on the export of cotton seed extractions is under consideration.

The main variety of tobacco exported from India is F.C.V. variety. In order to maintain and increase exports production of this variety, particularly in light soil areas, is being encouraged. The Tobacco Board, which is expected to stant functioning in a few months time, is expected to look into the various aspects of tobacco production and provide adequate guidance in the matter. Exports of tobacco in recent months were larger than in the same months of 1974. Exports during the current financial year are likely to benefit from purchases from Italy as the Italian Tobacco Monopoly has recently signed a big contract.

Exports of cashew kernels in the latest months of 1975-76 were smaller as compared with the exports during the same months of last year. Recently while international prices have declined and the demand is low, the cost of procurement of raw nuts and processing charges (including wages) have gone up. We have to continue our efforts for larger domestic production of raw nuts and taking steps to ensure that substantial amount of raw nuts available within the country come to the processing units for export purposes.

The exports of leather



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and leather manufactures were depressed duriug 1974-75 because of decline in prices and recession in industrialised countries. Exports have picked up in 1975-76. With the revival of the world demand, better organisation of production facilities at home and implementation of policies through the newly set up Leather Development Corporation it should be possible to expand exports substantially during the current financial year. Substantial markets for this item exist both in North America and in Europe both eastern and western.

Marine Exports

Export of marine products during 1974-75 had suffered because of recessionary conditions in industrialised countries, which are the main markets for this item and also smaller catches. The position, however, has changed. Presently indications are that the improvement noticed in the first quarter would be maintained in the rest of year. In order to expand exports, it is proposed to undertake extensive measures for propaganda and publicity (for which adequate funds have been sanctioned for MPEDA). Inplant inspection and setting up of frozen storage facilities at ports is under active consideration. In order to overcome the difficulties of finance for the purchase of deep sea trawlers by small and medium-scale entrepreneurs, a Trawler Development Fund is being created.

Exports of handicrafts have shown a considerable buoyancy during the last two years, as a result of developmental and export promotional measures taken by the government. The export went up to Rs 72.6 crores in 1973-74 from a level of Rs 51.8 crores during 1972-73. A major increase has been achieved in the export of woolen carpets and art metalware. In the field of handmade carpet the major thrust has been on increasing production capacity through an Intensive Training Programme of the Carpet Weavers in the potential area. At present 16 carpet weaving centres are functioning in different parts of the country. It has been decided to start 30 more such training centres in the current year. In addition seven Marketing and Research Extention Centres have been set up and seven more research centres are proposed to be set up during the current year to render assistance for marketing etc, to the craftsman and the industry.

The exports of gem and jewellery, particularly diamonds and precious stones which were not moving fast enough because of the recessionary conditions in some of the industrialised countries of west, are expected now to show substantial improvement since the recession in the United States is showing signs of lifting. The exports in the first months of 1975-76 have shown an increase.

Processing Zones

In addition the government has also improved the administrative set up of the Santa Cruz Electronics Processing Zone by establishing the Santa Cruz EPZ Board, which is the focal point for clearing applications for industrial licences, foreign collaboration, capital goods etc. The zone is capable of accommodating 80-87 units. So far 46 unsts have been approved for location. Five of these have commenced production and from September, 1974 and upto end of June 1975 had exported goods worth Rs 3 lakhs. The exports of Kandla Free Trade Zone during 1974-76 were Rs 1.80 crores as compared with Rs 1.77 crores in 1973-74. Realising the importance and significant contribution which processing zones can make to exports, government has decided to establish a free trade zone at Salt Lake area near Calcutta. The question of locating a dry-port near Delhi is also engaging the attention of the government.

In order to promote exports specially of non-traditional products, areas of growth especially in the western Europe are to be identified and a number of commercial development programmes have been evolved. The basic objectives of these programmes is to identify at a micro level, the products which can be exported to these countries.

New Items

For this purpose among western Europe, West Germany, Belgium, France have been selected. In the case of countries in eastern Europe joint commissions have been established to identify areas of long term economic co-operation, undertake production in accordance with the needs of the other trading partner and also for purposes of export to the third country markets. Production co-operation agreements are another instrument for increasing exports to Socialist countries where prospects are good in a number of fields.

In addition the government has taken steps to strengthen the infra-structure of exports and also taken several steps to simplyfy the administrative procedures and regulations in a numbers of areas. Substantial simplification has already taken place in the matter of issue of import licences for raw materials, components and spares under the import trade control policy for 1975-76. A number of suggestions are being actively considered for simplifying the procedure for grant of duty draw-back and cash assistance on selected items of exports. Once the decisions have been taken and implemented a substantial part of complaint of exporters in the matter of disbursement of duty draw-back and cash compensatory support on exports would disappear.

Notwithstanding the tight money policy currently being followed by the monetary authorities in the country, it has been agreed that exports and production for exports should not suffer for lack of finance, Exports have been accorded in the matter of providing fiance priority only next to food in the overall monetary policy of the country. The Reserve Bank of India in its latest letter of July 8, 1975 has advised the commercial banks to give added attention to (i) deferred payment exports and (ii) industries where a substantial part of output is meant for exports or where new potential for exports could be quickly built up.

The recent opening of the Suez Canal should also benefit exports to countries, West of Suez Canal. This should enable the Indian exports to reach the markets of countries around the Meditarranea Sea and the Black Sea more promptly and in lesser time.

In view of the likely pick up in economic activity in the western industrialised countries, our efforts in external publicity have continued vigorously through participation in trade fairs, exhibitions etc. During the current financial year participation in 16 trade fairs and about 20 specialised commodity fairs besides holding of 10 completely Indian exhibitions has been programmed. Schemes of integrated programmes of promotion for countries of Europe and Middle-East are under consideration. The setting up of a high powered appex organisafion to be called Trade Fair Authority is being actively considered.

All in all the prospects of exports from India during the current year are good. It should not be over-looked that in a number of items such as cotton textiles, leather and leather goods, marine products, chemicals and allied products, engineering items etc., India is still a marginal supplier in world markets. Consequently the possibilities of expanding exports of these items in world markets are immense. Given the effort it should be possible for us not only to realise but even surpass the export target fixed for the current year.

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Thus I entered, and thus I go

THE TRAGIC end of Sheikh Mujibur Rahman, President of Bangladesh, in the early hours of Friday, August 15, 1975, reminds one of the well-known poem, The Patriot—written by Robert Browning. Nearly four and a half years ago, it was roses, roses, all the way" for the Sheikh. But the suddenness and the brutality with which he and some members of his family were eliminated have not unexpectedly caused gloom almost all over the sub-continent. A true patriot, the Sheikh had not left undone for Bangladesh what was humanly possible for him to do.

Why was the Sheikh assassinated? Was personal jealousy at the root of this abominable act? What part had Mr Mushtaque Ahmed, the new Bangladesh President, played in the dramatic developments? What was the role of the army? Memory leads one to Egypt and Pakistan where similar coups have taken place in the past. Nasser used Naguib and Ayub took shelter behind Iskander Mirza in the first few weeks of the change-over. Who is at present driving whom in Bangladesh is not clear.

Islamabad had shown indecent haste in recognising the new regime. In fact, Radio Pakistan had been gloating over the latest happenings in Bangladesh and was finding it difficult to repress its joy. It followed that the diplomatic relations between Pakistan and Bangladesh might be established soon. Some sections in Pakistan had already started dreaming of Bangladesh being re-named as East Pakistan. The Western news agencies had given wide publicity to the reported change in the name of the state from the People's Republic of Bangladesh to the Islamic Republic of Bangladesh and this had naturally sent a wave of pleasure throughout Pakistan. However, Radio Bangladesh had contradicted this report and had clearly indicated that the nomenclature had remained unchanged.

Our government had understandably taken a detached view of the happenings in Bangladesh since it had no desire to interfere in the internal affairs of a neighbouring state. No doubt that our country had developed the most friendly relations with the Sheikh and his government but we had in no way tried to influence the course of events in Bangladesh. The popularity enjoyed by the Sheikh was unrivalled and he had done his best to improve the lot of the people who had suffered ceaselessly for two and a half decades under Pakistan's rule. Perhaps the people expected more from him than he could have done even with the best of efforts and intention under the prevailing circumstances. A feeling of disillusionment had obviously been caused among the people by his failure in the economic field and he had also sensed it. The one-party rule, press censorship and various other measures taken by him early this year were all designed to tone up the sagging administrative machinery. For a while it appeared that the assumption of full powers by the Sheikh had started improving the shape of things in Bangladesh.

The Sheikh was no longer there to put up a defence of what he tried to do for the people of Bangladesh. Perhaps even his friends in Bangladesh will not be allowed to perform that task. In the meantime, the so-called experts in the West who have watched the various developments in the subcontinent including Bangladesh have put forward the view that the Sheikh had in the recent past lost touch with the people and that he was surrounded by a group of flatterers who never let the real difficulties of the people reach his ears. If this were so, it was a grievous fault and grievously had the Sheikh paid for it. But perhaps the time had not come to pronounce a judgement on the failings of the Sheikh who fell a victim to the machinations of a group of scheming minds in Dacca. The conspirators whose hands were bloody owed to the people of Bangladesh to explain their motive in committing the heinous crime of killing the Sheikh who was the darling of the people and had earned the title of Banga Bandhu.

The export drive

A NEW challenge faces exporters of traditional and non-traditional commodities in 1975-76 as the target for exports has been raised to Rs 3,800 crores from the earlier estimate of Rs 3,500 crores against the actual performance of Rs 3,253 crores in 1974-75. The effort involved will be truly streneous as in the last eight months of the year, the value of exports will have to be raised by over Rs 370 crores to Rs 2,726 crores, as compared to the last eight months of 1974-75, or a monthly rate of exports of Rs 341 crores against the previous comparable average of Rs 295 crores The prime minister is aware of the constraints on exports and has suggested that outmoded methods for grant of drawback and restrictions on exports of particular commodities should be removed.

It has even been stated that there will be liberalisation of imports of raw materials and components needed for boosting production in sectors which will result in increased export surpluses. Already some concessions have been announced for facilitating shipments of engineering goods while a cabinet committee on exports is constantly reviewing the disabilities of particular industries in making their contribution to foreign exchange earnings because of the high cost of production and conflicting policies in regard to the pricing of raw materials.

The improvement in power situation, genuine attempts to raise productivity and promotion of cordial relations between labour and mangement should be helpful in increasing substantially industrial production in the coming months. If the output of food and commercial crops too can be raised to reach the targets proposed in the annual Plan, the value and quantum of staple exports, which even now account for a sizable portion of aggregate foreign exchange earnings, can be substantially raised. It is difficult, however, to visualise how the new target of Rs 3,800 crores for exports can be achieved if there is continued recession in the developed countries and unit values realised also are lower than in 1974-75. Fortunately, some new favourable factors are in operation which will enable the main exporting industries to increase their share of foreign exchange earnings marginally or significantly with the exception perhaps of the jute industry.

The State Trading Corporation has been experiencing considerable difficulty in increasing sizably the value of sugar exports because of wide fluctuations in prices in international markets. At one stage there was a drop in the London quotation to below £130 per ton. Subsequently, however, there has been a rally to over £210 per ton and with the premiun available on supplies of Indian sugar, fresh sales can be effected at prices which still result in a profit to the government. Thanks to the conclusion of contracts in earlier months at higher prices and the scope for increasing the quantum of exports to even one million tonnes, there is a possibility of earning Rs 540 crores through sugar shipments or Rs 100 crores in excess of 1974-75.

Likewise, a sizable surplus of steel can fetch an extra Rs 50 crores while engineering exports may secure additionally Rs 85 crores. Between tea, coffee and other plantation products the value of exports may go up by only Rs 25 crores as some difficulties are experienced by exporters of cashew while wide fluctuations in coffee prices noticed in recent months may make it difficult for the high average price of last year to be excelled. (The latest trends in international prices are, however, reassuring).

There is of course vast scope for exploiting the new opportunities for securing contracts for the construction of factories, roads, irrigation systems, transmission lines and other schemes on a turn-key basis in west Asia, Africa and south-east Asia. These contracts will result in an increase in visible and invisible exports though it remains to be seen what will be the net benefit accruing to visible exports in the current financial year. There may also be large shipments of cement, chemicals, ferro alloys and other items which may augment foreign exchange earnings by Rs 50 crores or more.

However, against these additions to the value of exports, there may be a reduced contribution by the producers of gunnies, marine products and cotton textiles. It may be difficult to ship larger quantities of iron ore. In the final analysis, therefore, it may turn out that exports will increase to only Rs 3,600 crores or thereabout though it may be expected that turn-key jobs or buoyancy in other directions may fetch an extra Rs 100 crores.

Even if there happens to be a small shortfall over the export target of Rs 3,800 crores, the trade gap can be considerably reduced to below the level of Rs 443 crores of 1973-74. It will pay rich dividends to scan carefully the import list for possible savings even while permitting liberal imports of particular groups of raw materials and components. The record imports of Rs 4,349 crores permitted last year were due to excessive purchases of fertilisers, non-ferrous metals and steel. There were also heavy commercial purchases of foodgrains.

It was indicated recently that the purchase prices of fertilisers against earlier contracts for fertilisers were being renegotiated and a saving of Rs 100 crores might be achieved thereby. There may also be a staggering of imports of different categories of steel and it has even been claimed that, for the first time in the past few years, the steel industry will be a net foreign exchange earner. A corresponding effort has not been made however for pruning imports of non-ferrous metals and even the Hindustan Copper Corporation has been complaining that the Minerals and Metals Trading Corporation is continuing to import heavily copper and other metals when the former is experiencing difficulty in disposing of its current production. If the scope for effecting substitution of imports of chemicals, aluminium and other products, with an achievement of a higher level of internal production, can be fully exploited and some advantage is also derived by a lowering of import prices, the import bill excluding foodgrains, can be reduced to Rs 3,200 crores from Rs 3,500 crores.

As regards food imports, the government is understandably anxious to build up buffer stocks and help the public distribution system to function effectively. There need not, however, be purchases on the scale of last year and fresh imports of around three million tonnes can help to swell buffer stocks by this quantum, more especially it the expectations in regard to the achievement of a record production of over 110 million tonnes materialise. In that event, the saving on food import also can be over Rs 200 crores restricting the total of all imports to Rs 3,850 crores.

This kind of reasoning leads us to a situation in which exports can pay for imports nearly fully though it is arguable that the situation may get complicated if there is ani ncrease in oil prices after September and a liberal policy in respect of imports leads also to heavy purchases of some items for taking advantage of lower price and the easy availability of foreign exchange because of larger net aid. Even so, the gap may not be sizable if the export effort is sustained and new concessions and regulations are really helpful. The saving in imports also will be tangible.

The prospect of achieving balanced or near balanced trade in the second difficult year of transition, after the international oil crisis, is indeed heartening. It will then be possible to avoid a fresh increase in external indebtedness. There will of course be the obligation to effect repayments against the standby credits and the oil facility secured from the International Monetary Fund and special credits from Iran and Iraq for financing oil imports. Since these repayments and others against aid from the consortium and other sources will impose a heavy strain on the balance of payments position, the ministry of Commerce has to achieve a surplus in exports over imports if a continuing growth in the external debt is to be avoided and trade has to take the place of aid. It is in achieving this objective that the new direction to the export drive should be helpful.

IDPL turns the corner

IT IS gratifying to note that like several other giant public sector undertakings, the Indian Drugs and Pharmaceuticals Limited (IDPL) has turned the corner and is now getting into strides. Notwithstanding the fact that two of its constituents—the antibiotics plant at Rishikesh and the surgical instruments unit at Madras—continue to make moderate losses, the sizeable profit of Rs 407.12 lakhs made by the third constituent—the synthetic drugs plant at Hyderabad—enabled the organisation to yield last year, for the first time since its going into production, an overall profit of nearly Rs 240 lakhs. This was despite the fact that the production costs of all the IDPL units registered substantial increases, both on account of materials and manpower, due to inflation abroad as well as within the country. The increases in product prices effected last year compensated the undertaking only for the escalations in material costs. The higher manpower costs had to be absorbed by it.

With the efforts currently being made to improve the working of the Rishikesh and the Madras units, the impressive progress being registered by the Hyderabad unit and the expansion programmes which are proposed to be implemented during the current Plan period, the IDPL can legitimately be expected to show much better performance in the coming years than has been the case hitherto. The profitability of the undertaking should improve further owing to two other factors : (i) its going in for the lucrative formulations business in a much larger way than is being done at present; and (ii) the rationalisation envisaged in the pricing policy for bulk drugs without raising the prices of formulations.

Registering a marked increase in its profit from a bare Rs 30.86 lakhs in 1972-73 — the fourth year of its commercial operations — and Rs 98.04 lakhs in 1973-74 to as much as a 407.12 lakhs last year, the synthetic drugs plant at Hyderabad, is one of the well-managed projects not only among the IDPL constituents but also in the public sector as a whole.

The most encouraging fact about this plant is that the impressive progress made by it during the short span of its commercial operations is primarily due to the efforts of its own technicians and researchers. They have greatly improved upon the technology supplied by the Soviet Union in the beginning — of course, the best it had at the time when its collaborative hand was grasped by our government some 15 years ago, but this best obviously was not fully comparable with the technologies of the western multinationals which were charry of sharing them with the developing nations.

The emphasis placed by the IDPL management on research and development in synthetic drugs should be evident from the fact that R & D facilities at the Hyderabad unit were established even prior to taking up commercial production. Originally this was done to adapt some of the Russian processes to Indian conditions. Later on the work of effecting improvements in the technology itself was taken up. Now research is being undertaken to develop drugs, particularly of interest to our climatic conditions, from the basic materials—parallel to the efforts abroad—so that the technological gap in regard to new drugs at least may be obviated.

Till now basic technology for 39 drugs has either been improved upon or indigenously developed. The most significant achievements have been the development of alternative know-how for the manufacture of Vitamin B-1 and sulphaguanidine. Very significant successes have also been attained in developing on laboratory scale the technology for the manufacture of acetyl acetone and aceto-acetic ester based on ketone. When fully developed on the plant level, it would replace the more expensive sodium-metal-based technology.

The above R & D efforts helped in expeditiously stabilising the production based on the Russian technology in the first instance. Later on, it helped in adding some new drugs to the product-mix of the plant. Even the present product-mix is envisaged to be diversified a good deal in the next three years.

Originally set up to manufacture 16 bulk drugs in 25 forms to an aggregate capacity of 851 tonnes, the Hyderabad plant will soon have a capacity to turn out 1988.5 tonnes of 20 bulk drugs in 29 forms. This is being achieved under the first phase expansion of the project which was launched in 1970. Now the project is envisaged to be expanded further to 3386.5 tonnes by augmenting the capacity for some of the drugs being produced currently but much more significantly by adding another nine bulk drugs to the product-mix.

Not only the 1970 expansion programme

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is being implemented through the efforts of our own technicians at an estimated cost of Rs 4.78 crores, but also the new expansion scheme, expected to cost Rs 21.79 crores, including about Rs 4.5 crores expenditure in foreign exchange, is to be undertaken without foreign assistance. Nearly 85 per cent of the 1970 expansion programme is said to have been already implemented with the result that the output of the plant during the current financial year is expected to go upto 1625 tonnes. Last year, the output was of the order of 1280 tonnes.

The nine bulk drugs to be added to the product-mix of the plant under the new expansion programme are : '(i) allopurinol (two tonnes annual capacity); (ii) thiacetazone (5 tonnes); (iii) diallyl barbitone (10 tonnes); (iv) secobarbitone (10 tonnes); (v) sulphadinethoxine (30 tonnes); (vi) sulphaphenazole (50 tonnes); (vii) vitamin B-6 (50 tonnes); (viii) nitrofurantoin (10 tonnes); and (ix) nitrofurazone (one tonne). Under the 1970 expansion programme four new drugs were added to the product-mix. These were (i) paracetamol (85 tonnes); (ii) PAS and its salts (150 tonnes); (iii) sulphacetamide phthalyl (10 tonnes); and (iv) sulphamethazole (5 tonnes). The technical know-how for 11 of the above 13 drugs has been developed at Hyderabad itself. For one more drug it is being developed; this task is expected to be accomplished by the time the new expansion programme is implemented. The technology for Vitamin B-6 has been developed in collaboration with the National Chemical Laboratory, Poona.

Originally the drug-mix of the plant was as follows : (i) amidophyrine (40 tonnes); (ii) analgin (10 tonnes); (iii) phenacetin (100 tonnes); (iv) piperazine adipate, (v) piperazine citrate, (vi) piperazine hydrate, (vii) piperazine phosphate (total piperazine 50 tonnes); (viii) diethyl carbamazine citrate (30 tonnes); (ix) isoniazid (20 tonnes); (x) acetazolamide (25 tonnes); (xi) phenobarbitone, (xii) phenobarbitone sodium (total phenobarbitone 10 tonnes); (xiii) sulphacetamide, (xiv) sulphacetamide sodium (total sulphacetamide 50 tonnes); (xv) sulphadinidine, (xvi) sulphadinidine sodium (total sulphadinidine 280 tonnes); (xvii) sulphaguanidine (130 tonnes); (xviii) sulphanilamide (50 tonnes); (xix) folic acid (one tonne); (xx) nicotinamide (20 tonnes); (xxi) thamine Hcl, (xxii) thiamine mononitrate, (xxiii) thiamine propyl disulphide (total thiamine 30 tonnes); (xxiv) riboflavine, (xxv) riboflavine phosphate sodium (total riboflavine 5 tonnes). The capacities for the production of analgin, phenacetin, acetazolamide, phenobarbitone, sulphadinidine, sulphaguanidine, sulphanilamide, folic acid, thiamine and riboflavine are being augmented under the 1970 expansion programme to 160, 350, 25, 15, 500, 250, 150, 3.5, 60 and 15 tonnes, respective ly. Under the new expansion scheme the capacities of analgin, phenacetin, piperazine, PAS and its salts, phenobrabitone, sulphacetamide; sulphadinidine, sulphamethizole, folic acid, thiamine and riboflavine will be raised to 400, 400, 115, 400, 30, 80, 1000, 12, 7.5, 120 and 24 tonnes, respectively.

On the completion of the new expansion programme, the output at the Hyderabad plant value-wise is estimated to grow to as much as Rs 77.70 crores from Rs 21.77 crores at present. This in itself should greatly enhance the profitability of the project, as the investment involved is not more than Rs 21.79 crores. The increase in the output of formulations from the present level of about six per cent to nearly 20 per cent in the next three years will surely improve the profitability further. The project is gearing itself to establishing contacts in the medical profession to popularise its formulations. Some of the new formulations recently put on the market or to be introduced shortly are metronidazol under the name Compeba (an anti-infective and anti-amebic product), the anti-rheumatic indomethacin under the brand name Indicin, the anti-blood pressure drug Emdopa (replacement of aldomet), an anti-diuretic drug salenex; and an anti-bacterial drug sulphaphenazole.

For the IDPL as a whole, the proportion of formulations in the overall output is envisaged to go up in the next three or four years to 60 per cent from less than 50 per cent at present. A new formulations plant is proposed to be set up during the current Plan period at Gurgaon in Haryana at an estimated cost of Rs 8.5 crores.

The other current Plan's expansion programmes of the IDPL are (i) the establishment of a nicotinamide plant at Betiah in Bihar (cost Rs 8.35 crores); (ii) the setting up of a second synthetic drugs unit at Palghat in Kerala (cost yet to be firmed up); and (iii) raising the capacity of the Rishikesh antibiotics plant from 280 tonnes to 600 tonnes (cost Rs 8.2 crores). Adequate finances are being arranged for the three schemes. By 1978-79, the IDPL may account for nearly 45 per cent of the bulk drug manufacture in the country even after raising considerably its output of formulations.

The Betiah plant will turn out annually 300 tonnes of nicotinamide, 4500 tonnes of acetic acid and 300 tonnes of other intermediates. Technical collaboration for this plant is being secured from Sweden. The expansion of the Rishikesh project is envisaged primarily through the introduction of high-yielding strains. Some strains have been developed indigenously. Some are proposed to be secured from the Soviet Union. Negotiations are also in progress for the purchase of improved technology for the production of empicillin, arethromycin and oxycyclin from the western countries. To improve the working of the Madras surgical instruments unit, various proposals are said to be under the consideration of an experts committee. These include diversification of the product pattern of the plant, its transfer to a public sector engineering concern like the Hindustan Machine Tools, etc. Meanwhile, this project has undertaken some forging work for Scooters India Ltd. If only the Rishikesh and the Madras units can be improved, as is now expected by the management, the fortunes of the IDPL should brighten up substantially.

The Hyderabad plant, of course, has already made its mark. The success of this unit can be attributed to no small measure to the innovation made for an effective daily check on problems by the general manager over a hotline to all the production departments and facilities without making the departmental heads leave their charges for protracted discussions in conference rooms. The innovation can be profitably adopted by the other major industrial units in the country both in the public and the private sectors.

Capital's Corridors

R. C. Ummat

Engineering goods exports • Assisting non-resident Indians • Oil from Bombay High • Rural banking

NOTWITHSTANDING the recession in many countries abroad since the second half of the last financial year, our exports of engineering goods during 1974-75 are understood to have registered a sharp increase over the previous year. As against Rs 201.29 crores earned through these exports in 1973-74, the realisations last year were of the order of nearly Rs. 353 crores.

Exports of engineering goods were helped last year to a considerable extent by the development plans of the Gulf countries, particularly Kuwait, Iraq, Dubai and Saudi Arabia. Exports to these countries registered a very impressive increase last year. The demand from a number of other Asian and African countries for our engineering products during this year was also considerably higher. Some increase was as well registered in exports to the countries of the European Economic Community, particularly the United Kingdom and the Federal Republic of Germany.

important decisions

In view of the increased availability of steel from indigenous sources, the union government is stated to have taken two important decisions. A formal announcement in respect of one has already been made. It was announced last week that the government had decided to withdraw the 25 per cent added-value scheme for 12 engineering items the production of which is entirely dependent on indigenous steel. The items are barbed wire; mild steel bolts, nuts and rivets, wood screws, machine screws, wire nails and panel pins; iron castings; mild steel tension bars and fencing components; railway track fasteners, fitting and accessories (other than bolts and nuts); mild steel pipes and tubes; steel tabular poles; cast iron and malleable iron pipe fittings; steel-welded mesh, mild steel arc welding electrodes; steel bright bars and shaftings of mild steel; and steel wire gauze, mesh and nettings. The exports of these items will henceforth be allowed to be effected even if the added value in their case is not 25 per cent. This stipulation was imposed a couple of years ago when there was acute scarcity of steel which warranted a judicious use of the metal.

In the case of the above items, the Engineering Export Promotion Council (EEPC), however, is envisaged to fix the floor prices for export so that the f.o.b. realisations are appropriate. While fixing the floor prices, the EEPC will be taking into account the prevailing JPC prices minus excise duty and the f.o.b. prices of primary steel exported.

The withdrawal of the 25 per cent added-value scheme has been enforced with immediate effect.

The other decision understood to have been taken by the government, but which is yet to be formally announced, is that the cash compensation for exports of engineering products whose import content, including imported steel, exceeds the permissible limits is to be reduced with effect from April 1 this year. The items affected include transmission towers, forgings and structurals. This change, it is learnt, is being made not only in view of the better supply position of steel from indigenous sources but also due to the decline in steel prices abroad. This scheme was introduced with effect from April 1, 1973, for a period of two years in the interest of keeping up exports of engineering goods.

* *

The union government has nominated three authorities to help the non-Indian residents returning from abroad who face a number of difficulties in availing of the facilities provided to them for setting up industrial undertakings here. The three authorities are: (i) the Director General, Central Scientific and Industrial Research, (ii) the department of Electronics, and (iii) Dr A.K. Ghosh, Additional Secretary, department of Industrial Development. The Director-General of Central Scientific and Industrial Research will assist the scientists, technologists and engineers who, on their return, want to set up industrial projects. The department of Electronics will help those who propose to go in for the manufacture of electronic items. Dr A.K. Ghosh will act as the "focal" point for removing the bottlenecks in respect of the applicants not covered by the above two categories, namely (i) scientists, technologists and engineers, and (ii) entrepreneurs desiring to go in for the manufacture of electronic items.

Since April, 1972, persons of Indian origin returning from abroad, who wish to set up industrial ventures here, are allowed, on application, to import plant and machinery provided these are purchased with their foreign exchange earnings abroad and they furnish an account of their foreign exchange holdings to the Reserve Bank of India. The monetary c.i.f. value up to which machinery and equipment can be imported by these non-resident Indians without seeking clearance from the indigenous angle has been recently raised from the original level of Rs 6 lakhs to Rs 25 lakhs. These persons are also allowed to import raw materials and components for meeting their operational requirements up to a maximum of one lakh of rupees, provided these imports are also effected through their own foreign exchange earnings abroad.

certain conditions

The assets created by these non-resident Indians, however, are not allowed to be resold for a certain period. There cannot also be repatriation of their capital and profits. Further, some conditions are imposed on the shareholding of the non-resident Indians in the industrial ventures to be set up by them. They have to have a majority shareholding in their ventures.

A recent review of the progress of the scheme has revealed that these non-resident Indians face a number of problems which have to be expeditiously sorted out if the scheme is to be made an unqualified success. It has been found that in some cases the non-resident Indians have experienced considerable delays in securing import licences. In several other cases, a prospective investor has faced problems in the acquisition of land, registration with technical authorities and delays in grant of licences for the import of raw materials, components, etc. It has also been felt that there is an imperative need for providing a "focal" point in the government which would assist the non-resident Indians in obtaining various facilities from the different agencies. The designation of the above three authorities, it is hoped, will facilitate expeditious resolving of the difficulties of the non-resident Indians

is being implemented through the

and enlarge the inflow of their investment resources for the benefit of the nation.

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The Oil and Natural Gas Commission (ONGC) is stated to have finalised its programme to commercially exploit the oil resources of Bombay High along with their prospecting. It hopes to establish by the end of the next calendar year a production potential to the extent of 1.5/2 million tonnes per annum. Since the commercial exploitation of resources will involve drilling of 14 to 16 development wells, some oil should be available during 1976 itself for refining.

The development wells are envisaged to be completed on four fixed platforms. These platforms will be connected to a single bouy mooring system through submarine pipelines. Oil would be loaded from the mooring system in tankers for being brought to the mainland refining units.

To implement the programme, two more drilling vessels are being acquired this month. Along with Sagar Samrat, they will be in operation next month. The ONGC has also placed orders with McDermott Company, which has fabrication facilities in Dubai, for a turn-key job to fabricate and instal four well-cum-production platforms, to supply and instal the sub-marine pipeline system as well as to set up two single bouy moorings. The single bouy moorings have been ordered from a Dutch firm.

Five exploratory wells have already been drilled in the Bombay High area. All of them have proved to be oilbearing. The 14 to 16 development wells, which are envisaged to be drilled by the end of 1976 will be in addition to the five exploratory wells.

new drilling ships

The two new drilling ships to join Sagar Samrat shortly are the Norwegian semi-submersible Haakon Magnus and the British drilling ship Dalmahoy.

Oil exploration off-shore will as well get accelerated shortly when drilling is taken up by the two foreign licensees in the Bengal and Kutch basins. The seismic and geological surveys of these two off-shore areas are understood to have thrown up good indications of existence of oil. The 390,000 sq. km. continental shelf of the country has been divided into ten blocks for oil exploration. Out of these, two blocks has been licensed out to foreign explorers. The ONGC is currently exploring the Bombay High area. It will also shortly go in for exploration in the areas adjacent to Bombay High. Another couple of blocks are expected to be licensed out to foreign explorers in the near future. Negotiations with them are understood to have reached the final stage. The two licensees engaged in oil exploration in the Bengal and Kutch basins are Carlsberg India group and Reading and Bates group, respectively.

Meanwhile, exploratory drilling in Bakrultala in the 24-Pargana area of West Bengal has been taken up. This is the second exploratory well to be drilled in this area. The first well was drilled nearly six years ago at Bodra, but the drilling of this well had to be stopped in May, 1969, for technical and equipment difficulties. The drilling at Bakrultala is envisaged to continue day and night in four shifts. The rock stratum is expected to be reached in about three months. The well is likely to be drilled up to a depth of about 3,500 metres. The results from this effort are expected to be known in about a year.

If oil is struck in the off-shore areas in the Bengal and Kutch basins, our oil economy can be expected to undergo a sea change. According to the current indications, the Bombay High area alone will be able to yield by the turn of the current decade nearly ten million tonnes of crude oil.

* *

The rural banking scheme, which was announced by Mrs Indira Gandhi last month as a major component of the government's new 21-point economic programme, is expected to be finalised by the end of this month. The state chief ministers will be considering on August 18 the report of the working group on rural banks which was headed by Mr. M. Narasimhan, Additional Secretary, department of Economic Affairs. They will also review various aspects of the problem of rural indebtedness and the measures taken by the states after the announcement of the new economic programme to tackle the issue. It may be recalled that a moratorium has already been declared on rural debts to private money-lenders. The rural banks, numbering 50, proposed to be set up on regional basis are envisaged to cater for the credit requirements in the countryside.

early start

The start with the setting up of regional rural banks is expected to be made early next month. Several of these banks are likely to start operating by the end of the current financial year. To begin with, these banks are to be set up in the backward districts, especially in the unbanked rural areas therein. The other areas would be taken up for the provision of rural banking facilities later.

The lead banks are envisaged to play a prominent role in organising the regional rural banks. One important difficulty that remains to be sorted out as yet is the emoluments to be paid to the staff of the regional rural banks. Although earlier it was thought that the emoluments of the personnel of these banks will be kept lower than those of the commercial banks, in conformity with the income levels in the rural areas, in the interest of keeping their operational cost low, it is now feared that a wide difference between the emoluments of these personnel and those of the commercial banks may mar the operations of the regional rural banks as it might be difficult to retain the staff on low emoluments after training. Since the banking industry is an expanding industry, the staff of the regional rural banks after training can legitimately be expected to set sights of absorption in the commercial banking industry.

Eastern Economist 30 Years Ago

AUGUST 24, 1945

Food rationing, it is reported, is expected to be withdrawn in certain areas by the beginning of 1946, and will disappear by the end of 1947. There are at present over 250 towns throughout the country in which rationing is working. The withdrawal will begin with smaller towns, and gradually be extended to the bigger cities. Calcutta may probably be the last of these big cities. The Food Department have not yet made an authoritative announcement but it is about time that they do so. But, even in the absence of an official statement, there is ground for presuming that the Food Department themselves would be inclined to retain rationing and food control for as long a time as possible. The motives can be easily guessed; for one thing, the continuance of war-time measures alone can afford a pretext for the continuance of the Department, at any rate in its present size. And this is likely to be a very important consideration with the head and other high officers of the Department. The public, however, cannot be blind to the possibility that the maintenance of controls, once the economic justification for them has ceased to exist, is fraught with grave dangers for the national economy. The very existence of rationing in the country would, for instance, tend to make the government indifferent to the need for securing imports. The rice areas of South-East Asia will shortly be freed from Japanese control, and their supplies will once again move into world markets. It is imperative that the Government should act at once to secure a high priority for this country for supplies needed to make up our shortages

POINT OF VIEW

Development of backward areas

B. S. Venkata Rao

THE ACCELERATED development of backward areas has been assigned high priority in the fifth Plan programmes, for which an allocation of Rs 35 crores has been made. Although the backward area development programme was initiated during the previous Plan periods, the approach to the problem was somewhat different; the development of these areas was regarded as a part of overall economic planning. It was also assumed that through the use of instruments such as industrial licensing, location of public sector undertakings and the building up of infrastructure a dent could be made in the backwardness of these areas. Experience has, however, shown that the process of overall economic planning need not necessarily provide a corrective to economic backwardness of particular regions.

Since 1968, therefore, special efforts are being made to find effective ways of stimulating the development of backward areas. Two committees known as the Pande Committee and the Wanchoo Committee (1969) were appointed by the government to go into this problem. While the Pande Committee laid down the criteria for the identification of backward areas/districts, the Wanchoo Committee suggested several fiscal and financial incentives such as cash subsidy by the central government to entrepreneurs setting up industries in the backward areas, development rebate and concessional financial assistance.

cash subsidy

Some 250 districts/areas in different states have been identified as backward and of these 150 are eligible for the central cash subsidy. The financial institutions, viz the Industrial Development Bank of India, the Industrial Credit and Investment Corporation of India, the Industrial Finance Corporation of India and the Industrial Reconstruction Corporation of India have also announced concessional finance to industrial units in the classified backward districts.

Measures in the form of provision of incentives and other facilities offered so far have, however, been modelled on similar steps taken by some of the advanced countries like the UK and West Germany. These measures have not produced the desired results in this country as the stage of economic development here is not the same as in the advanced countries, particularly in regard to the development of entrepreneurial and managerial talents. The facilities available under these measures have so far been utilised only to a small extent and the amount of cash subsidy disbursed to entrepreneurs, for instance, was less than Rs 50 lakhs at the end of October, 1973. Again, beneficiaries are located mainly in one or two relatively industrially advanced states of the country. Even in cases where a few projects have come up in the backward areas, they are not always necessarily integrated with the local economy so as to produce the desired spread effects in the hinterland of such projects. The time, therefore, appears opportune to do some rethinking on the measures that have so far been adopted for stimulating the development of backward areas, particularly with reference to the question whether incentives for the backward areas alone would be adequate or whether it would be necessary to clamp some disincentives on developed areas of the country, to discourage their further growth.

positive measure

The promotion of rural industries projects in selected districts of the country, which was initiated in 1962, is one of the positive measures for stimulating industrial development in the rural-cum-industrially backward areas of the country. Although approximately 16,000 small industries had come up in the 49 project areas till the end of March, 1972, this development has not been such as to accelerate the tempo of industrialisation in the backward areas. Moreover, in the industrialisation programmes for the rural/backward areas emphasis has so far been on industries which are based on locally available raw materials, local artisan skills and local demands. This does not provide adequate basis for the desired degree of industrialisation. The development of some of the modern metal working and chemical industries should also be encouraged, as these groups often act as pace-setters for further industrialisation, with significant linkage effects.

Constructive and critical rethinking is necessary with regard to the approach to the development of backward areas and the implementation of programmes meant for them. Whether it is the rural industries project programme or the development of industries in general or the special agricultural development and rural employment programmes or the rural electrification programmes, there is need to develop an integrated approach.

several aspects

Integrated industrial development has several aspects and these must synchronise if the development objective is to be achieved. There is need for "functional" as well as "spatial" integration. With regard to functional integration, one has to think of bringing about integration in the development of the different sectors of the economy of a backward area such as agriculture, industry, and infrastructure. There is also need for integration as among different programmes within the same sector as well as integration of the efforts of different developmental agencies at the field level so as to promote optimum development within a given period of time.

Spatial integration calls for a proper understanding of the functional relationship of the various development programmes in "space". It involves the appropriate location of social and economic activities over a physical space for the balanced development of a region. It is now recognised that owing to limitations on resources, selectivity is needed in the location of development efforts, and therefore the growth centre approach to the development of backward areas has to be adopted. This approach provides a methodology for allocation of investments at proper locations for balanced development of the region. This approach, as it involves a scientific identification of a hierarchy of growth centres in a given area, helps in choosing appropriate locations and establishing priorities as among different centres. It has been used in some parts of the country in formulating development plans.

On the basis of the experience gained so far in spatial planning it would appear

that there is considerable variation with regard to the availability of service functions* among centres in the population range of 5,000 to 10,000. With regard to many service functions the entry point has gone down to centres with a population of 10,000. As regards centres in the population range of 50,000 to 100,000, practically all the service functions have not only become ubiquitious but they are also of a higher order. It would, therefore, seem economical to concentrate development efforts in centres in this population range. It may be noted in this context that research investigations into the comparative costs of development of urban infrastructure have shown that the cost of developing additional infrastructure is at a minimum in towns in the population range of 50,000 to 100,000. It has been estimated that the incremental capital costs per 1,000 value added and per employee decline by 6 per cent with the increase in city size from 48,000 to 132,000 population and then stabilise at that level. Further, the annual capital cost plus annual maintenance and operation cost per unit of value added and per employee shows a continuing small decline with increasing city size**. Apart from this, in such centres there is no serious dearth of entrepreneurship, the beginnings of industrial development are already there, they are commercially fairly important, and they also have a potential for development which is likely to spread to the hinterland.

growth centre approach

If the above line of thinking is correct, attention will have to be concentrated on towns in the population range of 50,000 to 100,000. If, however, there are a number of towns in this range in a particular backward district or region the growth centre approach will have to be adopted for determining the existing economic status of the centre and its potential for future development. On the basis of such a study priorities may be established regarding the centres to be chosen for immediate development. Once this is done, realistic plans for stimulating industrial activity in such centres will have to be formulated. In this context one or two aspects of the type of development that should be planned may be mentioned. In the first place, in planning industries in such areas consideration may be given to promoting an industrial complex or an industrial cluster with inherent elements for sustained development and spread effects.

industrial complex approach

In the industrial complex approach, a variety of functionally related industries will have to be encouraged, e.g. complex of electronics industries, automobile industry, wood processing industry, foundry and light engineering industry, etc. In such development, there is scope for exploiting the possibilities of ancillary and auxiliary industries. In the cluster approach, the idea is to bring together a variety of industries justified by the potential of the centre, although they may not be functionally related. The adoption of the cluster or complex approach will give rise to several external economies and cheapen both the social and private costs of industrial development. From such centres, links can be established with growth centres of lower order, e.g. towns in the population range of 20,000 to 50,000; 10,000 to 20,000 and so on.

In growth centres of the type discussed above, a marketing complex also gets established. In view of the existence of a wide variety of industries, buyers in the hinterland are attracted to such centres to purchase there requirements—whether consumer items, consumer durables, parts and spares, raw materials, or even capital goods—in preference to metropolitan towns which are far removed from their place of residence. It also provides a marketing channel for the producers of goods not only for those located in such centres but also for those who are located in towns with smaller population in the hinterland. The marketing system can be further strengthened by establishing government sponsored institutions for providing godown space, emporia and show-room facilities for the benefit of small scale manufacturers.

In the programmes for backward areas, much more emphasis has to be placed on the development of managerial and entrepreneurial capabilities to speed up the development process. It is, no doubt, true that in this area some of the existing central and state developmental institutions as well as the all-India financial institutions have taken some measures for the promotion of entrepreneurship. However, much remains to be done. The entire programme of development of entrepreneurship has to be an integrated one beginning with the stimulation, identification, promotion and development of entrepreneurs by providing technical consultancy services, industry information and developmental facilities required for establishment of industries, and following it up with a variety of services leading to the fruition of the investment proposal. In this context, it may also be noted that industrial development of backward areas cannot be made to depend on local entrepreneurship alone. The possibilities of bringing in entrepreneurs from outside the backward areas and the development of institutional entrepreneurship will also have to be attempted.

Among measures of immediate urgency for backward area development, the upgradation of personnel responsible for identifying profitable industrial opportnnities, providing technical consultancy, and disseminating economic and technical information to the entrepreneurs merits high priority. Apart from this, efforts are needed to develop a corps of private consultants or cousultancy firms who can provide assistance to the entrepreneurs both in project formulation and implementation.

major handicaps

Small industries, particularly those located in the backward areas suffer from two major handicaps with regard to raw materials: (a) inequitable distribution as between large and small units; and (b) genuine small units being denied their legitimate requirements owing to allotments made sometimes to non-existent units which use raw materials for speculative purposes. Although several measures for improving this position have been taken, such as reservation of quotas for backward areas, the benefit has still not reached the small entrepreneurs in the backward areas. The problem has perhaps arisen because of the distance between the authorities who make the allotments and the units which use the raw materials. There is, therefore, need for a raw material policy for the small scale sector: a policy which is responsive to the genuine needs of the sector. Such a policy should include a strategy to establish raw material depots in selected growth centres, assess capacities of all units, attach small units in an area to a particular raw material depot, and associate small industrialists with the actual distribution of raw materials to individual manufacturers.

With regard to financial assistance to entrepreneurs in backward areas, although the lead banks and all-India financial institutions have taken a number of measures to provide liberal, concessional and timely financial assistance, their efforts so far appear to be concerned mainly with the wider distribution of financial resources. These institutions are associated, to some extent, with measures for encouraging entrepreneurship and providing consultancy services. However, at least the lead banks will have to have a more active role in drawing up plans for backward areas. The developmental agencies responsible for the selection of growth centres in such areas should associate the financial institutions in selecting the growth centres, formulating priorities and drawing up a development programme. By this means, the time taken for the screening and financing of investment proposals can be considerably reduced.

The existing system of incentives for the development of industries in backward areas should be subjected to a critical review to find out as to what extent these incentives have reached entrepreneurs in backward areas, to what extent they have actually been utilised, and whether there is a need for alternative incentives in place of existing ones. Simultaneously thought may be given to the question of devising disincentives discouraging further concentration of industry in advanced areas. To begin with the existing assistance programmes with an element of subsidy or concession, which is given to small industries, should be reviewed to explore whether such incentives cannot be withdrawn in respect of well developed industrial centres and make them applicable only to towns which are located in backward areas. The types of assistance in view are (a) the reservation of items for manufacture in the small scale sector; (b) the reservation of items for exclusive purchase from small industries; (c) the grant of price preference of 15 per cent in respect of non-reserved items for supply to government departments; (d) the provision of liberal and concessional credit facility by banks and financial institutions; (e) the supply of machinery on hire purchase at relatively low rates of interest to small entrepreneurs; and (f) the provision of factory accommodation in industrial estates at a subsidised rental.

A study of the distribution of small scale industries in different parts of the country as of 1973 shows that there are only 28 districts which have more than 2,000 small-scale units, and 58 districts which have more than 1,000 small enterprises. After a careful review of the extent to which industries have developed in these locations, it may be considered whether the types of general assistance indicated above cannot be denied, as a measure of disincentive to small industries located in industrially developed towns. If this is done, further concentration of industrial units in the already developed centres can be discouraged. In other words, if more industries are to come up in the backward areas a policy which combines both incentives for such areas and disincentives for the developed areas seems to be necessary.

*(1) Status of the settlement; (2) Population; (3) Decennial growth rate; (4) Total workers as per cent of population; Workers in the (5) Primary, (6) Secondary and (7) Tertiary sectors; (8) Roads; (9) Bus services; (10) Railway; (11) Communication; (12) Education; (13) Medical; (14) Veterinary; (15) Banks; (16) Trade; (17) Market: (18) Electricity; and (19) Industry.

** Cost of Urban Infrastructure for Industry as related to City Size in Developing Countries—India Case Study.. A joint study by Stanford Research Institute, California, School of Planning and Architecture, New Delhi, and Small Industry Extension Training Institute, Hyderabad, California, SRI, 1968.

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Farm credit: structure and performance

Dr G. Raghava Reddy

ECONOMIC DEVELOPMENT had been considered for many years virtually synonymous with industrialisation on account of the theories of derived development. But in recent years on account of growing food deficits and inflationary tendencies the importance of agriculture in the development process has come to be fully realised. Not only that. The role of institutional deficiencies in the lack of progress in agricultural sector has come to be better understood and institutional reforms have been initiated in almost all developing countries. The object of this article is two-fold; (i) it analyses the magnitude, direction and structure of agricultural credit and (2) it attempts an evaluation of the performance of institutional agencies of farm finance in India excluding government. Incidentally some comments are made on its evolution and organisation.

On the eve of the first Plan (1951-52) the total agricultural borrowings in India according to the findings of the All India Rural Credit Survey 1954 were of the order of Rs 750 crores. Since then on account of the implementation of four five-year Plans the demand for credit has gone up tremendously. The total cropped area has increased from 132 million hectares in 1950-51 to 167 million hectares in 1970-71 i.e. by 27 per cent. Net area sown more than once has gone up from 10 to 16 per cent[1] and irrigated area has gone up from 17.5 to 23 per cent between 1950-51 and 1973-74.

green revolution

The advent of green revolution and the adoption of the new agricultural strategy have contributed among others to the rise in the demand for agricultural credit. The All India Rural Credit Review Committee 1969 estimated that by the end of the fourth Plan (1973-74) the short term production credit requirements would be of the order of Rs 2000 crores. The medium term and long term credit needs for the whole of the Plan period (1969-74) would be Rs 500 crores and Rs 1500 crores respectively.[2] The Planning Commission's estimate of the short term credit requirements by the end of the current Plan (1978-79) would be around Rs 3000 crores and investment finance around Rs 2400 crores for the entire Plan period (1974-79)[3].

A wide variety of individuals and institutions operate and supply agricultural finances. The role played by the moneylender and trader has been the most important and proverbial and has, therefore, attracted the attention of the administrators, legislators, agricultural economists and rural sociologists. The heroic endeavours of the state to remove the village money-lender from the agricultural scene did not bear fruit for quite a long time. However, the state did not give up the hope and on account of its sustained efforts the structure of agricultural credit, slowly but steadily, is undergoing a change. Table I gives the details of the supply of agricultural credit by various agencies.

expanding role

Unfortunately, data is not available with regard to the sources of supply of agricultural credit for recent years except for cooperatives and commercial banks. It is seen from Table I that the role of the cooperatives and in recent years commercial banks is expanding. These two agencies had provided for 38.3 per cent of credit in 1969-70 whereas their contribution was only 4 per cent in 1951-52. Data is not readily available for recent years with regard to the part played by government in this regard. However it is evident from whatever little data can be found that its contribution is getting reduced relatively though the absolute quantum of credit deployed may be going up. It is also seen that the most important agency in the field of agricultural credit in the unorganised sector is the agriculturist moneylender. The professional moneylender has either migrated to the urban sector or has transformed himself into a pseudo-agriculturist. It is very difficult in rural India to separate the capitalist agriculturist from the moneylender and the trader for all these roles are combined in one in many cases.[4] It may be that on account of the tall talk of land reforms the 'agriculturist' role has become conspicuous rather than the other traditional roles namely moneylending and trading.

new trend

It is quite clear that on account of the nationalisation of commercial banks and reorganisation of credit cooperatives in the second decade of planning a definite trend towards the institutionalisation of agricultural credit has emerged. The cooperatives and the commercial banks are expected to contribute 56.7 per cent of farm finances by 1978-79. If we assume that government will be in a position to contribute 3.3 per cent, which was incidentally its share in 1951-52, the total from the institutional agencies will be 60 per cent. To that extent the hold of the feudal landlord and usurious moneylender on Indian agriculture will be reduced and the base for agricultural progress strengthened.

That there is a phenomenal increase in the operations of the agricultural credit cooperatives can be seen from Table II.

Table II shows that in respect of paid up share capital, deposits, working capital and loans advanced there has been a steady progress in the aggregate. The membership of the primary agricultural credit societies has risen from 4.4 million to 32 million during the period under coverage which broadly represents the two decades of planning in India. It constitutes an increase of more than 700 per cent. By 1971-72 they had covered 95 per cent of villages and 38 per cent of agricultural population. That the operations of the land development banks have considerably picked up in the second decade is obvious from Table II. Between 1968-69 and 1971-72, long term loans outstanding with individuals have almost doubled. This also indicates the emergence of a technological breakthrough and a scientific temper in Indian agriculture.

Behind the facade of impressive growth of cooperative credit there are some stark realities namely the unevenness of its distribution regionally as well as sectorally. Table III gives some details of its regional distribution and the contemplated solutions to correct the uneven distribution of cooperative credit in the country.

In respect of cooperative credit the states are classified into three groups by the Planning Commission on the basis of per hectare short term advances administered by the primary credit societies. It is seen from Table III that there are five states in Group 'A' where per hectare advances have been either Rs 45 or more and they have accounted for 57 per cent of the total short term advances in 1973-74. These five states may be regarded as 'developed' for this limited purpose on this criteria. The group 'B' states numbering seven may be described as 'developing' and they have deployed Rs 20 to Rs 45 per hectare and their share in the total is 32 per cent in the same year. The remaining nine states may be characterised as backward or undeveloped and have distributed less than Rs 20 per hectare and have contributed to only 11 per cent of the total. There are slight modifications to this classification, if we take long term loans outstanding as the basis, as is seen from Table III. However, it is obvious from the table that the southern, western and Punjab-Haryana region is advanced and the eastern, north-eastern and Rajasthan region is backward comparatively. The central and northern region is in the developing category. That these imbalances are there in the evolution of the cooperative movement in general and credit cooperation in particular is an oft commented and oft repeated fact. But in spite of the steps initiated and schemes executed under the development plans they have persisted. The fifth Plan proposes higher rates of growth for the backward regions and also envisages necessary financial and administrative arrangements for the correction of these imbalances.[5]

The growth trend of the cooperatives is visible even in the case of the agricultural advances of commercial banks. There has been a very fast progress in the extension of bank credit to agriculture and it is seen from the borrowal accounts and the loans outstanding. Table IV gives these details.

Since the nationalisation of 14 major banks there has been a considerable increase in the expansion of bank credit to agriculture as is evident from Table IV. The percentage of agricultural advances to total advances by public sector banks has increased from 1.4 in June 1969 to 6 per cent in June, 1974.

It is seen from Table V that the western and southern region together accounts for about three-fourths of total borrowal accounts and two-thirds of

TABLE I

Borrowings of Agriculturists by Source

(Percentages)

S.N.	Credit Agency	1951-52	1961-62	1969-70	1978-79 (Target)
1.	Agriculturist moneylenders	24.9	36.0		
2.	Professional moneylenders	44.8	13.2		
3.	Traders and Commission Agents	5.5	8.8		
4.	Others	17.5	23.3		
5.	Non-institutional Agencies (1+2+3+4)	92.7	81.3		
6.	Government	3.3	2.6		
7.	Commercial Banks	0.9	0.6	5.3	16.7
8.	Cooperatives	3.1	15.5	33.0	40.0
9.	Institutional Agencies (6+7+8)	7.3	18.7		

Source: (1) Report of the All India Rural Credit Review Committee, 1969 (2) Plan documents.

TABLE II

Agricultural Credit Cooperatives

Item	1950-51	1955-56	1960-61	1968-69	1969-70	1970-71	1971-72
I. Primary							
Agricultural Credit Societies (Short & Medium term loans)							
1. No. of Societies (lakhs)	1.05	1.60	2.12	1.68	1.63	1.61	1.57
2. Percentage Villages covered	N.A.	N.A.	75	92	94	95	95
3. Membership (lakhs)	44.08	77.91	170.41	291.73	297.65	309.63	320.09
4. Percentage agricultural population covered (estimated)	9	15	30	42	N.A.	N.A.	38
5. Average membership per society	45	49	80	174	183	193	203
6. Paid up share capital (Rs Crores)	7.61	16.80	57.75	167.31	188.70	205.74	224.83
7. Deposits (Rs Crores)	4.28	7.04	14.59	56.84	62.67	69.46	74.78
8. Working Capital (Rs Crores)	37.25	79.10	273.92	812.22	921.64	1153.40	1,276.17
9. Loans advanced during the year (Rs Crores)	22.90	49.62	202.75	503.97	542.00	577.88	614.53
II. Land Mortgage Banks							
1. No of Banks							
(a) Central	5	9	18	19	19	19	19
(b) Primary	286	302	463	740	809	865	869
2. Loans advanced during the year to individuals (Rs Crores)	1.38	2.86	11.62	148.6	155.48	170.36	154.44
3. Loans outstanding with individuals (Rs Crores)	6.59	13.47	37.74	402.15	513.23	636.16	786.51

Source: Indian Agriculture in Brief, 13th Edition, pp. 226-227.

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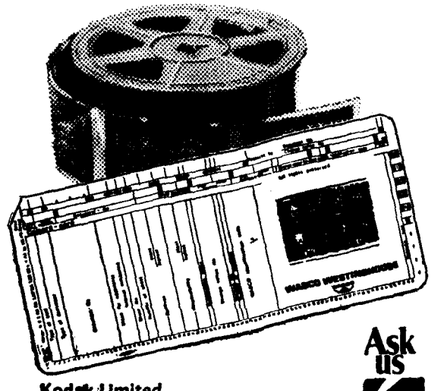
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amount outstanding as on the 30th of March, 1973. The share of the north-eastern region was the lowest.[6]

According to the RBI statistics for the cooperative years 1969-70 and 1970-71, about 1/3rd of credit advanced by primary credit societies was for cultivators with land holdings of less than two hectares. The fifth Plan document envisages that this will go upto at least 40 per cent by 1978-79. In other words, by 1978-79 out of the total target of Rs 1,300 crores for short term advances Rs 520 crores should be for cultivators with less than two hectares of land.[7] It is only in the light of these objectives that certain structural reforms envisaged in the fifth Plan in the organisation of cooperative credit gain significance.

An analysis of short and medium term loans provided by banks to farmers and the amount outstanding classified according to the size of holdings reveals that the number of borrowal accounts with holdings upto 5.0 acres aggregates 2, 35,356 and constitutes 68.75 per cent of the total farmers indicating that small and marginal farmers predominate among short term borrowers as on March, 1973. In terms of outstandings, however, these finances account for 39.32 per cent of the total short term finance while the balance of 60.68 finance has been availed of by farmers holding above 5.0 acres constituting only 31.25 per cent of total borrowers. Further examination of data reveals that average amount per borrower was Rs 672, Rs 1,167, Rs 2,003 and Rs 3,533 in case of marginal, small, medium and big farmers respectively.[8]

test of performance

If the test of performance is the expansion of credit, then all the institutional agencies including government come out of the test with colours. In view of the resource constraint and the pressing need for developmental activities, the operations of these agencies must necessarily be judged by some criteria of efficiency and not by the act of expansion of credit. The criteria, of course, varies for the cooperatives and the commercial banks although there may be some common ground. The oft repeated criteria of efficiency of institutional credit are:

1. Deposit mobilisation and building up of a widening internal resource base.
2. Supervision of the use of credit and prompt recovery of loans.
3. Cost of credit.

It is well-known that the institutional credit is cheaper than non-institutional credit. As far as the cooperatives and commercial banks are concerned there is not much of a difference with regard to the cost of credit as the terms of lending are almost synonymous.

Let us, therefore, examine the

TABLE III

Regional Disparities in Cooperative Credit

S. No.	Criteria	Group and names of states	Total short term credit disbursed in 1973-74 (assumed.) (Rs crores)	Planned growth rate (percentage) (per annum)	Short term credit to be disbursed in 1978-79 (target) (Rs crores)
1.	(a) Per hectare Short term advances by primary credit societies: Rs 45 or more (with reference to gross area shown)	'A' Punjab, Kerala, Gujarat, Tamil Nadu and Maharashtra	396	10	644
	(b) Between Rs 20 and Rs 45	'B' Andhra Pradesh, Haryana, Himachal Pradesh, Jammu and Kashmir, Karnataka, Madhya Pradesh and Uttar Pradesh	224.5	15	456
	(c) Less than Rs 20	'C' Assam, Bihar, Meghalaya, Orissa, Rajasthan, West Bengal, Manipur, Tripura and Nagaland.	80	20	215
2.	(a) Per hectare long term loans outstanding (with reference to net area sown) more than Rs 60	'A' Tamil Nadu, Punjab, Gujarat, Andhra Pradesh, Maharashtra and Haryana	N.A.	25	N.A.
	(b) Between Rs 30 and Rs 60	'B' Uttar Pradesh, Karnataka and Kerala	N.A.	50	N.A.
	(c) Less than Rs 30	'C' Rest of the states (12)	N.A.	100	N.A.

Source: Drafted from *Draft Fifth Five-Year Plan 1974-79*, pp. 84-85.

TABLE IV

Bank Advances to Agriculture

Year	No. of accounts	Amount outstanding (direct finance only) (Rs crores)	Percentage to total advances
June 1969	1,60,020	40.20	1.4
June 1970	6,12,477	160.38	4.3
June 1971	7,93,100	206.37	4.8
June 1972	9,26,583	231.89	5.0
June 1973	12,46,326	297.86	5.5
June 1974 (Provisional)	16,30,127	391.58	6.0

Source: GOI, *Economic Survey* 1974-75, p. 87.

capital structure and advances. A closer examination of Table VI reveals many hidden weaknesses of the primary agricultural credit societies.

The paid up share capital per member doubled during the first decade and more than doubled during the second decade. The deposits of the primary societies per member remained almost at the same level in the first two Plan periods. However, they went up to Rs 23 per member by 1971-72. Loans advanced per member doubled in the first decade and increased by 61 per cent during the second decade. The credit-deposit ratio more than doubled in the first decade and stood at a higher level in 1971-72 than in 1950-51. The credit-working capital ratio also indicates that the position in 1971-72 was worse than in 1950-51.

deteriorating ratio

Paid up capital and deposits as a percentage to working capital has deteriorated from 32 to 23 during the period under reference and indicates the growing dependence of the primary societies on external sources. This is the weakest link in the cooperative credit organisation. Even with regard to the flow of external funds for disbursement among the members there have emerged some difficulties on account of the poor recovery of loans and it is reflected in the mounting overdues on the one hand and the falling credit-working capital ratio on the other. In 1950-51 the ratio was 61 per cent and the corresponding percentage of overdues to loans outstanding was 22. In 1960-61 when the c-c ratio (credit-working capital ratio) went up to 74 per cent the overdues position went down to 20 per cent and when in 1971-72 the c.c. ratio fell to 48 per cent the overdues percentage was at 44. This, therefore, explains the need to mobilise deposits, share capital and also recover promptly the loans advanced to make these institutions banking units rather than loan disbursing units as at present. The poor contribution of the cooperative sector (both credit and non-credit) to national savings also reflects their real position. It has been estimated to be roughly Rs 50 crores in 1973-74 and works out to 0.1 per cent of GNP.[9]

Let us exmine the position with regard to deposits and advances in the case of commercial banks.

It is seen from Table VII that out of the total deposits 48 per cent accrued from the metropolitan branches. The urban branches have mobilised 24 per cent of the deposits whereas the semi-urban and rural branches have contributed to only 22 and 6 per cent of the total deposits respectively. The performance of the semi-urban and rural branches in the mobilisation of deposits is poor. However the distribution of advances is more disturbing than the collection of deposits. The metropolitan brances have extended credit to the extent of 63 per cent of the total credit whereas the urban branches have lent to the tune of 21 per cent. The share of the semi-urban branches was 13 per cent whereas that of the rural branches was only 3 per cent. The low credit-deposit ratio (41.6 per cent) of the rural and (41 per cent) of the semi-urban branches clearly indicates that the deposits collected in that sector are not lent to that sector fully but diverted to the other sectors. The credit-deposit ratio for all the branches works out to 71 per cent whereas it is 93 per cent and 62 per cent for the metropolitan and urban branches respectively. Thus the distribution of advances reveals that there is a flight of deposits from the rural and semi-urban areas to the metropolitan centres. It looks as if the rural branches are utilised for pumping out savings from the rural areas for the benefit of metropolitan centres whereas the object of nationalisation of banks was to reverse this trend. This is one of the several contradictions in the Indian economy under planning. The centres of decision-making in banking industry are mostly urban and metropolitan and there is no doubt banking a present is urban-oriented. The Banking Commission clearly exposed this tendency and recommended the setting up of 'rural banks' in order to overcome the same.

Cooperative agency has been considered to be best on theoretical grounds both in terms of supervision of the use of credit and its recovery on time though Indian experience has not vindicated this theory so far. Commercial banks entering the field of agriculture is a historical accident occassioned by a sagacious political judgement. They are trying to adjust themselves to the new

TABLE V

Regional Disparities in Agricultural Advances as on 30th March, 1973

Rs lakhs

Region	Total advance to agriculture (direct and indirect)		Percentage share of total advances to agriculture.	
	No. of accounts	Amount outstanding	No. of accounts	Amount outstanding
Northern	81,148	6046.18	6.4	14.1
North-Eastern	7,984	127.57	0.6	0.3
Eastern	106,376	2598.49	8.4	6.1
Central	156,029	8727.36	12.3	16.0
Western	190,072	12157.48	14.9	28.3
Southern	728,906	15088.21	57.4	35.2
All-India	1270,515	42890.66	100.0	100.0

Source: RBI Bulletin April. 1974 pp. 655-656.

TABLE VI

Capital Structure and Credit of the Primary Credit Societies

(Rs)

Year	Paid up share capital per member	Deposits per member	Working capital per member	Percentage of 2 and 3 to 4	Loans advanced per member	Credit-deposit ratio 6 to 3	Credit-working capital ratio 6 to 4
1	2	3	4	5	6	7	8
1950-51	17	10	85	32	52	520	61
1960-61	34	9	161	27	119	1326	74
6971-72	70	23	399	23	192	835	48

Source: Computed from *Indian Agriculture in Brief*, 13th Edition, pp 226-227 (Figures are approximations only)

situation and their problems in this regard are, therefore, anticipated and are not unexpected.

The level of the overdues indicates the overall operational efficiency of these institutions. In this regard the picture is quite disappointing. The 'groups of borrowers' of the cooperatives have gradually transformed themselves into 'groups of defaulters' as three-fourths of the borrowing members are defaulters. This has a demonstration effect on the operation of the commercial banks as well. Table VIII gives some details regarding the level of overdues in the cooperative credit structure.

At the level of the state cooperative banks, the overdues are not sizable, though they are on the increase. They also do not reflect the magnitude of the problem as the bulk of the overdues from individuals is absorbed at lower levels of the credit structure. The overdues at the level of the central cooperative banks rose from Rs 136 crores in 1967-68 to Rs 319 crores in 1971-72. The percentage of overdues went up from 25 to 36 during this period. This however, is the picture for the country as a whole. The percentage of overdues ranged from 9 (Tamil Nadu) to 16 (Assam).[10] The mounting overdues at this level have crippled the capacity of these banks to borrow from higher fiinancing agencies. For the country as a whole *chronic overdues* (i.e. overdues over 3 years and above) on June 30, 1972 at Rs 51 crores formed about one sixth of the total amount of overdues.[11]

high overdues

The position of overdues with regard to the primary societies, which indicates the real magnitude of the problem was found alarming as is seen from Table VIII. The overdues at this level shot up from Rs 171 crores in 1967-68 which formed 32 per cent of the demand to Rs 377 crores in 1971-72 forming 44 per cent. As expected there have been wide variations in the distribution of the overdues among the states. The chronic overdues increased from Rs 25 crores in 1967-68 forming 14 per cent of total overdues to Rs 61 crores in 1971-72 forming 16 per cent of the total overdues.[12] The alarming position with regard to overdues has naturally crippled these institutions to absorb credit from higher agencies of finance and serve its genuine members. The position with regard to long term credit is slightly better as this rising trend has been reversed in the seventies.[13]

The study team appointed by the RBI under the distinguished chairmanship of Dr Datey, analysed the causes of these overdues as;

(*i*) *external* i.e. those which are beyond the control of the lending agencies such as the occurrance of natural calamity, irrigation facility and cropping pattern, and

(*2*) *Internal* i.e. those relating to organisational and supervisory arrangements obtaining within the institution. The study teom's analysis shows that there is lack of direct and positive relationship between external factors, and the level and trend of overdues. About three fourths of the overdues of Rs 275 crores as on June 30, 1972 can be said to have arisen out of wilful default. However the study team mentions the following as the contributory factors for this position.

1. Defective lending policies pursued by cooperatives.
2. The general apathy of managements, and
3. Unfavourable attitude of state governments.

As mentioned earlier, the position with regard to the commercial banks is not enviable. The average of the loan recovery works out to 50.7 per cent[14]. Defective lending, misuse of credit, lack of effective supervision and treating the loans as exgratia payments by the agricultural folk are the oft repeated causes for the poor recovery of agricultural loans of the commercial banks.

The number of primary agricultural credit societies which stood at 2.12 lakhs came down to 1.57 lakhs in 1971-72. The fifth Plan proposes that they will be reduced to 1.15 lakhs by the end of 1978-79. According to the findings of the Study Team on Cooperative Overdues already referred to only 34 per cent of the primary societies had a full-time paid secretary/manager. The object of reorganisation of the societies was to make them viable units of business. The study team has called for a business of Rs 2 lakhs as the norm for treating the society as a viable unit.

What is most surprising is that there is cooperation among the members of the managing committees in entering the ranks of defaulters and chronic defaulters but not in exercising supervision and persuasion in the recovery of loans. This is another contradiction in the agricultural economy. That the prices of farm produce have been the leaders in the inflationary trend of the country is an established truth and farmers, especially big farmers, are the beneficiaries of inflation and yet the position with regard to repayment of loans deteriorates! It is in this context that some of the measures taken by the department in disallowing them to hold or contest for management jobs have to be correctly understood and

TABLE VII

Credit-Deposit Ratios of the Different Categories of Branches of Scheduled Banks, June 1972

S. No.	Category of branches	No of offices		Deposits	Advances	C—D Ratio
		Functioning	Reporting	Rs crores		
1.	Rural	4,778	4,120	458.55	190.93	41.64
2.	Semi-urban	4,364	4,025	1669.10	682.78	40.91
3.	Urban	2,482	2,247	1798.28	1136.94	62.11
4.	Metropolitan	1,891	1,812	3606.24	3356.46	93.11
5.	All categories	13,515	12,204	7532.17	5367.11	71.25

Source: Supplement on Banking Statistics, RBI Bulletin April 1973, pp 30-31.

TABLE VIII

Overdues of Cooperatives

(Rs Crores)

			Percentage of overdues to loans outstanding	
	1967-68	1971-72	1967-68	1971-72
State Cooperative Banks	18.2	38.34	5.1	6.9
Central Cooperative Banks	135.82	319.36	24.9	35.9
Primary Agriculture Credit Societies	170.98	376.68	32.0	44.0

Source: Report of the Study Team on Cooperative Overdues quoted in the SBI. Monthly Review, December, 1974, p. 461.

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appreciated. The fifth Plan proposes that by its termination about 50 per cent of the members of the managing committees will be from the ranks of small, and marginal farmers, and other weaker sections.

The institutional devices evolved during the fourth Plan period, namely Small Farmers Development Agencies (SFDAs) and Marginal Farmers and Agricultural Labourers (MFALs) are likely to be merged and an altogether new agency called Farmers Service Societies (FSSs) is to be evolved during the period of the fifth Plan. It is a concept suggested by the National Commission on Agriculture and deserves to be implemented as these Farmers Service Societies are multi-purpose unit having the expertise and finances and the necessary size to ensure organisational and operational effectiveness.

In a nutshell the demand for agricultural credit had gone up steeply on account of the extension of cultivation and the technological innovations brought into vogue in the wake of the green revolution. There is a persistent trend towards institutionalisation of farm credit and co-operatives and commercial banks have emerged as the leading agencies. Although the progress of the agricultural cooperative credit in the era of planning is rapid, there are several weaknesses inherent in its organisation and management. The regional imbalances have persisted and need correction and also the flow of credit among the different strata of farmers needs to be checked and turned in favour of small farmers in tune with the objectives of planned development with justice. So in the case with the commercial banks. They should be utilised to strengthen the agricultural economy and not to weaken it by diverting the savings from the rural to the urban sector. The reorganisation of the cooperatives and attuning the operations of the commercial banks, no doubt, bristles with several complications. But they have to be faced and a viable and efficient cooperative credit structure has to be evolved to serve the cause of agricultural development. The level of overdues must be reduced. Similarly, banks have to identify their changed roles and perspectives and promote the interests of agriculture. New organisational devices and operational techniques have to be evolved and the recovery rate improved by dedicated and dynamic management of these institutions.

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Location of industrial agglomeration

D. Vasudeva Rao

THE TASK of identifying growth centres, particularly through the empirical method, is difficult due to the need for quantifying physical facilities available at a centre. The Entry Point* technique may be useful for measuring the presence or otherwise of a function at a given order(s) of the centre(s). As for socio-economic infrastructure, lot of work has been done in arriving at the entry point (lowest population) needed for various subfunctions of major functions like education, health, transport, communications, etc. Still the problem confronted by the researchers of Regional Economics remains formidable with regard to suggesting new facilities or filling up of the gaps in physical and social facilities in the lower order growth centres (suiting existing or projected population of the centres). Specially when the regions are to be developed industrially, the matching up of industry types with the locations, is a problem; to have a rational one-to-one correspondence between these two, is the real problem.

In determining infrastructure complex necessary to sustain a steady growth of industry with the increase in population, with time, there is a need to observe the correlation between given size of the centre, quantity and type of infrastructure available with the pattern and level of industrialisation. This analysis may be more meaninningful if the industrialisaton is subdivided into traditional, medieval and modern types with respect to time, level of technology, type of machinery, etc., and relate it with population agglomeration (occurance of a particular type, in turn determining the type of industrialisation).

An attempt has been made in this direction to relate the population agglomeration with different types of industries over time and space. This analysis begins with an attempt to classify the industries with respect to time, as well as the existence of the related infrastructure, and arrive at the minimum population value (with respect to time) and (depending on the observation) suggesting an industry agglomeration that has greater chance for survival at different population agglomerations.

Nine districts: Srikakulum, Vizag, East Godavari, Krishna, Karimnagar, Adilabad, Chitoor, Anantapur and Karnool in Andhra Pradesh are taken for observation as all of them formed part of the study area of another study.

In all, the 25 types of industrial classifications, as adopted by the directorate, are followed (Table 1).

For each type of industry, the year in which it appeared for the first time is recorded (in each district) along with the

Source of basic data: Directory of Small Industry in A P, Vol I. published by the Directorate of Small Industries, Government of Andhra Pradesh — 1968. (Latest available)

*The entry point is the lowest population level, wherefrom a particular subfunction starts operating in a region. Equivalent to "lowest limit of a good" in the classical economics.

location, of workers, investment on machines, installed capacity. This exercise is repeated for all the (25) types of industries in all the (9) districts. A consolidated statement is prepared. The industries, by their first appearance are broadly classified into 5 categories with reference to time viz:

1 1940 and earlier	Traditional
2 1940-50	Medieval
3 1951-55	
4 1950-60	Modern
5 1961 & after	

Table II gives a clear picture of the classification of industries.

The traditional industries like iron and steel, printing, (demand based), textiles, rice milling, cement/lime products, non-ferrous metal and alloys, leather, vegetable oil, ayurvedic medicines etc (resource based) had naturally had their first appearance in late thirties or early forties at places like Rajahmundry, Vijayavada, Vizianagram, Tirupathi, Srikakulam, Hindupur etc, when there was not much of development, in more than one aspect. These industries then and even now, do not require skilled/technical personnel, high investment, latest machinery, in addition to the fact that they have their own market,

TABLE I

Industries Classification
(Directory of SSI: 1968)

1 Iron and Steel
2 Institute and Hospital Equipment
3 Textiles
4 Automobiles
5 Agricultural Implements, Machinery and Spares
6 Cement and Lime Products
7 Chemicals and Fertilizers
8 Machinery and Machine Tools
9 Non-ferrous Metals, Alloys
10 Paper and Paper Products
11 Leather
12 Rubber
13 Plastic
14 Radio
15 Glass and Ceramics
16 Agro Industries
17 Food Products
18 Wood Products
19 Fountain Pens and Nibs
20 Projection and Photo Products
21 Printing
22 Matches
23 Vegetables Oil
24 Pharamacuticals
25 Paint and Varnish
26 Soaps

without much difficulty, in their respective hinterlands.

The medieval industries can be broadly termed/grouped under 'general engineering works', which are mainly demand based. The onset of scientific farming, usage of motors, diesel sets, automobiles, tractors, etc, had necessarily brought along with them the servicing activity and production of spares and indigeneous manufacture of some of the main items too.

The resource based units like glass/ceramics (crucibles) (demand based) optical (frame, lenses), paint/varnish, soaps do find a place in this category. It could be argued that these items were earlier imported, if not manufactured (indigeneously), at a very limited number of places. With the advancement of the time, the variety started dispersing in the region with the availability of the raw material and encouraging local markets. Especially for crucibles there is a good export market. The soap industry though started with washing soap, had enlarged its sphere to liquid soaps, sandlewood oil etc., with the march of time.

Modern industry with rubber (tyre retreading), chemicals and fertilizers, electricals, some latest additions/improvements in the traditional agro-industries (straw board, khandsari sugar), food and food products (ice & ice-products, sugar candy, confectionery, mechanised backery etc.), safety matches etc. started its appearance, 1950 onwards, at important places like Vijayawada, Vizag, Tirupathi, Hyderabad, Hindupur, Samalkot etc. By then (1956), all these places had developed to a large extent and reached a certain stage with the related and necessary infrastructure available, and connectivity with the leading markets (export centres) is well knitted and enough of technically qualified/educated persons entering the field, the financial institution liberalising their credit policies in assisting the entrepreneurs, etc. Of late in 1960's the plastic industry and the surgical cotton, (in the textiles) started appearing in the field, at highly developed places like Hyderabad, Vizag, Vijayawada only.

Thus it can be concluded, without much loss of generality, that the industries classified as 'traditional' had their first appearance earlier than 1940, though at important places, with relatively high population, less facilities. The 'medieval' types started appearing after 1940. Those industries that had their first appearance after 1956 are classified as 'modern' falling in line with the advancement of technology, availability of important by-products as raw material, good market/demand, qualified personnel, etc.

Table III, gives the minimum threshold population or entry point, at which each industry has started appearing for the first time, in the study region. Here the minimum population is not strictly taken as the entry point for the industry concerned. The time element has also been built in for considering and categorising the industry as to when and where it had

TABLE II

Traditional, Medieval and Modern Industries

Around 1940	After 1940	After 1945	After 1956
1. Iron/Steel	1. Auto Servicing	1. Agricultural Implements	1. Chemicals and Fertilizers
2. Textiles	1b. Repairs		2. Rubber (Tyre Retrading)
3. Cement/Lime Products	2. Glass and Ceramics	After 1951 1. Foundry	3. Radio and Electronics
4. Non-Fe-Metal and Alloy	3. Paint and Varnish	2. Machinery and Machine Tools	4. Electricals
5. Leather	4. Pens and Nibs		5. Agro Industries (Khandasari Sugar Straw Board)
6. Vegetable Oil		3. Paper, paper products	
7. Aurvedic Medicine		4. Soaps: liquid soaps, sandlewood oil	6. Food Products: (Ice, Sugar Candy Biscuits, Bread Confectionary)
8. Rice Mill (Agro-Inds)		After 1961 1. Plastic, Surgical Cotton (Textiles)	7. Matches

appeared for the first time. For example: An Industry X, has appeared in 1940 at a place with 15,000 population in district Y. But with the advancement of time, technology etc., the same industry X has appeared in 1956, at a place P_1 with 7000 population in another district Z. Thus, the time element plays a part. Though the industry has appeared in 1956 at a place with 7000 population in Z district, the infrastructure and the overall development were almost equal to the town with 15,000 population in 1940. As far as entry point is concerned, 7000 population should be taken for projections and filling up of gaps in existing settlements. But due to the time factor 15,000 would be taken as the entry point, for suggestion of new industrial units, so that their sustenance is guaranteed. The analysis may have a positive answer to where, at what level of population agglomeration, a particular industry can be started and sustained, at what population level an industry complex, with complementarity could exist and how and by what type of industry the gaps in the existing industry complex at a given place (a central place of higher order) can be filled in Table III.

It also reveals that, for most of the industries, given service functions, the 'population level' has come down indicating the increase in the frequency and smoothness for the development of that industry. However for some industries, it is other way round. This may be due to the fact that, though they are classified one way or the other, perhaps over time, capital requirements, market and raw material(s) may change. For Example improvement in leather technology, demand for higher infrastructural facilities, need for higher markets, technological advances, introduction of hydrogenerated oils and scientific extraction, pharmaceuticals, offsets, litho printing etc., might have pushed up the population level for the once traditional industries to a higher level, for their initiation as well as sustenance.

This analysis is useful in observing certain correlations between settlements and industrialisation. While lower order centres support relatively small or lower order industries, the higher order centres, with minimum physical infrastructural facilities, sustain higher order industries (Table IV). Thus along with increase in population, the order of the centre goes up and the corresponding higher functions start operating. It is needless to say that the higher order centres command the lower order facilities as well as industrial agglomeration. The thrust for the minimum necessary population threshold given sufficient physical infrastructure to sustain the optimum agglomeration of the industries, is observed to be one lakh. Thus, this study highlights the need for building up systems for correlating size and emergence of an industry-type in a physical environment in a town with certain population. This exercise will also help identifying population and infrastructure gaps for certain level of industrialisation and help preparing a blueprint for providing minimum thrust in terms of filling infrastructure gaps for industrialisation.

TABLE IV

Population range	Industrial units
—5,000	Textiles, Ayurvedic Medicine
—10,000	Iron & Steel, Rice Mill
—20,000	Cement/Lime products, Leather, Non-ferrous Metal & Alloys, Vegetable Oil, Rubber, Agro-Industries, Wood Products, Food Products.
—50,000	Auto Service/Repair, Pens/nibs, Glass/Ceramics, Agricultural Implements, Foundry Paper Products, Soaps, Radio/Amplifier Electrical, Matches, Plastic.
—1.0 lakh	Printing, Paint/Varnish, Machinery & Tools, Chemical/Fertilizer.
1.0 lakh+	Surgical Cotton.

Note: The highest range towns include, in addition to the industries specified, the types for the lower population levels also.

TABLE III

Type of Industry	Population		Type of Industry	Population		Type of Industry	Population	
1. Iron & Steel	60,000 (1928)	—8,500 (1961)	1. Auto service/repair	25,800 (1948)	35,000 (1960)	1. Chemicals/fertilizers*	42,000 (1955)	2·0 lakhs (1959)
2. Textiles (Handlooms)	25,500 (1937)	—5,000 (1959)	2. Glass/ceramics	65,000 (1943)	22,800 (1963)	2. Rubber (tyre retreading)	1·60 lakhs (1958)	20,000 (1964)
3. Cement/lime product	53,000 (1922)	—13,000 (1959)	3. Paint/varnish*	74,000 (1940)	1·6 lakhs (1950)	3. Radio amplifier	32,000 (1958)	32,000 (1961)
4. Non-fe-metal/ Alloys	63,000 (1930)	12,000 (1961)	4. Pens/nibs	68,000 (1945)	38,000 (1963)	4. Electricals & electronics*	30,000 (1954)	57,500 (1963)
5. Leather*	20,000 (1932)	1·2 lakhs (1959)	5. Agrl. implements	85,000 (1940)	25,000 (1960)	5. Agro industries	15,000 (1941)	10,000 (1964)
6. Vegetable oils*	13,000 (1925)	1·2 lakhs (1959)	6. Foundry	31,000 (1935)	27,600 (1965)	6. Wood products	42,000 (1954)	12,000 (1965)
7. Ayurvedic medicine*	5,000 (1928)	1·5 lakhs (1949)	7. Machinery/machine tools*	75,000 (1948)	1·2 lakhs (1962)	7. Food products	1·2 lakhs (1954)	12,000 (1965)
8. Printing*	65,000 (1943)	2·1 lakhs (1963)	8. Paper & paper products	1·1 lakhs (1950)	47 300 (1965)	8. Matches	42,000 (1955)	39,300 (1965)
9. Rice Mill (Agro-Inds)		6,000 (1956)	9. Soaps	1·60 lakhs (1950)	—33,000 (1962)	9. Plastic	2·0 lakhs 1959	39,000 (1965)
						10. Surgical cotton	—	12 lakhs (1962)

Note : The mid-year population estimates are arrived at by taking the corresponding growth, as uniformly divided/spread over 10 years and the respective values are added to the nearest census value.

*These industries with improved technology and large capital investment, with progress of time, are appearing at centres with higher population and infrastructural facilities.

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N. H. Green *Alternate Director for M. D. McWilliam*

SHARE CAPITAL

(as on March 31, 1975)

		Rs	Rs.
Authorised:			
15,00,000	Equity Shares of Rs 100 each		15,00,00,000
10,00,000	Unclassified Shares of Rs. 100 each		10,00,00,000
25,00,000			25,00,00,000
Issued and Subscribed:			
15,00,000	Equity Shares of Rs 100 each issued for payment in cash	15,00,00,000	
Paid-up:			
15,00,000	Equity Shares of Rs 100 each	15,00,00,000	
	Less: Calls in arrears	69,750	
			14,99,30,250
	25,000 Debentures (1990) of Rs. 5,000 each at 97.50% (i.e. Rs 4,875 each) with a right to retain excess subscription money up to 10% of the issue to be applied for issue and allotment of further 2,500 debentures.		12,50,00,000

PRESENT ISSUE:

Interest at the rate of 6¼ per cent per annum (subject to deduction of tax at source) will be payable half-yearly on March 1 and September 1, except that interest will accrue on the Debentures allotted from the date of the receipt of the application, and accordingly, the initial proportionate payment of interest will be made on March 1, 1976

GOVERNMENT GUARANTEE:

The Debentures, now being issued, are guaranteed by the Government of India as to the repayment of the principal and the payment of the interest thereon at 6¼%. The Debentures will not, however, entail any charge on the assets or the undertaking of the Company.

The Debentures will be considered as approved security under the provisions of the Indian Trusts Act, 1882, the Insurance Act, 1938 and the Banking Regulation Act, 1949.

The Debentures shall be redeemed at par on September 1, 1990.

The Company shall have the right to purchase Debentures from the open market and the same can be reissued during the un-expired period of the Debentures.

The principal moneys of the Debentures to be issued hereunder and the interest accrued thereon shall rank for payment, from and out of the funds of the Company:

(i) after all the foreign currency loans with interest thereon, both present and future, except the 8% Bonds (1977-88) for Swiss Francs 8,000,000;

(ii) *pari passu* with all the rupee term loans, both present and future, and the six Debenture issues previously made with interest thereon and the Debentures to be issued hereafter with interest thereon (except the interest-free special advance of Rs 450 lacs from the Government of India, which ranks after the share capital of the Company) as also the said Bond Issue of Swiss Francs 8,000,000 referred to above.

Such payment will be without affecting the rights of the Debenture holders of the present series to take recourse to the guarantee of the Government of India, as aforesaid and of the rights of the holders of the Bonds Issue of Swiss Francs to take recourse to the Guarantee of the Government of India as and when issued for their benefit.

At any meeting of the debenture holders, each voter shall on a show of hands be entitled to one vote only and at a poll he shall be entitled to one vote in respect of every principal sum of Rs 5,000 of the Debenture in respect of which he is entitled to vote.

In the event of over-subscription, shareholders of the Company who apply for Debentures will be given preferential allotment to the extent of as many Debentures as they would be entitled to take up if the entire Debenture issue had been offered to such shareholders on *pro-rata* basis as a rights issue. The offer and allotment of Debentures to non-resident shareholders is, however, subject to the consent of the Reserve Bank of India under the Foreign Exchange Regulation Act, 1973.

DATES OF THE OPENING AND CLOSING OF THE SUBSCRIPTION LIST:

The Subscription List will open at the commencement of banking hours on Monday, August 25, 1975 and will close at the close of banking hours on Friday, August 29, 1975 or earlier at the discretion of the Directors but not earlier than the close of banking hours on Wednesday, August 27, 1975.

PROSPECTUS AND APPLICATION FORMS:

Applications must be for one or more Debentures and should be forwarded to the Registered Office of the Company together with the payment at the rate of 97.50% of the nominal value of the Debenture i.e. Rs 4,875 per Debenture. However, for the sake of convenience, applications together with the necessary payment would be accepted by the Central Bank of India at its main offices at Bombay, Bangalore, Ahmedabad, Calcutta, Delhi, Hyderabad, Indore and Madras.

Application Forms along with copies of the Prospectus can be obtained from the Registered Office and the Regional Offices of the Company.

WINDOW ON THE WORLD

Sweden's drug industry: some lessons

Because of its relevance to problems which drug policy faces in our country, this article reproduced from *SWEDEN NOW*, should be of interest to our readers.

A VISITOR to Stockholm's charming open-air museum, Skansen, may browse through a reconstruction of an 18th-century pharmacy, called *Kronan* (The Crown), which consists of a dispensary, a laboratory, and a storage room stocked with medicines and raw materials. Fittings, jars, and tools from various contemporary pharmacies throughout the country contribute to a meticulously authentic restoration.

In the old days it was in establishments like *Kronan* that medicinal preparations were concocted and dispensed to the ailing and cantankerous.

Surprising as it may seem, this system persisted well into the present century. It was not until 1914 that a Pharmacy Goods Act permitted the manufacture of what we now refer to as pharmaceuticals outside the pharmacies. The law also contained stipulations governing the import of drugs manufactured abroad.

birth of an industry

The year 1914, then, marks the beginning of industrial production of drugs in Sweden. And the 670 modern state-owned pharmacies now situated throughout Sweden are well-stocked with some 2,600 different pharmaceutical preparations emanating from a hardy domestic pharmaceutical industry as well as from leading drug firms the world over. Today no more than three per cent of the drugs dispensed in Sweden's pharmacies are prepared "to order."

In the span of some 60 years, both drug production and drug consumption have come to be very much an international business. While half of the pharmaceutical preparations consumed nationally are of foreign manufacture, about half of the domestic production is sold abroad.

Several phenomena explain the worldwide increase in consumption of pharmaceutical preparations. New discoveries have provided drugs against diseases that previously could not be cured. Improved diagnostic methods make it possible to detect disease at an earlier stage. Applied preventive measures also facilitate earlier diagnoses. An increasing life expectancy automatically assures a greater consumption. And social reforms have made medical care and drugs available to a greater number.

Swedish drug consumption is not considered excessively high by international standards. To what extent the low cost to the consumer of individual presciptions (15 kronor maximum,) and the government ownership of pharmacies has contributed to the increasing sale of pharmaceutical preparations is impossible to determine, a spokesman from Sweden's National Board of Health and Welfare maintains. It is interesting to note that 70 per cent of the world's pharmaceuticals are consumed in the United States, Japan, France, W. Germany, Italy and England. Sweden's part is only 0.8 per cent. The nations of Africa, Asia and Latin America, with 70 per cent of the world's population, account for only 20 per cent of consumption.

Preparations for which demand has grown in recent years are drugs for the control of infectious diseases. Parkinsonism and epilepsy, diureties, and substances for treating circulatory disturbances. Psychotropic drugs and vitamins on the other hand, have increased proportionally less.

Unlike the pattern so typical abroad, where drug industries more or less emerged from chemical dye industries, Sweden's development has been the reverse. An initial exclusive concentration on pharmaceuticals has relatively recently expanded into related products.

A big spurt was given to the Swedish pharmaceutical industry by World War II, when the import of manufactured drugs was considerably restricted and it was difficult to obtain imported raw materials. The expansion continued during the post-war period, and domestic firms have been able to compete well with foreign ones despite the lack of customs barriers

The Swedish drug industry firmly established its international position in the 1950's with its two most widely distributed products — Xylocaine and Macrodex. The former is the local anaesthetic (Lidocaine) manufactured by Astra; the latter is Pharmacia's Dextran infusion solution used as a blood plasma substitute.

increase in sales

With sales that have increased by approximately 12 per cent a year throughout the 1960's, and by eight per cent to ten per cent annually since then, the Swedish drug industry faces its future optimistically. It realizes that its success depends on a substantial outlay for research and development and despite a tripling of domestic sales volume during the past decade, a strong concentration on foreign markets.

Whereas several Swedish firms have merged during the years, no entirely new drug company has been formed since 1946. There are currently about 15 Swedish producers of pharmaceuticals. Five of them control approximately 98 per cent of the market for drugs produced in Sweden.

Until the 1950's, Swedish drug production was mainly aimed at the home market. Since then it has come up with substances it has felt could be launched on the international market. This it has done with success. Most of the sales in 1973 were made to European countries — 41 per cent to members of the Common Market and 13 per cent to members of the European Free Trade Association. The United States and Canada were markets for 21.5 per cent of Swedish drug sales, and other nations accounted for the remaining 24.5 per cent.

Since 1951, the leading Swedish pharmaceutical firms have belonged to a trade association known as the Association of the Swedish Pharmaceutical Industry (LIF). LIF's aim is to safeguard common industry interests and serve as industry spokesman. Its member firms are Astra (including Astra Lakemedel, Astra-Bofors Nobel Pharma, Astra Syntex, Draco/Tika, and Hassle), Ferrosan (including. Teknosan), Kabi (including Recip, Aco and Vitrum), Leo (including Mekos), and Pharmacia (including Agrivet and Medisan).

The great discoveries after the World War II aroused great expectations of us from society, as well as from doctors and patients. For many years the drug industry had wind in its sails, and we grew a bit spoiled," says Ferrosan's president Olle Ryne, who became LIF's chairman in 1970

sensitivity to the product

"Gradually there arose a sensitivity to the effects and side-effects medicines could have on the organism. There was the Thalidomide catastrophe, then problems with drug dependencies, the notion that the drug industry was just out to make money, and we became general punching bags. Controls tightened and all over the world drug companies went on the defensive".

Mr Ryne explains that LIF met this problem by "tackling the facts and having open discussions on all fronts." In addition to meticulous control, studies were begun for a solution for compensating patients injured from unavoidable side-effects.

"Time was when Swedish pharmaceutical firms would scarcely speak to one another, much less to foreign companies," he recalls. "Nowadays we cooperate and often even collaborate on many fronts."

Astra, one of the top 40 among the world's 10,000 drug companies is nearer the peak as far as some of its products are concerned, such as the local anaesthetics Xylocaine and Citanest, the anti-asthmatic agent Bricanyl and Aptin which is used in situations where the heart is subject to overload during periods of severe mental stress or physical strain

In addition, Astra is well-known for its semi-synthetic penicillins, sulphas, and parenteral and other iron preparations and the psychopharmacological drug Heminevrin. Started by Adolf Rising in 1944 to compete with the German and Swiss companies whose imports then dominated the Swedish market, Astra has grown through six decades into the country's foremost pharmaceutical firm, employing 6,100 people, about equally inside and outside Sweden. The group is represented by subsidiaries in 16 countries and through agents and licensees in another 100. Astra has an imposing annual turnover of 1,100 million Sw. kr. (1974). The largest single owner is the Wallenberg group, with some 27 per cent of shares.

The group's activities are divided into three divisions: the Chemical Products division, the Varia division and the Pharmaceutical division. The latter accounts for almost 70 per cent of the group's total turnover and is responsible for about 25 per cent of the Swedish drug market.

Ferrosan—a name which spells vitamins to most Swedes — was formed in 1919 to exploit a new iron preparation, Idozan, which was to play a major role in the fight against anemia in Nordic women and men. In 1930 the company entred the vitamin business and launched such preparations as Multiplex — for many years a stock feature on Swedish bath room shelves and kitchen cupboards. Ferrosan's entrance tickets to the international pharmaceuticals markets were Dicumarol (AP), which is used to treat thrombosis, and Para Aminosalicyl Acid (PAS), an anti-TBC preparation. Today, however, its biggest international sellers are Sexovid against certain forms of sterility in women, the neurolepticum Buronil, and Genabil — a preparation that stimulates the pancreas. The Ferrosan group now has an annual turnover of 200 million Sw. kr and about 1,100 employees.

Ferrosan for feedback

"In my opinion, our strength is in our communications system, which not only informs doctors about our products, but waits for an answer, for feedback," says Lennart Wedberg, Ferrosan's marketing manager. "Swedish medical care is being centralized, including information. One day perhaps you'll be able to channel consumption to certain products, and though this may sound rational it can have significant drawbacks. So I think we may see a change in our physicians' consultants —they'll become more specialized, more professional. We have begun helping them by sending background information to the doctor a few days before our consultant makes his visit, and this stimulates the doctor's interest positively."

Still, foreign companies are more active in this respect than domestic ones, and of Sweden's 450 consultants, 340 work for foreign and only 110 for domestic drug companies.

Apprehension about the channeling of consumption is caused by the system where drug committees on hospital staffs make out lists of preparations which they encourage doctors to follow. While its not obligatory to do so, departing from the list may be troublesome and entail explanations. "I'm afraid of what this could lead to if its carried too far," says Ferrosan head Olle Ryne. "If the number of decision-makers decreases, it will directly and indirectly affect us in the drug industry. If you succeed in getting your drug endorsed by a hospital it will mean a great deal, and if its endorsed by a municipal government it will mean still more. Nobody yet knows what effects this may have in the long run."

political pressures

The rising price of medicines during the sixties and the suspicion that drug companies were charging vastly different prices for equivalent products, hoodwinking a naive public and combing in large profits, led to political pressure for the state to buy a share of the industry and attempt to keep prices competitive. Thus the established company Kabi was bought in 1969, and into it were later amalgamated two smaller firms, Aco and Vitrum. The latter is best known for its nutrient solutions for intravenous use, such as Intralipid.

The transition from private to state ownership was surprisingly smooth and the problems scarcely visible, at least to outsiders. Kabi expanded from a 25m. kr. firm in 1960 to a kr. 100m. one ten years later, and jumped dramatically to kr. 286 million in 1973, of which 50 per cent is exported.

Kabi is more interested in developing its "organic" products than its synthetic ones. Of the firm's many interesting products—antibiotics, clinical reagents for laboratory analyses, hormones (Kabi's human growth hormone Crescormon was a world first)—one group is particularly fascinating—and troublesome: the blood fractions. Here the "raw material" is a problem. The price of blood plasma on the world market doubled in 1973. Since there are insufficient Swedish donors, blood is imported from Latin America and such European countries as Italy, West Germany, Holland and Ireland.

As Bengt Andren, head of Kabi, explains, "Its becoming harder to buy blood plasma for the production of our blood fraction products due to more rigid rules for international trade and also because many countries want to increase their own stores, in case an emergency should arise. So we have to work with a type of agreement that we have with a few countries that oblige us to deliver corresponding quantities of blood fractions for that country's supply.

"The technique we use demands large

volumes that wouldn't be economical for these countries to carry out themselves."

As to the morals of "making money on other people's blood," Andren says, "The profit motive which applies to other branches of industry should also apply to ours. It is true that we serve a market where the social motivations are strong and where ethics and morals have to be kept very high. We can combine these with the profit requirement and we have to do it to keep our efficiency high."

five-fold increase

From a modest position in the early sixties, with a turnover of some 27 million sw. kr., Leo increased five-fold during the ensuing decade and is now past the 170 m. kr. mark, with over 600 employees. Insulin and the Swedish headache pill Albyl, which contained magnesium oxide in addition to acetyl salycylic acid, so as to prevent the pH in the stomach from sinking to dangerously low levels, were the cornerstones of Leo's production in the twenties, when it got started. The company became firmly established on the domestic psycho-pharmaceuticals market with the introduction of Hibernal in 1954. In addition to tonics and antibiotics Leo has secured its exclusive position in the hormonal area, with a number of fine original products, which have received international acceptance. Among these are oestrogens, substances for the hormonal treatment of prostate cancer such as Estradurin, and the HPG, human pituitary gonadotrophin, renowned from Professor Carl-Axel Gemzell's dramatic successes which have often transformed previously sterile women into the mothers of quintuplets or sextuplets.

Leo invests between 17 and 20 per cent of its turnover in research and has invested heavily in construction during the past decade. "We don't siphon off abnormally large profits, even in the good years, but let the money work for future development," says Leo's chairman of the board Alf Eberhard. "We do feel pressured from outside, as an ever larger portion of the domestic market goes to foreign companies. The big problem is that the multinationals, with their immense research and marketing resources, achieve results beyond our capabilities. But we have our own well-established research and so far we have managed to swim along.

"Then, too, one hears rather extreme talk at times about nationalizing the entire drug industry. I don't know what good this would do, when domestic firms account for only half the consumption in the country!"

Pharmacia, today the industry's third largest company, began modestly 64 years ago in the pharmacy named *The Elk* (most pharmacies are named after animals or birds). Swept onto the world market with such products as dextran, a blood plasma substitute, Salazopyrin, a sulpha drug used for treating ulcerative colitis, and Phadebas RAST, a unique allergy test, Pharmacia expanded steadily until in 1973 its sales totaled 216 million Sw. kr., of which one-fourth were domestic. It now has twelve foreign affiliates.

"Our mainstay products have lasted well beyond the seven years most pharmaceuticals are said to average," Gosta Virding, president of Pharmacia points out. "Though we are small in international terms, we bank on research and intelligent marketing to hold our own and maintain our independence.

"Mergers in the industry are going to increase and the number of producers to decrease," Mr. Virding predicts. "But in my opinion small and specialized firms will get along by being best in their particular sectors. A new drug of any importance takes about 25 m. kronor's worth of researeh. But for an original substance that has big potential on the international market, its well worth the challenge to try."

bright future

As European countries increasingly abandon pharmacy produced drugs in favour of manufactured products, Swedish drug firms hope that their prospects for greater drug sales there will be favourable. In the long run, the industry is optimistic about increasing sales to North America as well.

Does the government indeed plan to take over still more of the pharmaceutical industry? For the moment at least, no.

When in 1974 Communist leader C.H. Hermansson introduced a motion in Parliament proposing nationalization of the entire pharmaceutical industry to prevent "some people profiting from other people's ill health," leading Social Democrat Ingvar Svanberg, who heads the Standing Committee on Industry, pointed out that 80 per cent of the entire consumption of medicines is dependent on doctors' prescriptions. He added that the number of synonymous products on the Swedish market is low by international comparison, and is expected to decrease still further. In answer to claims that side-effects could be reduced if the industry were entirely nationalized, he said that there is simply no reason to believe that this would be true.

He stated that the Drug Committee controlled the registration of preparations and that the Corporation of Swedish Pharmacies is in charge of price negotiations, regardless of ownership circumstances in the industry. He concluded:

"There is no reason to make a great ideological question out of this—it is of purely practical nature. Concerning rising prices, we must not forget that the general inflation also affects the drug industry."

The motion was rejected by a vote of 303 to 17.

The trade association in Sweden for foreign drug manufacturers is Rufi—the Association of Representatives of Foreign Pharmaceutical Industries. Its 45 member firms represent about 120 drug companies, with the result that virtually the entire international industry is affiliated with Rufi either directly or indirectly.

Rufi disseminates member views on key issues, facilitates contacts with health and medical agencies, assists member firms in matters of common interest, and acts as an official body for the submission of briefs to authorities.

Mr Lennart Westman, chairman of Rufi and president of Roche-Produkter AB, points out that sales of foreign pharmaceuticals on the Swedish market have been climbing steadily, from 11 per cent in 1952, to 33 per cent in 1962 to 49 per cent in 1973. With the big change from agencies to subsidiaries on the Swedish market which has taken place during the past 10-20 years, of all pharmaceutical specialities that were registered in Sweden as of January 1, 1973, 61 per cent were of foreign origin.

liberal attitude

"It is with satisfaction that we of the foreign industry have noted the liberal Swedish attitude to imports of drugs, which at present do not have to hurdle any trade barriers, as well as the willingness of the registration authorities to clear new drugs for marketing. This means that we now have a substantial importation of drugs valued at about 400 million Sw.kr.

"The question of greatest interest to all of us naturally is: what is going to happen in the future? It stands clear to us that the foreign industry will increase its market share. There are several reasons for this: the growing volume of research in the world pharmaceutical industries will result in new efficacious drugs. Owing to the long space of time for clinical trials, now running at five years or more, and the long time for registration, the foreign drugs that will matter for Swedish medicine during the 1970's are presumbaly already known to the firms. In other words, we can even now base our optimism on certain known facts. The research-oriented foreign industry will surely be linked even more firmly with Swedish medicine on the strength of enlarged clinical research. We are convinced that also the foreign firms will give Swedish investigators many interesting ideas from such research. The quality of work at the Swedish clinics is held in universally high esteem and this, too, will contribute to an enlargement.

"Though there are certain problems—for example, the registration process in Scandinavia is too slow and the patent laws are as yet insufficient to protect our products—the foreign industry is expanding. The domestic industry has had a successful record of accomplishment in the past and its research has conferred on medicine some first-rate new ethicals and it is to be expected that this state of affairs will carry over into the future," says Mr Westman.

On the other hand, the larger Swedish firms have increased their activities abroa,d both in regard to direct export and establishment of affiliates, and many observers feel that this tendency will proceed faster than that toward foreign domination of the home market.

Sven-Olof Nystrom, of Astra's pharmaceutical section, points out that while circumstances governing the acceptance and use of medicinals among the Scandinavian countries are not troublesome, there has been talk of the harmonization of drug registration with the European Community, as well as of rules for Good Manufacturing Practice in such organizations as WHO, OECD and the Council of Europe. "Difficult as it may be for many different countries to coordinate their regulations," he says, "this is a direction in which we are inevitably moving."

Courtesy: *Sweden Now*

Gloomy outlook for foodgrains

E. B. Brook, Vienna

THE EUROPEAN harvests are in full swing and, generally speaking, the yields are disappointing. Britain has had so long a hot, rainless spell that the Cornishmen are having to buy their fodder from Norfolk farms; traditionally green Ireland has had so little rain that the fields are brown with half-burned crops. France, rainless for over 50 days, has had its worst drought since 1906 and everywhere south of Scandinavia the only relief has come from thunderstorms. Luckily, three wet years have left cities underground water at a high level, but that level has fallen by half this year. Austrian crops are so poor that farmers are already demanding higher prices.

massive purchases

Although the Soviet purehases of grain from the USA and Australia appear to be largely precautionary and intended to build up a sizeable reserve, east Europe's effort to bring in this year's harvest is facing unusual difficulties. Extremes of bad weather—drought in the north and east and floods in the Danube valley—have combined with enduring inadequate organisation and some shortages of manpower and machinery to menace the harvest exactly at the time when middle and east Europe need all the food they can grow to feed the population and leave some over for export to western countries to help pay the much higher import bills for manufactures and to developing countries to help pay for raw materials, all of which are sharply more expensive.

Despite all the contention about economic systems it seems to make little difference in east Europe whether the crops are raised by complete collectivization or, as in Poland and Yugoslavia, largely by private farming. There are still not enough men and still much too few machines. The autumn and early winter are always anxious times for governments there since that would be the time when the first signs of shortage or high prices would appear with, as five years ago in Poland, extremely serious results in politics and public order.

only bright spot

The only bright spot in today's farming in east Europe appears to be Czeehoslovakia. The Czech grain crop is officially expected to be better even than planned which is saying a good deal because Czech official requirements are invariably demanding. Even so, Czechoslovakia will need grain imports from the Soviet Union where a prolonged drought, shared by East Germany, severely threatens the grain harvest. Better things are expected in much of Siberia where, in the middle and north, the harvest comes later. Poland has this year so poor a harvest that the Catholic Church went so far as to issue a dispensation allowing the 90 per cent faithful to carry on harvesting on Sundays even though it benefited the atheist communist government in Warsaw.

The granaries of Yugoslavia's Vojvodina and Hungary, in contrast to drought-stricken East Germany, Poland and the Soviet Union. have been afflicted by rain and hail storms so that work is impeded by waterlogged fields. The wheat crop yield is expected to be 15 per cent less than expected, with Yugoslavia contributing not more than 6.3 million tons and drawing heavily on last year's reseve stock from a record harvest in 1974. Poor Rumania has, for the second time in a decade, been inundated by rain and Danube floods and international aid has been sought again by Bucharest. If the damage is not so dramatically severe as in 1970, about one-tenth of the country was submerged by this year's floods. To salvage some of the crop farmers have been obliged to pull the wheat from the flood water and dry it on the dikes they and the army hastily built.

A disastrous harvest is of more than economic loss to Rumania. Its independent attitude within the Warsaw Pact and its friendship with China and Israel make it a low-ranking claimant on Soviet help, as Bucharest found in the 1970 flood crisis. Its agricultural products remain all too predominant an element in Rumania's sales both west and east and the still low standard of living in Rumania contrasts sadly with that country's courageous efforts in industry and international commerce. Rumania has asked several countries for seeds and technical help to resow the flooded area to try to produce a second crop.

lack of storage

Almost everywhere in east Europe, especially in the Soviet Union and Hungary, there is still lack of storage facilities. Building silos goes fairly steadily ahead but silos have to compete with factory and home building for workers who are all too scarce. Building materials often fail to arrive even when the workers are available. As a result, in Hungary this year, about one-fifth of the harvest will have to take its chance without adequate storage.

The harvest woes are not confined to

Europe: a heat wave in the Canadian prairies has set back earlier hopes of a bumper wheat crop. As a result expectations of a 600 million bushels wheat harvest have been cut down to 467 million bushels. Even so, the Canadian crop will be better than last year's and lower yields will not obstruct shipments to the Soviet Union of 74.6 million bushels of this year's spring-crop wheat and 37.3 million bushels of the late summer crop. Even so, the Soviet authorities have been made anxious by weather reports from Canada and the the USA and are seeking to buy a million tons of grain from the Common Market. With the Common Market wheat crop down by 10 to 14 per cent last year and barley down eight per cent the Russian request for wheat, barley rye and maize is meeting very cautious consideration.

The total Soviet aim in grain purchases this year is 30 million tons of which so far they have secured about half. Already grain sales to the Soviet Union has spurred a price increase of three per cent in American markets. A further purchase worldwide of another 15 million tons would be certain to make almost all grains more expensive. The amount currently available and stored in the Common Market area is rather less than 4½ million tons, bought to support producer prices. This year's diffident harvest apart, the Market authorities would hesitate to subsidize such heavy grain exports to the Soviet Union.

The Indian programme of land reform and plans to increase grain yields substantially are welcomed in the west even in those places where other aspects of recent events in India have been less readily understood. The continuing drought in north and central Africa and the seemingly almost annual Soviet drain on stored grain and crops of other continents are two factors seriously disturbing world agricultural economy. East Europe's increasing concentration on the food canning industries may also, if early results are encouraging, divert acreage from grains to crops with readier sale abroad in convenient canned form. Already at least five east European states are striving in competition to sell the west canned vagetables and fruit. Their price-cutting tactics for a bigger place in the market may persuade them that the small profits are insufficient recompense for diverting land from growing essential grain crops.

New international economic ties

John J. Harter, Washington

THERE ARE solid chances for fundamental changes in economic relations between developing and developed countries according to William Buffum, US Assistant Secretary of State for International Organization Affairs.

At the same time, Mr Buffum warned in an interview, that the United States at the special session of the UN does not want to get involved "in a philosophical debate about whether or not we are creating a new international economic order or whether we are improving the existing economic order."

We prefer to "concentrate on solving specific problems," and to develop a "new web of international economic relationshps that will benefit the entire international community," Mr Buffum said.

Excerpts from the interview follow:

Q: The developing countries are pressing vigorously in the United Nations and elsewhere for a fundamental reexamination of economic relationships between the developed countries and the developing countries. At the same time, the United States seems to be reassessing its foreign policy in a number of different areas, and it would seem reasonable that it would be considering new approaches to the developing countries as part of this process. What kinds of fundamental principles do you think should govern future economic relationships between the industrial countries and the poorer countries?

A: There are many facets to the answer, but basically as a realistic proposition, we have to assume that a viable conomic relationship between states can be based only on mutual advantage. It's very hard to see how any government is likely to engage in any undertaking unless it is satisfied that in some sense its own position is protected or advanced. This is a normal, natural part of governmental relationships, whether in international organizations or bilaterally. Therefore it's important, for the developing nations—which are making so many demands in trying to satisfy the increasing aspirations of their people—to realize that the only way to achieve new and improved relationships is on the basis of cooperation and a constructive dialogue rather than confrontaion.

Q: Does it really make sense to think of economic relationships between all the developed countries on the one hand, and all the developing countries on the other hand? Afterall, there are tremendous differences among the developing countries.

A: Given the variety of relationships and the variety of problems involved, you can not fit all of these in to one neat package. But broad rules covering international trade, for example, and rules governing the behaviour of multinational corporations are proper subjects for international debate and agreement. At the United Nations in New York all of these issues come together in one place. The UN provides a sort of global picture of the world's economic concerns. This has been a new and increasingly important dimesion of the United Nations work.

Q: Do you think real progress can be made in improving these economic relationships through the United Nations? We generally think of the United Nations as a centre for debate which has sometimes been quite confrontational. Can we really expect to make progress in this kind of an atmosphere?

A: Well progress in the UN does depend on atmosphere. We think progress is possible and necessary, but it can only take place if there is understanding that no one nation can pursue its own national advantage to the exclusion of concern for the interests of other states. It's as simple as this: what the developing world is asking for, basically, is a transfer of resources from the developed world to the developing world.

And there is no doubt that improvements are necessary in the arrangements that have governed international trade and international economic relationsips. We ourselves are committed to look for new and better ways of accomplishing these objectives, but we are conviced that you can only bring about new relationships if you approach the problem in the spirit of an honest endeavour to find common ground, To put it more precisely, a principle purpose of the United Nations, according to its charter is to harmonize the policies of nations. You described the purpose of the United Nations as holding general debate. I think it has a more positive and concrete objective of seeking to reconcile diffrences and finding common ground. That will be a great achievement that the assembly could offer to the benefit both of the developing world and the developed world if, in fact, the majority of members approach their discussion of these problems in a cooperative spirit rather than a confrontational spirit.

Q: What is the specific purpose of the seventh special session of the General Assembly, which will take place for two weeks beginning September 1?

A: This special session has been called explicitly to deal with problems of world economic development. We expect it to cover most of the key problems relating to economic development—such as the transfer of resources, international trade and terms of trade, commodities, and reorganising the United Nationas to make it a more effective delivery system to support economic development in the developing world. The session will deal with almost all important aspects of international economic relationships.

Q: Do you believe the developing countries and the developed countries have different concepts of what the goals of the meeting should be, or is there fundamental agreement on this?

A: I think there are rather significant differences. For some time, the developing world has felt that the increasing wealth of the industrialised countries is derived from the resources of the less developed nations without their having an adequate share in the profits and growing wealth of the world. Therefore, they basically see a need to use the United Nations as an instrument for persuading the richer nations of the world to allocate a greater share of existing resources to the developing countries.

We, for our part, feel that no nation can really prosper over the long pull unless there is a total growth in the world's economic wealth. What we must strive for is a general improvement in the economic climate of the world in which everyone can share in a more equitable way. This would be our objective.

evolutionary approach

Hence, we believe, our principal effort should be to encourage increased production, increased trade, more rational ways of sharing the results, and to arrive at agreements so that the entire world community will profit. This, we believe, would be better than approaching the problem from the standpoint of merely insisting on a transfer of resources from one portion of the world to another. Some would say that's not "revolutionary" enough. I think in this sort of a situation the word "evolution" would more appropriately characterise our approach.

Q: Could you say more specifically what goals the United States government would like to see the special session give priority attention to, and why?

A: First of all, we feel that one of the most critical problems facing the entire world — and most particularly the developing world — is that of assuring adequate food supplies for the world's growing population.

Therefore, we would expect to have proposals for meeting this problem, and we hope the General Assembly will follow through constructively on what it began last year when it called for the World Food Conference, as recommended by Secretary of State Dr Kissinger. A lot of work has been done in this area over the past few months, and more should follow.

We also expect to have something to say about the structure and operations of the economic system within the United Nations family, based on the report of a committee of 25 experts on how this part of the UN's work might be improved. We expect a very significant discussion of that report in New York.

transfer of resources

We also think the general problem of the transfer of resources will be discussed. And last but no least, we are persuaded that the problems of the poorest countries — those which have been most seriously affected by the world economc crisis of the last year and a half — the so-called "MSA's" have not really had adequate attention by the General Assembly. We would like to see greater attention being given to their needs.

Q: What can be done to help these countries?

A: We will have some specific proposals in that field. As these are still in the process of being formulated, I cannot identify them in any detail at this stage. But I can say we share with the developing nations their concern about what happens to their economics when there is a wide fluctuation in prices — for example, the prices of commodities and raw materials which they export, and the prices of commodities which they must import to survive. This whole problem of the relationship of earnings from the sale of natural resources and the stability of the international price structure will be discussed in detail. We expect to offer some very concrete suggestions in this area when the General Assembly convenes.

Q: Many influential persons in developing countries appear to be under the impression that the United States follows an essentially negative attitude toward many oj their aspirations. They say, for instance, that the United States is simply opposed to their wish to create a new international economic order. Is their image valid?

A: No, I don't think so. Secretary of State Dr Kissinger has made clear repeatedly over the past year that we have in fact, been giving close and increasing attention to the complaints of the developing world about existing economic relationships. We are committed to approach the General Assembly in a positive and constructive spirit. We will not only have an open mind about the view points of others, but also a commitment to advance specific proposals which we think will improve the existing order.

solving specific problems

What we would rather not do, however, is to get involved in a long, philosophical debate about whether or not we are creating a "new international economic order," or whether we are improving the existing economic order. We think this would be a rather abstract debate. What we prefer to do is to concentrate on solving specific problems. We are quite aware of the fact that, in the world of today, nations are completely interdependent, and that what happens in any part of the world—for example, in terms of a drought, a major depression, a shortage of critical raw materials—can radically affect what happens to us in the United States.

We acknowledge the interdependence and we want to improve the relationships. But we think it would not be useful to argue over whether the improvements should be considered a "new international economic order."

Q: Do you believe there is a chance for a really significant, fundamental change in the economic relations between developing countries and developed nations in the years ahead?

A: Yes I think there is a chance for fundamentally changed relationships. But I believe very strongly this can only be accomplished if all concerned approach the effort to build these new relationships in a spirit of cooperation. The General Assembly is not an institution through which countries can legislate decisions to be executed by national governments. It is not an international parliament. At best, resolutions passed by the General Assembly are recommendations, and, therefore, while the assembly may ask nations to do certain things. it cannot require nations, for example, to allocate a given percentage of their resources to other nations.

If the confrontational spirit which prevailed last year at the 6th special session were to persist, then I would be very sceptical about the possibility for achieving new and improved relationships, at least through the General Assembly mechanism. If, however all countries are willing to listen to each other, and take account of each other's concerns, then I think there is a good chance that we can develop a new web of international economic relationships that will benefit the entire international community.

Courtesy: *USIS*

TRADE WINDS

Exports by Projects & Equipment Corp.

EXPORTS BY the Projects and Equipment Corporation of India (PEC) have increased to Rs 19.61 crores during 1974-75 as against Rs 9.56 crores during the last year. The target for exports for 1975-76 is placed at Rs 32.7 crores, out of which exports worth nearly Rs 10 crores have already been made during the year. In accordance with the Prime Minister's 20-point programme, the PEC has redoubled its efforts to penetrate into new markets and to diversify and expand exports.

At present, it has export orders worth about Rs 68 crores in hand, out of which orders worth nearly Rs 25 crores have been secured since April 1975. These orders include supply of textile machinery, electrical sub-stations and distribution equipment, railway wagons, coaches etc. For the first time, the PEC will export diesel locomotives from India. A contract to this effect was signed with the Tenzanian government recently for export of 15 diesel locomotives valued at Rs 6.5 crores. An entry has also been made in Iraq for securing an order for supply of castings valued at about Rs 60 lakhs.

Added-Value Scheme for Engineering Goods

The government has decided to withdraw the 25 per cent added-values scheme for 12 engineering items, the production of which is entirely dependent on indigenous steel. This is intended to help the industry in improving the contracting position of these engineering products and boosting exports. Communicating the decision of the government in this respect to the Engineering Export Promotiion Council recently, the ministry of Commerce has pointed out that the engineering products for which the prime steel category required by the export manufacturer is wholly met from indigenous production and import of which is not allowed at present, there will be no value-added requierment.

Floor Prices

However, the EEPC will be required to fix the floor prices for these items so that the f.o.b. realisation is appropriate. For this purpose, the Council will take into account the prevailing JPC price (minus excise duty) and the f.o.b. price of primary steel exported. These instructions will have immediate effect. Earlier, under the 1975-76 Import Trade Control Policy, the steel categories to be imported for export production were restricted following the improved availability.

The engineering products which are entirely dependent on indigenous steel for export production and have been included in this scheme are : Barbed wire; mild steel bolts, nuts, rivets, woodscrew, machine screw, wire nail and panel pins; iron castings; mild steel tension bars and fencing components; railway track fasteners, fittings and accessories (other than bolts and nuts); mild steel pipes and tubes (other than ERW precision and mechanical tubing); steel tubular poles; cast iron and malleable iron pipe fittings; steel welded mesh; mild steel arc welding electrodes; steel bright bars, and shaftings of mild steel and steel wire gauze mesh and nettings. The EEPC will now be required to make recommendations for allocation of steel for export production of these engineering items, without insisting on value addition, but subject to floor prices to be fixed. The Council has also been asked to ensure that there is no recommendation for import of steel for the export production of these items.

Compulsory Deposit Scheme

All those who made deposits under the Compulsory Deposit (Income Tax Payers) Scheme, 1974, while their current income during the financial year 1974-75 was less than Rs 15,100 will get refund of money. They will also get on interest of five per cent on the amount. Decision to this effect has been taken by the government. According to an official announcement, the deposit offices have been authorised to refund such deposits immediately in full together with interest at five per cent per annum up to the month preceding the month of refund. The claimants have been asked to submit applications for refund in duplicate to the deposit offices where the account stands, indicating the amount and date of deposit, account number allotted by the deposit office and reasons for seeking the refund. They have also to furnish evidence in support of the income. Original receipts given by the deposit offices and pass books are also to be sent along with the application.

Industrial Units by Non-resident Indians

The ministry of Industry and Civil Supplies has decided to extend various facilities to non-resident Indians for establishing industrial undertakings in India. In doing so, the objective of the government has been to facilitate the return of Indian scientists, technologists and engineers working abroad in order to utilise their experience and expertise in industrial and technological development. At the same time, the government would like to facilitate investments in India by non-resident Indians who have such resources. Import of plant and machinery by non-resident Indians has been allowed since April, 1972. The only restriction has been that it should have been purchased with the applicant's foreign exchange earnings abroad and an account of the foreign exchange earnings is furnished to the Reserve Bank of India. The monetary value of the machinery to be imported was originally Rs 6 lakhs, but it was raised to Rs 25 lakhs subsequently. Raw materials and components for meeting the operational requirement upto a maximum of Rs 1 lakh were allowed to be imported with the foreign exchange earnings abroad.

Focal Points

The government has also decided to provide a focal point in the government where such persons returning from abroad could obtain various facilities of different agencies. Non-resident Indians who are facing difficulty in establishing industrial undertakings under this scheme may approach the following authorities for removal of delays and other bottlenecks : (a) Director General, Council of Scientific & Industrial Research for assisting scientists, and technologists returning from abroad for the purpose of setting up manufacturing capacities. (b) Department of Electronics for those who propose to set up industrial undertakings for the manufacture of electronic items; and (c) Dr. A. K. Ghosh, Additional Secretary, Department of Industrial Development, Udyog Bhavan, New Delhi, who would act as the focal point for removing bottlenecks in respect of applicants not covered by categories (a) and (b) above.

Engineering Exhibition

India participated in an International Engineering Exhibition, held in Melbourne recently. The Indian pavilion exhibited a wide range of engineering products including light machinery, door closer, carbide tools, bandsaw blades, hand and cutting tools, steal files, industrial fasteners, electric fans and motors, diesel engines and pumps, automotive parts, bicycles and scientific instruments and various machine tools. The Indian pavilion also displayed a 100-ton press. This was for the first time that a press of this calibre from India was being displayed in Australia. It proved to be the star attraction at the pavilion. The Australian minister for Manufacturing Industry, Mr. Lionel Bowen, who visited the Indian pavilion, expressed his admiration on the progress made by India in the field of industry and technology as demonstrated by the heavy and sophisticated machinery displayed in the pavilion.

Exports to Australia

Exports of Indian engineering products to Australia showed a significant increase during the year 1973-74 (July-June) and the half-year ended December 31, 1974, when these totalled Rs 4 crores and Rs 2.65 crores as against Rs 2.6 crores and Rs 1 crore during the corresponding period of the previous year and the previous half-year respectively. India's total exports to Australia have also registered a marked increase in recent years. These were valued at over Rs 53 crores and Rs 37 crores during 1973-74 (July-June) and the second half of 1974 respectively as against Rs 32 crores and Rs 25.6 crores during the previous year and half-year respectively.

Mineral Production

The value of mineral production in India excluding the value of atomic minerals and minor minerals stood at Rs 7.35 crores in April as well as in May 1975. The value of fuels accounted for Rs 5.83 crores or about 79 per cent of the total value of mineral production followed by metallic minerals with Rs 10.0 crores or 14 per cent and non-metallic minerals Rs 5.2 crores or seven per cent during the month of May 1975. Iron ore and manganese ore are the most important minerals of the metallic group, accounting for Rs 61.3 crores and Rs 76 lakhs respectively. Among the non-metallic group the value of limestone, dolomite and mica (crude) accounted for Rs 2.69 crores, Rs 31 lakhs and Rs 18 lakhs respectively in May 1975. The index of mineral production (quantum index) with base 1970=100 increased by one point to 126 during the month of May 1975. The output of coal decreased to 7,670,000 tonnes during the month from 7,793,00 tonnes in April 1975. The production of lignite, however, increased to 263,000 tonnes during May 1975 compared to 203,000 tonnes in the previous month.

Among the principal metallic minerals, the production of iron ore increased to 3,737,000 tonnes in May 1975 from 3,730,000 tonnes in April. The production of chromite and copper ore increased to 54,000 tonnes and 164,000 tonnes during the month compared to 49,000 tonnes and 157,000 tonnes respectively in April 1975. However, the production of bauxite declined from 128,000 tonnes in April 1975 to 111,000 tonnes in May 1975. Amongst the principal non-metallic minerals, the production of limestone increased to 1,986,000 tonnes in May 1975 from 1,941,000 tonnes in the preceding month. The output of dolomite during April and May 1975 remained at 123,000 tonnes. The production of mica (crude), however, declined to 877 tonnes in the month from 929 tonnes in April 1975.

Export of Auto Parts

Two of the leading automotive clients of the Trade Development Authority have secured orders for Automotive Fasteners from Daimler-Benz, the well-known automobile manufacturer in West Germany. These orders, which have been obtained in competition with the German producers represent a real breakthrough into the West German market. It is for the first time that this product will go as an original equipment in a German vehicle. Fitness of Indian products as original equipment on the prestigious Daimler-Benz vehicles would not only create an automatic replacement demand but would also open new vistas of exports to meet the requirements of other automobile manufacturers in West Germany and the neighbouring countries in west Europe.

Detailed Survey

The Trade Development Authority, after a detailed study of supply sources in India and the requirements of West German market, identified a set of items and offered them to Daimler-Benz. These items, other than the specialised automotive fasteners, are automotive components based on forgings and malleable castings, press parts and aluminium trimmings. While orders for the specialised Automotive Fasteners have already materialised, qutotations submitted by a number of TDA clients in respect of others are under consideration of the German firm. Another TDA client has recently obtained orders for supply of Brake Drums and these shall go in the replacement market for Daimler-Benz and MANN vehicles in West Germany.

Automotive Trade Fair

Encouraged by the success achieved so far, the Trade Development Authority has launched an effective export drive to develop exports of automotive ancillaries to other west European countries and the USA. With the assistance received from the government of Federal Republic of Germany under the bilateral Commercial Development Programme, TDA will participate for the first time in the International Automotive Trade Fair to be held at Frankfurt from September 11 to 21, 1975. This trade fair is among the most important to be held in automobile industry in western Europe.

Eleven automobile ancillary manufacturers and exporters of the country will participate in this fair and display a wide range of automotive products in the TDA-pavilion. The exhibits will include automotive electricals of various types, rubber-based items, automotive fasteners, forgings, castings, dashboard instruments, engine parts, suspensions etc.

The Trade Development Authority has also taken effective steps for entry of their clients in the US market. An extensive Market Information Survey in Automotive Ancillaries, has been carried out in the USA. Besides generating substantial enquiries in the course of survey, a wealth of information about the size of replacement and the original equipment market, and related data have been collected.

Casting Mill at Bhilai

An eight-member Indian steel delegation is now in the Soviet Union to finalise discussions for the setting up of a continuous casting mill at the Bhilai Steel Plant (BSP). The casting mill, largest in India, wil be part of the four-million-tonne expansion programme of BSP. Four representatives of MECON and two representatives each from BSP and HEC have been included in the team headed Mr S.R. Jain General Manager of BSP. The delegation will visit the Soviet steel plants where continuous casting technique is used. The contract for Bhilai's expansion is likely to to be signed between India and the Soviet Union in October this year.

Demand for Pesticides

Total requirements of pesticides by the end of the fifth Plan have now been estimated at 99,679 tonnes, intended to cover an area of 115 million hectares of cropped land. The estimates have been worked out by the Pesticides Association of India (PAI), an organisation of the manufacturers at the instance of the ministry of Petroleum and Chemicals. By the end of the sixth Plan, the pesticides demand would reach the level of 140,000 tonnes, Dr S.R. Barooah, executive-director of the PAI, stated recently. The demand

projections for 1975-76, 1976-77 and 1977-78 had been worked out respectively as 58,814 tonnes, 72,236 tonnes and 84,303 tonnes. He stated that the government had recently constituted a high-level coordination committee to deal with the various problems related to pesticides' production and use in the country.

Shipping Consultancy for Libya

India will provide management and consultancy services to Libya for the operation of a group of its ships run under the Libyan flag. A memorandum of understanding in this regard has been signed between India and Libya recently according to minister of state for Shipping and Transport Mr. H.M. Trivedi.

Diesel Locomotives for Tanzania

For the first time India will be exporting diesel locomotives manufactured at Varanasi. The Projects and Equipment Corporation of India Limited (PEC), a Government of India Undertaking, has entered into a contract with the Tanzanian government last month for supply of 15 diesel locomotives valued at about Rs 6.5 crores. Giving this information, the Chief Controller of Imports and Exports, Mr. B.D. Kumar, said that the Tanzanian government would also buy steam locomotives and wagons for their railways. He said, the PEC was an export-oriented unit and the bulk of its turnover was on account of export.

Both exports and trading profit of the corporation registered more than 100 per cent increase in 1974-75 over that of the previous year. The corporation exported goods worth Rs 19.60 crores in 1974-75 and imported goods to the tune of Rs 7.80 crores. Mr Kumar stated that the export target for 1975-76 was worth Rs 35 crores and exports of nearly Rs 10 crores had already been made during the year. During 1974-75 textile machinery worth about four crores of rupees was exported to South Korea. This was against an order for supply and erection of spinning and weaving mill equipment valued at about Rs 7.5 crores. He said that the PEC was going to negotiate another deal for exporting spinning and weaving mills.

ONGC in Iraq

The Oil and Natural Gas Commission (ONGC) is stated to have spud the first exploratory well in its contracted areas in Iraq. The well located about 265 km. southwest of Basra in the desert bordering Saudi Arabia, is expected to be completed in about eight months. The estimated depth of the well is between 4,000 to 4,500 metres. About 80 Indian scientists, engineers, technologists are working in Iraq along with a large number of Iraqi personnel. An area of about 4,200 sq. km. was allocated to the ONGC for exploration and production of oil following a contract between the Iraq National Oil Company (INOC) and ONGC in August, 1973.

The ONGC started exploration in March, 1974, and deployed two geophysical groups, who used altogether new techniques Based on seismic studies, a location was released for drilling in March, 1975. A heavy rig capable of drilling up to a depth of 4,500 metres has been supplied by the Soviet Union. The erection of the rig was completed in June this year. Over 5,000 tonnes of heavy equipment was moved from two separate parts of Basra, 255 km. away and from Kuwait, 425 km. away to the drilling site.

Equal Pay for Men and Women

The union cabinet recently adopted the International Labour Organisation's convention granting equal pay for equal work for both men and women. Labour minister, Mr. K.V. Raghunatha Reddy, was present at the meeting which accepted the ILO convention which expressly calls for the "declaration of the national policy of non-discrimination." The discrimination (employment and occupation) convention (No. 111) was adopted by the ILO conference in 1958 and it lays down the principle of non-discrimination in employment and occupation on the ground, among other things, of sex.

Names in the News

At its annual general meeting held here recently, the Indian Dairy Science Association elected **Mr Arun Kumar Vohra** as its Hon. Joint Secretary. Mr Vohra spoke of the exciting challenge ahead of the dairy industry and the added responsibility of an advisory body like IDSA in the era of the 'White Revolution, or 'Operation Flood' as the anticipated abundance of milk is popularly called.

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—Vinoba Bhave

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COMPANY AFFAIRS

JK Synthetics

JK SYNTHETICS Ltd has reported encouraging working results during the year ended December 31, 1974, registering further impressive improvements over the previous year's good performance. The directors have recommended an equity dividend of 10 per cent but it is payable on an enlarged capital resulting from the two-for-one bonus issue. In 1973, the company paid a dividend of 24 per cent.

The turnover recorded a further steep rise from Rs 40.30 crores to Rs 49.56 crores but gross profit went up only Rs 0.75 crore to Rs 11.05 crores from Rs 10.30 crores in 1973. Out of the gross profit, the directors have appropriated a sum of Rs 3.42 crores to depreciation reserve as against Rs 3.08 crores in 1973, while the allocation to development rebate reserve was enhanced to Rs 1.76 crores from Rs 0.95 crore in the preceding year. Taxation absorbed Rs 2.60 crores as against Rs 2.55 crores in the earlier year. The allocation to capital redemption reserve was maintained at Rs 0.10 crore while an amount of Rs 3.19 crores was transferred to general reserve as against Rs 3.07 crores previously. The proposed dividend will absorb Rs 90 lakhs—Rs 18 lakhs more than in 1973.

Alkali and Chemical Corporation

The Alkali and Chemical Corporation of India has secured licences for substantial expansion of its rubber chemicals plant and the pharmaceutical project. The industrial licence for the gramoxone project is expected shortly. The total estimated fixed capital cost of the three projects is Rs 14.41 crores which will be met by issue of further equity shares and internal funds totalling Rs 3.81 crores and loans of Rs 7.60 crores (including a foreign currency loan of Rs 1.60 crores) from financial institutions and Rs 3 crores from commercial banks.

Approving the three projects, under the MRTP Act, the central government had stipulated that the company shall bring down the foreign equity participation by making a fresh issue of shares so that the direct holding of Imperial Chemical Industries Ltd, UK, does not exceed 51 per cent, and further that the overall foreign holding including equity shares held by ICI (India) Private Ltd—a wholly-owned subsidiary of ICI (UK), shall not exceed 60 per cent. The government has, however, allowed the company to telescope the reduction in the foreign shareholding with the obligation to allot shares to term lending financial institutions against the latter's option to convert a part of their term loans/debentures into equity shares. Accordingly, the company proposes to make a fresh issue of 472,353 equity shares of Rs 10 each at a premium to be fixed by the Controller of Capital Issues.

Modella Woollens

Modella Woollens which is engaged in the diversification programme for setting up a mini-steel plant and a ready-made garment unit, is also planning to establish a textile machinery project in some backward region of Maharashtra involving an estimated capital outlay of Rs 5 crores. The company has already obtained a letter of intent to manufacture woollen cards, worsted cards, cotton waste cards, synthetic cards, and ring spinning frames etc. An application has already been made for grant of capital goods licence and for approval of foreign collaboration which has been accepted in principle with the well-known Belgium firm of Houget Duesberg Bosson. It proposes to float a new concern to implement the project. This will be financed by term loans and share capital to be raised next year. The management is well prepared to go ahead with the implementation of the project as soon as the licence is obtained. The company hopes to commence production by the end of next year provided the licence is granted immediately.

Star Textile Engineering Works

Star Textile Engineering Works is seeking to extend the date of redemption of the 10,000 preference shares by further 5 years from October 27, 1975. A proposal to this effect will be considered at the extraordinary general meeting to be held some time in October. It has already approached the Life Insurance Corporation of India, Oriental Fire and General Insurance Company, and Unit Trust of India which are the major preference shareholders of the company. What has apparently prompted the company to do so is its expansion and diversification programme. During the first phase, it has spent over one crore of rupees, a major part of it having been met out of term loans from IDBI and ICICI and also by increasing the share capital amounting to Rs 40 lakhs as well as from internal resources. The second phase of expansion and diversification together with overrun of the cost of the first phase may involve a total cost of over two crores of rupees.

Tamil Nadu Paper

Tamil Nadu Paper and Pulp Products is setting up a rupees one crore project at Manalur in Ramanathapuram district of Tamil Nadu, a notified backward area for manufacturing packaging materials such as kraft paper and blue match with an installed capacity of 10 tonnes per day. The main materials are waste paper and jute rags for which arrangements have already been made for regular supplies.

The capital outlay on the project of rupees one crore will be financed by the equity capital of Rs 27 lakhs, preference share capital of Rs 9 lakhs, cash subsidy from the central government of Rs 13 lakhs, term loans of Rs 42 lakhs and deferred payment terms on machinery of Rs 9 lakhs. Orders for machinery to the tune of Rs 61.25 lakhs have already been placed with Eastern Paper Mills Ltd, Calcutta. To raise a part of the resources required for the implementation of this project, the company is expected to be in the capital market some time in September or October with a public issue of 16,200 equity shares of Rs. 10 each and 5,400 (11 per cent) cumulative redeemable preference shares of Rs 100 each at par.

News and Notes

The Grindlays Bank has opened a consultancy services division in the capital. This was originally established in Calcutta over two years ago and subsequently extended to Bombay. The Delhi office will serve the northern region. It aims to provide consultancy services not only to small-scale industrial units but is also fully equipped to prepare feasibility reports and other services for medium and large-scale industries.

For the third year in succession, the Firestone tyre factory in Bombay has been chosen for the Award of Honour for its outstanding safety performance in 1974 by the National Safety Council of USA. **Firestone-India** won this Award in 1972 and 1973 also. The Award of Honour was the Council's highest order of recognition for occupational safety and added that any company that achieves this distinction, has reached a level of success in safety that is exemplary. Fewer than 5 out of 100 award applications qualify for the Award of Honour and it is estimated that less than 5 out of 1000 industrial units even in the United States would meet the Award of Honour requirements.

Lufthansa German Airlines has announced that it will utilize the capital stock increase of DM 200 million, authorised by its stock-holders at its annual assembly on August, 6 1973. This will increase the Airline's total capital stock to DM 600 million. The new shares are entitled to dividends for the financial year beginning January 1, 1975. The capital stock increase, the first since 1965, is designed to adjust the relationship between the size of the company's capital stock, the value of its fixed assets and the volume of its trade.

New Issues

Tinplate Company of India Ltd is offering 37,50,000 equity shares of Rs 10 each for cash at par. Out of this equity capital worth Rs 30 lakhs is reserved for allotment to the Tata Iron and Steel Company Limited, Rs 10 lakhs to the Life Insurance Corporation of India and Rs 5 lakhs to the employees of the company. The balance of 33,00,000 equity shares of Rs 10 each are now been offered to the public for subscription for cash at par. The subscription list opened on August 18 and will close on August 28 or earlier but not before August 20. A sum of Rs 2.50 per share is payable on application and an equal amount on allotment. The balance of Rs 5 will be payable in one or more calls as may be decided by the board of directors provided that there will be an interval of at least two months between any two calls. The first call will not be made before two months after allotment of shares. The public issue is fully underwritten.

The company has embarked on an ambitious expansion programme. The company's existing plant situated at Golmuri, near Jamshedpur, in the state of Bihar has a capacity to produce about 70,000 tonnes of tinplate per annum. The company has obtained an industrial licence for effecting a substantial expansion of the company's existing undertaking at Golmuri, having an installed capacity for the manufacture of 90,000 tonnes of tinplate and tin-free steel per annum. After the expansion, the company will have an overall capacity of 160,000 tonnes per annum. By locating the new plant adjacent to the existing works, the company will be in an advantageous position to utilise some of the facilities available at Golmuri.

The company's new plant will incorporate several features of modern sophisticated technology. It has entered into a technical collaboration agreement with Wean United Canada Ltd for the project, if all goes well the new plant is expected to commence commercial production by August, 1976.

The company will have the rare privilege and unique distinction of being the first manufacturing unit in the country to produce tin-free steel which is cheaper than tinplate. The central government is likely to encourage the use of tin-free steel with a view to save foreign exchange on costly imports of tin. The company's new plant will also be the first combination tinplate-cum-tin-free steel line in the country which is expected to cater to the growing requirements of tinplate and tinfree-steel in the domestic market.

The company expects to continue earning reasonable profits from the operation of its existing plant at Golmuri. It paid a dividend of 10 per cent for 1969 which was stepped up to 17.5 per cent for 1970 and it was maintained at that level for 1971 and 1972. The company allotted 10 lakh bonus shares to the existing shareholders by capitalising a sum of Rs 1 crore out of the general reserve. With a view to conserving resources for expansion, the company did not pay any dividend for the years 1973 and 1974. Based on current estimates and in the absence of unforeseen circumstances, the directors expects that the net profit to be earned by the company from the operations of its existing and new plants would be sufficient to earn adequate profits for declaring a fair dividend on the enlarged capital.

There is at present acute shortage of tinplate in the country and substantial quantities are imported to meet the country's requirements. The demand for tinplate is increasing and is likely to be around three lakhs tonnes by thet ime the company's new plant is in commercial production. Against this likely demand, indigenous availability by the year 1976 is estimated to be around 2,50,000 tonnes. Hence the company does not anticipate

Department of Atomic Energy, Bombay

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay invites tenders as detailed below :—

1. DPS/NFC/MTL/280 due on 10-9-75. Case Hardening Steel, EN 33, 34, 35, 36, 37 or equivalent billets 70 mm x 120 mm and 60 mm x 120 mm. OHNS Steel Plate 30 mm thick x 450 mm x 600 mm.
2. DPS/RRC/MTL/181 due on 15-9-75. Alloy steel Sheets (2% Chromium and about 0.35% Molybdenum) as per purchaser's specification in 2 mm and 3mm thick—5100 kgs.
3. DPS/BARC/PPF/1683 due on 16-9-75. Supply of Stainless Steel Seamless pipe.
4. DPS/RRC/MIA/293 due on 16-9-75. Electrical Pressure Transmitter and flow elements—21 Nos.
5. DPS/NFC/MIA/352 due on 17-9-75. Curve Tracer with peak open circuit voltage 0 to 1500 volts in 4 steps complete with accessories—1 No.
6. DPS/BARC/CAP/1721 due on 19-9-75. Design, manufacture, supply, erection and commissioning of semi-automatic, preferably wet back oil fired packaged boilers with mountings and accessories conforming to the Indian boilers regulations, capacity 2000 kg. of steam/hr.—3 Nos.
7. DPS/PPED/FAB/248 due on 19-9-75. Design, preparation of shop drawings, manufacture, inspection, testing, guarantee, packaging, supply and delivery of Bleed Cooler for Madras Atomic Power Project—1 No.
8. DPS/RRC/PPF/91 due on 22-9-75. Supply of Sodium Isolation valves.
9. DPS/NFC/CHEM/184 due on 24-9-75. For Caustic Soda Lye with 40-50% Caustic Soda content—to be supplied in Party's tanker to our Nuclear Fuel Complex, Hyderabad 100 tonnes.
10. DPS/BARC/CAP/1747 due on 30-9-75 Automatic double end campacting hydraulic press, capacity 10 ton—1 No.
11. DPS/BARC/R-5/MTL/43 due on 30-9-75. Cupro-Nickel conforming to ASME SB 171 Alloy No. 715-71 or Aluminium-Bronze E.ASME SB-171 Alloy No. 628-71 Tube Plates—12 Nos.
12. DPS/RRC/EEQ/69 due on 3-10-75. Cubicle type, Medium Voltage Indoor Motor Control Centre Panels Non withdrawable type 3 Nos.
13. DPS/PPED/ENG/942 due on 3-10-75. Monel and nickel filler wire and electrodes for Madras Atomic Power Project, Tamil Nadu Qty 400 Kgs. Import Licence will be provided, if necessary, by us.
14. DPS/BARC-R-5/CAP/32 due on 8-10-75. Pump suitable for sucking air from a large chamber, flow rate adjustable 30 to 40 litres/min.—5 Nos.
15. DPS/RRC/MTL/184 due on 8-10-75. Low alloy Ferritic Steel designated as 10CD 9-10 plate, bars and pipes 12 M.T.
16. DPS/RRC/MTL/183 due on 8-10-75. Cast hollow rounds of copper-Nickel-aluminium-bronze to purchaser's specification No. FBTR-01712-52 size 170 mm O.D. x 40 mm I.D. or Solid Cast rounds of 170 mm dia. in length of 10 metres 1 to 5 metres.
17. DPS/BARC/LAB/4423 due on 10-10-75. Standardisation of Neoprene Gauntlets for use in glove boxes 10,000 pairs approx.

Tender documents priced Rs. 5/- each for items 1, 3, 5, 13 & 14; Rs. 10/- each for items 2, 4, 9 and 10; Rs. 20/- each for items 15 to 17; Rs. 50/- each for items 7, 8 and 12; Rs. 100 each for items 6 and 11 and General conditions of contracts priced 50 p. each for items 1 to 6 & 8 to 17 can be had from the Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd Floor, Mohatta Building, Palton Road, Bombay-400 001, between 10 a.m. and 1 p.m. on working days except on Saturdays. Import Licence will be provided only if items at S. Nos. 1 to 6, 8 to 11, 14 to 17 are not available indigenously. Tenders will be received upto 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day.

davp 645 (160)/75

any difficulty in marketing its products.

Covelong Beach Hotel (India) proposes to enter the capital market next month with a public issue of 1.50 lakh equity shares of Rs 10 each and 3,000 — 11 per cent, cumulative redeemable preference shares of Rs 100 each. The company is setting up a beach resort complex. It has entered in to technical consultancy agreement and operating agreement with Indian Hotels Co. owners and operators of Taj group of hotels. The hotel is fully ready for occupation with 42 double rooms and 18 cottages and will receive guests from October 1975. The project cost is estimated at Rs 90 lakhs, which will be met by share capital (Rs 50 lakhs), and long-term loans (Rs 60 lakhs).

Dividends

(per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Mettur Beardsell	March 31, 1975	25.0	12.0
Mysore Electrical Industries	March 31, 1975	4.5	4.0
Food Specialities	Decem. 31,1974	17.0	10.0
Ratnakar Shipping	March 31, 1975	12.0	10.0
Western India Plywoods	March 31, 1975	8.0	7.0
Elgi Rubber Products	March 31, 1975	9.0*	Nil
Cominco Binani Zinc	March 31, 1975	8.0†	Nil
Same Dividend			
Ramakrishna Steel Industries	March 31, 1975	12.0	12.0
Gokak Patel Volkart	Decem. 31, 1974	22.0	22.0
Seshasayee Paper and Boards	March 31, 1975	12.0	12.0
Chemicoat	March 31, 1975	Nil	Nil
Reduced Dividend			
Deepak Insulated Cables	March 31, 1975	5.0	7.0
Alembic Chemical Works	Decem. 31, 1974	2.0	9.0

*Maiden dividend †For 15 months ended March 31, 1975.

Licences and Letters of Intent

The following licences and letter of intent were issued under the Industrial (Development and Regulation) Act 1951 during the month of June 1975. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertakings (NU), New Articles (NA), Substantial Expansion (SE), Carry on Business (COB), Shifting —and annual installed capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s W.G. Forge & Allied Industries Ltd; P B No. 41, Majiwade, Thana.—(Thana-Maharashtra)—Steel Forgings—4,000 tonnes by the 'Pour Forge' process—(SE)

M/s Zenith Tin Works Pvt Ltd; Clerk Road, Mahalaxmi, Bombay.—(Koyali-Gujarat)—O. T. S. Cans—1000 tonnes; Printed/Decorated General Line Tin Containers—3,500 tonnes; P.P. Caps/Closures—30 mill nos; Aluminium Collapsible Tubes—12 mill nos—(NU)

M/s Super Tubes Pvt Ltd: 3272, Hauz Qazi, Delhi.—(Ghaziabad-UP)—ERW Steel Pipes & Tubes—10,000 tonnes —(COB)

Ms H.R. Gupta Industries: 10257, Loha Mandi, Motia Khan, New Delhi—(Bahadurgarh-Haryana)—Bright Bars—10,300 tonnes—(COB)

M/s S.P.G.C. Metal Industries Pvt Ltd; 44 I, Keelkadai Street. Virudhunagar.—(Virudhunagar-Tamil Nadu)—Open Top Sanitary Cans & General Line Printed Tin Containers—2,400 MT—(COB)

M/s Trinity Engineers Pvt Ltd: 14-D-I, Akurdi, Poona.—(Poona-Maharashtra)—Steel Forgings—3,000 tonnes—(COB)

M/s T.C. Industries, A-16, Industrial Estate, Ludhiana.—(Punjab)—M.S. Bars, Rods & Flats—4,000 tonnes—(COB)

M/s G.D, Steel & Gases (P) Ltd; 7226/XV, Qutab Road, New Delhi.—(Ghaziabad-UP)—Mild Steel Bars & Flats—5,000 tonnes—(COB)

Metallurgical Industries (Non-Ferrous)

M/s Monoplast & Copper Laminates Co 'NK' House, Ashram Road, Navrangpura, Ahmedabad.—(Kalol-Gujarat) —Copper Foils—160 tonnes—(NU)

Fuels

M/s Sanghi Motors (Bombay) Pvt Ltd; 29-A, Hughes Road, (N.S. Patkar Marg), Bombay.—(Andheri-Maharashtra)—Nitrogen Gas (Bye-product)—20,00,000 cubic Metres—(SE)

M/s Nav Bharat Oxygen & Acetylene Ltd; Sector—15/A, Plot-3. Faridabad.—(Ballabhgarh-Haryana)—Oxygen Gas—0.90 MCM; D/Acetylene Gas—020 MCM—(NU)

M/s Bhakra Oxygen Co Pvt Ltd; 29-Industrial Area, Chandigarh.—(Naya Nangal-Punjab)—Oxygen Gas—0.432 MCM—(NU)

M/s Kakar Fuels Pvt Ltd: c/o Shri Ram Saran Das & Bros., 18, Netaji Subhas Road, Calcutta.—(Uttar Pradesh)—Clean Glow Smokeless Fuel Briquettes—36,000 tonnes—(NU)

Prime Movers

M/s Belliss & Morocom (India) Ltd: 4, Little Russell Street, Calcutta-16.—(Faridabad-Haryana)—Steam Turbines for High Inlet Pressure and Temperature & High Exhaust Pressures—36 nos ;Condensing and back pressure type Turbo Generating Sets upto 3000 KW—3 nos; Engineering Instructional Equipment—60 nos; Comprising:—(a) 30"X3" Edward Air Pump; (b) Condensate Measuring Tank: (c) Pressure Temperature Apparatus; (d) 2½ B.H.P. Steam Engine: (e) Converging Nozzle Apparatus; (f) Steam Injection Treating Apparatus; (g) Exhaust Gas Calorimeter; (h) Surface Condenser; (i) Convergant Divergent Nozzle; Automatic Pressure Reducing & Desuperheating Plants—36 nos; Steam Turbine Spares—Rs 13,00,00,000—(SE)

Electrical Equipment

Dolan Jenner Chaudhary Electro-Optics Pvt Ltd; Opp Hotel Oscar, Danda Bhandra, Bombay,—(Bombay-Maharashtra)—Fibre Optics—50 tonnes—(NU)

M/s Expo Electronics (P) Ltd; Sheel Chambers, 10-Cawasjee Patel Street, Fort, Bombay.—(Santa Cruz, Maharashtra) —Aluminium Electrolytic Capacitors—12 Mill pcs.—(NU)

M/s East India Commercial Co Pvt Ltd: 38-Netaji Subhas Road, Calcutta—(Ballabgarh—Haryana)—Electronic Desk Calculators—2,000 nos—(NU)

M/s Central Electronics Ltd; N.P.L. Campus, Hill Side Road, New Delhi—(Ghaziabad-UP)—Professional Ferrites—3 tonnes p.a; (such as Pot Cores, R.M. Cores, Toroids, Memory Cores, Micro Wave Toroids, UE & I and C. Shapes for Professional TV Applications)—(NU)

M/s British Physical Laboratories India (P) Ltd; Mahatma Gandhi Road, Bangalore.—(Palghat-Kerala)—Supervisory Power Control Equipment (Telemetry Equipment)—100 nos. —(NA)

M/s Atlas Wires Pvt Ltd; M-132, Connaught Circus, New Delhi—(Bulandshahar-UP)—Winding Wires upto 41 SWG (Thicker Gauges)—300 tonnes; Winding Wires 42 SWG & thinner—50 tonnes—(NU)

M/s Rajdhani Electrics (P) Ltd; C-492, Defence Colony, New Delhi.—(Faridabad-Haryana)—Winding Wires (42 SWG and Thinner; Enamelled Aluminium Wires 12 SWG to 35 SWG. (Total 50 tonnes—(NA)

M/s Hind Rectifiers Ltd; Lake Road, Bhandup, Bombay.—(Bombay-Maharashtra)—Silicon Rectifier Apparatus 50 KW —1000 nos; 8 MW; above 50 KW to 200 KW—50 nos 5 MW, above 200 KW to 500 KW—15 nos 5 MW; above 500 KW to 1 MW—10 nos 7 MW—Total 1075 nos 25 MW

M/s Shriram C. Chokhani, 34, Napean Sea Road Bombay. —(Maharashtra)—Tape Recorders—30.000 nos—(NU)

M/s Devidayal Electronics &: Wires Ltd; Gupta Mill Estate, Reay Road, Bombay—(Bangalore-Karnataka)—Electronic Desk Calculators—3,000 nos—(NU)

Transportation

M/s Micro Pistons & Rings Ltd: 1205/1-11, Deccan Gymkhana, Off;Shirole Road, Poona.—(Haveli-Maharashtra) Piston Rings—40,00,000 nos p.a—(NU)

M/s Perfect Circle Victor Ltd; 20-M.I.D.C. Estate, Satpur, Nasik.—(Bombay-Maharashtra)—Piston Rings—300 lakh nos —(NA)

Industrial Machinery

M/s Calico Industrial Engineers: 20-A, Chakala, Andheri, Bombay.—(Andheri-Maharashtra)—Fabric Automatic Shearing & Cropping Machines—9 Units—(NA)

M/s Giovanola Binny Ltd; Penstock Factory Road, Pallurathy, (Cochin.—Kerala)—Cochin Pulp & Paper making Machinery—6000 tonnes (comprising of two plants of 100/150 tonnes per day or One plant of 200/250 tonnes per day or higher depending on orders)—(NA)

M/s Gupta Engineering Works: 4-Sidhpura Industrial Estate Bombay.—(Bombay-Maharashtra)—Single Bed Cardmatic Hand Knitting Machine—30,000 sets; Double Bed Hand Knitting Machine—15,000 sets; Rib Knitting attachment—15,000 sets each—(NU)

M/s Simac Group (India) Pvt Ltd: 5/7, Sidhpura Industrial Estate, Goregaon (West), Bombay.—(Bombay-Maharashtra) —Double Bed Knitting Machines & Rib Knitting Attachment —15,000 sets each—(NU)

M/s Elecon Engg Co Ltd; Vallabh Vidya Nagar, Distt. Gujarat—(Vallabh Vidya Nagar, Gujarat)—Specialised Conveying Equipment—500 tonnes—(SE)

Mr Wazir Chand Kwatra, C-14, Cinema Road, Batala.—(Batala-Punjab)—Centrifugal Pumps (upto 4"X4" size)—721 nos—(COB)

The Indian Tool Manufacturers Ltd; Tools Division, 101, Sion Road, Sion, Bombay.—(Aurangabad-Maharashtra)—Forged Hand Tools—3,000 tonnes—(NA)

M/s Plastic Moulders Ltd: GPO Box No. 2213, 38-Strand Road, Calcutta.—(Howrah-West Bengal)—Plastic Moulded Electrical Goods—120 tonnes.; Plastic Pipes & Fittings—150 tonnes—(COB)

Commercial, Office & Household Equipment

Mr L. N. Jhunjhunwala, 14/IB, Ezra Street, World Trade Centre Bldg: Calcutta-1.—(Jaipur-Rajasthan)—Knitting Needles (Wire & Plate)—10 mill nos—(NU)

Medical and Surgical Appliances

M/s Iscomed Industries Pvt Ltd; Bombay-Agra Road, Bombay-80—(Bombay-Maharashtra)—Electro Surgical Unit—100 nos; Single & Dual Speed ECG Apparatus (Electro Cardiogram)—100 nos; Heart Pacer—50 nos: Heart Defibrillator—50 nos: Vacuum Aspirator—200 nos; Hydraulic Operation Table—100 nos: Respirator—50 nos; Shadowless Lamps large—100 nos; Suture Needless—2 lakh pkts of 6; Disposable Syringes — Needles—30 lakh nos: Disposable Transfusion Sets—5 lakh nos—(NA)

Industrial Instruments

M/s International Instruments Pvt Ltd; 140-Hosur Road, Bangalore.—(Bangalore-Karnataka)—Dash Board Instruments —10,00,000 nos; Flexible Drive Shaft Cables—18,75,000 meters; Bowden Control Cables—16,50,000 meters; Tachographs—10,000 nos—(SE)

Fertilizers

M/s The Madhya Pradesh State Agro Industries Development Corporation Limited: New Market, Tatiya Tope Nagar, Bhopal.—(Hoshangabad-MP)—Granulated NPK Fertilizers —60,000 tonnes—(NU)

Chemicals (Other than Fertilizers)

M/s Tolue-Chem Industries Pvt Ltd; Dayanand Building, Gayaji Ganj, Baroda.—(Nandesa—Gujarat)—Resorcinol—240 tonnes—(SE)

M/s Hico Products Pvt Ltd; 771, Mogal Lane, Mahim, Bombay.—(Thana—Maharashtra)—Alkyl Phenols—600 tonnes; Anti Oxidants—600 tonnes—(NA)

M/s Tata Chemicals Ltd; 'Jeevan Tara', Parliament Street, New Delhi.—(Mithapur-Gujarat)—Caustic Soda (Electrolytic) —11,400 tonnes; Chlorine—9,700 tonnes; Hydrochloric Acid—9,650—(SE)

M/s Modern Gases Pvt Ltd; Chhachhrauli Road, Jagadhri. —(Jagadhari-Haryana)—Oxygen Gas—0.45 MCM; Acetylene Gas—0.10 MCM—(NU)

M/s The Mettur Chemical & Industrial Corpn Ltd; Mettur-Dam-2, Salem.—(Vedaranyam-Tamil Nadu)—Bromine—360 tonnes—(NA)

Dye-Stuffs

M/s Indian Dye Stuffs Industries Ltd; Mafatlal Centre, Nariman Point, Bombay.—(Thana-Maharashtra)—Vat Dyes—825 tonnes pa.—(SE)

Drugs & Pharmaceuticals

M/s Themis Chemicals Ltd; Vapi Industrial Estate, Vapi, Gujarat—(Gujarat)—Prothionamide—2 tonnes: Ethionamide—8 tonnes; Practolol—5 tonnes—(NA)

M/s Themis Chemicals Ltd: Vapi Industrial Estate, Vapi—(Vapi-Gujarat)—Indomathacin Capsules, Theminerron Injection, Methyl Dopa Tablets, Oxyrin Tablets, Supercetin Dry Granules, Ethionamide Tablets, Proniacid Tablets—equal to 70 per cent of the corresponding bulk drug capacity; Aquacycline Injection Aqucycline Syrup—9.6 mill. Vials—1,50,000 tles 60 ml. each; Xauthinol Nicotinate Tablets—12 mill. Bottablets; Xanthionol Nicotinate Injection—1.2 mill Vials—(NA)

M/s Sandoz (India) Ltd; Sandoz House, Dr Annie Besant Road, Worli, Bombay—(Thana-Maharashtra)—Brinerdin Tablets—50 lakh nos, Intestopan Formulations—20,000 Kgs: Phenipan Tablets—150 lakh nos: Sandocycline Pediatric suspension—50,000 litres—(NA)

M/s Laboratories Vifor (India) Pvt. Ltd; 85-Dr Annie Besant Road, Worli, Bombay—(Bombay-Maharashtra)—Plastic Ampules for Medicinal uses—180 lakh nos—(NA)

Paper & Pulp

M/s Vardhman Spinning & General Mills Ltd; Chandigarh Road, Ludhiana—(Tehri Garhwal-UP)—Light Weight Speciality Paper—10,000 tonnes—(NU)

The Western India Match Co Ltd; Nicol Road, Ballard Estate, Bombay—(Alambazar-West Bengal)—Semi-Chemical Pulp—36,000 tonnes; Paper & Paper Board—43.000—(SE)

Fermentation Industries

M/s Jayam Breweries: Oricon House, Kaikhushru Dubash Marg, Bombay—(Nasik-Maharashtra)—Beer—50,000 H.L.—(COB)

M/s Barmalt (India) Pvt Ltd; Jharsa Road, Gurgaon—(Gurgaon-Haryana)—Beer—20,000 H.L.—(COB)

Food Processing Industries

M/s Clean Foods Corpn., Vimala Building, 5-Residency Road, Bangalore—(Bangalore-Mysore)—Canned Fruits—10,000 tonnes; Canned Vegetables—3,600 tonnes—(NU)

Vegetable Oils & Vanaspati

Mr B. V. Rayanam, c/o Sri Surya Rao, M/s Srinivasa & Company, Sindhanur, Raichur—(Raichur-Karnataka)—Cotton Seed Oil—20,000 tonnes in terms of cotton seed crushing capacity—(NU)

M/s Hanuman Vitamin Foods Pvt Ltd; Shreeniketan, 86-A, Marine Drive, Bombay—(Khamgaon-Maharashtra)—Protein Extender—2,500 tonnes—(NU)

Glass

M/s Mysore Sheet Glass Industries: 9-A, New Kushawar Building, Bhandarwada Road, Shivaji Park, Bombay—(Mysore-Karnataka)—Sheet Glass—5.5 Mill Sq. Metres -(NU)

Shree Vallabh Glass Works Ltd; Anand Sojitra Road, Vallabh Vidyanagar, Gujarat—(Boiser-Maharashtra)—Sheet Glass—5.5 Mill Sq. metres—(NU)

M/s Shri Prem Prakash Chandra, P. O. Bara Bahera, (Hooghly)—(Taloja-Maharashtra)—Glass Tubes & Rods—2,400 tonnes—(NU)

M/s Sylvania & Laxman Ltd; 68/2, Nazafgarh Road, New Delhi—(Delhi)—Lead Glass Tubings & Rods—1,200 tonnes—(NA)

Ceramics

M/s Carborundum Universal Ltd; 11/12, North Beach Road, P.B. No 1677, Madras-1—(Kerala)—Electrocast/Fused Cast Refractories—3,000 tonnes only—(NU)

Timber Products

M/s Calcutta Plywood Mfg. Co: Prop; Wood-Craft Products Ltd; 9/1, R. N. Mukherjee Road, Calcutta—(Ledo-Assam)—Commercial Plywood—1.1 Mill sq. Metres (Production of Tea-chest shall not exceed 3.19 lakh sq. metres p.a—(COB)

Miscellaneous Industries

M/s East India Tobacco Co Pvt Ltd; Grand Trunk Road, Guntur—(Madras-Tamil Nadu)—Cigarettes—4,500 mill pcs—(NU)

M/s Asia Tobacco Co Ltd; 3rd Floor, Dhun Bldg; 175/1, Mount Road, Madras—(Tamil Nadu)—Cigarettes—4,500 Mill pcs—(NU)

Letters of Intent

Metallurgical Industries (Ferrous)

Mr Ashok K. Mittal, Plot No. 63, Sector-6, Faridabad—(Alwar-Rajasthan)—Close Die Steel Forgings—3,000 tonnes—(NU)

The Project Administrator, Govt. of Kerala Secretariat, Trivandrum—(Alleppy-Kerala)—Steel Castings—3,000 tonnes—(NU)

M/s Ennore Foundries Ltd; Ennore, Madras—(Ennore, Chingleput, Tamil Nadu)—High Quality Ferrous & Non-Ferrous Castings—21,500 tonnes—(SE)

Metallurgical Industries (Non-Ferrous)

M/s Indian Lead Pvt Ltd; Majiwada, Bombay Agra Road, Thana—(24-Parganas-West Bengal)—Recovered Lead—18,000 tonnes—(NU)

M/s Indian Lead Pvt Ltd; Majiwada, Bombay Agra Road, Than—(Thana-Maharashtra)—Recovered Lead—13,500 tonnes (SE)

M/s Laxmichand Bhagaji Ltd; 'Ramon House', 169, Backbay Reclamation, Bombay—(Gujarat)—Close Die Steel Forgings—6,000 tonnes—(NU)

Fuels

M/s Hindustan Petroleum Corpn. Ltd; Post Box No 11041, Bombay—(Greater Bombay-Maharashtra)—Axle Oil—25,000 tonnes—(SE)

Boilers & Steam Generating Plants

M/s Walchandnagar Industries Ltd: P.O. Walchand Nagar, Poona—(Poona-Maharashtra)—Water Tube Boilers—40 nos—(SE)

Electrical Equipment

M/s Philips India Ltd; Shivsagar Estate, Block-A, Dr Annie Besant Road, Bombay—(Pimpri, Poona, Maharashtra)—Multimertes—11,000 nos—(SE)

The Staendard Batteries Ltd; Vakola, Santa Cruz (East) Bombay.—(Maharashtra)—Stationery Battery Cells—1,25,000 nos.—(NA)

M/s Radio & Electricals Mfg Co Ltd; P.B. No 2606, Mysore Road, Bangalore.—(Bangalore-Karnataka)—Shunt Capacitors for Power Factor Improvement (LT & HT)—50,000 KVAR—(NA)

M/s Bihar Mica Syndicate Ltd; (Govt of Bihar Undertaking), Hazari Bagh.—(Hazari Bagh-Bihar)—Mica Paper—3,000 tonnes—(NA)

M/s Tamil Nadu International Electronics Ltd; 150-A, Anna Salai, Madras.—(Dharmapuri, Tamil Nadu)—Tantalum Capacitors—5 mill nos—(NU)

M/s Central Electronics Ltd; (A Govt of India—Deptt. of Science m Technology Enterprise), NPL Campus, N. Delhi-3—(Uttar Pradesh)—Ceramic Capacitors-50; Piezoelectric Elements—5 mill nos; High Alumina Components—50 tonnes—(NU)

M/s Sahney Steel ffi Press Works Pvt Ltd; A-5, Uppal Industrial Estate, Hyderabad.—(Hyderabad-Andhra Pradesh)—*Sub*: *Expan* Electric Steel Stampinge m Laminations-7000 tonnes; *New Article* Torodial Cores—300 tonnes—(SE NA)

M/s Hindustan Conductors Pvt Ltd; Dharmsinh Park National Highway No 8, Nadiad—(Nadiad, Kaira, Gujarat)—Transistors m Diodes—52 mill nos; Processed Transistor Chips—50 mill nos in addition to existing captive capacity—(SE)

Industrial Machinery

The New India Industries Ltd; Jetalpur Road, PB No 67, Barbela.—(Baroda-Gujarat)—Flat Wire Heads—10 mill.

The Sirpur Paper Mills Ltd; Sirpur-Kaghaznagar.—(Adilabad-Andhra Pradesh)—Complete Pulp & Paper Making Plant—4 Nos (10-15 TPD) capacity—(NA)

M/s Consolidated Pneumatic Tool Co (India) Ltd; 301-302, L.B. Shastri Marg, Mulund, Bombay.—(Nasik/Bombay-Maharashtra)— Air and Gas Compressors—510 nos—(SE)

M/s Haryana State Development Corpn. : Post Box No 22, Chandigarh.—(Haryana)—Tungsten Carbide Tips—30 tonnes; Tungsten Carbide Tipped Tools—1 lakh nos—(NU)

Chemicals (Other than Fertilizers)

M/s Hira Steels & Alloys: Unit-III, Kharvel Nagar, A/53, Bhubaneshwar.—(Sambalpur-Orissa)—Oxygen Gas for Captive use —2.9 MCM—(NU)

The Meghalaya Industrial Dev Corpn Ltd; Room-413, Additional Civil Sectt Building, Shillong.—(Garo Hills-Meghalaya)—Acetylene Black—2,500 tonnes—(NU)

M/s Gujarat Industrial Corpn Ltd; 4th Floor, Natraj Chambers, Ahmedabad-9.—(Gujarat)—Phenol—10,000 tonnes; Toluene—14,000 tonnes—(NU).

Mr S.N. Dhruva, c/o M/s Dilip Kumar & Co, 25-Karimji Building, 19, Bhandari, St, Bombay.—(Surendranagar/Broach—Gujarat)—Thiocarbamates (Zanab/Maneb Group)—2,400 tonnes—(NU)

M/s Meghalaya Industrial Dev Corpn Ltd; Room No 413, Meghalaya Additional Sectt Building, Shiliong.—(Khasi & Jaintia Hills, Meghalaya)—Calcium Carbide for Merchant Purposes—15,000 tonnes.—(NU)

M/s Asiatic Soap Company: 8-Dalhousie Square, Calcutta.—(Howrah-West Bengal)—Distilled Fatty Acids—4,800 tonnes—(NA)

The Ahmedabad Mfg & Calico Printing Co Ltd; Anik-Chamber, Bombay.—(Chembur, Bombay, Maharashtra)—Calcium Carbide—37,000 tonnes—(SE)

M/s Caustic (India) Ltd; 16-A, Brabourne Road, Calcutta-1.—(Bharatpur-Rajasthan)—Calcium Carbide for Merchant purposes—15,000 tonnes.—(NU)

M/s ArcotChemicals Pvt Ltd; 10-Beach Road, Cuddalore-1.—(South Arcot-Tamil Nadu)—Acetic Acid—5,000 tonnes; Ethyl Acetate—3,000 tonnes; Butyl Acetate—3,000 tonnes—(NU)

M/s Black Gold Pvt Ltd; 31-Dalhousie Square (S), Hong Kong House, Ist Floor, Calcutta.—(Karnataka—Activated Carbon—2,000 tonnes—(NU)

Mr Suresh Chand, c/o Pramatma Saran Agarwal, Gur Mandi, Murad Nagar, Meerut.—(Bulandshahr-UP)—Oxygen Gas—1.00 MCM—(NU)

M/s Birla Jute Manufacturing Co Ltd; (Calcium Carbide Division), 9/1, R.N. Mukherjee Road, Calcutta.—(24-Parganas-West Bengal)—Calcium Carbide—15,500 tonnes—(SE)

Mr Devki Nandan Goyal, B-I, First Floor, Unity Building, Bangalore.—(Mysore-Karnataka)—Calcium Carbida for Merchant Purposes—15,000 tonnes—(NU)

Mr Surajmal Mohta, 2-Brabourne Road Calcutta—(Madhya Pradesh)—Calcium Carbide for Merchant Purposes—15,000 tonnes.—(NU)

Mr N. Devraj, A-5, Industrial Estate, Ambatur, Madras.—(Cannanore-Kerala)—Calcium Carbide for Merchant Purposes—15,000 tonnes—(NU)

Dr C. Venugopal, 232, Angappa Naicker Street, Madras-1.—(Malappuram-Kerala)—Calcium Carbide for Merchant Purposes—15,000 tonnes (NU)

Drugs & Pharmaceuticals

Mr L. Venkatanarasimhan, 15/1, Benson Cross Road, Bangalore.—(Mysore-Karnataka)—Beta Naphtbol—120 tonnes—(NU)

Drngs & Pharmaceuticals

M/s McGraw Ravindra Laboratories (India) Ltd; Amraiwadi Road, Ahmedabad.—(Ahmedabad-Gujarat)—Transfusion Solutions in Bottles—60 lakh nos: Disposable Sterile Plastic Sets—30 lakh nos; Solutions in Vials—30 lakh nos; Sterile Tubes and Catheters—9 lakh nos; Miscellaneous Plastic items—9 lakh nos—(SE)

M/s German Remedies Ltd; Shivsagar Estate, 'A' Block. Dr Annie Besant Road, Worli, Bombay.—(Bombay-Maharashtra)—Normacol Granules—200 tonnes—(SE)

M/s Jayant Vitamins Ltd; Jhangir Building, 133-M.G. Road Bombay.—(Ratlam-MP)—Vitamin 'C' (including Sodium & Calcium Ascorbate—500 tonnes; Sorbitol—2000 tonnes; *New Articles* Glucose—3000 tonnes; Vitamin 'E'—10 tonnes.—(SE/NA)

Textiles

Mr R.K. Sondhi, 90, Jor Bagh, New Delhi-3—(Hoshiarpur-Punjab)—Ready-made Garments—1 mill pieces pa—(NU)

M/s Podar Silk & Synthetics Ltd; Podar Chambers, S.A. Brelvi Road, Bombay.—(Jaipur-Rajasthan)—Cotton & Synthetic Fabrics—2.5 lakh metres—(NU)

Kandla Flooring & Fabrics Pvt Ltd; C-Road, Marine Drive, Bombay—(Kandla F.T. Zone-Gujarat)—Goat Hair Patty—20,000 Kgs; Hand knitted Carpets—1,200 sq M.; Hand Tufted Barpets—10.000 Sq Meteres—(NU)

Paper & Pulp

M/s India Paper Pulp Co Ltd; 8-Clive Row, Calcutta-1—(24-Parganas, West Bengal)—Newsprint & Magazine Grade Paper—15,000 tonnes; Paper & Paper Board—15,000 tonnes; Total—30,000 tonnes—(SE)

Mr Pritam Khurana, E-9/1, Vasant Vihar, New Delhi—(Uttar Pradesh)—Writing & Printing Paper-4,000 tonnes. Kraft Paper—6,000 tonnes—(NU)

Mr Kothandaraman, 'Vasundara', Ghatkopar (E) Bombay.—(Bastar/Bilaspur, MP)—Writing & Printing Paper—5,000 tonnes; Kraft, Packing & Wrapping Paper—5,000 tonnes—(NU)

Mr D.K. Hada, 7th Floor, Hindustan Times House, 18-20, K.E. Marg, New Delhi.—(Karnal-Haryana)—Packing & Wrapping Paper-6,000 tonnes—(NU)

Mr G.S. Agrawal, Flat No 52. Ashoka Apartments, 68, Napean Sea Road, Bombay.—(Ratnagiri-Maharashtra)—Packing & Wrapping Paper—6,000 tonnes—(NU)

Mr B.L. Dalmia, 2 Ganesh Chandra Avenue, Room No 6, 7th Floor, Calcutta.—(Bilaspur-MP)—Corrugating Media & Liner, Packing & Wrapping Paper—3,000 tonnes—(NU)

Mr J. L. Oswal, College Road, Civil Lines, Ludhiana.—(Sangrur, Punjab)—Corrugating Medium, Kraft Liner Paper—6,000 tonnes—(NU)

M/s Southern Steel Ltd; Moula-Ali, Hyderabad.—(Mysore-Karnataka)—Duplex Board & Wrapping Paper—6,000 tonnes—(NU)

M/s Kothari Sugars & Chemicals Ltd; Kothari Building, 20-Nungambakkam High Road, Madras.—(Raichur-Karnataka) Kraft & Wrapping Paper-9,000 tonnes. p.a.—(NA)

Mr M.M. Sehgal, M/s Sehgal Paper Mills Pvt. Ltd; B-4/4, Safdarjung Enclave, New Delhi.—(Mahendragarh-Haryana)—Printing & Writing Paper—3,000 tonnes—(NU)

Mr A. Jai Ram, M/s Shri Jaya Lakshmi Paper & General Mills Ltd; 10-1-19A, Waltain Uplands Vishakapatnam-3—(Srikakulam-Andhra Pradesh)—Kraft Paper-3,000 tonnes—(NU)

Food Processing Industries

M/s Punjab Dairy Development Corpn. Ltd; Madhya Marg, Sector-7-C, Chandigarh,—(Ludhiana-Punjab)—Skimmed Milk Powder—1,642 tonnes—(NU)

The Punjab Dairy Dev. Corpn. Ltd: Chandigarh—(Bhatinda-Punjab)—Skimmed Milk Powder—1,642 tonnes—(NU)

Mr Kamal M. Morarka, c/o United Fermentation Industries, 139, Medows Street, Fort, Bombay—(Karnataka)—L-lysine Mono-Hydrochloride—300 tonnes—(NU)

M/s Mehsana Dist. Cooperative Milk Producers' Union Ltd; Dudhsagar Dairy, Mehsana.—(Mehsana-Gujarat)—Infant Milk Food—3,000 tonnes—(SE)

M/s Cadbury-Fry (India) Pvt Ltd: 19-Bhulabhai Desai Rd; Bombay—(Ratnagiri-Maharashtra)—Marine Processed Products—3,000 tonnes—(SE)

M/s Coimbatore District Central Co-operative Supply & Marketing Society Ltd; Coimbatore.—(Coimbatore-Tamil

Nadu)—Sunflower Oil—15,000 tonnes in terms of Seeds crushed—(NU)

Mr Vallabhbhai K. Patel, Jaydutt Singh N. Jhala, 10-Shreyas Society, Ahmedabad—(Dhrangadhra, Surendranagar, Gujarat)—Cotton Seed Crushing/Manufacture of De-oiled Cakes—20,000 tonnes—(NU)

Soaps, Cosmetics and Toilet Preparations

M/s General Industrial Society Ltd; 8-India Exchange Place, Calcutta.—(Raipur-Madhya Pradesh)—Fatty Acids—10,000 tonnes; Glycerine—1,000—tonnes (NU)

Rubber Goods

M/s Apollo Tyres Ltd; Allahabad Bank Building, 17-Parliament Street, New Delhi.—(Chalakudy, Trichur, Kerala)—Rubber Conveyor Belting re-inforced with Steel Cord—1,000 tonnes; Rubber Conveyor Belting reinforced with Textile Fabrics—500 tonnes—(NA)

Leather and Leather Goods

Lt. Col. D. Sanjiva Rao (Retd.), 1-2-412/4, Gagan Mahal Colony, Hyderabad—(Mehboobnagar-Andhra Pradesh)—Leather Watch Straps—4 mill. pcs—(NU)

Glass

Mr R.S. Khemka, 2/73, Roop Nagar, Delhi-7—(Sonepat-Haryana)—Sheet Glass—2.25 mill. sq. metres (2 M.M. basis) (NU)

Cement and Gypsum Products

The Managing Director, The Orissa Industrial Development Corporation of Orissa Ltd; Bhubaneshwar—(Rourkela-Orissa) Portland Blast Furnace Slag Cement—6 lakh tonnes—(SE)

The Associated Cement Companies Ltd; 'Cement House', 121, Maharshi Karve Road, Bombay.—(Khalari, Palamau, Bihar)—Portland Cement/Port-land Blast Furnace Slag cement—2,50,000 tonnes—(SE)

Transportation

M/s Unimac Corporation, Mirzapur Road, Ahmedabad—(Kandla F.T. Zone-Gujarat)—Highway & Off Highway Trucks of versions various-attachments for construction & Haulage purpose; 20 vehicles upto 35 tonnes and 30 vehicles above 50 tonnes—(NU)

Change in Names of Owners or Undertakings

(Information pertains to particular licences only)

From M/s Hindustan Tube Co, Ghaziabad. to M/s Hindustan Pipe Udyog Ltd; Ghaziabad.

From M/s Ralson Industries, Ludhiana. to M/s Ralson Cycles Pvt Ltd; Ludhiana.

From Mr Rampaul Gupta. to M/s B.P. Steel Industries Pvt Ltd; Bombay.

From M/s Andhra Pradesh Industrial Development Corporatian Ltd; Hyderabad to M/s Business Machines India Ltd.

From M/s Central Electronics (P) Ltd. to M/s Control Electronics (P) Ltd.

From M/s UP State Textile Corpn Ltd to M/s UP State Handloom & Powerloom Finance & Development Corpn Ltd; Kanpur (UP)

From the Government Machanised Brick Unit, to M/s Tamil Nadu Ceramics Ltd.

From Mr Kewal Krishan Sethi to M/s Earnest Gases (P) Ltd; Alwar.

From Mr J.S.G. Davidar, Madras to M/s South India Maize & Allied Industries Ltd; Madras.

From Power Cables Pvt Ltd to M/s Apar Pvt Ltd; New Delhi.

From M/s Power Cables Pvt Ltd; Bombay to M/s Apar (P) Ltd; Bombay.

From Mr G.K. Devarajulu to M/s Lakshi Ring Travallers (Coimbatore) Pvt Ltd.

From M/s Power Cables Pvt Ltd; Bombay to M/s Apar (P) Ltd; Bombay.

From Mr Dipak Narang to M/s Ost Electro-techniks Pvt Ltd; Delhi.

From The Industrial Development Corporation of Orissa Ltd; Bhubaneswar to M/s Hira Steels & Alloys Ltd Bhuwaneshwar.

From M/s Kerala State Electronics Development Corpn Ltd to M/s Keltron Varisters Pvt Ltd; Trivandrum.

From M/s Firth Sterling Steel Company of India Limited to M/s Firth (India) Steel Company Ltd; Bombay.

Licences Revoked, Cancelled, Lapsed or Surrendered

(Information pertains to particular licences only)

Mr Kanti Kumar R. Podar, (The Podar Trading Co Ltd;) Bombay—Mild, Medium Carbon & High Carbon Steel Ingots—(Cancelled)

M/s Andhra Steel Corpn Ltd; Thompson Street, Visakhapatnam-1—Frabricated Steel Structurals including Oil & Water Tanks—(Revoked)

M/s Modern India Construction Co Ltd; Calcutta—Conveyors—(Revoked)

M/s Hindustan Monark Pvt Ltd; New Delhi—Auto-Cycles 48-CC—(Cancelled)

Letters of Intent Lapsed, Cancelled or Rejected

(Information pertains to particular letters of Intent only)

M/s Precision Machinery Co Pvt Ltd; New Delhi—Safety Razor Blades—(Cancelled)

M/s Vardhman Spinning & General Mills Ltd; Ludhiana—Pulp and Speciality Paper—(Cancelled)

M/s Rallis India Ltd Bombay—Processed Marine Products—(Cancelled)

M/s Earnest John & Co Pvt Ltd; Churchgate, Bombay—Organic Esters—(Cancelled)

M/s Bhavnagar Potteries Ltd; Bhavnagar—Glazed Wall Tiles—(Cancelled)

Mr Ashok G. Rao, Bombay—Oxygen & Acetylene Gases—(Cancelled)

M/s Bombay Potteries & Tiles Ltd; Bombay—Glazed Tiles—(Cancelled)

M/s Modi Industries Ltd; Modinagar—Synthetic Resins—(Lapsed)

Mr R, S. Pasari, 14-Theatre Road, Calcutta—Industrial & Marine Gears and Gear Units of various types—(Cancelled)

Mr K. P. Agarwal, B-1/67, Safdarjang Enclave, New Delhi—Razor Blades—(Cancelled)

M/s Industrial Oxygen Company (P) Ltd; Poona—Acetic Anhydride—(Lapsed)

Mr Mahendra Kumar Jajodia, New Delhi—Beer—(Lapsed)

M/s American Refrigerator Co Ltd; Chinchwad, Poona—Hydraulic Presses. Hydraulic Equipment—(Lapsed-Partially)

M/s Mahabir Flour Mills' New Delhi—Maize Prodcets—(Lapsed)

M/s Ex-Cell-O India Ltd; 78-B, Dr Annie Besant, Road Bombay—Ram Turrent Milling Machines; Stands Gladiator Window Machines & Pure Pak Equipment—(Surrendered)

Mr Som Prakash Rekhi, Rohtak Road, Delhi — Passenger Cars—(Cancelled)

Mr Harpreet Singh, F-11, Jangpura Exten, New Delhi—Calcium Carbonate & Hydrated Lime—(Lapsed)

Mr Raj Kumar Rathi, Nai Sarak, Delhi—Various types of Castings—(Cancelled)

RECORDS AND STATISTICS

Rural development in Africa

THE UNITED Nations Development Programme (UNDP) is devoting a major share of its resources to rural development efforts in its work with African countries, according to a report recently issued on the programme's activities during 1974 by Rudolph A Peterson, Administrator.

Special UN assistance was also granted during the year to provide immediate help to those African countries which suffered most from adverse weather conditions and rising costs of essential imports.

Natural Calamities

The heavy rains which brought hopes in 1974 for an end to several years of drought to Mali, Niger and Upper Volta left many people homeless, the report notes. In addition, flooding caused substantial damage to sorghum, millet and groundnut crops, and washed out bridges and roads, making the transport of relief supplies difficult. Torrential rains likewise caused extensive crop damage in Burundi—and in Rwanda, where two million people were affected and the government declared a national disaster and requested international relief assistance.

Other parts of Africa continued to be adversely affected by drought during 1974. Sahelian countries, Somalia, Ethiopia, and the Cape Verde Islands sustained particularly heavy losses in crops and livestock. Other countries such as Cameroon, Central African Republic, Dahomey, Guinea, Ivory Coast, Kenya, Nigeria, Tanzania, Togo and Zaire also suffered serious crop and livestock losses, and found it necessary to import staple foodgrains to supplement poor crop yields. Many of them also sustained a loss of foreign exchange earnings due to declines in the production of chief export crops such as coffee, cotton and groundnuts.

Relief Operations

UNDP assisted several drought relief activities during 1974, including the formulation of a drought recovery programme for Somalia and a relief and rehabilitation plan for Ethiopia. By the end of the year, about £3.4 million of a special allocation of £5 million, approved by UNDP's Governing Council at its June 1973 session to provide drought recovery assistance to Chad, Mali, Mauritania, Niger, Senegal and Upper Volta had been allocated for regional and national projects.

These projects will establish meteorological services, promote fodder research and production, carry out reforestation programmes, develop water resources, control livestock diseases, and make available large quantities of rice, millet and sorghum seeds. Additional drought-related projects, including a £3.9 million programme to help the countries of the Sahel reinforce their agro-meteorological and hydrological services, will be financed, in part, from UNDP's Special Measures Programme for the "least developed" countries. Sixteen of the 25 so designated by the UN are African nations.

Development of rural areas, where up to 90 per cent of the population lives in many African countries, is at the heart of UNDP's work on the continent, according to the report. During 1974, UNDP was helping to finance: 83 projects concerned with the production of grains, legumes and other crops; 102 livestock development projects; and 52 projects concerned with the promotion of inland and offshore fisheries development. Many of the other projects it supports are for the creation and strengthening of rural educational fiacilities, small industries and health services.

Most African projects assisted by UNDP in the agricultural sector are national research and extension training programmes. Over the past few years, the programme has increasingly supported projects designed to achieve comprehensive agricultural development, taking into consideration, characteristics of traditional agriculture, factors motivating peasants, and the broad requirements involved in bringing about a transition to more productive farming. Emphasis has been given to multi-faceted schemes, carried on in designated pilot areas, which combine the introduction of new techniques and the promotion of crop and livestock improvement with the strengthening of rural institutions providing credit and marketing facilities.

Improving Agriculture

The Senqu River Agricultural Extension Project in Lesotho, for example, is designed to encourage the organization of farmers, and to enable them to acquire knowledge of sound agricultural practices, together with methods for improving livestock, seeds and fertilizers, and the use of agricultural machinery. This project also seeks to upgrade the existing extension service in the area, to promote land conservation and to develop the data and methodology for a comprehensive rural development scheme.

Another successful, multi-faceted agricultural development project is Upper Volta's Matourkou Agricultural Centre, which has been receiving UNDP assistance since 1963. Through practical research on improved crops and farming practices and through demonstration activities, the project has developed models for family farms which can lift Voltaic farmers above subsistence levels. The project is now seeking to strengthen and expand training courses for all middle-level agricultural technicians.

Extension Activities

In Dahomey, according to the report, assistance is being provided to the ministry of Rural Development for agricultural extension activities oriented toward rural youth. More than 200 rural youth clubs have been established with some 3,500 members. Through these clubs, Dahomey's future farmers—between the ages of 9 and 15—receive instruction in good farming methods from government extension workers and through the Rural Radio, another government project which receives UNDP aid. Young women who participate in the clubs are given the rudiments of nutrition and taught improved food processing techniques.

UNDP is increasingly adopting a multi-sectoral or "integrated" approach which seeks to develop rural communities in many ways step-by-step, according to the report. The approach is being applied in Liberia, where some 68 per cent of total UNDP efforts are supporting a national programme of integrated rural regional development. The programme consists of 13 projects executed by seven United Nations agencies and involving 13 governmental ministries and agencies. It is also supported with complementary inputs from 10 other multilateral and bilateral donors. Actions are centered around "community

growth centres" in selected parts of the country.

A key element in Liberia's programme is the training of a new type of teacher who is qualified both to teach and to carry out agricultural extension and community development at the village level. A similar approach has been taken in Togo, where, since 1968, UNDP has been assisting the Teacher Training College at Atakpame. This facility has already produced over 400 "teacher/rural developers".

Similarly, in the Cameroon, where the government has given priority to reform of the primary education system UNDP has been assisting the Institute for Rurally-Oriented Primary Education (IPAR) at Yaounde. The objectives here are to improve rural productivity and employment opportunities, and to stimulate increased interest among villagers in government development programmes in the agricultural and social service fields. Altogether, about 261 such primary school principals and teachers have been trained since the project commenced in 1969.

Regional Transport

Other UNDP-supported activities are helping to strengthen Africa's national and regional transportation and communications facilities. At Nigeria's Civil Aviation Centre, which has received assistance since 1968, 451 nationals have successfully completed courses in fields including flight instruction, aircraft and radio maintenance and air traffic services. The centre, which has also trained students from Cameroon, Ghana, Lesotho, Liberia, Mali, Niger, Pakistan, Rwanda, Sierra Leone, Somalia, Sudan and Swaziland.

Twenty-eight countries in East and West Africa co-operated in the Pan African Telecommunications Survey, carried out by the International Telecommunication Union (ITU) on UNDP's behalf. The survey made recommendations for an integrated, high quality and economically viable regional transmission network covering 20,000 km. of transmission routes and 18 international switching centres. A single common regional signalling system and a continental approach to tariffs and revenue calculations were also agreed upon as a result of the survey.

By the end of 1974, firm commitments for the financing of over 80 per cent of the estimated £120million required to set up the total network had been obtained from bilateral and multilateral financial institutions and agencies.

The information on UNDP assistance to Africa is part of the UNDP Administrator's annual report. As the world's most broadly based development programme, UNDP supports more than 7,600 technical co-operation projects in 144 developing countries and territories.

Courtesy: UNDP

Guidelines for power units

AT A tripartite meeting of the electricity industry held recently in the capital guidelines were evolved for optimising the efficiency of operation of the electricity systems and also for associating representatives of workers' organisations on the operational activities of the systems at appropriate levels. It was agreed that while associating representatives of workers' organisations, representation may be given only to those organisations which have unreservedly committed themselves to the successful implementation of the new economic programme.

The following guidelines were adopted:

1. Joint committees of representatives of managements and of trade union organisations should be set up at each district or sub-divisional level. These committees will, in addition to acting as vigilance committees to prevent sabotage, theft of power and abuses in the use of stores, be also responsible for the task of improving operational efficiency of the system and ensuring consumers' satisfaction besides consideration of suggestions that may be made by individual or group of workmen, with a view to their adoption.

2. Similar committees should also be set up at each generating station, which will be responsible for proper operation and maintenance of equipment, availability of spares, etc.

3. Committees should also be set up for each project to be responsible for reviewing the progress of work and for adopting measures for the timely and economical completion of project.

4. At the electricity board level, a joint committee of management and the representatives of trade union organisations should be set up: this committee should be enabled to discuss all aspects of the functioning of the power system of the electricity board.

5. These committees should meet as frequently as is necessary but in any case once in three months. Representatives of trade union organisations on these committees may be given to the nominees of the all India federations and such other trade union organisations committed to the new economic programme as the management may consider necessary to be represented at the appropriate level on such committees. There should be full exchange of information so as to enable the committees to function effectively. Unanimous decisions of these committees should be implemented within a specified period of time as may be indicated in the decisions themselves. These committees would also be responsible for reviewing the implementation of the decisions.

6. Keeping in view the substantial number of workmen under various electricity boards who are still borne on the nominal muster rolls (NMR), the system of NMR should not be resorted to in respect of work of a permanent or continuing nature.

In all other cases, where NMR workers have been in employment for a period of three years or more, all such workers must be regularised in as short a time as possible, in a phased manner. It was strongly felt that all NMR workers should be paid wages at rates not lower than the lowest rates of wages paid to regular workers of that category and it was agreed that the minister of Energy and the minister of Labour will finally communicate these feelings to the chief ministers for taking appropriate action in this regard.

7. Overtime work must, as far as possible, be eliminated. To achieve this, overtime should normally be resorted to only for urgent operational reasons. At the same time, norms of work should be evolved, without delay for various categories of workers. Multiple shift working may be adopted in consultation with the unions, wherever necessary.

8. To enable workers acquire and upgrade their skills, it is necessary to implement the provisions of the apprentices act fully. Apprentice training facilities should be made available at the major project sites and/or at other suitable places. Priority for apprenticeship training should be given to those persons (or their dependents or wards) whose lands have been acquired for projects and who have been consequently displaced.

9. It should be examined whether long-standing disputes cannot be settled as quickly as possible including settlements outside the courts.

10. Efforts must be made to extend the public distribution system to power station colonies which may be outside the areas covering the public distribution system.

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Bitter sugar

RECENTLY SUGAR had turned bitter both for the producers and the consumers in our country. The producers of sugar were unhappy because they had incurred huge losses during the past two years. The consumers on their part were bemoaning the fact that after a small downturn in free market sugar prices the price trend had once again got reversed. Only the government seemed to be a big beneficiary both in terms of foreign exchange earned through exports and profits bagged through these transactions.

The sugar units, according to the Indian Sugar Mills Association (ISMA), were in a bad shape financially. Whereas 32 per cent of the sugar mills in 1973-74 had incurred losses, it was feared that the proportion of losing units in 1974-75 would rise to 70 per cent. Hence the gloom currently shrouding the producers of sugar. That the sugar industry was in the throes of a crisis was conceded even by Mr C. Subramaniam, the central Finance minister, on August 4, 1975 in the Lok Sabha. Said Mr Subramaniam: "It is not that we are unaware of the problems with which the sugar industry is confronted, particularly in UP and Bihar. We are thinking of how to solve this problem and we will come out with some proposals which would ameliorate the conditions particularly in the sugar industry in that area." In view of this assurance by the central Finance minister, the industry was naturally looking forward to the proposals of the government for bringing about an improvement in the working of the sugar mills.

At the 42nd annual meeting of the ISMA held recently in the capital its president, Mr P. Maruthai Pillai, not only reviewed the performance of the industry but also made some concrete suggestions for the consideration of the government. The achievements of the sugar industry listed by him were without doubt creditable. For example, the output of sugar in 1974-75 at 4.85 million tonnes was an all-time record indicating a rise of as much as 23 per cent over the production in the preceding year. What was more, the capacity utilisation was of the order of 108 per cent at a time when most of the other industries were finding it hard even to reach up to 75 per cent of their installed capacities. Naturally, increased production of sugar resulted in enhanced exports, earning as much as Rs 341 crores worth of foreign exchange in 1974-75. Even though sugar prices in the world markets had dropped, there was a possibility of our country being able to export about 1.5 million tonnes of sugar every year for the next two years and earning foreign exchange worth more than Rs 400 crores a year. But the key lay in the creation of conditions leading to a steady increase in sugar production and restoring financial health to the sugar industry. For this purpose a high-level coordinating committee consisting of the representatives of the concerned ministries and the industry, as suggested by Mr Pillai, was urgently needed. This committee could meet periodically to sort out the problems facing the sugar mills and take prompt decisions for the attainment of the goals regarding production and exports. In view of the fact that the sugar industry had emerged as the largest earner of foreign exchange for the country, it was necessary to give special attention to the producing units. The proposed committee should be taken as a first step to the finding of solutions for the numerous problems facing the sugar industry.

It was pertinent to ask as to why this industry, which had a remarkable record of production and exports, had landed itself into a financial mess. The dual pricing policy relating to this industry commenced in 1967-68 and since then the industry had not suffered from the usual ups and downs in production. Inspired by the success of this experiment in the sugar industry the government had applied the same policy to the aluminium industry also only a few days ago. The industry also had welcomed the dual pricing policy because it allowed the government to satisfy the needs of the weaker sections of society at relatively cheap prices and also permitted a part of the output to be marketed at the prevailing market prices. The rules of the game were understood both

by the government and the industry and hence there was all-round expansion in the industry.

In recent years the government, according to ISMA, tinkered with the well-understood rules of this game and the price of levy sugar was fixed at a rather low level. While this was the primary cause of throwing the industry into a financial muddle, there were other factors also which had exerted their pressures on the industry in varying degrees. While there was increase in the statutory minimum sugarcane price, enhancement in the cane cess or purchase tax in most of the states and rising wages following the inflationary trends in the economy, the government did not raise the levy price, especially in 1974-75. However, the government raised the percentage of non-levy sugar from 30 to 35 which, it was believed by the government, would provide adequate relief to the industry. However, this extra five per cent allowed in free market sales failed to assist the industry in recovering the losses incurred in the disposal of levy sugar, and not unnaturally the demand was made for "a realistic revision of levy prices on the one hand, and maintenance of a fair level of free ma rkets on the other."

Because of the glut in production the government had applied the levers relating to the releases of non-levy sugar in such a manner that the prices in the free markets were depressed. It was not enough to refer all the time to the peak attained in free market prices. It was necessary to take into account the prices prevailing in the free market over the whole year in order to compute the return to the industry. It was because of these moves by the government that the sugar mills were not able to recover the losses incurred in the sale of levy sugar.

The government had demonstrated in unequivocal terms that it was determined to come to the succour of the vulnerable sections of our society. It was a laudable aim and no one would quarrel with it. However the government had failed to exhibit its partiality for the poorer sections of society while raising the excise duty on sugar from 37.5 per cent to 45 per cent *ad valorem* in the last central budget. The excise duty, the Finance minister had stated, was increased with a view to reducing consumption of sugar for less essential use and releasing additional quantities for exports. The picture had changed with the sharp increase in the output of sugar. Now there was need to increase its consumption within the country instead of reducing it. Therefore there was an obvious case for a reduction in excise duty, which had been sharply increased in the last budget.

The sugar industry is justified in claiming credit for providing levy sugar at a cheap price at a time when prices in general were moving up. For example, the index of wholesale prices moved up from 211 to 312 between December 1972 and June 1975 indicating a rise of 48 per cent. During the same period the price index for sugar increased from 217 to 236 recording a modest rise of nine per cent.

The sugar industry had given a good account of itself for the past two years despite heavy odds. As asserted by the ISMA president Mr. P. Maruthai Pillai, it was willing to redouble its efforts to increase both production and exports provided the government took a charitable view in regard to the fixation of levy prices, the providing of relief in excise duty and also is not starving the industry in regard to bank credit. The industry had been suffering from a big resource gap which needed to be looked into.

The interests of the consumers, the producers and the government were intertwined and the industry in particular could continue to march forward in a dynamic manner provided the government gave a liberal helping hand. Under the stewardship of Mr Jagjivan Ram, the ministry of Agriculture and Irrigation had undeniably made rapid progress and it would not be too much to expect of him not to let the dual pricing policy in sugar fail especially, because it was on his initiative that it was evolved eight years ago.

Role of market economy

THE LATEST annual report of the International Chamber of Commerce (ICC) gives not only a competent and comprehensive analysis of the world economy during 1974 but also offers many constructive suggestions for promoting economic growth. The ICC has been given Consultative Status, Category "A", by the United Nations and is represented in about 95 countries. In recent years it has been giving special attention to the promotion of competitive business in the market economy system, economic progress in the developing countries, and environmental affairs. It has also been concentrating on various measures relating to the evolution of a world economic order. Its remarks and recommendations in the annual report are therefore of considerable interest not only to businessmen but also to governments in the developed and developing countries.

The report highlights the "vital role" of the market economy in the growth of developing countries and points out that due to the efforts of private enterprise, a number of them are well on their way to economic take-off while in others "a judicious combination" of the private and public sectors has greatly helped to improve living standards. It suggests that government financial policies should be formulated in order to encourage investment and points out that "the company sector is one of the main sources of capital investment as a whole and the main source of risk capital and economic innovation". It says that "the lower the level of profits, the lower are the funds available for investment" and that this can only constitute "a brake on growth" in the context of a market economy. These observations are of particular relevance to India where the rate of corporate taxation continues to be high and companies are subjected to various kinds of controls and restrictions.

The report stresses the need for timely action by government in order to ensure the smooth functioning of the

economy. "In recent years", it says, "several governments, concerned with combating inflation, did not counter in time the advancing recession, with the result that deflationary policies were maintained too long. The danger now is that governments may over-stimulate economies that are already heading towards an upturn, and thus in the coming two years provoke first a period of growth with inflation and then one of inflation without growth". This warning needs to be heeded especially by developing countries where time-lags in taking decisions and implementing them may produce adverse effects on development.

says that in 1974 it expanded "at the slowest rate since the end of World War II" and that in the current year, its volume may stagnate or even decline. However in the next few years, the changing industrial structure of different areas and their varying relative wealth is expected to bring about another boost in world trade. The report calls upon the business community to discourage governments from "the facile, and ultimately unrewarding, method of solving economic problems by imposing import restrictions". It points out that such restrictions do not help to improve substantially the problems relating to

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the endeavour of all countries to adopt liberal policies in regard to import and export, as far as possible, in their own interest as well as of the world at large.

The report recalls that private investment accounted for about one half of total flow of development aid in 1974. But it warns that there is a risk of confrontation between foreign investors and host countries. It is encouraging to find that the ICC is doing its best to avoid such risks. Recently, it drew up its "Guidelines for International Investment" which are described as "a unique set of practical recommendations enabling both parties to reach mutually beneficial agreements". With the same objective the ICC is now drawing up a programme defining the overall conditions for the business sector's activity regarding foreign investment and related matters.

It is not clear however what exactly the ICC means when it says that "economic reality must be extricated from political illusion". But it is right in emphasising that as the business community is shouldering heavier responsibilities due to greater participation in economic development, government and inter-governmental organisations should show greater understanding of the role of private enterprise.

lf-sufficiency in oil

government expenditure is not only desirable but essential since a large number of industries heavily depend on government orders and, moreover, the infrastructure facilities have to be expanded rapidly. As regards decisions being taken according to non-economic criteria, few governments can afford to ignore them completely. Especially in a democracy, the government has to consider, while taking major economic decisions, their impact on regional development and on the vulnerable sections of society as well as various other factors which though non-economic are nevertheless important.

Dealing with world trade, the report

Petroleum and Chemicals, Mr K. D. Malaviya, that the country can hope to be self-sufficient in its requirements of oil should prove to be the most heartening development from the point of view of the economy in the post-Independence period. While the find of oil reserves on the mainland in Gujarat was exciting and the increase in contribution by oil wells in the north-eastern region has resulted in aggregate production rising to over eight million tonnes, the dependence on oil imports has increased with a rise in the level of consumption. Until the eight-fold rise in prices for crude and petroleum products in 1972-74, there was no serious worry about finding the foreign exchange required for importing crude and petroleum products, as it constituted only less than 15 per cent of the value of all imports.

The picture, however, has changed completely in the past three years. Additionally Rs 1,000 crores have to be found annually for meeting the oil bill. With a steep rise in ex-refinery and end-prices for offsetting the increase in the cost of processing of the refineries and for discouraging consumption of petroleum products, the level of crude imports has been stabilised at 14 million tonnes yearly in the past two years. It cannot be expected, however, that the static trend in consumption will remain in evidence for long. With a rise in agricultural production, a larger volume of

road traffic, dieselisation of railways and other developments, the upward trend in consumption is bound to be resumed, albeit at a slower rate. It had been originally estimated that the consumption of petroleum products will rise to 34 to 36 million tonnes by 1978-79, on the basis of a growth rate of 8-10 per cent annnally.

The sights have now been lowered and the revised target is 30 million tonnes or about six million tonnes more than the present requirement of 24 million tonnes. It may be that the annual increase can be restricted to 1½ to two million tonnes for the next two years, with improving power availability and increasing use of coal where diesel oil and furnace oil had been utilised for agricultural and industrial operations. But the needs of the economy may increase at a faster rate when efforts are made to raise ambitiously agricultural and industrial production and the outlays on Plan schemes are stepped up significantly.

Even for improving indigenous availability to 30 million tonnes by 1980-81, considerable pre-planning is needed and the objective of more than trebling indigenous crude production can be achieved only if different agencies are employed and emphasis is laid simultaneously on exploration and exploitation of the oil-bearing areas. The ministry of Petroleum and Chemicals has, of course, a time-table and it is expected that indigenous production will meet 55 per cent of the requirements of oil refineries by the end of next year. On the assumption that total consumption will be around 25 million tonnes, crude production will have to be 14 million tonnes. The arithmatic of the ministry is all right as it is expected that the crude output from offshore and mainland will rise by four million tonnes to around 14 million tonnes.

The immediate increase in output by over four million tonnes in two years is expected to be achieved by establishing buoys in Bombay High with mooring facilities for small tankers until arrangements are completed for laying pipelines and transporting oil to terminals in the mainland. The new areas in the north-eastern region will also be intensively tapped and the pipelines of Oil India feeding Nunmati, Bongaigaon and Barauni will be enlarged for handling much larger quantities of crude.

The immediate task of raising output by five million tonnes to 14 million tonnes by 1977, will by itself call for careful and vigorous execution of schemes for achieving commercial production from newly proved wells. There will also have to be drilling of more wells in the offshore and on-shore areas and more platforms and rigs will be required for this purpose. It is, of course, known that orders for platforms from Norway and other sources are being finalised while additional rigs have been secured through outright purchases or on hire. However, there is no indication so far about assistance from the World Bank or other institutional sources being available for exploitation of oil resources. It is, of course, known that arrangements are being made for undertaking manufacture of the special types of pipes required for transporting crude from Bombay High and it may be possible to get a clear picture only after various plans take concrete shape.

There is no doubt, however, that massive investment in the Bombay High region will be required in the next three years. It will be worthwhile to examine at this stage whether there should be decentralisation of the functions of the Oil and Natural Gas Commission. This commission has to concentrate attention on the exploration of new areas in the north-east region while it has to be determined how the yield of oil fields in Gujarat and adjoining areas can be increased suitably. There are then the plans for intensifying off-shore exploration in the Kutch, West Bengal and Cauvery basin. Oil India, too, will be playing a more important role in the Assam region after the negotiations for diluting foreign ownership in its equity capital have been completed.

Since the Bombay High region alone is expected to produce 10 million tonnes of crude in five years and nearly 100 wells will have to be drilled in a short period, it will be desirable if a separate authority is constituted for this purpose and special credits are negotiated from chosen developed countries for completing the construction of pipelines, storage facilities and other conveniences required for handling 10 million tonnes and more of crude annually.

The anxiety to minimise foreign exchange expenditure on the acquisition of raw materials and equipment is understandable. But time is the essence of the whole scheme. Any slippage in the schedule of implementation of projects in the Bombay High region will involve a loss of production of 4-5 million tonnes for every two years of delay. This will cause unnecessary drain in foreign exchange of Rs 250 crores roughly including the cost of oil and transport charges. Even if the foreign exchange content of expenditure on schemes relating to the Bombay High region has to be fixed at a high level, the effort will be worth-while.

The oil rich countries in west Asia and elsewhere are known to have exploited oil bearing areas in a short period and there has not been any difficulty in getting the required funds from foreign sources either on the basis of participation in equity capital of oil companies specially formed for the purpose or as loans. The amortisation of foreign credits secured for executing schemes in the Bombay High region will not pose any problem as it has by now become clear that the oil wells in this region have the required potential and a loan of even Rs 500 crores in foreign currency can be conveniently repaid in seven or ten years after an initial grace period of two years. Even if interest charges are to be paid at the rate of 10 per cent annually, the aggregare repayment will not be more than Rs 100 crores annually. Only a separately constituted authority can cope with the stupendous task as quick decisions are needed to be taken.

A similar approach will have to be adopted for tackling the oil and gas reserves in Assam and Tripura. After the new find of rich gas resources in Tripura and the successes attending drilling of new wells in Assam, it may well happen that this region will be in a position to raise output by five million tonnes in terms of crude apart from large quantities of natural gas which will be helpful in releasing naphtha for other purposes. With Bombay High making a contribution of 10 million tonnes, Gujarat five million tonnes, the north-eastern region another 10 million tonnes, and other regions another five million tonnes, the desired goal of self sufficiency in oil can be reached in the early 80's. However, as stated earlier, a separate authority will have to be constituted for the Assam and Tripura regions.

It should also be immediately examined how the natural gas resources can be advantageously tapped in Tripura and how the supervision of operations in the Kutch, West Bengal and Cauvery basins should be carried out. The advantage accruing to the economy as a result of oil self-sufficiency will be such that imports having a value of Rs 2,000 crores annually can be displaced. This process will, of course, have to be continued without any let-up as by the end of the sixth Plan oil consumption may rise to 45 million tonnes and self-sufficiency at a higher level will mean that there cannot be any relaxation of efforts at any stage. The ministry of Petroleum and Chemicals has, therefore, a special responsibility in the present context and if India can be helped to have sizable resources in the three main forms of energy, electricity, coal, and oil, future development can be on truly ambitious lines.

Capital's Corridors

R. C. Ummat

Additions to Industrial Capacity : Export Performance : New Drugs Policy

THREE IMPORTANT decisions taken last week by the union ministry of Industry and Civil Supplies not only take the process of the simplification of licensing procedures a step forward but should also be helpful in fostering industrial growth and exports.

Under the first decision, increase in industrial capacity is to be allowed liberally if it follows as a direct consequence of a modernisation programme or replacement of old equipment, provided, of course, such modernisation or replacement of equipment does not result in any encroachment on the products reserved for the small-scale sector and there is no net increase in the outgo of foreign exchange. Such a step was obviously warranted in view of the fact that a programme of modernisation or replacement of old equipment normally takes into account the technological develpoments that have taken place since the time the original equipment was produced, including sophistication in process know-how and technology, higher speed of modern equipment, qualities of raw materials, etc. With the expansion in the scale of industrial production, new equipments in general are different from the original sizes and also are manufactured with a view to increasing productivity.

modernisation programmes

When the replacement is by way of imported equipment requiring prior approval of the CG committee, the CG committee itself will accord approval for the increase in capacity arising from the replacement/modernisation after satisfying itself that the above conditions have been fulfilled. The committee will also ensure, while according its approval, that the proposed replacement or modernisation does not lead to any distortion of the Plan priorities or market shares. On receipt of the CG committee's approval, the consequential amendment in an industrial licence will be carried out by the secretariat for industrial approvals.

In the case of replacement by way of indigenous equipment, it has been decided to adopt a simplified procedure. The joint secretary concerned with the industry in the administrative ministry has been authorised to receive such proposals after satisfying himself that the conditions enumerated above have been fulfilled.

expeditious disposal

As regards the proposals received from foreign companies as defined under FERA and undertakings coming under the purview of the MRTP Act, they would be considered by a task force to be constituted in the administrative ministry concerned, consisting of the representatives of the concerned ministries including one of the department of Company Affairs. The task force would accord approvals to such proposals expeditiously.

It has been clarified that any increase in capacity for the reasons mentioned above, will be over and above the normal permissible limit of 25 per cent production over the authorised/licensed capacity.

The second decision relates to the creation of capacity based on the research and development effort of an industrial unit. An industrial undertaking will be allowed to set up adequate capacity based on the results of its R & D efforts as a matter of course, even though it would be required to obtain an industrial licence in terms of the existing statutory provisions.

This step should encourage R & D activity in industry, although it has been tempered by excluding foreign companies and those large industrial undertakings which fall within the purview of the MRTP Act from the new decision. The foreign companies and other industrial undertakings falling within the purview of the MRTP Act, of course, can undertake research and development in areas covered by appendix I to the industrial licencing policy of statement of 1973. But their proposals for setting up industrial capacity based on this effort are envisaged to be examined and allowed by the government on merits.

prior approval

An undertaking covered by the MRTP Act or a foreign company seeking to embark on research and development activity in fields not covered by the above appendix will have to seek the prior approval of the department of Science and Technology. This department will consider the concerned proposals in consultation with the other administrative ministries and technical authorities of the government. The results of this consideration will be communicated to the undertaking concerned. Only if approval is granted, the proposed R & D activity can be undertaken by a foreign company or an undertaking covered by the MRTP Act. The establishment of industrial capacity based upon the approved R & D activity of these undertakings will then be ordinarily allowed, subject to the priorities and the policies of the government.

The third decision relates to engineering industries which are particularly important from the export angle. Fifteen engineering industries have been allowed to grow at the rate of five per cent per annum up to a limit of 25 per cent in a Plan period. The growth could be in one or more steps in physical terms—automatically over and above their authorised capacity. This additional capacity will be over and above the normal permissible limit of 25 per cent production over the licensed/authorised

capacity. In effect, thus, the increase in capacity over a Plan period by an engineering units in the selected 15 lines of manufacture can go upto 31.25 per cent, instead of 25 per cent.

As the above addition to capacity normally will not involve large investments, since the expansion of an existing unit generally can be effected at a modest cost, the products of our engineering industries should become more competitive in the international markets.

The 15 engineering industries covered by this decision are: (i) automobile ancillaries; (ii) castings and closed die forgings; (iii) tractors; (iv) commercial vehicles; (v) conveying equipment; (vi) diesel engines and pumps; (vii) cranes; (viii) earth-moving, mining and metallurgical equipment; (ix) hydraulic equipment; (x) industrial machinery, including, chemical plant and machinery; (xi) machine tools; (xii) textile machines; (xiii) power transmission and distribution equipment (other than cables and wires); (xiv) power transformers; and (xv) switchgears.

new guidelines

As in the case of the addition to capacity as a result of a programme of modernisation or replacement of obsolete equipment, the decision on augmentation of the existing capacities of the above 15 engineering industries lays down some conditions. These are : (i) the product-mix should not conflict with the items reserved for the small-scale sector; (ii) the investment requirements should be taken care of by the concerned undertakings themselves and the financing institutions should not be approached for any long-term capital loans, etc.; (iii) no import of capital equipment should ordinarily be envolved (where import of capital goods is envisaged, government would examine whether suitable export obligation should be imposed); (iv) the facility of automatic growth would not be extended to undertakings having subsisting foreign collaboration agreements with restrictive clauses inhibiting exports, unless such clauses are removed.

Undertakings engaged in the industries listed above and fulfilling the above conditions can increase their capacities at the rate of five per cent per annum and upto a limit of 25 per cent in a Plan period without the requirement of obtaining a "substantial expansion" licence under the Industries (Development and Regulation) Act. This is subject to the condition that they are not dominant in the line of manufacture and also that the capacity utilisation in the concerned undestaking is satisfactory. The concerned undertaking has also to ensure that, in the process of utilising this facility, the foreign exchange earnings by way of exports are substantially higher than any outgo by way of royalty, dividends, etc., if any.

In the case of dominant undertakings relating to the particular sphere of dominance, applications will be considered by a task force to be constituted in the department of Heavy Industry. This task force will consits of representatives of the other departments concerned, including a representative of the department of Company Affairs. An application submitted to the task force will be deemed to be an application submitted under the MRTP Act and no separate application under section 21 of that would be necessary in such cases.

* *

The final tally of our external trade during the last financial year has revealed that our exports in this year were higher by Rs 51 crores than the figure indicated provisionally at the last meeting of the Board of Trade held here a few days ago. At Rs 3304 crores, they registered a rise of about 31 per cent—Rs 781 crores—over the Rs 2,523 crores exports in 1973-74.

Our imports last year, however, aggregated to Rs 4,348 crores. We thus, had in 1974-75 an adverse trade balance of Rs 1,044 crores. The increase in imports last year has worked out to about 49 per cent—eight per cent less than in the previous year. The 31 per cent increase in exports in 1974-75 compares with 28 per cent improvement in 1973-74 and 22.5 per cent rise in 1972-73. Imports had registered in 1973-74 a jump of nearly 57 per cent, as against 49 per per cent in 1974-75. They had gone up in 1972-73 by only 2.4 per cent.

Whereas the marked rise in imports last year as well as in the previous year is attributed primarily to the increased requirements of fertilisers and food and the jump in their prices as well as those of crude oil, the sizeable improvement in exports is attributed both to higher unit-values and quantitative increase in several traditional and non-traditional commodities sold abroad.

rise in exports

During 1974-75, exports of sugar, rice, iron and steel scrap, chemicals and other products, manganese ore, engineering goods, cashew kernels, tea, jute manufactures, iron ore, apparels, footwear, spices, tobacco and coffee went up by 694, 161, 108 84, 82, 75, 59, 53, 30, 21, 41, 51, 11, 18 and 12 per cent, respectively. Marked increases quantatitive-wise were witnessed during this year in the exports of sugar, tea, jute manufactures, cashew kernels, rice, finished leather and tobacco.

The year 1974-75, however, witnessed setbackes in the exports of certain other commodities. These included oilcakes, (-46 per cent) marine products (—26 per cent), cotton piecegoods (—20 per cent), handloom piecegoods (—10 per cent) and leather manufactures (—16 per cent).

Direction-wise, our exports went up last year to all the trading regions. The highest increase was registered in the exports to the African region, including Sudan and the Arab Republic of Egypt (ARE). Exports to Sudan rose from Rs 106 crores to Rs 665 crores and those to the ARE from Rs 149 crores to Rs 525 crores, representing a rise of 258.5 per cent and 253.5 per cent respectively. Exports to the other African countries increased from Rs 102 crores to Rs 235 crores. The spurt in exports to Sudan was primarily due to sugar and in the case of the ARE owing to sugar and tea.

Although our trade with the Latin American region has been rather small due to the distance between our country and this region as well as the information gap about the markets in Latin America, exports to this region went up to Rs 198 crores from Rs 121 crores in 1973-74.

Exports to North America last year rose by about 11 per cent—from Rs 377 crores to Rs 420 crores. At Rs 376 crores, exports to the USA were higher by about eight per cent, as compared to Rs 346 crores in 1973-74. Exports to Canada at Rs 44 crores registered a rise of 42 per cent over the figure of Rs 31 crores for 1973-74. Exports to the USA increased on account of higher proceeds in the case of sugar, finished leather, engineering goods footwear and clothing. Exports of cotton piecegoods, jute manufactures and cashew kernels to the USA, however, registered some decline.

decline to ECM

Exports to the enlarged European Common Market last year were not as impressive as in the preceding year. As against a growth rate of 45 per cent achieved in 1973-74 with exports to this region in that year going up to Rs 600 crores, the exports last year at Rs 689 crores were higher by only 13.2 per cent. Exports to the UK increased by 17 per cent—from Rs 263 crores to 307 crores. While the exports of tea, tobacco, engineering goods, rice, finished leather and footwear to the EEC increased last year, those of cotton piecegoods, oilcakes, semi-processed leather and cashew declined. Exports to West Germany and France also increased by 22 per cent and 70 per cent respectively.

The east European nations lifted last year from our country goods worth Rs 681 crores, as against 468 crores worth in the previous year (40 per cent increase). Exports to the Soviet Union went up from Rs 286 crores to as much as Rs 418 crores. The increase was primarily accounted for by increased offtake by this country of our jute manufactures, cashew kernels, finished leather, tea and coffee. The USSR emerged last year as the largest buyer of our goods. It was followed by the USA, the UK and Japan. Exports to Poland and Czechoslovakia went up sizeably. There was, however, some decline in exports to Bulgaria and Hungary.

The Asian and the Australian markets accounted for nearly 36 per cent of our total exports last year. Exports to these regions went up to Rs 1189.44 crores from Rs 880 crores in 1973-74. Exports to the ESCAP region (Economic and Social Council for Asia and Pacific) were higher by 23 per cent. In this region, the decline of about 18 per cent in the exports to Japan was an unhappy development. It was due mainly to reduced purchases by Japan of oilcakes, cotton piecegoods, fish and semi-processed leather.

There was a pronounced improvement in our exports to the Gulf countries lifted from here last year goods worth Rs 289 crores, as against Rs 142 crores in 1973-74. Exports of sugar, tea, jute manufactures, cotton piecegoods and cement to these countries went up markedly.

As a result of the impressive increase in exports during the last three years, the union minister for Commerce, Prof D. P. Chattopadhyaya has expressed the view that notwithstanding some unfavourable factors in the world economy today, the current financial year's export target of Rs 3,800 crores would be reached. He expressed optinisms last week that the overseas buyers of our goods would regain their buoyancy by the end of the current year. The various measures taken by the government in the recent past (including those seeking to facilitate augmenting of industrial capacity), the easier power and raw materials situation, the improved industrial relations and transport facilities, etc., he hoped, would go a long way in realising this year's export target.

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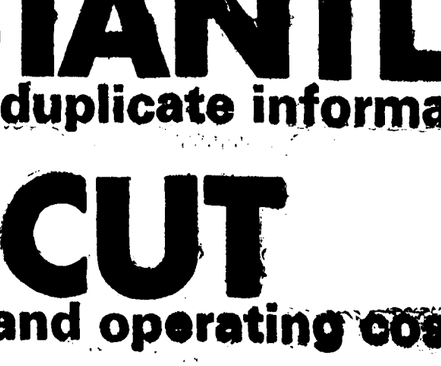
The new drugs policy officially stated to have been finalised at a high-level meeting convened here last week by the union minister for Petroleum and Chemicals, Mr K. D. Malviya, is envisaged to accord high priority to the bulk production of essential drugs, the indigenous output of which is either inadequate or non-existent at present. These critical drugs have been identified recenly by the Hathi committee. The manufacture of some of them has already been included in the expansion plans of the Indian Drugs and Pharmaceuticals Ltd.

The production of antibiotics, sulpha drugs, vitamins, anti-TB formulations, steriods, anti-bacterial drugs and hormones is proposed to be stepped up substantially. Both the public and the private sectors would be assigned specific roles for raising the output of these drugs particularly and of the other medicines in general. In line with the current policy of the government, the public sector will have a much bigger role to play than hitherto in filling the critical gaps in the manufacture of essential drugs, although every encouragement will be provided to the private sector units—both foreign and Indian—to go in for the production of bulk drugs. The total output of drugs in the country is to be raised by the end of 1978-79 to about Rs 600 crores worth from nearly Rs 350 crores worth at present.

The public sector units are also envisaged to be allowed to go in for formulations on a much larger scale than they are doing at present. This, it is felt, will help in improving their profitability.

Besides raising the production of essential drugs, the new policy will broaden the distribution mechanism. The ministry of Petroleum and Chemicals would arrange bulk supplies of essential drugs to the ministry of Health and the central department of Civil Supplies which, in turn, would arrange marketing through the public distribution system, particularly in the rural areas. Under another scheme, some public sector undertakings, such as the Indian Oil Corporation, are proposed to be associated with the distribution of essential drugs and popular medicines. These drugs and medicines are proposed to be made available, to begin with on a pilot scale, for sale at the retail outlets and petrol pumps of the IOC.

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POINT OF VIEW

Performance appraisal of development banks

S. P. Kumar

A NUMBER of development banks have been set up both at national level and the state level to promote and accelerate the process of planned industrial development in their identified areas of operation, translating the objectives and strategies outlined in industrial policies and five-year Plans from time to time. Each of these development banks claim to have more than achieved this objective with the help of monetary and other resources at its command. All these banks have built up their monetary resources through the employment of suitable financial instruments viz., issue of bonds and debentures at a nominal rate of interest on an average of 6 per cent guaranteed by either the respective state government or the central government. These resources are invested in the form of long term and short term loans. These loans are advanced at a higher rate of interest ranging between 9 per cent to 12 per cent depending upon the nature of the advance. In addition to investing its funds in the form of long term and short term loans, it subscribes to equity shares of the assisted units and also indulges in buying and selling of shares and securities. The major source of revenue is due to return on investment in the form of long term and short term loans. The part of the revenue is also due to dividend income and capital gains on sale and purchase of shares and securities.

common standard

The development banks have been adopting one common standard of evaluation of its performance vis-a-vis their objective of promoting and accelerating the growth of industrial development in their area of operation. This common standard is "*the amount of investment expected to be catalysed* through its investment in the assisted units on the basis of sanctions".

But the question arises—Does this common standard really evaluate its performance? Does it vividly depict the success and failures in its operations? Should this common standard be accepted as the only criterion for evaluation of its performance? Can we think of an alternative yardstick to evaluate its performance to overcome the shortcomings of this common standard? The objective of this article is to answer some of these questions and suggest a viable alternative to the present common standard to evaluate the performance of the development banks.

The contention of the development banks is that they should not be evaluated on the amount of profits generated over many years of its operation, as profit making is not the objective of these institutions. This is acceptable. Does this contention alone justtfy the adoption of this common standard of amount of investment expected to be catalysed through its operations? The answer to this question is certainly not in the affirmative. This fact compels for a deeper analysis to arrive at a suitable, acceptable and aviable alternative to this common standard.

The valid criterion to evaluate the

TABLE I

(Rs. Lakhs)

Yrs.	Investments (Rs)	Value of Production (Rs)	Ratio = Value of production / Investment	Rate of increase of Ratio (4) (Base Yr: First Year)
1	2	3	4	5
1				
2				
3				
4				
.				
.				
8				
9				
10				

TABLE II

Yrs.	Investment (Rs)	Operating Capacity (Rs)	Idle Capacity (Rs)	Idle Capacity / Operating Capacity	Idle Capacity / Investment	Rate of increase of Ratio (6) (Base Yr. 1st Year)
1	2	3	4	5	6	7
1						
2						
3						
.						
.						
9						
10						

performance of a development bank lies in its very objective of promoting and accelerating the process of industrial development. In order to judge the performance of the development bank, it is only imperative to identify certain indicators relating to the specific aspects of industrial development and study the rate of growth of these indicators in the region where the development bank is operating. It is possible to consider numerous indicators relating to many aspects of industrial development. However such an analysis is not only elaborate but also time consuming. Thus it is enough to make an analysis of certain indicators relating to the specific aspects of industrial development such as production, labour and employment, and operation to establish if any rapid industrial development occurred in relation to the total investment during the period of operation of the development bank.

The Analysis: A time period of the first 10 years of operation of a development bank is assumed for analysis. A proforma of two tables is given to observe the ratio of production to investment and the ratio of idle capacity to investment.

method of analysis

The analysis as shown in Tables I and II is required to be done at constant prices, otherwise it will show erroneous results.

From Table I, it can be observed whether the ratio of production to investment is maintained at a value as projected in the project reports and whether this ratio is steadily increasing over the years or not. This ratio will show increasing trend as the operating capacities of most of the units are reached in phases spread over a few years.

The rate of increase of ratio of value of production to investment is compared with the rate of increase of ratio of gross value of production to gross investment of the private corporate sector as a whole for the corresponding period. A comparison of these two ratios reveals whether the degree of contribution of the development bank to economic growth via value of production has been significant over the years or not.

From Table II, it can be observed whether the ratio of idle capacity to investment is increasing or otherwise and its trend over the years.

The rate of increase of ratio of idle capacity to investment is compared with the rate of increase of ratio of gross idle capacity to gross investments for the private corporate sector as a whole for the corresponding period. A comparison of these two ratios reveals the contribution of investment by the development bank towards the increasing rate of creation of idle capacity.

From proforma Tables III, IV and V the following observations can be made.

(1) The rate of increase of the strength of factory workers to investment over the years of operation of the development bank.

TABLE III

Yrs.	Population (in Lakh Nos.)	No. of Factory Workers per 1,000 of Population	Rate of Increase of Factory Workers to Investment (Base Yr: 1st Yr.)
1	2	3	4
1			
2			
3			
4			
.			
.			
9			
10			

TABLE IV

Yrs.	Average Annual Earnings per Worker (a)	(b)	Rate of Increase of Average Annual Earnings per Worker (Base Yr. 1st Yr) (a)	(b)	Rate of Increase of Investment (Base Year :1 Yr.)
1	2		3		4
1					
2					
3					
4					
.					
.					
9					
10					

(a) Employees earning less than Rs. 200 p.m.
(b) Employees earning less than Rs. 400 p.m.

TABLE V

Yrs.	Persons Employed (Lakhs Nos.)	Value of Industrial Production (Lakh Rs)	Rate of Increase of Ratio of Persons Employed to Value of Production
1			
2			
3			
4			
.			
.			
9			
10			

This rate of increase of strength of factory workers to investment is compared with the rate of increase of gross strength of factory workers to gross investment for the private corporate sector as a whole for the corresponding period.

(2) The average earnings per worker in both the categories (a) employees earning less than Rs 200 p.m. and (b) employees earning less than Rs 400 p.m. and its rate of increase in relation to rate of increase of investment.

This rate of increase of average annual earnings per worker in both categories is compared with the rate of increase of average annual earning per worker in both categories for the private corporate sector as a whole for the corresponding period in relation to rate of increase of gross investment.

(3) The rate of increase of number of persons employed in relation to value of production.

This rate of increase of the number of persons employed in relation to value of production is compared with the rate of increase of gross number of persons employed in relation to gross value of production for the private corporate sector as a whole for the corresponding period.

The above analysis is also required to be done at constant prices.

contribution to employment

The above comparison reveals the contribution of investments by the development bank to economic growth via employment of workers. If the average earning per worker has been significant over the years or not is estimated.

From proforma Tables VI and VII the total gross profit as a percentage of capital employed and total dividend as a percentage of paid up capital and reserves can be analysed.

The ratios of profit to capital employed and dividend to paid up capital and reserves is compared with the corresponding ratios for the private corporate sector as a whole for the corresponding period and thus the contribution to economic growth via generation of profits and dividends over the years is established.

The proforma Table VIII shows the per capita expenditure in the area of operation of the development bank and its trend over the years of involvement of the development bank. This per capita expenditure is compared with that of the country as a whole for the corresponding period and the significant contribution, if any, is established.

A comparison of two growths of in-

TABLE VI

(Rs lakhs)
(at constant prices)

Yrs.	Total Gross Profit	Total Capital Employed	Percentage of Total Gross Profit to Capital Employed
1	2	3	4
1			
2			
3			
4			
.			
.			
9			
10			

TABLE VII

(Rs. Lakhs)
(at constant prices)

Yrs.	Total Dividends	Total Paid up Capital and Reserves	Percentage of Dividends to Paid up Capital and Reserves
1	2	3	4
1			
2			
3			
4			
.			
.			
9			
10			

Note : Tax cut at source on dividend income is included in "dividend" and not in tax provision

TABLE VIII

Per Capita Expenditure

Particulars	Firt Year	After 5 Yrs	After 10 Yrs	% Distribution of Total		
				1 Yr	After 5 Yr.	After 10 Yr.
1	2	3	4	5	6	7
Foodgrains						
Milk & milk products						
Total of food items						
Clothing						
Fuel & light						
Rent & taxes						
Miscellaneous						
Total of non-food items						

dexes reveals the degree of contribution of development banks. It can be established whether the contribution of the development bank to economic growth via capital formation has been significant over the year or not.

The figures in column (2) Table X are available in George Resen's "Some Aspects of Industrial Finance in India". P. 120, and may be taken generally speaking, as those generated by the private corporate sector. The rupee figures could be in current rupees. The figures in column 5 can be calculated on 3:1 capital-output ratio basis. These figures will be crude estimates. The figures in columns 3 & 6 can be calculated thus yt—yt-1

$$\frac{}{yt_{-1}} \times 100$$

Where Yt represents gross value added Yt-1, the gross valve added in present year. With the help of data in Table X, an attempt can be made to evalute the role of development banks from the point of view of gross value added to GNP.

One of the major doubts which occur during the above analysis is, should the data from unsuccessful ventures in spite of involvement of development bank with them be considered or not. Are the development banks accountable for the dismal performance of the industrial units in which they have invested ? If so, for what period should they be held responsible ?

banks' responsibility

Development banks cannot disown the responsibility for the depressing performance of the assisted units during the period of their association with them. This is mainly because the development banks are required to appraise the prospects of a unit during the repayment period of their long term loans and interests thereon spread over a period of almost ten years including the period of moratorium of two years, apart from considering other factors. Development banks are required to have considered all factors influencing the economy as a whole and the industry to which the unit belongs, in particular at the time of appraisal. The success of assisted industrial units reflects the success of the development banks during their association with industrial units. They have freedom to invest or not to invest in an industrial venture, based on many factors —technical feasibility, financial feasibility, market feasibility and the calibre of the promoters. The loss of production, loss of opportunity of employment, loss of profits and dividends as a result of failure of industrial ventures in spite of all help by the development bank have to be taken into account while assessing the performance of the development bank. This aspect of failure of industrial ventures and its effects are not revealed in the common standard, "amount of investment catalysed."

The common standard "amount of investment expected to be catalysed on the basis of sanctions" conceals the failures of the development bank on two counts.

The time lapsed between the time of sanctions and time of disbursements of financial assistance is not reckoned here.

Secondly there exists at yawning gap between amount of disbursement and the amount of sanaction of financial assistance. This factor is also buried under this common standard.

If this kind of analysis indicates substantial growth and an appreciable rate of growth over the years in its area of operation, the success of operation of development bank is established.

Development banks are tempted to take the entire credit for themselves in their area of operation, for the simple reason that it is *not possible to establish* whether the same promoters would have ventured these projects either in the same industrial area or elsewhere with their own capital in the absence of the development bank operating and offering financial assistance. Presuming the promoters would have invested in certain ventures feasible in relation to their capital, would they have invested in the area of operation of the development bank is not possible to ascertain. Even if these promoters had invested their capital in certain ventures in metropolitan centres from where in fact most or all of them come, the contribution to the industrial development of that area is again not possible to ascertain. In the light of these uncertainties, the total credit for industrial development of certain area is claimed by the development banks.

Since in the mixed economy in India, the private sector has been assigned a large role, the Planning Commission realised that the accomplishment of industrial targets depends considerably on the volition and initiative of the private sector. The Planning Commission suggests that for the accomplishment of the private sector's objectives, it could be necessary "to guide and channelise the assistance by financial institutions in accordance with the priorities of the private sector programme as indicated in the plan."

As the development banks have been set up either by the state government or the government of India with the specific purpose to act as tools of economic planning, it is essential to study how effectively they have played this role over many years of their operation.

The major objectives and strategies outlined in industrial policies of the government and the national plans are as follows.

1. Development along socialist lines to secure rapid economic growth and expansion of employment.
2. Prevention of concentration of economic power.

The strategy to achieve the conflicting objective of self-sustained growth and immediate increase in employment opportunities was to adopt a policy of encouraging labour intensive techniques in consumer goods industries even as the capital intensive sector of heavy industry was being expanded rapidly.

The strategy to achieve the objective of prevention of concentration of economic power is to adopt the policy of widening opportunities for new entrants in the promotion of new industrial ventures through effective exercise of the government's powers of control and regulation and use of appropriate fiscal measures.

An outstanding feature of the fourth five year Plan was its emphasis on "the common man, the weaker sections and the less privileged." It is also laid down by the Planning Commission that planning should result in greater equality in income and wealth and that the benefits of development should accrue more and more to the relatively less privileged class of society. In the background of these declared objectives and strategies for industrial development, the pertinent questions for which answers are required to be sought during the operation of a development bank are:—(1) How successful are the development banks in encouraging new and local entrepreneurs and diffusing entrepreneurship? (2) Who are the beneficiaries of the operations of the development banks? Are they dominant and established businessmen or new entrepreneurs ? (3) Have the development banks assisted labour intensive projects in the consumer goods sector? (4) What specific efforts are made and success achieved regarding the elimination or reduction of regional economic imbalances in its area of operation? (5) What has been the pattern of investment by the development banks? Have they contributed satisfactorily to the building up of complexes of industries, so as to accelerate the pace of industrialisation or concentrated their investment in traditional goods manufacturing. (6) What has been the aver-

TABLE IX

Indexes of growth of Capital Formation in the Private Corporate Sector and of that Generated by the Development Bank During its Period of Operation

Yrs	Gross Capital Formation in the Private Corporate Sector (Rs lakhs)	Index of growth of Column (2)	Aggregate Financial Assistance by Development Banks (Rs. lakhs)	Index of growth of column
(1)	(2)	(3)	(4)	(5)
1				
2				
3				
4				
.				
.				
9				
10				

Notes : The averages of figure of columns 2 and 4 for the first 3 years could be used for base year period for data in columns 3 and 5. The 3 yearly averages of figures in Colmun 3 and 4 are taken as base 100. The development bank's contributions are included in column 2.

TABLE X

Gross Value Added to GNP by the Private Organised Industrial Sector and that Generated by Development Bank

Yr.	Gross Value Added by the Private Corporate (Rs. lakhs)	Growth Rate of Column 2	Development Bank's Investment Rs, lakhs	Gross Value Generated Through Development Banks (Rs. lakhs)	Growth Rate of Column (5)
(1)	(2)	(3)	(4)	(5)	(6)
1					
2					
3					
4					
.					
.					
9					
10					

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age time between the time of sanctions and time of disbursements ? (7) What is the percentage of the amount of disbursements to the amount of sanction?

If the answers to the above questions are positive and conscious efforts have been made in translating the declared objectives and appreciable results have been achieved over the years, one can conclude that the operation of the development bank is a success.

A two-stage analysis of the operations of the development bank is suggested above, if the operations of the development Bank stands the test of this two-stage analysis, the development bank has established the success of its operations.

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Impact of nationalisation on farm finance

Dr C. D. Singh & Dr R. D. Sharma

TWO VITAL considerations have been the guiding principles of the recent spurt in the agencies supplying farm credit: First, the spread of green revolution through the length and breadth of the country is essential for the stability of the economy, and second, the provision of cheap and sufficient credit constitutes a powerful tool for transformation of traditional agriculture into progressive and self-sustained one. The process of transformation becomes smooth when the provision of right amount and right kind of credit is joined with better managerial aptitude on the part of farmers. Though the transformation of traditional agriculture calls for a combination of diverse factors[1], yet the role of managerial aptitude and adequate credit cannot be minimised which, by setting the tone and tempo of agrarian growth, pave the way for other factors to take their due positions in course of time.

colossal problem

The problem of agricultural finance in India, like that of other underdeveloped countries, is both quantitative and qualitative. It is colossal from the standpoint of credit requirements[2] and inadequate and serious from the standpoint of agencies supplying it.[3] Of late, particularly during the decade 1761-71, many institutions have been made to operate in the crucial agricultural sector of the economy. The follow-up action on the survey committee report, even during a very brief period, vividly revealed that the citadel of money lenders is not a protected one; it can be successfully invaded if the problems are conceived imaginatively, the defects are located and appropriate solutions are found thereof. As a consequence, the decade 1961-71 has been remarkable for a major shift in policy i.e., the adoption of multi-agency approach in place of single-agency approach. Thanks to the ever-growing interest of the Reserve Bank of India, the agricultural sector is being served with a network of institutional agencies, viz. co-operatives, public sector banks including the State Bank group, private sector banks, Agricultural Finance Corporation, Agricultural Refinance Corporation, SFDA, MFDL and others.

As a consequence of institutional 'boom', so to say, not only the sphere of institutional credit widened further during this decade, the quantum and methods of financing agriculture also underwent incredible changes. The object of this article is to assess the role of only one agency, i.e. public sector banks and take stock of their points of strength and weaknesses.

The enunciation of social control over banks and, later, the nationalisation of major commercial banks, with deposits of Rs 50 crores and above, have been a watershed in principles and practices of banking in India. Prior to nationalisation, commercial banking in India, patterned more or less on the British system, was content to adhere to 'real bills doctrine.' In terms of the doctrine, the banks did not cross the frontiers of short-term capital requirements of industry and commerce and ensured the safety by providing self-liquidating loans. The long-term credit needs did not figure prominently in the credit portfolio of commercial banks.

superimposed pattern

The Indian banking system took the cue from the British banking system and did not attune its attitude and lending operations to suit the needs of a developing economy. The British pattern was superimposed on an economy which was fundamentally different in structure and composition. Instead of being a catalytic agent of economic growth and involving themselves in the planned effort at transformation of the economy, the banking system remained a mute spectator of massive attempts being undertaken to lift the economy to a new, higher plane. As late as in March-end 1967, agriculture, which contributed a little over 50 per cent of national income, received only a little more than two per cent of bank credit; while industry, which contributed hardly one-fifth of national income, appropriated nearly two-thirds of bank credit. More than four-fifths of bank credit went to industry and commerce which accounted for roughly one-third of national income.[4]

However, to be fair, all the blames cannot be laid at the door of commercial banks. The intrinsic weaknesses and peculiarities of farm operations did not induce the banking system to come to grips with their problems. Agriculture did not measure up to the requirements of bank loans in respect of security, creditworthiness and certainty of repayment. The peculiarities of farm operation, mingled with the indifferent attitude of the banks, made bank lending to agriculture prior to nationalisation a dismal story. The data in this connection have been presented in Table I.

indifferent attitude

The share of agricultural sector in total credit was itself indicative of the indifferent attitude of the banking system towards the biggest industry of India. After remaining almost stagnant in percentage terms for about a decade, the share declined in subsequent years. It got a small kick-up under the scheme of social control over them, the share of agricultural credit rising to about 45 crores of rupees in 1968 from a paltry four crores of rupees in 1965.

Nationalisation brought in its train a number of profound changes in organisational, attitudinal and operational set up of banks. A marked deviation from the past dominated the banking scene in respect of branch expansion and credit distribution. In tune with the objectives set out by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1969, the banking system provided berth for neglected areas, neglected

sectors and neglected people. Indian banking, attired in the principles and practices of British banking, showed a miraculous power of built-in flexibility and it did not hesitate to travers the uncharted routes of economic growth with social justice. As a consequence, rural centres became the focal point of branch expansion and agriculture occupied the pride of place in respect of bank credit among priority sectors. The data regarding branch expansion programme of public sector banks have been presented in Table II.

outstanding facts

Two facts stand out clearly from the perusal of Table II. First, within five years of nationalisation, commercial banks have more than doubled their branches in comparison to the number on the eve of nationalisation. To put it more succinctly, in more than two decades prior to nationalisation, commercial banks were content with 8,262 offices, whereas within half a decade they have opened up an impressive 8674 branches. Second, rural areas, i.e., areas with a population up to 10,000 have been given preference in respect of new branches, the percentage share moving up from 22.4 in June 1969 to 36.5 per cent in June 1974. Similar trend has been noticeable in respect of credit distribution too. The neglected sectors in pre-nationalisation years turned out to be priority sectors of post-nationalisation years and in this process public sector banks girded up their loins to meet the new challenges set by economic policy and discharge the true role of development banks.

In the field of farm financing too, public sector banks have many achievements to be genuinely proud of. The banks devised a number of novel schemes comprising, inter alia, opening of agricultural branches, simplification of loan application procedure, differential interest scheme, delegation of adequate discretionary powers to the bank agents, adoption of villages and group loans. The State Bank has taken the lead in opening agricultural development branches, the total being 146. Not only that, it provided both direct and indirect finance to the farmers to meet the varying needs of progressive agriculture, such as, investment in agriculture, minor irrigation, land development, farms mechanisation, dairy development, fisheries, purchase of seeds, manures and tractors and so on. Initially the banks confined their lending operations to the well-off, credit-worthy farmers, but subsequently, under the dictates of radical economic policy and due to their preponderance in the Indian agrarian structure, small and marginal farmers were increasingly added to the credit list of commercial banks.

Quantitatively speaking, the advances to agriculture increased from Rs. 162 crores in June 1969 to Rs 429 crores in March 1973, i. e. by 164 per cent during a period of nearly four years. The proportion of their advances to agriculture to total bank credit of these banks, which formed 5.4 per cent in June 1969, increased to 8.4 per cent in March 1973 and further to 9 per cent in September 1973. The rapid strides made by public sector banks in the domain of farm financing have set a fresh wave among farmers to exploit the technological possibilities of agriculture. The progress of the banking system appears quite impressive when its performance is compared with that of the co-operative sector. The quantum of credit provided by commercial banks forms about two-thirds of the credit provided by the primary agricultural credit societies for agricultural purposes. Within a short span, commercial banks have reached a level of agricultural finance which took nearly seven decades for the co-operatives to attain.

The banks' massive entry in the field of providing direct finance to farmers has been an offshoot of nationalisation. Of the total agricultural advances, direct finance, which stood at Rs 54 crores in June 1969, jumped to Rs 84 crores in June 1970 and Rs 236 crores in June 1971, Rs 267 crores in June 1972 and Rs 382 crores in September 1973. In percentage terms, direct finance provided to farmers increased from 24.8 per cent in June 1969 to 63 per cent in March 1973. A similar

TABLE I

Financing of Agriculture by Scheduled Commercial Banks in India: 1951-68

(In Rs crores)

Year	Total amount of scheduled bank credit	Share of the agricultural sector in total credit	Agricultural credit as percentage of total bank credit
1951	584.2	15.9	3
1953	546.0	23.0	4
1955	635.4	12.5	2
1957	925.0	22.9	3
1959	1135.8	25.7	3
1961	1228.0	6.0	0.4
1963	1610.0	4.0	0.3
1965	2095.0	4.0	0.3
1968	3396.3	44.6	1.3

Source: Compiled from various RBI Bulletins and Reports on Trend and Progress of Banking in India.

TABLE II

Centrewise distribution of Commercial Bank Offices

(Rs crores)

Centre	Number of Offices as at the end of				Percentage increas between June 1969 to June '74
	July '69	% to Total	June '74	%to Total	
Rural	1832	22.4	6175	36.5	50.1
Semi-urban	3322	40.1	5094	30.1	20.4
Urban	1447	17.5	2891	17.0	16.6
Metropolitan port towns	1661	20.0	2700	16.4	12.9
Total	8262	100.0	16936	100.00	100.0

Source: Reserve Bank of India Annual Report and Trend and Progress of Banking in India 1973-74.

spurt can be noticed in the number of borrowal accounts, i.e., from 1.6 lakhs in June 1969 to over 11 lakhs in March 1973, reducing the average amount per direct borrowal account from Rs 2,619 in June 1970 to Rs 2,355 in March 1973. Of the total borrowal accounts, 49.2 per cent are in respect of short loans (including crop-loans) accounting for 28.6 per cent of the total direct finance provided by the public sector banks to agriculture, the average per account being Rs 1,370.

Term loans cover 29.9 per cent of the borrowal accounts and 59.6 per cent of the total direct finance, the average per account being Rs 4691. Allied agricultural activities cover 20.9 per cent of the borrowal accounts and 11.8 per cent of the outstandings[5], the average per account being Rs 1327. Under term loans, minor irrigation purposes like sinking and deepening of wells and tubewells and installation of pumpsets and oil engines as well as other composite minor irrigation schemes have the pride of place both in terms of the number of borrowal account (74.2 per cent of the total) and the outstandings (53.8 per cent of the total); whereas term loans for acquiring tractors and other agricultural implements and machnery constituted 9.6 per cent of the total number of borrowal accounts and 27.8 per cent of the ontstandings. Under loans for allied activities, dairy development has received the major attention both in terms of the number of accounts (2.8 per cent) and the amount outstanding (3.3 per cent). The data have been presented in Table III.

Similarly, the volume of indirect finance, which stood at Rs 134 crores in June 1969, increased to Rs 159 crores though its percentage share in the total advances made to agriculture by public sector banks came down. Under indirect finance, financing of the distribution of fertilisers and other inputs and loans to electricity boards for financing their well energisation programmes constituted 44.3 per cent. The data regarding indirect finance have been presented in Table IV.

TABLE III

Direct Finance to Farmers by Public Sector Banks as on March 30, 1973

Purposes	Number of Accounts	Amount Outstanding (in lakh Rs)
1. Short term loans	564296 (49.2)	7732.26 (28.6)
2. Term loans	343182 (29.9)	16099.36 (56.9)
3. Allied activities.	239481 (20.9)	3177.54 (11.8)
Composition of Term Loans		
(a) Sinking and deepending of wells and tube wells	74247 (21.6)	3258.69 (20.2)
(b) Pumpsets/oil engines	166499 (48.5)	4495.83 (27.9)
(c) Composite minor irrigation schemes	14039 (4.1)	919.85 (5.7)
(d) Tractors and agricultural implements and machinery.	32740 (9.6)	4466.98 (27.8)
(e) Plough animals (bullocks)	7947 (2.3)	117.42 (0.7)
(f) Reclamation and land development schemes	16964 (4.9)	750.14 (4.7)
(g) Construction of godowns, cold storage.	840 (0.3)	95.20 (0.6)
(h) Plantations	1340 (0.4)	1076.63 (6.7)
(i) Other term loans	28566 (8.3)	918.62 (5.7)
Composition of loans for allied activities		
(a) Dairying	31928 (2.8)	881.55 (3.3)
(b) Poultry farming, piggery and bee-keeping.	7958 (0.7)	491.90 (1.8)
(c) Fisheries	2986 (3.0)	593.60 (2.2)
(d) Other direct advances	196609 (17.1)	1210.49 (4.5)

Source : Reserve Bank of India Bulletin, April 1974.

TABLE IV

Indirect Finance to Farmers as on the 30th March 1973

Purposes	No. of Accounts	Amount Outstanding (in lakh Rs)
1. Distribution of fertilisers and other inputs.	4759 (3.8)	5343.02 (33.6)
2. Loans to electricity boards.	134 (0.1)	7035.43 (44.3)
3. Loans to farmer through primary agricultural credit societies.	102391 (829)	1139.37 (7.2)
4. Other types of agricultural finance such as loans to state tube-well corporations, agro-industries corporations, custom service units, co-operative marketing societies etc.	16272 (13.2)	2363.68 (14.9)
Total	12,3556	15,881.50

Source: Reserve Bank of India Bulletin, April 1974.

The impressive list of achievements outlined above contains some hidden inconsistencies and the picture of agricultural advances is not as bright as it appears to be. To being with, the rate of increase in agricultural advances has not been uniform. Whereas the year ended June 1970 witnessed an increase of Rs 140 crores (86.4 per cent), the rate of increase slowed down in 1971 and 1972, being Rs 39 crores)12.9 per cent) and Rs 47 crores (13.8 per cent) respectively. During the period of nine months ended March 1973, the agricultural advances of public sector banks increased by Rs 41 crores. Added to the halting pace of agriclittural advances has been disparity in usdistri-

bution among various states. The nationalised banks have concentrated their operations in the well-banked states of Andhra Pradesh, Gujarat Maharashtra, Karnataka and Tamil Nadu. Taking into account the aggregate outstanding short term loans for all categories of borrowers in each state, Andhra Pradesh has the maximum outstandings at Rs 1972.41 lakh followed by Tamil Nadu with Rs 1638.69 lakhs Maharashtra with Rs 1316.64 lakhs, Karnataka with Rs 654.94 lakhs and Gujarat with Rs 539.51 lakhs.

These five states together accounted for 79.2 per cent of the total outstanding short-term loans as on March 1973. Similarly, of the total advances granted by public sector banks for minor irrigation purposes at Rs 8634.37 lakhs, Maharashtra accounted for Rs 2265.41 lakhs (26.1 per cent) followed by Gujarat with Rs 1530.54 lakhs (17.6 per cent) and Tamil Nadu with Rs 756.33 lakhs (8.7 per cent).[6]

class disparity

There has also been disparity among different classes of farmer-borrowers. Commercial banks have not provided liberal finance to small but potentially viable farmers who constitute the hub of Indian agrarian system by virtue of their sheer number. The marginal/small farmers with holdings upto five acres accounted for 69 per cent of the borrowal accounts and 44.7 per cent of the outstanding short term loans; whereas medium/larger borrowers with holdings above five acres accounted for 31 per cent of total number of accounts and 55.3 per cent of the outstanding short term loans. Like-wise medium/large farmer-borrowers accounted for 64.4 per cent of the borrowal accounts and 83 per cent of the outstanding under development finance, the share of marginal/small farmers being 35.6 per cent and 16.9 per cent respectively. Taking together short and medium/long term loans, the marginal/small farmer-borrowers accounted for 56.4 per cent of aggregate borrowal accounts and 26 per cent of the outstandings; whereas the medium/large farmers availed themselves of 74 per cent of the outstanding loans in 43.6 per cent of the borrowal accounts.[7] These figures demonstrate the failure of nationalised banks to contain disparity between states as well as between different classes of farmers and social and economic tensions are raising their head to thwart the process of orderly and peaceful changes to step up agricultural production.

The post-nationalisation years have brought to the fore a host of problems in respect of agricultural advances. Though the Reserve Bank of India has attributed the slow-down in the rate of increase of agricultural advances to the increased attention given to reorganisation and consolidation so as to improve the qualitative aspect of loans and effective post-sanction supervision, yet the real answer seems to have been provided by Mr R. K. Talwar. To quote him, "We are chary of hasty and adventurous measures that seem glamorous at first sight but are difficult in execution and could be disastrous in results. After all, if out resources were to be frittered away in wasteful projects, the advocates of instant aid to priority sectors would be even more vociforous in condemning bank management. It is a rather simplistic notion if one were to believe that funds should have been injected into these sectors just because they were needed and available.[8]

The major problems in the way of agricultural advances relate to the performance of rural branches, credit-worthiness, recovery and coordination. Rural banks, which were supposed to disseminate growth factors in rural reconstruction by putting agriculture on a sound footing, have not come up to the expectation reposed in them. Most of them are yet in the red and suffering from a multitude of diseases due to non-compliance with the pre-conditions of viability at the time of establishment. The lack of adequate and proper staff has been the foremost factor which has left the communication gap between the farmers and the banks unbridged. The ill-staffed branches have not succeeded in inspiring farmers by establishing personal contact and making known to them the various types and nature of services they can render, both advisory and financial.

little impact

In the absence of supervision over the proper end-use of credit, the actual impact of the advances made by them to the rural sector has been very little and uncertain. The lack of proper supervision has also led to the misutilisation of credit facility. There have been cases where dealers have not supplied pumpsets and/or other materials to the borrowers and returned part of cash to them. The dealers of the pumpsets/tractors have also over-invoiced in certain cases to meet the margin money of the project. In a number of cases, the scales of finance were either pegged too high or too low and the due dates of recovery were not fixed in consonance with the harvesting season. The lack of adequate staff and lack of necessary expertise in regard to agricultural operations and problems of small farmers have been at the root of the unsatisfactory performance of new branches located in rural centres.

Another major problem concerns the determination of credit-worthiness of the farmers. Most of the farmers do not have the type of securities acceptable to the commercial banker save and except land. Security of land tends to gear up the pattern of lending in favour of well-to-do farmers. On the other hand, marginal/small farmers, who need credit most and whose upliftment should be a preamble to any reform of agriculture, are deprived of their legitimate share. Hence, there is a urgent need of devising methods which could substitute credit-worthiness of purpose in place of credit-worthiness of persons.[9]

slow recovery

The slow recovery performance of public sector banks has been another factor bringing about a decrease in the rate of agricultural advances. Recovery of loan is essential because, in its absence, a considerable part of the working capital is frozen and the volume of credit gets thinner and thinner year after year. As observed by the Reserve Bank of India, "In contrast to the rising pace of advances, the recovery position is not wholly satisfactory. While the total demand in respect of direct agricultural advances of the public sector banks increased by Rs 24 crores between June 1972 and June 1973, the amount of recovery increased only by Rs 6 crores. In the result, the proportion of recovery to total demand stood lower at 46.6 per cent at the end of June 1973 as against 50.7 per cent at the end of June 1972"[10].

The slow recovery performance has a variety of causes, the most important being the unpredictable monsoon and dependence of Indian agriculture on it, but it is no less due to the lack of proper supervision by the bank staff, lack of realistic recovery schedule and infiltration of political elements.

The problem of coordination is a multi-directional problem comprising coordination between state governments and commercial banks, coordination between suppliers of various agricultural services and commercial banks, coordination between cooperatives and commercial banks and lastly, coordination among various commercial banks themselves. Of late, several efforts have been made to bring about coordination in all these respects, but a good deal is yet to be desired. There has been a number of cases where state governments or suppliers of agricultural services have not reciprocated to the sanction made by commercial banks and the loans sanctioned remained in cold storage on one pretext or another.

commendable effort

Despite the loopholes and lacuna in their operations with respect to agricultural advances, public sector banks are really to be complimented for taking up the challenge boldly and bringing about organisational and attitudinal changes of vast magnitude in their set-up. The problems being faced by these banks, at present, are the problems of growth, not of stagnation and the problems are inevitable in the growth process. As the banks acquire experience in this complicated field of operation, new techniques will be devised to do away with the problems. When they started their operations with respect to agriculture, they were new and uncertain of their success. Now the banks have gained in confidence and they have valuable experience of half a decade to fall back upon. However, credit alone does not constitute the key to agricultural development.

Any isolated attempt at making more and more credit available to the farm sector will not deliver the goods unless credit is amply supported by supply of inputs, production and marketing. Hence, a comprehensive plan should be drawn up to ensure a harmonious and instantaneous coordination among all these ingredients of agricultural development. The operations of nationalised banks and other institutions concerned with agricultural development have brought Indian agriculture to the doors of technical break-through and its extension in the nooks and corners of the country will depend upon how best the various ingredients are woven in the texture of agricultural development plan.

References

1. MaxF. Millikan and David Hapgood: "No Easy Harvest. The dilemma of agriculture in underdeveloped countries;" Indian Reprint; p. 8.

2. In the past, various estimates were made to measure the magnitude of credit that agriculture requires. The central Banking Enquiry Committee mentioned Rs 300 to 400 crores as a lower limit of the farmers' needs for short-term and intermediate credit and expressed the opinion that there was an almost unlimited scope for the grant of long-term loans (see The report 1931, pp. 70-71)

Dr Baljit Singh, who conducted his survey about three decades ago, put the figure at Rs 1200 crores (see his Wither Agriculture in India, P. 222). S. Thirumalai estimated credit requirements in the 50's to the tune of Rs 1286 crores (see Post-war Agricultural Problems and Policies in India, p. 204). The survey committee put the short, medium and long-term credit requirements in the order of Rs 750 crores in 1951-52. However, the demand for credit has inereased manifold with the onset of green revolution The All India Rural Credit Review Committee projected Rs 2000 crores as short term, Rs 1500 crores as long-term and Rs 500 crores as medium-term credit requirement during the fourth Plan (See the Report, pp. 88 and 95).

3. The relative significance of different agencies were brought to light in a comprehensive manner by the Survey Report. It mentioned that whereas the share of institutional sources, comprising government, cooperatives and commercial banks, stood at 7.3 per cent the share of non-institutional sources, comprising relatives, landlords, agriculturist money lenders, professional money lenders, traders and commission agents and others, stood at 92.3 per cent (see the Report p. 167). Summing up the position, the survey report mentioned "Agricultural credit, as supplied by the different agencies, falls short of the right quantity, is not of the right type, and by the criterion of need (not overlooking the criterion of credit-worthiness) often fails to go to the right people". (See the Report p. 372).

4. R.B.I. Bulletin, October 1969.

5. R.B.I. Bulletin, April 1974, p. 643.

6. Ibid

7. Ibid

8. Speech delivered by the chairman of the State Bank of India in the annual general meeting of shareholders on March 30, 1973.

9. For details see C. D. Singh and R. D. Sharma: "Bank Lending to Priority Sectors: Problems and Prospects", Lok Udyog, Oct '73.

10. Trend and Progress of Banking in India, 1973-74; p. 46.

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WINDOW ON THE WORLD

The Commonwealth plan

E. B. Brook, Vienna

THE MONTH of August is moving towards its end, towards September when many conferences begin. Not the least significant was the meeting of Commonwealth Finance ministers in Georgetown, Guyana, on August 26, just before the annual meeting of the International Monetary Fund (IMF). Its purpose was to consider a scheme to stabilise world commodity prices which has been worked out by a team of very senior civil servants and economists on the suggestion of the British prime minister earlier this year.

The question of commodity arrangements has been prominent in international economic discussions this summer. The urgency given to the subject has arisen partly because of pressure from oil-producing states for a fundamental reconsideration of the entire balance of power between the industrialised world and the non-or only partly industrialised. Mr Wilson in Jamaica last May suggested the consideration and completion of an overall agreement. The Commonwealth plan, worked out as a result of his suggestion, is believed not to specify any figure either in quantity or cash for commodity arrangements but it does suggest that finance for commodity stockpiling should come from all parties concerned with supply and use from the western industrialised world.

varying attitudes

Other groups than the Commonwealth states have expressed attitudes to the subject. The OPEC has indicated willingness to help other raw material producers affected by the many fluctuations in their earnings or who seek as a matter of urgency to increase their overall revenue. The United Nations forum of UNCTAD has called for a $ 3,000 million finance plan to set up stocks of raw materials. Only the West Germans have expressed opposition to the whole idea. In their view any plan to finance stocks of raw materials of any type would be contrary to the rules governing the working of free market forces. The American attitude was expressed last May by Dr Kissinger, the Secretary of State, who put forward a plan linking action on the commodities front with measures designed to help less industrially developed nations with their development programmes.

The Commonwealth plan stresses that there must be some provision to protect the relationship between the price which raw material producers receive for their product and what they have to pay for manufactured goods—an idea which should appeal to the OPEC—but adds that this does not necessarily imply that commodity prices should be indexed. The west has steadily opposed any indexing plan. The gist of the "indexing" idea arises from the Shah of Iran who has heavily committed his oil earnings to finance immense domestic industrial and other development schemes. His proposal is to peg the price of his raw material—oil—to the price-index of a number, as many possibly as three dozen other commodities of the kind developing nations generally need to import from the industrial west.

attractive idea

The idea has some attractions for producers of other raw materials, but there are obviously many complications, such as which commodities should be selected as price indicators and which omitted from the proposed "commodities basket." The industrial countries would certainly contend that "price indexation" of selected communities reflect their general living indices since wages and other basic expenses enter into commodity prices. On the contrary, the selling price of oil remains independent of the selling countries' cost of living indices.

The World Bank and IMF, which will receive and presumably discuss the Commonwealth Fiuance ministers' plan, are likely to have lively meetings in September. Although the Saudi Arabian Oil minister has said recently that any price increase for crude which the OPEC may decide upon here at its meeting on September 30 will not be "drastic" and that the OPEC may even extend its nine-month freeze on crude oil prices after September, the general world opinion is that oil prices are going up again. Any plan therefore, to give the OPEC a more powerful vote in the World Bank is going to arouse the toughest opposition from the United States.

increased voting power

But this appears to be precisely what the former US Defence Secretary, now World Bank President, Mr Robert McNamara,appears to be proposing to do. His idea is that the capital subscriptions and the voting power of the oil cartel in the Bank be tripled, from five to 15 per cent. This would give the OPEC a larger share in World Bank decisions than it has in the sister organisation of the International Monetary Fund which has just doubled OPEC's quotas from five to 10 per cent in recognition of its increasing economic status.

Some international finance circles, especially those with relations of any type to Israel, see a tilting of international financial influence towards the Arabs. The US has quietly, so far, indicated fears of a World Bank leaning towards the oil cartel. World Bank members who are also members of the OPEC are Saudi Arabia, Iran, Iraq, Algeria, Libya, Nigeria, Indonesia, Gabon, Kuwait, Abu Dhabi, Quatar, Venezuela and Ecuador. There is some fear in US government circles that Mr McNamara has minimized the effect of high oil prices on industrially developing countries to gain OPEC's favour and make more certain that the Bank can borrow capital from them.

Last year the World Bank tapped the OPEC area for 64 per cent of its total borrowings of $3.5 billion. There is also a prospect that next year the 20-man board of executive directors will be expanded to at least 21 to privide an OPEC "seat", a move which would calm current African and South American fears of losing a seat to accomodate the OPEC. The USA will oppose such a move unless the OPEC can be induced to make contributions, equal to the USA's to the World Bank's "soft loan" operation. the International Development Association (IDA), whose loans are made at a lower-than-normal rate of interest.

Not less important is the fact that if the realignment of voting power to adjust to the greater OPEC total goes through, not only would the US percentage drop from 22.6 to 20.7 but the industrially-developing countries' share in voting power in the World Bank would shrink from 30.8 per cent to 27.5 per cent. Both the industrial world and the industrially-developing countries have to realize now that there are quite a few undeveloped countries with very large amounts of money—a new phenomenon in international affairs.

One advance made by the industrially developing states in recent weeks has been the IMF's subsidy fund of about $ 179 million to help pay the interest costs of borrowings from its special "oil facility." The purpose of the fund is to cut from about 7.5 to 2.5 per cent the interest realised from these nations which are most seriously affected by the high price of oil. Its effect will be seriously diminished if, after the end of September, the price of crude rises yet again. In any case, not sufficient money has yet been pledged by the 18 countries subscribing to reduce interest costs as low as 2.5 per cent—the recipients will be lucky if they escape with five per cent interest, even at present prices.

Poor performance of world economy

BY TRADIONAL standards, the performance of the world economy during 1974 and the first half of 1975 was poor. But by reference to the serious and complex range of problems that had to be confronted, this performance can be characterized as mixed. These are among the major observations set forth in the Annual Report of the Executive Directors of the International Monetary Fund. The Report, which was published on August 24, 1975 points out that the slowdown of economic growth in the industrial world that was in process around the beginning of 1974 developed into an unexpectedly severe and widespread recession, featuring exceptionally high rates of unemployment. On the other hand, the Report notes, expansionary policies have been adopted in a number of industrial countries to foster resumption of economic growth; essentially because of the international recession, progress on the inflation front has been better than anticipated; and the problems of financing the external current account deficits associated with the oil price increase have proved—partly because of the recession—less intractable than initially feared.

virulence of inflation

The Report notes that, becuse of the virulence of the inflation that had developed during the 1972-73 boom, expansionary measures adopted to combat the subsequent recession have remained generally cautious. While rates of inflation have generally been subsiding during the recession, prices are still rising in most countries at a pace that is extemely rapid by historical standards, and cost-push pressures remain a widespread problem.

The Report warns of a crucial problem for the period ahead inasmuch as the cyclical downturn in the industrial countries has resulted in a shift of current account deficits from those countries towards the primary producing countries; the latter require a continued high volume of external financing at a time when many of the non-oil develoing countries among them have already strained their debt-servicing capacity to finance the greatly enlarged current account deficits of 1974. To finance the even larger current account deficits in prospect for 1975, the need for larger flows of concessional aid is urgent; and the Report emphasizes that maintenance of the net inflow of private capital at its high 1974 level will require both care on the part of the borrowing countries to follow policies that defend their creditworthiness and cooperative efforts by capital exporting countries to encourage the needed flows of financial assistance.

recent experience

The Report contains a separate chapter reviewing recent experience with respect to exchange rates and international liquidity. One of the conclusions reached is that, other things being equal, the use of international reserves, as well as the volume of reserves needed, is smaller in the prevailing circumstances of widespread managed floating than under the par value system. This general conclusion, as explained in the Report, may require qualification for countries pegging their exchange rates to a single currency.

The activities of the Fund have been sharply intensified since the beginning of 1974, both in efforts to formulate new international monetary arrangements and in the development of new policies and facilities to meet the current needs of its members in the rapidly changing world economic situation. On April 30, 1975, the end of the fiscal year 1974-75, net drawings on the Fund, including those under the oil facility, had risen to a record level of about SDR 6.6 billion, with more member countries simultaneously receiving financial assistance from the Fund, and in larger amount, than ever before.

committee on reform

The Committee on Reform of the International Monetary System and Related Issues ("Committee of Twenty") was succeeded by two committees—the Interim Committee of the Board of Governors on the International Monetary System ("Interim Committee" and the Joint Ministerial Committe of the Board of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries ("Development Committee"). Major tasks devolving on the executive directors from these committees have included a continuation of work on international monetary reform through the preparation of draft amendments to the Fund's Articles of Agreement, preparation of detailed proposals for increases in members' quotas, and innovations and improvements in the policies governing the use of the Fund's resources.

In tracing the trends of output and inflation, the report says that the growth of real Gross National Product (GNP) in the industrial countries reached an unsustainably high level of eight per cent in the first half of 1973 and then fell off sharply in the secon4 half of that year and became negative in 1974. Despite the developing weakness of real activity in 1973 and 1974, price increases accelerated throughout the period.

The unsatisfactory experience of the industrial countries with respect to output became even worse in the first half of 1975, when their total real GNP declined at an annual rate of four per cent from the second half of 1974. However, the report adds, the spreadin

of recession during 1974 and the early months of 1975 has had the effect of bringing about some noticeable success on the inflation front and the weighted-average increase of GNP deflators for the industrial countries is estimated to have declined from a peak annual rate of more than 13 per cent in the second half of 1974 to a rate of about 10 per cent in the first half of 1975—still far above the average price increase of about 2½ per cent in the early 1960s.

The Report points out that the economic slowdown or recession that has developed in all the industrial countries since 1973 has produced an exraordinary degree of economic slack. Moreover, because of the slump in the industrial world and other factors, growth-depressing influences are clearly at work among the primary producing countries. Thus, for example, the volume of exports of both the more developed primary producers and the non-oil developing countries is unlikely to show any increase at all from 1974 to 1975.

global demand

In an analysis of the factors involved in the current inflation and recession, the Report points to the high degree of coincidence in the phasing of business expansion in many countries during 1972 and 1973 and observes that the upsurge of global demand in those years was to some extent attributable to miscalculations in the conduct of monetary and fiscal policies, which proved excessively expansionary from the standpoint of controlling inflation. Attention is called to several distinctive features of the recent boom, a particularly important one being the magnitude of the increase in many primary commodity prices, even apart from oil, from the beginning of 1972 to early 1974. With respect to oil, it is noted that, because of the relatively low elasticity of demand for oil and its pervasive use in productive processes (given also the short-run limitations of supply), an increase in the price of petroleum of the magnitude witnessed inevitably became an additional element in the ongoing inflationary process.

Among the many influences that contributed to the 1974-75 international recession, such as the weakening of private demand, the reaction to oil deficits, the squeeze on profits, and the downturn in exports, the Report gives prominence to the unexpected strength of price pressures that developed in the course of 1974. Demand management policies had not allowed for the full strength of such pressures inasmuch as they were geared to lower price expectations. In the circumstances, output growth might have continued with a higher degree of monetary expansion, but such a course of policy probably would have exacerbated the already severe problem of inflation and made the inevitable—postponed—adjustment still more costly.

The period 1973-74, the Report states, was one of general monetary tightening in the industrial world in reaction to the excessive monetary expansion of 1971-72—an expansion that, given the time lags involved, evidently was a powerful force propelling prices upward during 1973 and 1974. During 1974 monetary policy was restrained because of concern over inflation, notwithstanding the potentially deflationary effect of the higher oil prices.

World trade developments since mid-1974 have been dominated by the onset and deepening of the current international recession. First in the industrial countries and later in the primary producing countries (other than the oil exporters), the previous upward momentum of import volume gave way to a pervasive weakness of import demand. The total volume of world trade stopped growing in the second half of 1974 and turned downward in the first half of 1975. The slowing of growth in trade was accompained by deceleration of the earlier increases in foreign trade prices.

increased trade with OPEC

The only segment of world trade still expanding vigorously in 1974 and early 1975, the Report notes, was the flow of imports into the oil exporting countries as a group, despite their role as principal suppliers to the oil exporters, experienced a sharp drop in the rate of increase in export volume during 1974, and the incomplete data available indicate an outright decline in first half of 1975. Even weaker trends were evident during 1974 and early 1975 in the imports of the industrial countries and correspondingly, in the volumes of exports of all groups of primary producing countries, including the oil exporters.

The Report finds that changes in payments balances and in the structure of the underlying transactions from 1973 to 1974 were strongly conditioned by three major influences; the prevalence, since the quarter of 1973, of generalized floating of major currencies; the cresting of the boom in economic activity in the industrial countries; and the sudden increase in the price of oil at the beginning of 1974. The major oil exporters were able to raise their collective surplus on current account to an estimated $70 billion in 1974, compared with $6 billion in 1973. The counterpart of this increase was spread widely among the oil importing countries, all major groups of which were left in substantial deficit. Their combined deficit, based upon their own balance of payments statistics (in which the higher priced oil imports were reported appreciably later than in the statistics of the exporting countries), amounted to about $51 million in 1974 compared with a small surplus in 1973.

adverse shift

Considerably more than half of the adverse shift in this aggregate balance was absorbed by the primary producing countries, and especially by the non-oil developing countries, many of which had to pay substantially higher prices for food, fertilizers, and other essential imports, as well as for oil. The Report notes that these developing countries, being characteristically importers of capital, account already had a combined current deficit of $9 billion in 1973; in 1974, it soared to about $28 billion – the financing of which required very heavy borrowing.

In drawing a broad picture of member countries' current accounts in 1975 the Report makes the following main points:

—The projected drop in the overall current account surplus of the major oil exporting countries—from $70 billion in 1974 to some $50 billion in 1975—is attributable chiefly to two assumptions: that the volume of imports by this group of countries will expand by some 30 per cent in 1975 (over 1974), following a rise of nearly 40 per cent in 1974; and that the volume of their exports will decline by about 10 per cent under the impact not only of the adverse cyclical position but also of demand responses to the 1974 oil price increase.

—The main counterpart of the decline in the projected 1975 oil surplus is to be found in the accounts of the industrial countries. The estimated 1974-75 shift from substantial deficit to approximate balance in the overall current account position of those countries includes the prospect of considerably smaller—though still sizable—deficits for France, Italy and the United Kingdom, and of a continued large surplus for the Federal Republic of Germany.

—For the more developed primary producing countries, the estimated current account deficit of $12 billion for 1975 is the same as the 1974 deficit and thus remains in striking contrast to the surplus of about $1 billion realized by that group of countries in 1973. In the case of the (non-oil) less developed primary producing countries, the combined current account deficit is projected to rise from $28 billion in 1974 to $35 billion in 1975—about four times as large as the $9 billion deficit incurred in 1973.

—The projection of a $35 billion current account deficit for this group of countries is based on the implicit assumption that the necessary financing will be available. However, the sheer size of the aggregate deficit inevitably raises questions as to the actual ability and willingness of the countries to finance it. Many of the non-oil developing countries are likely to find themselves in financial difficulty in 1975 and beyond.

—The estimates of current account balances for 1975 are strongly affected by cyclical influences emanating from the recession in the industrial world. In an economic situation of fuller utilization of resources than that embodied in the 1975 estimates, strengthening of demand for oil and other primary products by the industrial countries would be expected to restore a deficit in the combined accounts of those countries, shore up the oil exporters' surplus, and reduce the deficit of the (non-oil) primary producing countries.

economic outlook

In its assessment of the current economic situation and outlook, the Report mentions that officials of numerous industrial countries with which the Fund has recently held eonsultations are of the belief that, in all probability, the trough of the recession either has been passed or soon will be. But the Report notes that an upturn is not yet clearly in evidence, and thus remains in the nature of a forecast.

Although the actual timing of an upturn is uncertain, it is generally expected to occur during the second half of 1975. In the recent consultations, guarded optimism was expressed on prices but continuing concern over inflation clearly remains a dominant influence on policy formulation and planning in the industrial countries.

The Report says that those who expect an early revival of economic activity in the industrial world—including not only national officials but also forecasters generally—base this view on consideration both of the expansionary policy measures that have been taken in many countries and of the stimulus to an economic turnaround that may be expected from the more or less automatic functioning of cyclical forces. As a result of overt policy moves and of the slump in economic activity, monetary and credit conditions have shifted considerably away from the stringency prevailing through much of 1974; and the recent widespread adoption of expansionary fiscal measures supports the near-term prospect. Price inflation is being reduced markedly, helping to strengthen real incomes, and inventory-sales relationships are being brought into better alignment. The Report also notes that the groundwork has been laid for an evolution of somewhat longer-run relationships—among wages, productivity, profits, and interest rates—that should help to bring renewed expansion of fixed investment as demand prospects improve.

sustained recovery

It would seem, the Report observes, that prospects for a sustained economic recovery in the industrial world depend to a great extent on consumer spending to lead the upturn and on business fixed investment to cease declining, or to pick up momentum, after some lag. It is noted that fixed investment is subject to short-run weakness stemming from the current excess supply of productive capacity, and that it is not expected to rebound until aggregate demand becomes stronger. Moreover, since the pervasiveness of the current recession has severely curtailed the capacity to import in most parts of the world, foreign demand is unlikely to be a leading source of stimulus for many countries in the early stages of recovery.

The Report points out that this general pattern is not very different from that of earlier postwar recoveries, but that the underlying economic situation from which the recovery must begin is one of considerably greater economic slack as a result of the most protracted and severe recession in the postwar period. The Report mentions that the extent of idle capacity and manpower has led some observers to fear that private spending and investment may be more subdued than in earlier postwar recoveries—that they may not respond as quickly or as fully to government measures of stimulus, or to declines in rates or price increase from the current exceptional levels as past relationships would suggest.

Underlining the unusual difficulty of economic forecasting and policy formulation at the present critical juntcure when world trade and activity are in a slump and price inflation remains a problem, the Report says that the situation calls for national authorities to be prepared to alter their policies as promptly as possible if evolving trends should point to a substantive change in the outlook. Such fiexibility could be of crucial importance. Policies that permitted an overly rapid expansion of demand could obviously make for new and serious instabilities. However, policies that were overly cautious could prolong the underutilization of resources, lead to widespread pressures for a rapid shift to expansionary measures, and forego the beneficial price effects of gains in productivity stemming from the resumption of solid economic growth and the absorption of slack.

The Report goes on to say that flexibility in the stance of policy will be hampered unless supported by the availability of effective instruments. In the past, fiscal policy has sometimes been so inadequate that it worked at cross-purposes from monetary policy, greatly complicating the task of economic stabilization. Noting the prevalence of adverse wage-price trends in a number of member countries, the Report suggests that without new initiatives in the incomes policy field, it may prove very difficult in some countries to limit the effects of cost pressures on prices and to achieve price moderation except at the expense of greater slack and unemployment. Other significant problems facing governments in the forthcoming recovery period include a need for interrelated measures to improve supply conditions, to strengthen productive capacity and productivity, and to alleviate cost pressures. The Report notes in this connection that, because of the growth of structural rigidities and bottlenecks, business expansions in the postwar period have topped off at successively higher levels of unemployment.

strained payments position

As to the working of the balance of payments adjustment process, the Report says that some of the largest current account deficits of the industrial countries have been, or are in the process of being, reduced considerably; that most of the industrial countries which have had a strained payments position in the recent past do not seem doubtful as regards their capacity to obtain capital sufficient to meet their prospective needs; and that the existence of floating rates has increased the flexibility of adjustment, notwithstanding the short-run drawbacks seen by some countries to adjustment through exchange rate changes.

On the other hand, the Report notes, for many of the non-industrial oil importing countries payments prospects have

worsend over the past year, and the deteriorating external position may be expected to exercise considerable restraint on economic growth in 1975. Particularly with respect to the developing countries it is questionable whether flows of capital and aid will be sufficient to permit sharply higher current account deficits, and thus obviate a need for new measures to effect adjustment. To the extent that balance of payments problems of the non-oil developing countries may be resolved through limitation of their imports, rather than through provision of needed financing, the Report finds that a dampening influence on the export markets of the industrial countries—and hence on their cyclical recovery prospects —will be felt.

The Report points out that for the major oil exporters adjustment involves bringing domestic expenditure more into line with their sharply higher levels of income. It notes that, despite wide differences among them with respect to domestic absorptive capacity, the oil exporting countries are generally constrained as regards the speed at which domestic expenditure can be raised and that serious bottlenecks are already emerging.

In the discussion of the means for promoting adjustment, the Report observes that attention generally focuses on the demand policies of the United States, the Federal Republic of Germany, and Japan. Because these countries have such a big weight in the world economy and their external payments positions are comparatively favourable, it is quite natural that other countries should expect them to take the lead in promoting recovery from the international recession. It seems reasonable, the Report suggests, to ask these countries to do everything possible to assure the effectiveness of their policies in restoring solid economic growth; but it would not be reasonable to expect them to push expansionary measures to the point that would run the risk of evoking new inflationary pressures.

outstanding issues

The Report discusses a number of issues that are outstanding in respect of balance of payments adjustment and says that, despite these issues, sight should not be lost of the accomplishments of the past year. In this regard, it is recalled that at its Rome meeting in January 1974, the Committee of Twenty had stressed the need for the avoidance of deflation, restrictions, and competitive depreciation as inappropriate responses to the balance of payments changes that stemmed from the rise in the price of oil. Observance of these standards, the Report says, has been generally good to date, although it has become increasingly difficult for many Fund members, particularly among the developing countries. The Report stresses that many countries—some with burdensome debt positions—face the problem of financing greatly enlarged current account deficits, and warns of the damage to the world economy that would result from any widespread resort to restrictions.

In view of the particularly difficult situation of the non-oil developing countries, the Report contains an extensive discussion of their position on external current account and of the main economic and financial problems confronting them. These problems include the impact of the international recession, containment of inflation, efforts to deal with higher costs of oil and other essential imports, and the financing of greatly increased current account deficits. Such problems, the Report notes, are to a large extent of external origin, although some of them have been compounded by domestic action or inaction on the part of the developing countries themselves, or have been affected by the constraints under which these countries operate.

international liquidity

The exchange rate practices of Fund members prevailing at mid-1975 are classified in the Report under the following broad categories: independent floating; pegging to a single currency; pegging to a composite (or basket) of currencies (including the special drawing right) pegging to a single currency, with frequent changes in the peg according to a predetermined formula, e.g., based on relative inflation rates; and joint floating under mutual intervention arrangements.

The Report observes that the period since early 1973 has not been one of free flexibility: all floating currencies have been subject to varying degrees of official intervention; and that despite intervention that has been heavy at times, movements in rates have been sharp and erratic on a number of occasions. The desirability of avoiding disorderly fluctuations in exchange rates. has been recognized throught the floating period, and found expression in the "Guidelines for the Management of Floating Exchange Rates" adopted by the Executive Directors in June 1974, the Report says. The guidelines reflect a general agreement that the behaviour of governments with respect to exchange rates is a matter for consultation and surveillance in the Fund.

In a detailed review of the functioning of the floating system the Report focuses on three main areas: the stability of exchange markets in the very short term (i.e., day-to-day and week-to-week fluctuations), fluctuations in exchange rates over periods of several months or quarters, and the adjustment of effective exchange rates to underlying changes in balance of payments positions.

effectiveness of system

Any general assessment of the effectiveness of the system of floating exchange rates requiries taking a view on how authorities would have coped with the turbulent developments of the past two years under alternative arrangements. In this connection, the Report notes that exchange markets have continued to function, and that crises of the type that bedeviled the later years of the par value system have been avoided. Although fluctuations in rates have at times been erratic, there is little evidence thus far that this factor has seriously impeded the growth of world trade. On the whole, exchange rate flexibility appears to have enabled the world economy to surmount a succession of disturbing events, and to accommodate divergent trends in costs and prices in national economies with less disruption of trade and payments than a system of par values would have been able to do.

But, the Report says, the question also needs to be asked whether present arrangements could have been managed better, and whether they will continue to be appropriate in a calmer period for the world economy. The rate fluctuations that have occurred in the past two years—both day-to-day and of somewhat longer duration—are in some cases much greater than could be justified on the basis of changes in underlying economic conditions. The Report notes that it is admittedly difficult to distinguish a temporary movement from a trend, but that the record of the floating period is not wholly satisfactory in this respect. A reduction in such swings would help to diminish uncertainty and thus tend to decrease the risks attached to international trade and investment.

For the developing countries that have continued to peg their exchange rates, the Report points out, floating of the major currencies has introduced a new type of uncertainty into their exchange rates and balances of payments against which they find it difficult to protect themselves. In circumstances such as those of the recent past, however, uncertainty with respect to exchange rate movements is unavoidable, and the particular uncertainties associated with floating are not necessarily greater than those that would be involved under a par value system.

The value of international reserves of member countries and Switzerland rose in 1974 by almost SDR 27 billion, to SDR 178 billion at the end of the year. With this increase of 13 per cent official reserve holdings resumed growth at a rate similar to that recorded in 1972 (19 per cent) and substantially higher than that in 1973 (4 per cent). During the first quarter of 1975, however, the rate of reserve growth appears to have slowed again as, according to preliminary data, reserves rose by SDR 4 billion, at an annual rate of nine per cent. (The term "reserves" refers to countries' official holdings of gold, SDRs, and foreign exchange and their reserve positions in the Fund.) Additions to foreign exchange holding accounted for nine-tenths of the total increase in reserves in 1974 and also dominated the reserve increase in the first quarter of 1975. The remainder consisted of an increase in reserve positions in the Fund.

reserves position

Almost the entire reserve increase recorded in 1974 and early 1975 accrued to the major oil exporting countries. In 1974, reserves, of industrial countries as a group showed an increase of SDR 2 billion and those of the more developed primary producing countries declined by SDR 2.7 billion. Less developed primary producing countries excluding major oil exporting countries accounted for the remaining reserve increase of SDR 1.3 billion, which accrued mainly to countries in Asia.

In discussing factors affecting the adequacy of reserves, the Report observes that although the nominal value of global reserves increased by 18 per cent during 1974, real reserves declined as export prices rose by 35-40 per cent. Nonetheless, the Report suggests that the presence of widespread floating of exchange rates in 1974 is likely to have affected the adequacy of reserves both by reducing somewhat the need for reserves compared to what it would have been in the absence of floating and by providing for a more flexible adaptation of the supply of foreign exchange to the demand for it.

Another development in international financial relations, which is not new but has assumed greater importance recently, operates both to reduce the need for, and to increase the supply of, owned reserves: namely, the improvement of countries' access to international borrowing facilities. The Report points out that many countries faced with balance of payments deficits were able to finance them, to the extent that they were not adjusted through exchange depreciation, without significant loss of reserves by borrowing in private markets, or from other governments, or from inter-governmental institutions such as the Fund. The particularly notable development lies in the enhancement of both the ability and willingness of governments to borrow in private markets, especially the Eurocurrency markets.

The Report concludes that, in the present situation of considerable uncertainty as to the future development of many of the factors affecting reserve adequacy, the contribution that the Fund could most suitably make to its continued maintenance probably lies in the provision of conditional liquidity. Drawings from the general account can be adjusted to the need for balance of payments financing as it arises and, in the process, they generate a reserve asset (i.e., reserve positions in the Fund) that surplus countries can hold as part of their owned reserves. The steps that are being taken to make the Fund's holdings of currencies generally usable will not only contribute to a wider participation by surplus countries in holding these assets but will also enhance the liquidity of the Fund. The potential volume of conditional liquidity has already been substantially increased in 1974 and 1975 through the Fund's oil facility and through the provision of the extended Fund facility. In addition, successful conclusion of the general review of Fund quotas now in progress will add further to the Fund's capacity to make liquidity available when and where it is needed.

The valuation of the Special Drawing Right by means of a basket of 16 currencies came into effect on July 1, 1974 and was accompanied by an increase in the rate of interest on SDRs from 1½ per cent to five per cent, (On July 8, 1975, it was reduced to 3.75 per cent, following the decline of short-term interest rates in major markets.)

The lotal use of SDRs by participants during the fiscal year ended April 30, 1975 was SDR 826 million (as against SDR 1,123 million in 1973-74). Of this total, SDR 440 million was used in 20 transactions in which the Fund designated participants to provide foreign exchange to the users of SDRs. The principal users of SDRs in transactions with designation were Australia (SDR 135 million), Italy (SDR 150 million) New Zealand (SDR 57 million), and Israel (SDR 25 million).

In addition, SDR 248 million was used in transactions by agreement between participants; all these transactions were in settlement of obligations that had arisen as a result of intervention under the European Narrow Margins Arrangement. The balance (SDR 138 million) was transferred to the Fund's general account, mainly in payment of charges on the use of the Fund's resources (SDR 91.6 million). However, the general account also transferred a total of SDR 127 million to participants of which SDR 117 million was acquired by participants needing to reconstitute their SDR holdings.

There was no allocation of SDRs during the fiscal year, and thus the total of SDRs in existence remained at SDR 9,314.8 million.

—IMF Report for 1975

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World Bank lending

THE DEVELOPING nations of the world have received record commitments of development assistance for the seventh straight year from the World Bank and its affiliate, the International Development Association (IDA). According to the Banks annual report for fiscal 1975, commitments by the two institutions totalled $5,896 million, or more than $ 1,500 million above the total of $ 4,313 million lent in the previous year. Another affiliate of the World Bank Group, the International Finance Corporation (IFC), made investment commitments during the year of $211.7 million, also a record.

In spite of unprecedented inflation, lending by the Bank and IDA—the latter institution lends money at no interest to the poorest members of the Bank—greatly increased in real terms as well as in absolute amounts. The Bank's lending of $ 4,319.7 million amounted to a 25 per cent increase over 1974, adjusted for inflation, while IDA's commitments of $1,576.2 million amounted to a 34 per cent hike over last year's total, also adjusted for inflation.

rise in commitments

Commitments by IDA rose because additional resources—they total approximately $ 4,500 million for the three-year period 1975-77—were received under the term of the Fourth Replenishment. The replenishment became effective in January 1975 when official notifications of contributions amounting to 80 per cent of the total were received from the Association's donor members.

Borrowings by the World Bank also rose rapidly in the year which ended June 30. Twenty-six obligations amounting to the equivalent of $ 3,510 million were sold, representing a gain of $ 1,657 million, or nearly 89 per cent over placements in the previous year.

Slightly more than three-quarters of the obligations—$ 2,654 million—were bought by central banks, governments, and governmental agencies, long-term borrowings from petroleum exporting countries—Iran, Nigeria, Oman, Saudi Arabia, Trinidad and Tobago, and Venezuela—ammounted to $ 1,816 million during the year. Included in that amount was the largest single borrowing to date by the Bank—$750 million of 10-year US dollars bonds sold to the Saudi Arabian Monetary Agency in December, 1974. And after a hiatus of three years, the Bank returned to the United States' market, issuing two public offerings totalling $ 500 million.

The Banks annual report also noted that disbursements by both the Bank and IDA reached new highs during the year. Bank disbursements were $2,096 million, while those of IDA reached $ 1,026 million. It was the first time that Bank disbursements passed the $ 2,000 million-mark and IDA passed the $ 1,000 million-mark, also for the first time.

rural development

Lending for agriculture accounted for almost a third of all Bank and IDA commitments during the year—$ 1,857.5 million (up from $ 955.9 million in fiscal 1974). More than half that amount was earmarked for rural development projects designed specifically to increase the productivity of the rural poor. The Bank estimates that about 500 million rural dwellers in the developing world live on incomes of less than $50 a year.

According to the annual report, almost two million people will directly benefit from two agricultural projects alone—in India and Nigeria. Another 750,000 are to benefit from an agricultural project in Mexico, and 400,000 will be added by a $ 75 million Bank loan for agriculture in Turkey.

The report noted that "in line with the policy of providing more assistance to the poorest countries and people," 38 per cent of total Bank and IDA commitments went to countries whose annual per capita incomes were $200 or less. In 1974, 31 per cent of the two institutions' commitments went to low-income developing countries.

All the nations of the world—even those which had the resources necessary to maintain growth rates—were "significantly affected" by the international economic slowdown in fiscal 1975, the World Bank reported. But most affected of all—adversely, the Bank added—were the poorest countries.

"For the 1,000 million people living in lower-income countries," states the Bank's annual report "the economic events of the past year have meant that average real incomes have not risen at all." Even worse, the report adds, is that current projections indicate that the incomes of these 1,000 million people may grow by less than one per cent yearly for the rest of the decade.

The report notes that during the past year, developing countries took dramatic and harsh measures, often at considerable political cost, to alleviate the adverse effects of the international economic climate. "The principal response of most developing countries... has been to adopt policies to attempt to meet (the crisis) head on" the report concludes.

Those responses have included the adoption of public works programmes, currency devaluation, the raising of interest rates, credit restrictions, the limiting of wage increases to low-income workers only, a stepping up of investments to locate, develop, and exploit domestic energy sources, and an increase in investments in the agricultural sector.

Nonetheless, the report notes, "most (developing countries) cannot, by themselves, make the adjustments that will permit them not only to weather the current economic uncertainties, but also to increase growth rates." What is needed, the report adds, is a "combination of measures to enable (them) to pay for the imports required for sustained development." That combination, the report goes on. "can be provided only through cooperation among the industrialized, petroleum exporting, and developing countries."

massive capital flows

Flows of aid alone cannot resolve the problems of poverty in the developing world, the report states. The Bank estimates that a six per cent annual growth rate is necessary for the attainment by the developing countries of a reasonable level of economic and social development. The annual report adds, however, that the achievement of that rate through financial assistance alone, would require "massive" amounts of capital flows which are "unlikely" to be forthcoming.

The Bank's view is partially based on its estimate that continuing increases in assistance from members of OPEC (the Organization of Petroleum Exporting Countries) — their disbursements amounted to about $ 5,000 million in 1974—cannot be automatically counted on in the years to come. "OPEC commitments and disbursements (to the developing world) are likely to be related to their balance of payments. Their current account surplus, which increased dramatically to a level of about $65,000 million in 1974, is not expected to grow significantly for the remainder of the decade," the report concludes.

Neither can dramatic rises in financial assistance from the industrialized nations be confidently expected, the report states. Concessionary assistance to the developing world from these nations stood at an estimated 0.33 per cent of their combined Gross National Product (GNP) in 1974. That rate would have to rise to 0.81 per cent in order for the developing countries to reach a reasonable race of economic growth. The report foresees, however, the possibility of flows of concessional assistance dropping to a level of about 0.24 per cent by 1980.

Nor can such institutions as the World Bank, and its affiliate, the International Development Associations (IDA), whose combined commitments of development assistance in fiscal 1975 increased by more than $ 1,500 million over the previous year's figure to a total of $ 5,896 million, be expected to fill the widening financial assistance gap of the developing world.

Because the needs of the poor countries are so great, the report states, trade policies which can add to the export earnings, and hence, the growth of developing countries must be examined.

If barriers erected by the developed world against the imports of primary products from developing countries were lifted, the report notes, the resultant increases in foreign exchange earnings by developing countries could equal half the amount needed to lift their economic growth to the six per cent rate.

Even more important is the need of the developed countries to adopt more liberal policies on the importation of manufactured goods from the developing world. The adoption of such policies is called by the report as "essential" to the long-term growth prospects of the developing world.

But the report adds, the prospects of the world's poor nations will depend to a great extent on the ability of the industrialized world to break away from the grip of recession that has thwarted its economic growth for the past 24 months. The report cites one Bank study that estimates that if growth in the industrialized world were only to average six per cent for the rest of the decade (it was slightly negative in 1974), manufactured exports from the developing countries could rise by more than 15 per cent.

Another important market for the manufactures of developing countries cited by the Bank is that of the oil exporting world. OPEC members imported mure than $43,000 million worth of goods in 1974 alone, and the Bank estimated that OPEC imports might increase 25 per cent yearly throughout the remainder of the decade. The developing countries supply but 14 per cent of that market's imports. If they could but maintain this share, the Bank's annual report states, their ability to pay for their own import requirements—such as capital goods and petroleum—would be greatly enhanced.

The Bank warns, however, that "greater earnings through exports (alone) cannot be expected to solve the accumulated economic problems and constraints of the developing world."

The chief beneficiaries of import liberalization would be the more affluent countries of the developing world, for they are the ones whose degree of current dependence on world trade is large. The report adds, that "there are but a few developing countries with highly diversified economies which can hope to achieve adequate rates of growth solely through export growth."

Exports can help the developing countries weather the current transitional period of economic disequilibrium, the Bank says, but beyond that period, long-term development finance on concessional terms will be needed to help provide developing countries with the capital they need to finance programmes designed to achieve basic developmental objectives.

—IBRD Annual Report 1975

Note : Money figures are expressed in US dollar equivalents.

Are terms of trade against LDC's?

Sam Burks, Washington

A GROUP of international experts assigned by the United Nations Conference on Trade and Development (UNCTAD) to study commodity price stabilisation found no clear-cut evidence of a long-term deterioration in the trading position of developing countries, according to the US economist who headed the study. Dr. Hendrik S. Houthakker, Professor of Economics at Harvard University and a former member of the US Council of Economic Advisors, affirmed in a recent press interview that members of the expert group were unanimous on one point that while there was evidence of considerable cyclical volatility, there was no firm evidence of a long-term decline in the prices of goods exported by developing nations in relation to the prices of goods they must import.

Dr. Houthakker also said that members of the group generally were opposed to the indexing of commodity prices to inflation, but that they favoured some form of compensation for those developing countries adversely affected by price fluctuations. Excerpts from the interview follow :

Question : Dr. Houthakker, many developing countries feel that there has been a long-term deterioration in their terms of trade—that is, that the prices of goods they must import have risen in relation to the prices of their exports, is this a valid assumption?

Answer : Economists have analyzed this question for many years. The statistics are ambiguous. There is no evident reason why the terms of trade of developing countries should deteriorate. It may have happened, but the evidence is very inadequate and there can be no firm conclusion one way or the other. There is undoubtedly a great deal of difference among different raw matrials. Since most developing nationas specialise in one or only a few, it is quite possible that a particular country may be adversely affected just as there are other developing countries that may have done very well. Countries producing vegetable oils, for instance, have done quite well recently.

Very much depends on what time period one looks at. There is a tendency to start with the very high prices reached during the Korean war in 1950-51 and then to show that they have gone downhill ever since. This, of course, is not valid, One has to look at it either from peak to peak in the business cycle or from trough to trough, or look at 10-year averages or make some other allowance for the very large amount of short-term variability there is in these raw materials prices.

Q : Reports appeared in the press concerning an UNCTAD study on indexation in which you participated. According to the press reports, the statistics

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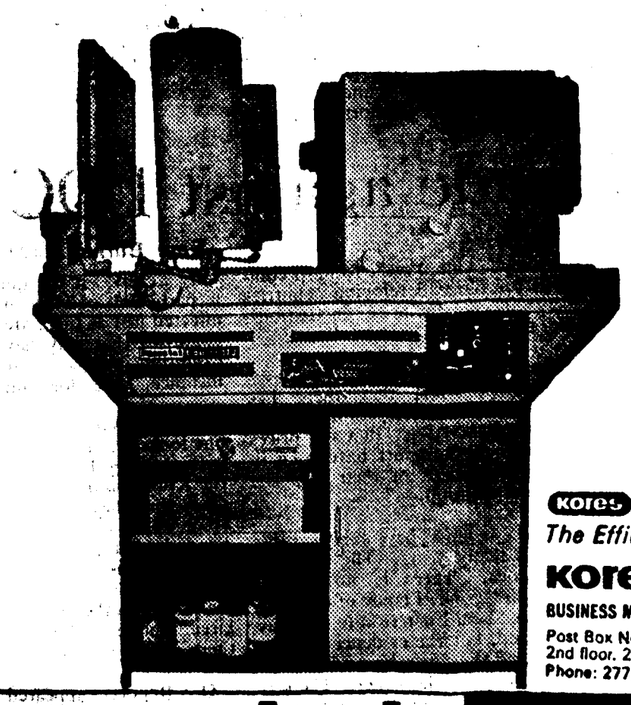
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gathered for this study showed no clear proof of any decline in the terms of trade of developing nations as a group. Can you tell us anything about this study?

A: Yes. I was chairman of the study. It was a study that was of very short duration. It was just 10 people selected by UNCTAD getting together in Geneva for four days. There had been very little preparation for this study, and therefore its scope should not be exaggerated. The UNCTAD secretariat provided us with a considerable number of statistical series extending over various periods of time but generally going into 1974 or even 1975.

Some of these series were more relevant than others, but this expert group looked at many series—not just one series. Also, the series did not go just through 1970, as UNCTAD now maintains, but did go through 1974 and in some cases even though 1975. At least one of these series started in 1900. Most of them started in the 1950's. As a result of this examination. the experts were asked individually whether they saw any evidence of a long-term trend. And all of them replied that they did not. I should add that several members of the UNCTAD secretariat were present in the meeting where this was discussed. All of these people had an opportunity to comment on this, and none of them voiced any dissent from the views expressed by all the experts individually — that there was no evidence of a long-term trend, but there was evidence of considerable cyclical volatility.

Increase in prices

Q: Would increases in the prices of raw materials be an effective and efficient way to help developing nations, in your opinion?

A: No, they would not be. I believe that a general policy of raising the price of raw materials would have serious effects on the world economy and thereby on the developing countries themselves. There are actually two forms of indexation, and people who talk about indexation usually mean only the so-called direct indexation. In direct indexation there would be intervention in particular, raw materials markets with the view to raising the price above what it otherwise would be. Indirect indexation is the other form, in which developing countries would be compensated in some way for any adverse movement in the prices of the commodities they export relative to their import prices.

Q: Some people have pointed out that the industrial nations also produce large quantities of raw materials while many developing nations do not export commodities for which price-fixing agreements would be feasible. What is your opinion on that?

A: It is quite true that many raw materials are exported by developed countries—especially by the United States. We are large exporters of grains, cotton and various other raw materials. It is also true that direct indexation is not only undesirable but also unfeasible for many raw materials. Indirect indexation, however, could probably be implemented in some form or other.

producer cartels

Q: Is it realistic to expect commodity prices to be set by the free market in the future, or will prices be set by producer cartels?

A: The scope of producer cartels is really quite limited. The case of OPEC is a very special one, which has raiscd unjustified expectations. According to a study made by the Council on International Economic Policy in the United States last year, there are only two strategic industrial commodities among about 20 they studied in which cartelization would be feasible — chrome and platinum. Rhodesia is a major producer of chrome and South Africa is a major producer of both chrome and platinum, which makes it very doubtful whether cartelization is politically feasible. The Soviet Union also is a major factor in both of these markets.

Q: Could developing countries that try to form cartels conceivably turn out to be the losers—for example, if the industrial countries undertook an all-out effort to develop alternative sources of supply or substitutes?

A: Yes. There are many examples of this — of raw materials that became too expensive or otherwise unavailable, leading the developed countries to develop substitutes. Natural rubber is a rather recent example. Sugar can be produced in many parts of the world. In the case of copper, there are low-grade copper deposits in abundance in the United States. They cost more to produce than copper in Chile, But if the price is high enough production becomes feasible. Moreover, once these high-cost mines are opened up they will almost certainly be kept in production — if necessary by protection. So the game of raising these products prices artificially is a very dangerous one.

Q; Presumably it would be possible to make commodity prices more stable without forcing them above some long-term market objective. Would price stabilization agreements, with consumer country cooperation, solve some of the problems experienced by developing nations?

A: Yes, I am strongly in favour of measures to prevent excessive fluctuations in commodity markets. I believe that many commodity makets do have a tendency to overshoot in the downward direction—and that is in the interest of neither the producers nor the consumers. I am in favour of measures to make these markets more stable, and this would be in addition to anything that may be done in the way of indirect indexation.

Q: What kinds of commodity agreements would work and what kinds of agreements would not work?

A: The most promising still seems to be a buffer of some kind. The experience with buffer stocks has been mixed. One cannot say that to have been an unqualified success. But neither have they proved to be a failure. Buffer stocks have broken down mostly because they were not large enough. They do require a considerable investment, and that I think is what the developed and developing countries could usefully be talking about, rather than about a new economic order and ideas like that.

alternative ways

Q: Are there alternative ways to stabilize the incomes of nations that are dependent on raw materials exports?

A: Compensatory financing is certainly a possibility. It is something that has been tried and has had a modest success. This success has been modest mostly because it has been done on a very modest scale. The International Monetary Fund has made a facility of this kind for about 10 years, but it really had not been a big thing. The European Economic Community recently concluded an agreement, which also involves a rather small amount of money. It is conceivable that Japan and Canada at some point would be willing to cooperate in similar arrangements.

Q: Aside from the proposals we have already discussed, do you see additional opportunities for a constructive approach to economic relations between the industrial nations and the developing nations?

A: Yes, there are a number of things that could be done, I believe that the gold in the International Monetary Fund could be used productively. The main difficulty with that is that it presupposes some kind of agreement as to what is going to be done with gold generally, and that needs further elaboration. A great deal can be done in the area of investment. In trade policy, we have made some progress in the way of generalized preferences for manufacturing exports from developing countries.

Q: What, in your opinion, are the prospects for the seventh special session of the UN General Assembly, which meets in early September to discuss these issues?

A: I have not given up hope that this may be a useful forum. Much depends on the attitude taken by the developing countries individually, and on the attitude of the UN and some of its specialized agencies—especially UNCTAD.

If the special session is going to be devoted primarily to rhetoric about the new economic order, then the world political system may receive a very serious setback—because it is clear that the United States and a number of other countries are not going to go along with this under any circumstances. On the other hand, it is also conceivable — and I hope this will be the case—that constructive proposals will be made from both sides. I hope that the United States will make constructive proposals and that there will be a national discussion — which could take some time, but which at least will prevent things from getting worse and in due course will lead to effective help for the developing countries. I am in favour of doing something for developing countries. I hope the United States will take the lead and I believe other countries have already done something too defuse the kind of extremism, the kind of purely ideological approach that can be heard from a few developing countries but that is not supported by many others.

Courtesy : *USIS*

Pepsi-Cola in Hungary

Dr. Csaba Szabady

IN 1972 the Hungarian Institute for Market Research conducted a study of "Production and consumption problems of aerated soft drinks and other non-alcoholic drinks." The study stated: "On the basis of the production and marketing problems studied in the course of the market research the trends in consumption and the factors influencing it, the situation of nonalcoholic drinks in Hungary can be sumed up as follows:

(i) The demand exceeds supply; the market can be greatly expanded and production increased;

(ii) production is the key factor for development; and

(iii) The enterprises are unable to effectively solve the problems from their own resources".

We visited the Budapest Mineral Water and Ice Industry Enterprise, the only Hungarian enterprise specialising in the production of soft drinks to find out about the concrete problems behind the general issues raised by the study in 1972 and how many of these still exist. Department manager, Jeno Maurer replied to our questions.

"1968 marked a turning-point in Hungarian soft drink manufacture. It was then that Coca-Cola, manufactured in Hungary under licence, first appeared on the Hungarian market. This is known by the experts as a modern soft drink. What is understood by the term "modernity" as applied to soft drinks?

"Modernity applies to the technology. With the introduction of Coca-Cola and later Pepsi-Cola into Hungary, the most up-to-date manufacturing technology was also introduced. We found that not only are different syrups required for modern soft drinks, but also treated water and modern bottling machines. Soft drinks cannot be made from any water available because tap water does not absorb carbon dioxide to the required extent. It was therefore necessary to build a water treating plant, something not previously used in industry in Hungary.

"Before 1968 the Budapest Mineral Water and Ice Industry Enterprise had a practical monopoly of the Hungarian market. This situation was completely altered with the appearance of Coca-Cola. What happened in your enterprise then? How did you come to buy the Pepsi-Cola licence?".

"That is an interesting story. Up to the sixties we continued to produce our traditional products, but it was becoming increasingly difficult to sell them. Moreover, Coca-Cola appeared in Hungary in 1968 and we were obliged to act. At that time we were not familier, with the modern technology mentioned earlier. so we would not have been able to regain our earlier position through our own efforts. We had to find a company competing with Coca-Cola on the world market and that was not difficult to do. Pepsi-Cola was ideal for that purpose."

"So, by 1971 there were two aerated soft drinks, identical in purpose and quality and fully satisfying demands on the Hnngarian market where there had previously been none. Have you succeed in making Pepsi-Cola a competitor for Coca-Cola?.

We were and still are competing. This can be demonstrated best by figures. In 1973 around 133 million bottles of Pepsi-Cola were produced and 84 million bottles of Coca-Cola. (These quantities are for small bottles). The volume is approximately the same for 1974. The situation is also reflected in the fact that Pepsi-Cola at present has five plants in Hungary while Coca-Cola is only building its third plant".

"Pepsi-Cola gives half a decilitre more for 3 forints—the retail shop price—than Cola-Cola, in other words, it is cheaper. Does this influence consumers?".

"In 1971 we conduced a questionnaire survey over a period of three days in five ABC food stores in Budapest. We provided three competition products for the study, that is Coca-Cola, Star-Cola and Pepsi-Cola. Whenever a customer selected one of these drinks he was asked to reply to the questionnaire.

After evaluating the sales and replies, even we were surprised by the results: 73 per cent of the customers selected Pepsi-Cola. But what was even more surprising was that the main factor influencing the decision was not the difference in quantity but taste. This can be traced back to the fact that the fruit aroma of Pepsi-Cola is closer to Hungarian taste than the cough syrup taste of Coca-Cola. Publicity was ranked as the second factor and the difference in quantity came only third".

"It is well known that cooling is stipulated as a condition for sales of the cola drinks manufactured under licence. However, this is always followed in practice. What do you do in the interests of cooling?

"I must begin by correcting a misconception; the contract makes no provisions regarding cooling. If a restaurant serves lukewarm cola that does not mean that we are breaking our licence rules. It is another matter that uncooled Cola is not refreshing and indeed, is not even pleasant. For this reason, the Pepsi-Cola company's most active programme, which we too are pursuing, is the provision of refrigeration facilities. The company therefore spends substantial amounts each year for purchasing refrigerators. Our budget for this purpose amounts to hundreds of thousands of forints. We use this money to purchase refrigerators and place them at the disposal of retailers. We give them for use, not as gifts. We are thus able to stipulate that Pepsi-Cola must be cooled and we make regular checks. We have to make considerable efforts to ensure that the refrigerators we give are used to cool our product. There have even been cases where the drinks were cooled in the crates which meant that the space was used very inefficiently".

"So we have learnt to produce modern, aerated soft drinks in Hungary and there is also the possibility of buying licences. As a result the range of products has been expanded. However, the Hungarian market is comparatively limited; how far is it worth carrying this process? When can saturation be expected?

"I characterised this process a few years ago by saying that this will be one of the few branches of industry where the classical commercial factors will come into play. A healthy market competition will develop: the weaker will disappear and the stronger survive.

Around 500 million bottles of aerated soft drink were manufactured in Hungary in 1973 and this figure will rise to approximately 600 million this year. By the time peak capacity is reached, I believe that it will be possible to sell 800—1,000 million bottles a year. We will probably reach relative market saturation by the autumn of 1975 when we must begin to use marketing means in earnest. We are prepared for this. As I have mentioned, our company earns well from manufacturing soft drinks and good commercial publicity is therefore a vital necessity for us."

"In the case of a competitive product, advertising can be very effective, and also ability to satisfy the demand during shortages. How are you able to carry out the Pepsi-Cola Company's central advertisement programme?".

"We receive the programme which we adapt to suit our needs, that is, we are given a free hand to a certain extent. Accordingly, we determine our advertising strategy so that it always serves our commercial objectives as far as possible. For this reason, our advertising is still restricted to prestige advertising only. This is because we do not yet have a sufficient quantity of materials one of the basic conditions for advertising.

This limits our advertising possibilities. We do not use TV advertisements for example and we had difficulty in making the Pepsi-Cola company understand this."

Save with grace

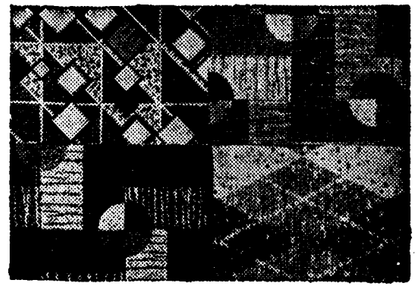
Linoleum floor-coverings are an economic investment. Linoleum endows your home with a graceful decor. By retaining its striking elegance for years, it saves you so much in repair and renovation costs.... you'll need a whole elephant to serve as a piggy-bank!

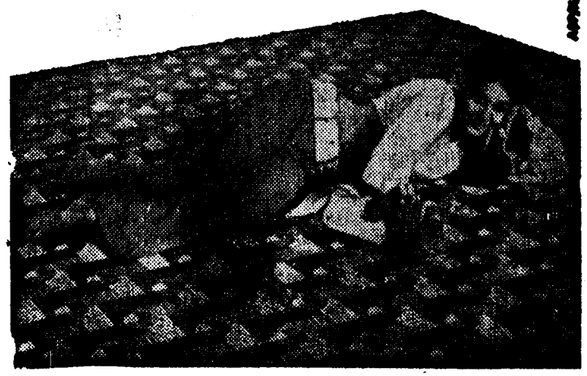
Stain-proof, easy to clean and polish, Linoleum comes in a wide range of colours and designs. Choose yours.

LINOLEUM

The versatile floor-covering ■ For better living

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





TRADE WINDS

Guidelines on Rural Indebtedness

IN A letter to all chief ministers, the union minister of Agriculture and Irrigation, Mr. Jagjivan Ram, has called for quick action to follow up the moratorium on rural debts with measures for redemption of debts in the case of the very poor and the liquidation of rural indebtedness by stages in the case of others among the weaker sections. The letter also outlines the steps to be taken to fill the credit gap that may arise. It also, forwards the major conclusions of an Inter-Ministerial Group which was constituted in the Department of Rural Development of the union ministry of Agriculture and Irrigation to examine the various issues. While the states have been advised to bear in mind the conclusions of the group in drafting their legislation, this need not prevent a state from adopting any other model on one or more points, if that is found to be more suited to the local conditions so long as the main objective of giving relief to the weaker sections is kept fully in view.

Packaged Commodity Regulation

The government of India has amended the Packaged commodities Regulation Order to exclude certain commodities and consumer items from the requirement to display indications regarding weight, contents and price. The amended order will come into force from October 2 instead of September 1, the date originally set. This was announced by Mr A. C. George, minister of state for Industry and Civil Supplies, recently. The changes in the order issued under the Defence and Internal Security of India Rules 1971 on July 28 last, follows representations received from state governments, manufacturers, industry, trade and consumers. An official Press note said the revised order which was published in the Gazette of India on August 22, provided "greater degree of consumer protection at the retatil levels."

The government is also considering further measures of consumer protection and promotion of fair trading practices, the Press note added. The order does not apply to commodities used by any industry including servicing industry as raw material or otherwise, wholesale packages commodities used for mining and commodities used for bulk consumption or commodities for export. It also does not apply to very small package and also to bidis and incense sticks (agarbati).

The minister also pointed out that the government might take initiative to prosecute those who indulge in counterfeiting the branded products. Till now it was up to the manufacturer or the consumer to file a suit against the culprit.

Norms for Inventory Credit

The Reserve Bank has accepted the recommendations made by the Study Group to frame guidelines for follow-up of bank credit (Chairman: Mr P. L. Tandon) in so far as they relate to norms for inventory and receivables, approach to lending, style of credit and information sytem. Fifteen major industries, including jute and cotton textile, have tight norms for bank finance for inventory and receivables. Manufacturing units are asked to put in their own funds up to a minimum of 25 per cent of working capital needs as part of a disciplining of the industrial sector in the use of bank finance.

Accepting the recommendations of the study group, the Reserve Bank told banks that initially, all industrial borrowers including small units with aggregate limits from banks in excess of Rs 10 lakhs would have to be brought under the purview of the new norms. Other borrowers would be covered progressively "as early as possible", according to a Reserve Bank of India press release. In cases where bank finance contiunes to be in excess of the norms without justification for over two months, banks are asked to levy a penal rate of interest for the excess borrowings. The 15 industries to be covered include cotton and sythetic textiles, man-made fibre, jute textiles, rubber products, fertilisers, pharmaceuticals, dyes and dyestuffs, basic industrial chemicals, vegetable oils and vanaspati, paper, cement, automobiles and engineering industries.

Export of Consultancy Services

The Reserve Bank has advised the scheduled commercial banks that they may grant suitable pre-shipment credit facilities against consultancy agreements to consultancy firms for meeting the expenses of technical and other staff employed for the industrial and other projects set up in foreign countries and purchase of any materials required for the purpose, after taking into account the advance payments received against the contracts. Interest at a rate not exceeding 11.5 per cent per annum should be charged upto a maximum period of 90 days and, in case of extension in the period of packing credit due to delays attributable to reasons beyond the control of the exporter, interest at a rate not exceeding 13.5 per cent should be charged for a further period not exceeding 45 days. It is emphasised that all other terms and conditions governing the pre-shipment credit scheme will have to be observed. The banks may also consider issuing suitable guarantees to exporters of consultancy services, taking into account the competence of the firm to undertake the assignment in question and other related aspects. The advance payments received would generally be kept with banks and drawn, as required, for meeting the project expenses.

It has been decided by the Reserve Bank of India that commercial vehicles, including mopeds (three-wheelers), locomotives, and central heating and industrial cooling equipment will also be eligible for the concessional rate of interest on pre-shipment credit upto 180 days at 11.5 per cent and for a further period of 90 days at 13.5 per cent wherever applicable.

National Permits for Transport

The Secretary of the ministry of Shipping & Transport, Mr M. Ramakrishnayya, who presided over the meeting of Transport Secretaries and Commissioners from 31 states and union territories, explained in brief the rationale and urgency of introducing the national permit system to ensure speedier flow of goods transport throughout the country. Every state representative welcomed the move and assured fullest cooperation for the early implementation of the scheme. It was felt that while granting national permits—which will be in addition to the zonal permits already in vogue—special efforts will be made to induct new entrants, particularly the educated unemployed and exservicemen.

On the charge of a composite fee of Rs 700 per state per vehicle, a number of representatives expressed their anxiety that the fee suggested was very much lower than they were charging at present and the present fee might cut into their revenues. But, since the main idea of the scheme was to encourage small operators and speedier movement of goods. a consensus was arrived at to accept the suggested composite fee in the larger interest of the national economy. Each state will get some compensation by way of authorisation fee at a flat rate of Rs 500 per permit to meet the administrative and other expenses which was being introduced for the first time. The situation will be reviewed after the scheme had been in operation for a year. The total number of National permits likely to be issued in in addition to the zonal permits was expected to be about 5,200.

State Loans

The state governments have issued new loans for amounts aggregating Rs 161 crores, according to a Reserve Bank of India press release. The biggest issue of Rs 35.75 crores is by Uttar Pradesh followed by Maharashtra's Rs 24.50 crores and Tamil Nadu's Rs 23.75 crores. The following are the other state loans, with the amounts given in brackets: Bihar (13.75 crores); Gujarat (Rs 16.50 crores); Jammu and Kashmir (Rs 2.25 crores); Haryana (Rs 8.50 crores) Kerala (Rs 8.25 crores); Madhya Pradesh (Rs 9 crores); and Rajasthan (Rs 18.75 crores). All ten loans will bear interest at six per cent per annum and will be issued at Rs 99.00 per cent. They are redeemable at par after ten years, i.e. on September 1, 1985. They will open for subscription on Monday, September 1, and close on Friday, September 5 or earlier without notice as soon as subscriptions approximate to the amount of each issue.

Power Corporations

The union Cabinet recently approved a proposal of the Energy ministry to set up two power generation corporations—one for thermal and the other for hydel. The two corporations, the National Power Corporation and the National Hydro Electrical Power Corporation, will be set up under the Companies Act. Initially those two corporations will take over the central sector power projects in the country. At present the centre runs one thermal power station at Badarpur and has taken up construction of three hydro-electric power stations at Loktak, Baira-Siul and Salal. The two corporations will ultimately take up the construction of the proposed super thermal power stations as well as big hydro-electric power stations to meet regional power requirements.

Credit Facility to Nepal

This country has agreed to extend existing stand-by credit facility of Rs 10 crores to Nepal for a period of six months from August 23, 1975. Letters to this effect were exchanged recently by Mr M.G. Kaul, Secretary, Department of Economic Affairs in the ministry of Finance on behalf of the government of India and Mr K.B. Malla, Ambassador Extraordinary and Plenipotentiary, on behalf of His Majesty's government of Nepal. India has been extending a stand-by credit facility to Nepal for the last 2½ years. The current Agreement was signed on May 21, 1975. It provides for a revolving credit whereby Nepal can continue to draw upon the facility and repay the current due within the overall ceiling of Rs 10 crores.

Commonwealth Finance Ministers' Meet

The official delegation to the Commonwealth Finance Ministers' Conference headed by Mr M.G. Kaul, Secretary, Department of Economic Affairs, left for Georgetown recently.

The Commonwealth Finance Ministers' Conference was preceded by official-level talks on August 24 and 25. The finance ministers met on August 26 to 28, 1975.

On his way to Georgetown Mr Kaul stopped at Teheran for a day to continue his talks with the Iranian authorities for finalisation of the agreement on the Kudremukh project. The Indian delegation will leave Georgetown for Washington on August 30, 1975 to take part in the annual meetings of the Boards of Governors of International Monetary Fund and the World Bank.

One of the items before Commonwealth Finance Ministers' Conference is the implementation of the U.N. Resolution on New International Economic Order. This aims at transfer of real resources and technology from developed to developing countries. The other items include the role of gold, the question of setting up a Commonwealth Investment Bank and technical cooperation among Commonwealth countries.

IDA Credit for Railways

Indian Railways have received a credit of $110 million from the International Development Association, the soft-lending affiliate of the World Bank. This credit is intended to finance a major portion of the Indian Railways' foreign exchange requirement for the 20-month period, from August 1975 to March 1977. This is the 13th and the highest ever credit received by the Railways. The previous highest was $80 million received last year. A Railway Board team headed by its Chairman had gone to Washington to negotiate this loan with the World Bank.

Assistance for CMDA

This country is to receive a grant of over Rs three crores (Dfl 10 million) from the Netherlands for the development programme of the Calcutta Metropolitan Development Authority (CMDA). Letters to this effect were exchanged recently between Mr M. Narasimhan, Additional Secretary in the ministry of Finance and Mr Tj. A. Meurs, Ambassador of the Netherlands. The grant is primarily meant as a reinforcement of the social services programme in the Calcutta area. It includes Rs 1.50 crores for expediting completion of 12 Hospital

6 Per Cent

Uttar Pradesh State Development Loan, 1985

ISSUE PRICE RS. 99.00 PER CENT
OPENS FOR SUBSCRIPTION ON
Ist SEPTEMBER 1975

The loan will be closed as soon as total amount of approximately Rs. 35.75 crores has been subscribed and in any case not later than the close of business on the 5th September 1975.

THE LOAN WILL BE UTILISED TOWARDS THE DEVELOPMENT PROGRAMME OF UTTAR PRADESH.

1. Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Kanpur, Madras, Nagpur, New Delni and Patna.

2. State Bank of Bikaner and Jaipur at Jaipur.

3. Branches of the State Bank of India within the State of Uttar Pradesh except at Kanpur.

ALL ARE REQUESTED TO SUBSCRIBE GENEROUSLY TO THIS NEW LOAN. APPLICATION FORMS AND FULL PARTICULARS BE OBTAINED AT ANY OF THE ABOVE RECEIVING OFFICES.

Projects and Rs 0.40 crores for the construction of 47 new primary schools and improvement of about 100 existing ones. The balance is for accelerating the execution of Bustee Improvement Programme. The grant is to be utilised by May 1, 1976. Unlike the normal Dutch aid which is meant to finance imports of goods and services, this special assistance has been provided to cover local currency expenditure. The grant is in addition to the financial assistance of Rs 74.83 crores (Dfl 212 million) already committed by the Netherlands for 1975-76.

During 1974 the Netherlands spent 428.7 million dollars in government aid to developing countries. This is 0.62 per cent of the Gross National Product (GNP), which is a big increase compared to 1973, when the aid was 0.54 per cent of the GNP (323.5 million dollars). With a percentage of 0.62, this country came in 1974 second on the list of 17 rich countries, after Sweden (0.72 per cent) and followed by France (0.60 per cent). The average per country was 0.33 per cent of the GNP. In 1974 the 17 industrialised countries, joined in the Organization for Economic Cooperation and Development (OESO), together spent 11.3 million dollars in government aid (in 1973: 9.4 million dollars).

Engineering Exports

India's exports of engineering goods in 1974-75 registered a record increase to Rs 353 crores as compared to Rs 201.27 crores in 1973-74. This remarkable performance was achieved despite constraints on production like raw material shortages, power cuts and shipping difficulties. It is expected that this uptrend will continue in the current year 1975-76 also. Significantly the increase in the engineering exports was due not only to higher unit value realisation but larger offtake in terms of volume. The quantum index of exports of machinery and transport equipment, for instance, represented a rise of 60 per cent in terms of volume while the unit value index was higher by 18 per cent.

In order to sustain the growth rate of engineering exports in the years to come, the government of India have taken quite a few measures in the recent past. The preshipment packing credit for certain medium and heavy engineering goods has been extended from 90 to 180 days. The policy of export on deferred payment terms has been liberalised. The procedure for allocation of indigenous steel for export production has been simplified; such categories of steel as are not available locally are being imported for the exclusive purpose of export production.

New Incentives

The government has recently taken decisions on the Sondhi Committee report on engineering exports. The decisions are: (a) Rate of cash assistance for export of capital goods and turn-key projects will be protected till the completion of the contract. In respect of other engineering goods, the protection will be available for three years. (b) In case the JPC steel prices are revised upward by 10 per cent more, contracts entered into by exporters up to the day of revision will be protected; provided they do not contain any escalation clause. (c) All imports including raw materials, steel, cement and power will be made available to exporters to the maximum extent possible and to ensure this, a high powered Inter-Ministerial Committee has been set up. In respect of advance licences for exports, import duty will not be charged, to obviate the formality of subsequent refund. Necessary modalities are being finalised in this regard and the Industrial Development Bank will be the focal point for processing exporters proposal involving deferred payments.

Korba Plant

The first ever aluminium produced in the public sector to reach consumers at home has started moving from Korba smelter of Bharat Aluminium Company Limited (BALCO). Hitherto, BALCO was selling alumina and most of it was being exported to Russia, Thailand, Indonesia and Spain. With the commencement of metal sales, the company now looks forward to an eight-fold increase in its sales turnover during the current financial year. BALCO will also continue to sell alumina and alumina hydrate both at home and abroad. This combined sales effort is likely to fetch BALCO a sales earning of Rs 28 crores to Rs 30 crores this year against Rs 3.7 crores last year. This will yield, apart from the sales tax, an excise revenue earning of over Rs 9 crores to the union government. BALCO will also be in the market shortly for sales of carbon electrode paste produced at its anode paste plant for use by ferro-alloy manufacturers.

Extension of ESI

Nearly 600,000 additional workers will get benefit from the ESI schemes. The ESI Act, 1948 has been amended to increase the wage limit for coverage of employees from Rs 500 to Rs 1,000 per month. This amendment will also cover those 200,000 employees who had crossed the earlier wage limit of Rs 500 and were not eligible for the benefit. The scheme covers about 4.95 million insured persons and over 19 million beneficiaries in 376 centres throughout the country.

A beginning towards extension of scheme to new classes of establishment has already been made. The scheme has been extended to new classes covering about 170,000 employees in various centres in the states of Andhra Pradesh, Kerala, Haryana, Punjab, West Bengal and in the union territory of Delhi. The state governments of Assam, Bihar, Karnataka, Maharashtra, Rajasthan, Utter Pradesh and the Union Territories of Pondicherry and Chandigarh have also notified their intention to extend the scheme to new classes of establishment and an additional 300,000 employees are expected to be covered under the scheme by the end of 1975-76.

Provident Fund Scheme Revision

Mr K.V. Raghunatha Reddy, minister of Labour informed the members of the Consultative Committee attached to his ministry recently that the decentralisation of the administration of the Employee's Provident Fund Organisation has been agreed to and as a first step in this direction it has been decided to set up sub-regional offices at Meerut, Nagpur and Surat. These offices are being set up to streamline the accounts work and for speedy settlement of cases.

Regarding fixation and revision of minimum wages the minister said that proposals for amendment to the Minimum Wages Act are under consideration so that the minimum wages could be revised at least within three years where they are linked with consumer price index numbers and in other cases within two years.

Disposal of Industrial Disputes

Vigorous efforts made by the Chief Labour Commissioner's organisation to settle pending industrial disputes have resulted in considerable improvement in industrial relations in the country. This drive was recently intensified for creating a climate of industrial peace and harmony for implementation of new economic programmes. The reports received from all over the country since the declaration of emergency indicate that there was no work stoppages in the central sector. This has contributed largely to the welfare of workers and better industrial peace.

Supersonic Flights

For the price of a 7p stamp the chance of a three-and-a-half hour flight at twice the speed of sound is being offer- by British Airways to every man, woman and child in Britain, aged seven and over. British Airways plans to give this supersonic day trip on Concorde to 35 members to be chosen from postal applications in a unique national ballot.

Announcing the plan recently British Airways Managing Director, Henry Marking, said: "We wanted to find a way for the public to share in the achievement and the exitement of the world's first supersonic airliner.

Fuelling Machine Head

Dr H. N. Sethna, Chairman, Atomic Energy Commission severely condemned the prevailing attitude of accepting anything "non Indian as good even after twenty-five years". Dr Sethna made this observation while accepting on behalf of AEC the fuelling machine head, very critical part manufactured by Cooper Engineering Limited, at a special function held at Chinchwad, eighteen kilometres from Poona, where the factory is located.

Margin Money for Cooperatives

A total allocation of Rs 4.55 crores has been made by the Department of civil Supplies and Cooperation, ministry of Industry and Civil Supplies, for payment of margin money to cooperatives during the current year. This has been done to enable cooperatives to step up their work substantially in relation to the distribution of controlled cloth and other essential consumer articles. The central government has enlarged the scope of the margin money scheme for consumer cooperatives. Funds would be made available to the state governments specifically for strengthening the share capital base of consumer cooperatives so that they may have adequate margin money to raise more funds from banks for their expansion and business activities.

The margin money scheme has two basic components, namely, (1) funds for cooperatives operating as wholesalers and sub-wholesalers; (2) funds for the consumer cooperatives. The allocation of margin money for the first category is Rs 2.55 crores, while that for the second category (consumer cooperatives) the sum earmarked is Rs 2 crores.

Cooperatives in Handloom Sector

The government has decided to bring 60 per cent handlooms under cooperatives by the end of fifth Plan from the existing 30 per cent. This was informed by the deputy minister of Commerce, Mr Vishwanath Pratap Singh in a meeting with the representatives of handloom weavers and handloom organisations from different states recently. The representatives were from Bihar, UP, Haryana, Madhya Pradesh, Karnataka and West Bengal.

The deputy minister informed them that the spinning units were being given licences with the obligation of producing 65 per cent yarn in hanks. The existing mills had also been asked to increase their production of yarn in hankform by 10 per cent as compared to their production in 1972. This would ensure, the deputy minister hoped, adequate availability of yarn to the handloom sector. He stated that the handloom sector would contribute 30 per cent of the total output of cotton textiles by raising its production from the existing level of 2200 million metres to 3,000 million metres. For this purpose, he further informed that the government had issued orders reserving certain lines of production for handloom and powerloom units like yarn dyed dhoties, low reed pick cloth, all coloured sarees, dusters and towels in honey-comb weave or Erazha Thortu.

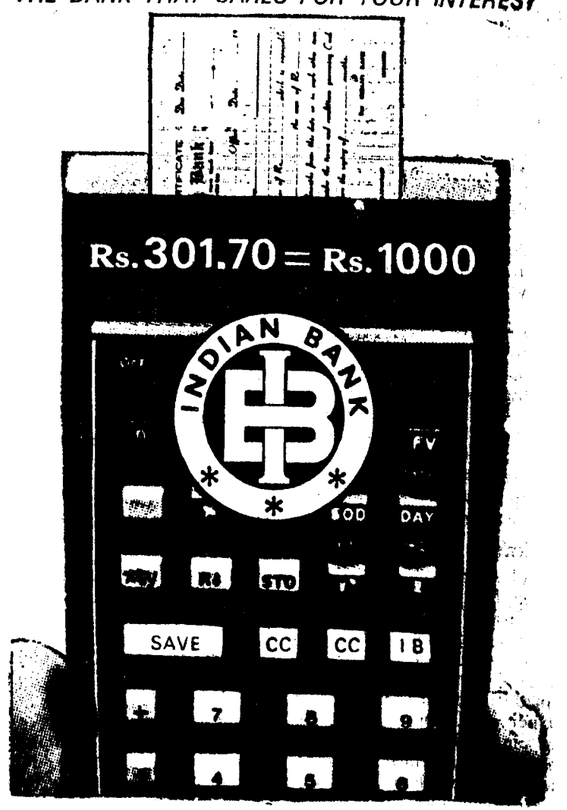
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Deposit as little as Rs. 301.70 now - We give you Rs. 1000/- after 144 months. We have Cash Certificates for Rs. 5000/ and Rs 10,000/-too, or even Rs. 500/- and Rs. 100/-. You accumulate for as short a period as 36 months.

It is handy, safe and high yielding.

Amount you Deposit	Amount we Pay	Period
Rs. 301.70	Rs. 1000.00	144 Months
Rs. 368.50	Rs. 1000.00	120 "
Rs. 602.77	Rs. 1000.00	61 "
Rs. 698.37	Rs. 1000.00	48 "
Rs. 764.17	Rs. 1000.00	36 "

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COMPANY AFFAIRS

Equities Recover

THE MARKET commenced the week on an easy note but took a turn for the better towards the close of the week mainly on account of institutional support. With the absorption of sizable blocks of select shares by the Unit Trust of India, the General Insurance Corporation and other insurance companies, bulls were able to lift the market. Reports that the government was determined to accelerate industrial growth between eight and ten per cent created a favourable impact on the market. Meanwhile the government's decision to allow industrial units going in for modernisation and replacement of equipment to increase their production by 25 per cent of the authorised capacity bolstered market sentiment.

The company entered into agreements for licence, know-how, design, engineering, supply of equipment and services for the establishment of manufacturing facilities for the styrene / polystyrene with Messrs. Badger Ltd and its associates in July-August 1973. In spite of the company vigorously following up the matter thereafter, the government's final approval of the agreement was received only on January 22, 1975. But much had happened during the intervening period. There was stiff hike in oil prices with further aggravation in inflationary conditions. Meanwhile Messrs Badger Ltd asked for an increase in design and engineering fee and also for an escalation in price of imported equipment. After a reappraisal the directors have came to the conclusion that the project was not viable and hence decided not to go ahead with it.

The company was issued letter of intent by the government for establishing manufacture of hydraulic excavators at Bangalore is progressing as per schedule and the first hydraulic excavator is expected to roll out by the end of this year.

Gujarat State Fertilizers

Gujarat State Fertilizers Company Ltd has maintained its onward march despite difficult situation in the fertiliser market. The company's caprolactam plant commenced production in August 1974. However due to teething troubles the total quantum of caprolactum the company was able to produce from August 1974 to March 1975 was not satisfactory. It also became necessary for the company to reduce the price which the company had initially fixed for the sale of caprolactum by 12.5 per cent in December 1974, in response to the request of the consumers who were themselves faced with the problem of consumer resistance because of the high price of the end-product. Taking all these facts into consideration, it is a matter for some satisfaction that the company's profit for the year after meeting all expenses and interest on loans but before providing for depreciation and development rebate, amounted to Rs 25.86 crores.

After providing Rs 9.33 crores for depreciation, and Rs 5.32 crores for development rebate, the net profit stood as Rs 11.20 crores. Out of this balance of profit, Rs 3.98 crores have been transferred to plant and machinery replacement reserve, and Rs 7.22 crores to general reserve. After very careful consideration, the directors have recommended declaration and payment of dividends for the year ended March 31, 1975 at Rs 9.30 per share on the preference shares, and at Rs 12 per share on equity shares. The directors have further recommended the issue of bonus shares in the proportion of the one bonus equity share for every three existing equity shares.

Project Dropped

The company entered into agreements for licence, know-how, design, engineering, supply of equipment and services for the establishment of manufacturing facilities for the styrene / polystyrene with Messrs. Badger Ltd and its associates in July-August 1973. In spite of the company vigorously following up the matter thereafter, the government's final approval of the agreement was received only on January 22, 1975. But much had happened during the intervening period. There was stiff hike in oil prices with further aggravation in inflationary conditions. Meanwhile Messrs Badger Ltd asked for an increase in design and engineering fee and also for an escalation in price of imported equipment. After a reappraisal the directors have came to the conclusion that the project was not viable and hence decided not to go ahead with it.

The company was issued letter of intent by the government for establishing manufacturing facilities for 3,320 tonnes per year of Nylon-6 chips for filament yarn, and 1,000 tonnes per year of nylon-6 chips for moulding. The company had finalised arrangements for licence, know-how, design and engineering work, supply of imported equipment and advisory services for the manufacture of 3,300 tonnes per year of filament grade chips and 2,000 tonnes per year of plastic grade chips including compounded chips, with Messrs. Inventa of Switzerland. After much discussion and considerable vacillation, the company expects shortly to receive a modified letter of intent for manufacturing 4,000 tonnes per annum of plastic grade chips.

New Venture

The company has also been issued a letter of intent for a new fertilizer plant based on fuel oil as feed-stock. The company had invited tenders for the project and several well-known firms had submitted their tenders. As much progress had been made in recent years in this particular technology, the company decided in April this year to send a team of its experts for visiting various fuel oil-based ammonia plants, and for discussions with the foreign companies from whom tenders for the company's new fertilizer project had been received. As a result of this visit, revised tenders for the project have been received from the foreign companies. These tenders are now under scrutiny.

Tamilnadu Dadha Pharmaceuticals

Tamilnadu Dadha Pharmaceuticals Limited is the first state joint venture in this country in the pharmaceutical field. The company has been promoted by the government of Tamilnadu through Tamilnadu Industrial Development Corporation Limited with Dadhas as joint promoters. The factory is situated at Dadhanagar, Pallavaram, in Chingleput district. The main objective of the company is to manufacture life saving drugs and formulations. The company presently manufactures various items of tablets, injections, capsules, ointments and liquid preparations, which are being supplied to the various government hospitals and institutions in the state and also to central government and defence departments. The company's marketing activities are presently confined to the four southern states. In keeping up with its objective the company soon after the inception set up the Research and Development department, initially on the pharmaceutical formulations. The Research and Development department has been successful in formulating a number of new products.

With a view to achieving the pronounced objective of meeting the country's need for quality drugs at reasonable prices, the company has drawn up a comprehensive expansion programme. The salient features of the expansion schemes are to substantially expand the capacities for the manufacture

The Calcutta Electric Supply Corporation Limited

(Incorporated in England)

7¾ % Debenture Stock 1980

Interest for the Half Year Ending 14th October 1975

NOTICE is hereby given that Interest at the rate of Rs. 38.75 P (less Indian Income Tax) per Rs. 1,000/- of Stock will be paid on 15th October, 1975 to Debenture Stockholders registered in the Books of the Company on 1st October, 1975. Applications for transfers received at the Company's Office at Victoria House, Post Box 304, Chowringhee Square, Calcutta, upto 1st October, 1975 will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above interest.

Debenture Stock Transfer Book will be closed from 3rd October, 1975 to 14th October, 1975 both days inclusive.

By Order of the Board
S. K. NIYOGI
Secretary

Victoria House,
Calcutta-1
18-8-75/LW.

equal annual instalments in line with the current dividend restrictions. The directors consider the company's results satisfactory in the context of the adverse effects of the economic recession prevailing in the country. The financial condition and the inner vitality of the company, however, continues to be sound. In order to off-set the adverse economic conditions and the low market demand for its regular products, the company has diversified its product range by developing such varieties of steel which are in steady demand and which offer remunerative returns. It exported during the year 11,000 tonnes of round bars accounting for nearly 40 per cent of the total steel bar exports from the country.

The company's turnover during the year recorded a smart rise from Rs 32.37 crores to Rs 37.90 crores but gross profit declined steeply from Rs 4.19 crores to Rs 2.30 crores. Out of the gross profit, the directors have appropriated Rs 118.13 lakhs to depreciation reserve as against Rs 86.49 lakhs in 1973-74, while the allocation to development rebate reserve was slashed to Rs 18.50 lakhs from Rs 70 lakhs in the previous year. The allotment to debenture redumption reserve was maintained at Rs 8 lakhs. After adjustments, the directors have transferred Rs 137.06 lakhs to general reserve as against Rs 254.15 lakhs previously. The tax liability for the year is estimated at Rs 9.25 lakhs as against Rs 1.07 crores in the earlier year, and it will be paid out of the general reserve.

Bharat Steel Tubes

Bharat Steel Tubes Limited, the leading manufacturers of steel tubes and pipes, have turned out excellent working results for the year ended March 31, 1975. The turnover has risen by about 83 per cent from Rs 12.28 crores to Rs 22.55 crores. The gross profit has increased from Rs 1.82 crores in the previous year to Rs 2.31 crores for the current year. After providing Rs 36.78 lakhs for depreciation and Rs 1.26 crores taxation, the net profit amounted Rs 68.29 lakhs.

Despite the corporate tax rate being as high as 65 per cent the directors have been able to recommend a dividend of 12 per cent on the equity shares for the year ended March 31, 1975, as against dividend of 5.8 per cent for the previous year. The total reserves as on March 31, 1975, aggregated Rs 2.92 crores as against paid-up capital of Rs 2.91 crores. The performance of the company is indeed satisfactory when considered against the background of unfavourable conditions.

Increased Exports

The company's exports registered a record increase which in terms of value accounted for almost 50 per cent of the turnover as against 33 per cent during the previous year. The foreign exchange earnings were to the tune of Rs 9.15 crores as against Rs. 2.75 crores in the previous year. The company's exports during 1974-75 were highest in the tube industry. This commendable performance on the export front was achieved by the company in spite of severe competition in the overseas market.

Of late, the world prices of steel tubes and pipes have been declining due to recession in the influential markets. The company is still striving its best to revive exports which may not be easily accomplished without assistance and incentives in one or the other manner from the government. With the improvement in the power supply and indigenous steel production, the company expects to have better working results during the current year. The production of steel tubes and pipes during four months ended July, 1975, was of the order of 19,500 tonnes. The total production during 1975-76 is expected to be around 60,000 tonnes as against 44,645 tonnes during 1974-75.

Export Oriented

The company is also setting up a hand tools project at Aurangabad in Maharashtra with an annual capacity of 5,000 tonnes with 60 per cent of the production committed for export. The government of India has issued industrial licence for setting up of this project.

Bharat Steel Tubes has promoted Apollo Tyres Limited—a Rs 25.50 crores project—for the manufacture of automobile tyres and tubes being set up at Chalakudy in Kerala, with technical collaboration of General Tire International Company of the United States This project will have an annual capacity of 500,000 numbers each of tyres and tubes and will be producing for the first time in the country radial tyres. All financial arrangements for Apollo Tyres project have been finalised The public issue will be made during October this year. The project is expected to go on stream by October, 1976. The steel tube project of Apollo Tubes Limited, to whom BST nas provided technical knowhow and engineering services, has been successfully commissioned during May this year, BST has also been registered with the government of India for manufacture of galvanising plants, first of which manufactured by the company has been successfully installed at the Apollo Tubes factory at Ranipet.

Larsen & Toubro

The working of Larsen & Toubro Ltd during the period April 1, 1975 to July 31, 1975 has shown a further impressive improvement over the corres ponding period of the previous year. Sales for the period April-July 1975 were higher at Rs 19.50 crores as compare to Rs 15.84 crores in the corresponding period last year—a rise of 23 per cent. The order backlog stood at Rs 76.52 crores on July 31, 1975 as against Rs 63.25 crores on July 31, 1974. Production has also marked a rise as compared to the previous year's performance. In tune with the prevailing climate in the country, a greater stress is being put on productivity.

To meet the company's requirement of additional funds to finance the Poclain Hydraulic Excavator Project, the company had made an issue in June this year of right shares in the proportion of one equity share for four equity shares held. The rights were offered at a premium of Rs 6 per share. As expected, the issue was oversubscribed. The equity base of the company has now increased by 14,90,679 shares to 74,53,395 eqnity shares issued and subscribed. The scheme to

of formulations to achieve higher production; to take up the production of transfusions; to set up a division for manufacture of cortico steroids, to enhance the capacity for calcium lactate and take up production of lactic acid—an item hitherto being imported from abroad and to set up a division for the manufacture of petroleum products. It is expected that the expansion will be launched by middle of 1976.

Deposit Insurance Corporation

There was a further rise of Rs 949 crores in the total insured deposits of banks (commercial and cooperative) covered under the Deposit Insurance Scheme between September 1973 and September 1974, according to the annual report of the Deposit Insurance Corporation for the year ended December 1974. Insured deposits as on the last Friday of September 1974 exceeded Rs 6,800 crores, representing 64.0 per cent of the aggregate assessable deposits of Rs 10,624 crores, against Rs 5,852 crores, representing 63.9 per cent of the total assessable deposit of Rs 9,152 crores a year before. The number of fully protected accounts — that is, with balances not exceeding Rs 10,000 — went up from 399 lakhs out of the total of 415 lakh accounts to 457 lakhs out of the total of 476 lakh accounts.

The percentage of fully covered accounts to the total number of accounts continues to be higher in the case of smaller commercial banks with assessable deposits of Rs 1 crore or less. The proportion of fully protected accounts to the total number of deposit accounts in 1974 was 99 per cent for these banks, while it varied from 97.0 to 97.8 per cent for medium-sized commercial banks (with deposits exceeding Rs 1 crore but upto Rs 50 crores) and from 95.3 per cent to 95.5 per cent for bigger banks with assessable deposits exceeding Rs 50 crores. The position was more or less similar in the case of cooperative banks.

As regards the coverage of amounts of deposits, the ratio varied from 61.2 per cent to 64.2 per cent for bigger commercial banks, 57.0 per cent to 77.0 per cent for medium-sized banks, and stood at 68.0 per cent for smaller-banks. In the case of cooperative banks, the ratio was 67.5 per cent for larger banks, 69.6 per cent for medium banks and 84.7 per cent for smaller banks.

The total number of registered insured banks as at the end of December 1974 was 526, comprising 81 commercial banks and 445 cooperative banks in the states of Andhra Pradesh, Jammu and Kashmir, Madhya Pradesh, Maharashtra, and the union territories of Goa, Daman and Diu, Delhi and Pondicherry.

The corporation paid no claims during the year. The total amount of claims paid or provided for so far from the inception of the corporation remained unchanged at Rs 113.04 lakhs.

Income from insurance premium (including interest) earned during the year was higher at Rs 4.55 crores, against Rs 3.83 crores in 1973, due mainly to the increase in assessable deposits. Income from investments was Rs 1.89 crores (Rs 1.54 crores in 1973). After providing Rs 2.45 crores for depreciation in investments following adjustments in yield rates of central government securities and making a provision of Rs 80,000 for insurance loss, the surplus of Rs 3.98 crores has been transferred to the Deposit Insurance Fund which at the close of 1974 stood at Rs 34.62 crores, constituting about 0.51 per cent of the total insured deposits.



nation on the move

"Time and again, India has given evidence of an indomitable spirit. In recent years, as in the past, she has shown unmistakable courage and capacity for meeting new challenges. There is a firm base of Indianness which will withstand any trial."

SMT. INDIRA GANDHI

We have met many challenges since we became free. And here is a record of our achievements :

- Food production has gone up from 4 crore 80 lakh tons in 1948-49 to over 10 crore 40 lakh tonnes in 1973-74.
- Number of villages electrified has increased from a mere 3,000 before the beginning of the First Plan to over 1 lakh 62 thousand by January 1975
- Number of pumpsets energised has risen from 21,000 to nearly 26 lakhs.
- Production of coal and coke increased from 2 crore 80 lakh tons in 1948-49 to 8 crore 12 lakh tonnes in 1973-74.
- Iron ore from 30 lakh tonnes in 1950-51 to 2 crore 30 lakh tonnes in 1973-74.
- Finished steel from 8 lakh 60 thousand tons in 1948-49 to over 45 lakh tonnes in 1973-74.
- The value of machine tools produced rose from Rs. 30 lakhs in 1950-51 to Rs. 69 crores 20 lakhs in 1973-74.
- Production of fertilisers increased from 16,000 tonnes in 1950-51 to 13 lakh 80 thousand tonnes in 1973-74.
- Cement from 1 lakh 62 thousand tons in 1948-49 to 1 crore 47 lakh tonnes in 1973-74.
- Output of refined petroleum products increased from 2 lakh tonnes in 1950-51 to nearly 2 crore tonnes in 1973-74.
- Power generated rose from 457 crore 50 lakh kwh in 1948-49 to 6,500 crore kwh in 1973-74.
- Area under irrigation has increased from 2 crore 8 lakh hectares in 1950-51 to 3 crore 15 lakh hectares in 1973-74.
- Production of bicycles went up from 46,000 in 1948-49 to 25 lakhs 80 thousand in 1973-74.
- Electric fans from 2 lakhs in 1950-51 to 22 lakhs in 1973-74.
- Radio sets from 54,000 in 1950-51 to over 17 lakhs 75 thousand in 1973-74.
- Sugar produced in 1973-74 was nearly 40 lakh tonnes as against 10 lakh tons in 1948-49.
- Production of coffee seeds increased from 21,000 tons to 87,000 tonnes.
- Tea rose from 26 crore kgs in 1948-49 to 47 crore kgs in 1973-74.
- Cotton cloth from 44 crore yards in 1948-49 to 795 crore metres in 1973-74.
- Road mileage has increased from 4 lakh kms in 1950-51 to 8 lakh kms in 1973-74.
- Route mileage of the railways has gone up to 60,000 kms in 1973-74.
- Shipping tonnage from 3 lakh 72 thousand GRT in 1950-51 to 30 lakh 90 thousand GRT in 1973-74.
- The number of Post offices increased from 36,000 in 1950-51 to 1 lakh 17 thousand in 1973-74; number of telephones from 1 lakh 68 thousand to 16 lakhs 37 thousand during the same period.
- Life expectancy has increased from 32 to 50 years; the death rate has come down from 27.4 per thousand to 16.9, between 1950-51 and 1973-74.
- Literacy rate has gone up from 16.1 per cent in 1950-51 to 29.5 per cent in 1973-74. Number of school-going children has gone up from 2 crore 35 lakhs to 7 crore 98 lakhs, during the same period.

let us get on with the job of NATION BUILDING

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News and Notes

The Public Issue of *Gujarat Alkalies and Chemicals Limited* which has been over-subscribed received enthusiastic responses from all investors—small investors in particular—resulting in 22,986 applications seeking 44,15,250 shares of Rs 10 each. The board of directors of GACL at its Meeting held on August 15, 1975 has decided to make full allotment in respect of all applications received upto 150 shares. This covers 70.71 per cent of total number of applications received in response to its public issue of Rs 2.45 crore equity shares.

The *Institute of Internal Auditors (IIA)* has announced plans to bring together the best-known control and audit techniques for organizations using computers. International Business Machines Corporation will sponsor the effort. The research project will provide organizations with recommendations and guidance to help detect and prevent errors and guard against misuse of information. The study will be completed in mid-1976. Overall project direction will be provided by an executive committee appointed by the IIA, an international non-profit professional organization. William E. Perry, IIA's director of research, will chair the committee. Stanford Research Institute will do extensive field research for the study.

The study will focus primarily on procedures that can be incorporated into user-developed computer applications and related accounting practices. In India, it will have four Chapters—Bombay, Calcutta, Delhi and Bangalore. In so far as the development work on this project in India is concerned, Mr. R. Chatterjee, Chief Internal Auditor of Philips India Limited and Mr. S. L. Aggarwal, Audit Manager of Hindustan lever Limited are co-ordinating activities of the Indian organisations, participating in this programme and the parent body.

New Issues

Reed Relays and Electronics India Limited is establishing a facility in Madras for the manufacture of reed switches, with the latest design concept, in technical collaboration with Messrs Flight Refuelling Ltd., a British company who are one of the foremost reed switch manufacturers in the UK. The total capital outlay on the project is estimated at Rs 125 lakhs, and it will be financed to the tune of Rs 50 lakhs by way of share capital and Rs. 75 lakhs by way of term loan to be provided by ICICI to the extent of Rs 24 lakhs, TIIC to the extent of Rs 30 lakhs and State Bank of India to the extent of Rs 21 lakhs. The company's raw material will be met through both indigenous and imported sources. The working capital arrangements are being tied up with State Bank of India. The company's civil construction work is in the advanced stage and nearing completion. Imported machinery is expected to arrive at the factory site from September 1975 onwards. Trial production will start by November-December 1975 and commercial production by January 1976.

It is significant to note that the reed switch manufacturing facility that the company is establishing would be of a semi-automatic nature and together with the low labour cost, would make the industry very competitive in international markets. With assured quality, it would not be difficult for the company to penetrate markets overseas and the management is confident that it could export much more than the commitment of 30 per cent for which the company has given an undertaking to the government of India. Apart from export commitment of 30 per cent, potential for domestic requirement is increasing year after year. Apart from various small-scale undertakings, same major industries and units such as Indian Telephone Industries Ltd, Bharat Electronics Ltd, Defence Electronics, National Aeronautical Laboratories, computer and computer peripheral manufacturers, electronic desk calculator manufacturers, electronics testing instruments, process control instruments, reed relay manufacturers, etc. will be consuming reed switches to a considerable extent.

The initial production will be about 3.75 million switches. The turnover will be around Rs 1.5 crores per annum to start with and is expected to be doubled or trebled during the third year since world market conditions are indeed favourable for exports of these switches.

To raise part of the resources required for the implementation of the project the company has decided to go public shortly. Out of the issued capital of Rs 50 lakhs, the promoters will be taking up equity shares worth Rs 15 lakhs. The remaining equity capital of Rs 25 lakhs and the entire preference capital of Rs 10 lakhs will be offered to the public for subscription.

The Industrial Credit and Investment Corporation of India is issuing 25,000 debentures in units of Rs 5,000 each at 97.50 per cent i.e. Rs 4875 each. The subscription list opened on August 25 and is scheduled to close on August 29 or earlier at the discretion of the directors, but not earlier than August 27. The ICICI has the right to retain excess subscription up to 10 per cent of the notified amount. The debentures are approved security under the provisions of the Indian Trusts Act 1882, the Insurance Act 1938 and the Banking Regulation Act 1949. The debentures will be redeemed at par on September 1, 1990. The debentures will carry an interest of 6.25 per cent per annum. The proceeds of the debenture issue will be utilised for augmenting the resources of ICICI to meet the demands of industry for financial assistance, to redeem the first series of debentures in November 1975.

Dividends

(per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Higher Dividend			
Puthutotam Estates	March 31, 1975	10.0	7.5
Kil Kotagiri Tea & Coffee Estates	March 31, 1975	7.0	2.5
Mafatlal Fine	March 31, 1975	15.0£	12.0
Standard Mills	March 31, 1975	20.0	12.0
Sangameshwar Coffee Estates	March 31, 1975	12.0	Nil
Alageswar Estates	March 31, 1975	10.0	Nil
Same Dividend			
Attikhan (Biligiri)	March 31, 1975	Nil	Nil
Reduced Dividend			
Modern Mills	Dec. 1, 1974	5.0	10.0
Panyam Cements	August 31, 1974	Nil	12.0
Indian Vegetable Products	Dece. 31, 1974	15.0	17.0
J. K. Cotton	Dece 31, 1974	Nil	6.0

£ On enlarged capital.

RECORDS AND STATISTICS

Rural households: assets and liabilities

WHILE THE aggregate physical and financial assets (excluding inventories) held by rural households as at the end of June 1971 amounted to Rs 88,409 crores, their total liabilities were Rs 3,921 crores, representing only 4.4 per cent of the aggregate assets. Only about 43 per cent of the households reported liabilities. The average liabilities per household were Rs 503, whereas the average assets stood at Rs 11,343. These trends are highlighted by the data on assets and liabilities presented in volume I of the statistical tables relating to the All-India Debt and Investment Survey 1971-72 published by the Reserve Bank. The estimates are based on the data collected from over 100,000 rural households selected from about 12,000 sample villages. The major findings of the survey are summarised below:

High Percentage

Out of the total assets of Rs 88,409 crores, cultivator households, which constituted 72.3 per cent of the rural households, claimed 93.6 per cent, with an average of Rs 14,694 per household. The non-cultivator class had an average of Rs 2,600 per household. Among the non-cultivators, 53.0 per cent were agricultural labourers with an average value of assets of Rs 1,139 per household and 8.7 per cent were artisans with an average value of assets of Rs 2,369 per household.

Land was the most important item of assets owned by rural households, constituting nearly two-thirds of their total assets. Buildings and house-sites accounted for about 20 per cent, livestock, implements and machinery for slightly less than 10 per cent, durable household assets for less than five per cent, and financial assets and dues receivable for 1.6 per cent. The pattern of assets composition was broadly the same for all cultivator households. For non-cultivator households, bulldings constituted the most important item of assets, accounting for nearly two-fifths of the total assets.

Main Assets

Among agricultural labour households and artisan households, which together constituted six out of 10 non-cultivator households, more than half the assets by value was in the form of buildings. Land was a minor item of asssets for both the groups, accounting for less than a fifth of total assets among agricultural labour households and less than one-tenth among artisan households.

The value of total assets of individual cultivator households varied over a wide range on either side of the all-India average. Land being the predominant constituent, the variations reflect very largely the differences in the size of owned landholdings and unit area land values. Six out of ten cultivator households had assets valued betwee Rs 2,500 and Rs 20,000 each, while the remaining cultivator households were roughly equally divided between two broad groups, namely, those with assets less than Rs 2,500 each and those with assets of Rs 20,000 or more each. Cultivator households in the assets range Rs 2,500 to Rs 20,000 accounted for slightly over 35 per cent of the total assets of all cultivator households. The corresponding share of cultivator households with total assets less than Rs 2,500 each was slightly less than two per cent, while those with assets of Rs 20,000 or more each accounted for about 63 per cent of the total assets of all cultivator households.

Regional Disparities

The state-wise data on assets show that the average value of total assets per rural household varied from Rs 6,018 in Meghalaya to Rs 31,833 in Punjab. The average varied over a wider range from Rs 6,504 in Meghalaya to Rs 62,789 in Puujab in the case of cultivator households. For non-cultivator households the variation was from Rs 1,428 in Orissa to Rs 8,556 in Punjab. Land being by far the most important item of assets of cultivator households and cultivator households being the overwhelmingly dominant group among rural households, the wide variations in the per cultivator household and per rural household values of total assets reflect very largely the inter-state variations due to the combined effect of the average size of owned land and of unit area land values.

The liabilities totalling Rs 3,921 crores as on June 30, 1971 were accounted for almost wholly by cash loans, the share of loans in kind being hardly 2.5 per cent. The proportion reporting liabilities was 46 per cent among cultivator households and 34 per cent among non-cultivator households. The outstanding liabilities per household averaged Rs 612 among cultivators and Rs 219 among non-cultivators. In the latter group, the average outstanding per household were Rs 162 for agricultural labourers and Rs 267 for artisans.

In all these groups, the outstanding liabilities were small in relation to the value of total assets, the debt assets ratio being 4.2 per cent for cultivator households, 14.2 per cent for agricultural labour households and 11.0 per cent for artisan households. For all the non-cultivator households put together, the ratio was 8.4 per cent.

High Variation

The proportion of rural households reporting liabilities varied from seven per cent in Meghalaya to 57 per cent in Rajasthan. The average outstanding liabilities per rural household ranged from Rs 15 in Meghalaya to Rs 1,084 in Punjab. The outstanding liabilities as a proportion of total assets were small in all the states. The ratio ranged from less than one per cent in Meghalaya to slightly over 10 per cent in Tamil Nadu. The data pertaining to cultivator households show a broadly similar picture.

Note: The All-India Debt and Investment Survey 1971-72 was the third in the decennial country-wide investigations of the household sector undertaken by the Reserve Bank. So far only rural areas were being covered, but, during the 1971-72 survey, the coverage was extended to urban areas as well. With a sample size of over 100,000 households in rural areas and about 50,000 households in urban areas, the survey constitutes one of the largest field surveys undertaken in India. The survey was conducted in collaboration with the National Sample Survey Organisation of the government of India and the state government bureaux of Economics and Statistics, as the main part of the 26th round of the National Sample Survey. Volume I of the statistical tables on assets and liabilities of rural households which is now released is the first in a proposed series of statistical publications.

Wholesale prices

THE OFFICIAL wholesale prices index for all commodities (with base 1961-62=100) registered a rise of 1.4 per cent to 313.1 during May, 1975 as against 308.8 for April, 1975. At this level, the index for May, 1975 was higher by 4.8 per cent when compared to that of a year ago. This rise of 1.4 per cent in the all commodities index has been contributed mainly by the group 'Food Articles'and 'Liquor & Tobacco' which advanced by 2.8 per cent and 1.0 per cent respectively.

The groups 'Fuel, power, Light & Lubricants' and 'Machinery and Transport Equipment' also moved up by 0.3 per cent each. However, the indices for 'Chemicals' and 'Manufactures' declined by 0.2 per cent and 0.1 per cent respectively. 'Industrial Raw Materials' remained almost unchanged.

Food Articles

The sub-group index for 'cereals', registered a rise of 0.9 per cent to 380.7 as against 377.2 during the earlier month owing to rise in the prices of rice and jowar. The prices of all other cereals, however, went down. Higher prices of of gram, masoor & urad advanced the index of 'pulses' by 0.3 per cent to 459.3.

A rise of 9.1 per cent to 293.6 in the index for 'fruits & vegetables' was caused by higher prices of potatoes, oranges, bananas & cashewnuts. The prices of onions, however, dropped. The sub-group index for 'milk and milk products' moved up by 4.7 per cent to 365.0 due to a rise in the prices of milk and ghee.

Higher prices of gingelly oil and vanaspati resulted in an advancement of the sub-group index for 'edible oils' by 0.4 per cent to 374.0 although there was a fall in the prices of groundnut oil, coconut oil and mustard oil, The sub-group index for 'fish, eggs and meat' moved higher by 2.6 per cent to 548.9 owing to a rise in the prices of fish. However, the prices of eggs and meat receded.

'Sugar & allied products' sub-group index moved up by 7.1 per cent to 334.6 owing to a rise in the prices of all the items except confectionary. Higher prices of spices & condiments, coffee and betelnuts raised the index for 'other food articles' by 2.4 per cent to 307.3. The prices of salt however, witnessed a fall while those of processed food remained unchanged.

Liquor & Tobacco

The sub-group index for 'liquor' stood stationary at its

Index Numbers of Wholesale Prices by Groups & Sub-Groups

(Based 1961-62 = 100)

Group & sub-group	May 1975	April 1975	May 1974	Percentage rise (+) or fall (—) in May, 1975	
				Over April 1975	Over May 1974
Food Articles	371.2	361.1	340.7	+2.8	+9.0
Foodgrains	394.1	391.8	370.8	+0.6	+6.3
Cereals	380.7	377.2	351.3	+0.9	+8.4
Pulses	459.3	457.9	458.8	+0.3	+9.1
Fruits and vegetables	293.6	269.1	329.3	+9.1	—10.8
Milk and milk products	365.0	348.7	319.7	+4.7	+14.2
Edible oils	374.0	372.4	397.3	+0.4	—5.9
Fish, eggs and meat	548.9	535.2	475.3	+2.6	+15.5
Sugar and allied products	334.6	312.3	276.6	+7.1	+21.0
Others	307.3	300.0	233.1	+2.4	+31.9
Liquor and Tobacco	315.7	312.4	293.8	+1.0	+7.5
Liquor	215.2	215.2	191.6	nil	+12.3
Tobacco	320.4	316.9	298.5	+1.1	+7.3
Fuel, Power, Light & Lubricants	323.0	322.1	308.7	+0.3	+4.6
Coal	244.3	244.3	244.3	nil	nil
Coke	357.3	357.3	357.3	nil	nil
Mineral oils	402.5	401.1	383.2	+0.4	+5.0
Rectified spirit	367.9	323.1	319.1	+13.9	+15.3
Electricity	211.6	211.6	186.5	nil	+13.5
Castor oil	287.6	294.1	392.9	—2.2	—26.8
Industrial Raw Materials	286.7	286.6	326.5	nil	—12.2
Fibres	241.7	238.4	264.2	+1.4	—8.5
Oilseeds	348.7	350.2	409.1	—0.4	—14.8
Minerals	158.1	158.1	158.0	nil	+0.1
Others	247.1	249.1	277.1	—0.8	—10.8
Chemicals	331.4	331.9	281.0	—0.2	+17.9
Machinery & Transport Equipment	268.0	267.1	229.4	+0.3	+16.8
Electrical machinery	262.5	257.8	216.5	+1.8	+21.2
Non-electrical machinery	300.3	300.9	260.9	—0.2	+15.1
Transport equipment	214.4	214.4	184.1	nil	+18.5
Manufactures	251.9	252.2	246.3	—0.1	+3.3
Intermediate Products	301.4	298.7	335.7	—0.9	—10.2
Textile yarn	226.9	221.9	273.3	+2.2	—17.0
Leather	251.3	243.3	248.0	+3.3	+1.3
Metals	388.0	387.9	409.7	nil	—5.3
Linseed oil	320.6	325.7	432.5	—1.6	—25.9
Finished Products	239.9	240.9	224.6	—0.4	+6.8
Textiles	223.7	225.8	230.4	—0.7	+2.9
Metal products	290.9	290.9	256.6	nil	+13.4
Non-metallic products	277.7	276.6	216.2	+0.8	+28.4
Chemical products	254.6	254.8	202.8	—0.1	+25.5
Leather products (shoes)	147.3	147.3	125.4	nil	+17.5
Rubber products	231.8	231.8	167.8	nil	+38.1
Paper products	230.3	230.3	194.9	nil	+18.2
Oilcakes	289.0	299.1	348.5	—3.4	—17.1
Misc. products	174.3	174.2	168.3	nil	+3.6
All Commodities	313.1	308.8	298.9	+1.4	+4.8

Source : Office of the Economic Adviser to the Government of India, Ministry of Industry & Civil Supplies.

previous month's level of 215.2. The sub-group index for 'tobacco' moved up by 1.1 per cent to 320.4 owing to a rise in the prices of both raw tobacco and tobacco manufactures.

Fuel, Power Light and Lubricants

The sub-group indices for 'coal, coke, and electricity' remained unchanged at their earlier month's level of 244.3, 357.3 and 211.6 respectively. The sub-group index for 'mineral oils' rose by 0.4 per cent to 402.5 due to an increase in the prices of lubricating oil. The sub-group index for rectified spirit also rose by 13.9 per cent to 367.9. 'Castor oil' drifted lower by 2.2 per cent to 287.6.

Industrial Raw Materials

Higher prices of almost all the fibres (except hemp raw & wool raw which remained stationary and coir fibre which moved down) raised the sub-group index for 'fibres' by 1.4 per cent to 241.7. 'Oilseeds' drifted lower by 0.4 per cent to 348.7 due to a sharp fall in the prices of copra and a slight fall in linseed, even though the other oilseeds viz. castor seed. cashewnuts, gingelly seed, rapeseed & cotton seed experienced some price rise.

The sub-group index for 'minerals' stood stationary at its last month's level of 158.1. The sub-group index for 'other industrial raw materials' witnessed a fall of 0.8 per cent to 247.1 owing to a decline in the prices of rubber and lac. However, the prices of raw hides, raw skin and tanning materials advanced.

Chemicals

The index for this group declined by 0.2 per cent to 331.4 due to a fall in the price of caustic soda.

Machinery and Transport Equipment

The sub-group index for 'electrical machinery' registered a rise of 1.8 per cent to 262.5. The sub-group index for 'non-electrical machinery' declined by 0.2 per cent to 300.3 due to fall in the price of machinery other than electricals. The sub-group index for 'transport equipment' stood stationary at its last month's level of 214.4.

Manufactures

Intermediate Products: The sub-group index for 'textile yarn' advanced by 2.2 per cent to 226.9 due to a rise in the prices of cotton yarn, rayon yarn & coir yarn. 'Leather' also advanced by 3.3 per cent to 251.3. 'Metals' stood at 388.0 as against 387.9 for the earlier month. The sub-group index for 'linseed oil' receded by 1.6 per cent to 320.6.

Finished Products: The sub-group index for 'textiles' declined by 0.7 per cent to 223.7 due to a fall in the prices of cloth (mills), jute manufactures and silk and rayon manufactures. 'Metal products' stood stationary at its last month's level of 290.9. The sub-group index for 'non-metallic products' advanced by 0.8 per cent to 277.7 due to a rise in the prices of bricks & tiles and glass manufactures.

'Chemical Products' receded by 0.1 per cent to 254.6 due to a fall in the prices of fertilisers, essential oils and insecticides. However, the price of dyeing materials moved up. The subgroup indices for 'leather products', 'rubber products' and 'paper products', stood stationary at their last month's levels of 147.3, 231.8 & 230.3 respectively. 'Oilcakes' fell by 3.4 per cent to 289.0. The subgroup index for 'miscellaneous products' stood at 174.3 as against 174.2 for the earlier month.

Index Numbers of Security Prices—All India
(Base 1970-71=100)

Week ended	1974	1975				
	August 3	July 5	July 12	July 19	July 26	August 2
Government and Semi Government Securities	97.7	96.3	96.3	96.3	96.3	96.3
Government of India	97.0	95.2	95.2	95.2	95.2	95.2
State governments	99.6	99.1	99.1	99.1	99.1	99.1
Semi-governmental institutions	100.7	101.1	101.1	101.1	101.1	101.1
Debentures	96.9	93.1	93.1	93.1	93.1	93.1
Preference Shares	92.9	85.5	85.1	85.2	85.3	85.3
Ordinary Shares	127.7	90.8	92.7	94.8	97.2	99.3
Tea plantations	123.8	112.6	114.4	115.7	115.8	116.8
Cotton textiles	154.7	107.0	108.0	109.8	110.6	112.1
Jute textiles	164.5	103.9	107.0	105.4	106.2	108.0
Silk, woollen and rayon textiles	149.3	104.5	106.1	108.2	110.8	114.6
Iron and steel	58.0	43.0	44.8	46.3	50.0	51.0
Aluminium	73.3	52.1	54.2	56.3	59.2	60.7
Transport equipment	102.1	62.2	63.6	64.0	64.8	65.2
Electrical machinery, apparatus, appliances, etc.	132.2	85.5	88.4	91.8	96.5	99.6
Chemical fertilisers	186.0	134.0	137.0	138.9	141.1	144.7
Other basic industrial chemicals	121.9	93.0	95.8	98.7	101.8	104.8
Cement	109.2	78.7	80.7	82.3	83.4	86.7
Paper and paper products	184.7	141.3	143.0	145.8	151.5	152.8
Rubber and rubber products	121.4	80.7	86.2	88.2	89.4	91.0
Electricity generation and supply	84.7	59.0	59.7	61.2	61.8	62.4
Shipping	167.9	125.2	126.8	131.6	136.9	150.5

Sources : Reserve Bank of India.

Reserve Bank of India (Rs lakhs)

	August 1, 1975	A week ago	A month ago	A year ago
Issue Department				
Notes held in banking department	12,34	45,64	12,46	23,05
Notes in circulation	6,262,63	6,303,60	6,581,27	6,161,41
Total notes issued	6,274,97	6,349,24	6,594,73	6,184,45
Gold coin and bullion	182,53	182,53	182,53	182,53
Foreign securities	121,74	121,74	121,74	166,74
Rupee coin	10,32	9,58	4,08	12,78
Banking Department				
Deposits of central govt.	84,90	56,86	58,16	56,64
Deposits of state govts.	14,95	9,14	10,76	24,28
Deposits of banks	596,03	609,14	550,05	614,55
Other deposits	1,047,80	1,035,22	994,74	511,63
Other liabilities	1,843,05	1,820,97	1,855,37	1,384,27
Total liabilities or assets	3,586,74	3,531,32	3,469,08	2,591,37
Notes and coins	12,45	45,72	12,52	23,15
Balance held abroad	414,86	425,58	412,34	504,93
Loans and advances to :				
State governments	121,02	214,43	362,52	137,77
Scheduled commercial banks	55,18	48,37	251,37	210,71
State cooperative banks	381'99	354,90	356,38	242,19
Other loans and advances	408,35	405,97	404,63	271,32
Bills purchased and discounted :				
Internal	59,74	98,66	120,46	230,56
Government treasury bills	650,58	404,29	248,18	312,93
Investments	1,125,60	1,168,85	912,32	554,87
Other assets	356,97	366,65	388,35	102,94

Scheduled Commercial Banks (Rs lakhs)

	August 1, 1975	A week ago	A month ago	A year ago
Demand Deposits	5,359,05	5,339,57	5,231,08	4,692,88
Time deposits	7,401,56	7,330,99	7,229,88	6,263,51
Aggregate deposits	12,760,61	12,670,56	12,460,96	10,956,39
Borrowings from Reserve Bank	55,18	48,37	251,37	210,71
Cash	291,95	301,45	372,15	251,77
Balances with Reserve Bank	576,64	590,07	523,46	593,93
Cash and balances with Reserve Bank	868,59	891,52	895,61	845,70
Investments in government securities	3,112,24	2,973,29	2,896,10	2,592,09
Advances	7,228,70	7,241,13	7,277,57	6,316,23
Inland bills purchased and discounted	1,287,07	1,346,24	1,367,99	1,130,80
Foreign bills purchased and discounted	324,37	325,63	342,20	365,90
Total bank credit	8,840,14	8,913,00	8,987,76	7,813,04
Percentage of :				
(7) to (3)	7.81	7.04	7.19	7.72
(8) to (3)	24.39	23.47	23.24	23.66
(12) to (3)	69.28	70.34	72.13	71.31

Source : Reserve Bank of India.

Money Supply with the Public (Rs crores)

Week ended	1974	1975				
	July 26	June 27	July 4	July 11	July 18	July 25
A Money supply with the public	11,345	12,180	12,151	12,227	12,165	12,246
Currency with the public	6,412	6,766	6,711	6,744	6,647	6,699
Other deposits with the Reserve Bank	56	67	56	53	55	56
Bank money	4,877	5,347	5,384	5,430	5,463	5,491
B. Factors affecting money supply (1+2+3+4—5)						
1. Net Bank credit to government sector (a+b)	9,333	10,490	10,632	10,755	10,803	10,732
(a) Reserve bank's net credit to government sector	6,658	7,515	7,636	7,727	7,756	7,659
(b) Other banks' credit to government sector	2,675	2,975	2,996	3,028	3,047	3,073
2. Bank credit to commercial sector (a+b)	9,942	11,222	11,234	11,144	11,131	11,152
(a) Reserve Bank's credit to commercial sector	623	626	634	637	632	614
(b) Other banks' credit to commercial sector	9,319	10,596	10,600	10,507	10,499	10,538
3. Net foreign exchange assets of banking sector	611	321	305	327	271	316
4. Government's net currency liabilities to the public	516	546	548	548	546	542
5. Non-monetary liabilities of banking sector (a+b+c)	9,057	10,399	10,568	10,547	10,586	10,696
(a) Time deposits with banks	6,597	7,556	7,628	7,658	7,709	7,728
(b) Net non-monetary liabilities of RBI	1,444	1,955	2,012	2,013	2,048	2,040
(c) Residual	1,016	888	928	876	829	928
C. Aggregate monetary resources [A+B5(a)]	17,942	19,736	19,779	19,885	19,874	19,774

Source : Reserve Bank of India.

Consumer Price Index Numbers for Industrial Workers

(1949=100)

Centre	1965-66	1970-71	1971-72	1972-73	1973-74	1974-75	1974			1975			
							April	Nov.	Dec.	Jan.	Feb.	Mar.	April
						(1949 = 100)							
All-India	169	226	233	251	304	386	344	402	396	396	395	390	393
						(1960 = 100)							
All-India		186	192	207	250	317	283	331	326	326	325	321	323
Ahmedabad	130	176	181	198	245	305	272	321	317	311	305	304	307
Alwaye	145	198	202	215	267	346	298	354	269	368	265	378	391
Asansol	140	189	194	206	245	316	286	329	319	320	320	319	318
Bangalore	144	186	194	212	265	318	286	328	330	335	340	336	336
Bhavnagar	132	186	194	217	273	327	297	344	342	345	340	333	329
Bombay	130	182	190	203	233	289	259	301	298	298	300	301	303
Calcutta	131	182	187	197	228	288	264	308	297	289	279	275	280
Coimbatore	132	163	177	189	218	309	258	326	329	341	353	335	334
Delhi	136	199	211	222	265	337	309	344	342	342	335	335	339
Digboi	138	189	188	198	234	310	260	335	328	318	320	314	325
Gwalior	139	191	197	214	271	348	316	367	350	350	350	343	334
Howrah	137	186	191	206	239	298	274	317	307	300	294	289	286
Hyderabad	140	189	195	211	251	304	273	316	321	325	320	317	319
Jamshedpur	136	183	187	202	249	313	293	323	307	304	301	297	299
Madras	134	170	182	203	229	301	261	319	323	327	326	323	325
Madurai	128	183	192	206	236	334	266	356	348	371	372	356	354
Modinagar	151	205	204	225	292	363	344	366	345	357	357	333	335
Mundakayam	138	197	199	210	263	337	191	347	348	353	349	366	377
Nagpur	138	187	192	203	256	314	277	327	321	322	336	332	331
Saharanpur	141	186	196	213	253	338	294	350	359	356	349	341	331
Sholapur	128	185	198	216	277	325	288	336	335	346	349	345	351

Source : Labour Bureau, Government of India.

Consumer Price Index Number for Urban Non-manual Employees

(1960=100)

Centre	1965-66	1970-71	1971-72	1972-73	1973-74	1974-75	1974				1975		
							Mar.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
All-India	132	174	180	192	221	270	238	282	283	282	280	278	277
Bombay	132	168	172	183	204	241	213	249	250	248	246	241	242
Delhi-New Delhi	131	174	180	190	217	262	236	271	269	268	269	268	268
Calcutta	126	170	174	180	204	238	219	246	246	244	239	238	241
Madras	133	175	188	204	231	291	250	304	308	313	311	306	306
Hyderabad-Secunderabad	133	174	180	195	223	270	237	278	282	285	289	286	280
Bangalore	133	172	180	194	228	272	246	279	281	282	284	283	284
Lucknow	132	166	174	185	215	265	235	275	276	274	272	269	270
Ahmedabad	131	171	173	188	222	271	233	281	282	280	279	278	276
Jaipur	133	183	188	205	244	208	266	327	323	322	317	316	315
Patna	139	191	190	199	229	286	259	311	304	299	293	287	287
Srinagar	134	184	191	200	215	262	227	273	276	275	272	272	273
Trivandrum	131	178	184	198	231	280	250	282	286	289	288	292	292
Cuttack-Bhubaneswar	142	176	184	196	221	266	239	282	285	278	273	269	267
Bhopal	133	180	188	204	238	295	258	310	312	307	305	301	299
Chandigarh	129	178	189	194	247	265	237	272	277	277	277	277	277
Shillong	123	166	175	183	208	257	217	274	274	267	262	267	274

Source : Central Statistical Organisation.

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